



Europäisches  
Patentamt  
European  
Patent Office  
Office européen  
des brevets

# Financial Statements

## Accounting Period **2009**



**Financial Statements**  
**Accounting Period 2009**

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# Audit opinion

We have audited the financial statements, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (Article 69 paragraph 1a of the Financial Regulations), together with the bookkeeping system of the European Patent Organisation (EPO) for the accounting period 1 January to 31 December 2009 – as disclosed in CA/60/10. The maintenance of the books and records and the preparation of the financial statements in accordance with Article 50(g) of the European Patent Convention (EPC) and the Financial Regulations (FinRegs), as described in Section 2.1 of CA/60/10 ("Basis of preparation") lies with the President of the EPO. Under Article 1 paragraph 3 FinRegs, the EPO's generally accepted accounting principles are the International Reporting Standards (IFRS), except for the IAS 19.7 provisions governing plan assets. Our responsibility is to express an opinion on the financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the financial statements in accordance with Article 49 EPC and the appropriate regulations of the FinRegs – especially Article 79 FinRegs.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with the legal requirements of the FinRegs and give a true and fair view of the net assets, financial position and results of operations of the EPO in accordance with accounting principles as laid down in Article 1 paragraph 3 FinRegs.

Without qualifying this opinion, we point out that the EPO had applied IFRS 1 as of the transition date 1 January 2005, despite not being a first-time adopter within the meaning of that standard. In line with the FinRegs but not in accordance with IAS 19.7, the EPO has netted out its plan assets and defined benefit obligations, although not entitled to do so because the plan assets are not held legally separate from the EPO. The EPO is therefore unable to give a valid explicit and unreserved statement of IFRS compliance pursuant to IFRS 1.3 (issued June 2003). So, as of the transition date 1 January 2005 the EPO was not a first-time adopter within the meaning of IFRS 1 and, since the FinRegs allow it to depart from IAS 19.7 only, cannot apply the exemptions and concessions available under IFRS 1. However, and despite using the corridor approach for its employee benefits, the EPO has nonetheless applied the exemption under IFRS 1.20 (issued June 2003) and recognised, as at the transition date of 1 January 2005, all cumulative actuarial gains and losses since the start of the plan.

Munich, 27 April 2010

The Board of Auditors

# Financial Statements

## Statement of Comprehensive Income for the year ended 31 December 2009

|  | Notes     | 2009            | 2008          |
|--|-----------|-----------------|---------------|
| in '000 EUR                                    |           |                 |               |
| Revenue  |           |                 |               |
| Revenue from patent and procedural fees        | (3)       | 1 215 181       | 1 165 947     |
| Other revenue                                  | (3)       | 56 364          | 44 886        |
| Other operating income                         | (5)       | 15 851          | 20 818        |
| Work performed and capitalised                 | (11)      | 618             | 1 687         |
| Employee benefit expenses                      | (6)       | (1 021 493)     | (942 064)     |
| Depreciation and amortisation expenses         | (10) (11) | (58 447)        | (59 919)      |
| Other operating expenses                       | (7)       | (187 879)       | (200 799)     |
| <b>Operating result</b>                        |           | <b>20 195</b>   | <b>30 556</b> |
| Finance revenue                                | (8)       | 206 231         | 303 080       |
| Finance costs                                  | (9)       | (298 999)       | (275 920)     |
| <b>Financial result</b>                        |           | <b>(92 768)</b> | <b>27 160</b> |
| <b>Profit/(loss) for the year</b>              |           | <b>(72 573)</b> | <b>57 716</b> |
| Other comprehensive income                     |           |                 |               |
| Available-for-sale financial assets            | (13)      | (643)           | 1 724         |
| <b>Total comprehensive income for the year</b> |           | <b>(73 216)</b> | <b>59 440</b> |

The notes are an integral part of the financial statements. Regarding potential future national renewal fees, see Notes 2.5.3. and 4.

## Statement of Financial Position as of 31 December 2009

in '000 EUR

| Assets                               | Notes | 2009               | 2008               |
|--------------------------------------|-------|--------------------|--------------------|
| <b>Non-current assets</b>            |       |                    |                    |
| Property, plant and equipment        | (10)  | 687 120            | 710 431            |
| Intangible assets                    | (11)  | 36 880             | 37 805             |
| Marketable securities                | (13)  | 92 781             | 8 833              |
| Home loans to staff                  | (14)  | 103 425            | 99 307             |
| Other assets                         | (12)  | 55 860             | 53 138             |
| <b>Total non-current assets</b>      |       | <b>976 066</b>     | <b>909 514</b>     |
| <b>Current assets</b>                |       |                    |                    |
| Trade and other receivables          | (15)  | 112 508            | 125 486            |
| Marketable securities                | (13)  | –                  | 73 595             |
| Home loans to staff                  | (14)  | 3 815              | 4 610              |
| Other financial assets               | (16)  | 413 070            | 408 400            |
| Cash and cash equivalents            | (17)  | 105 893            | 48 866             |
| <b>Total current assets</b>          |       | <b>635 286</b>     | <b>660 957</b>     |
| <b>Total assets</b>                  |       | <b>1 611 352</b>   | <b>1 570 471</b>   |
| <b>Equity and liabilities</b>        |       |                    |                    |
|                                      |       | <b>2009</b>        | <b>2008</b>        |
| <b>Equity</b>                        |       |                    |                    |
| Retained earnings                    |       | (1 859 356)        | (1 786 783)        |
| Other reserves                       |       | (930)              | (287)              |
| <b>Total equity</b>                  |       | <b>(1 860 286)</b> | <b>(1 787 070)</b> |
| <b>Non-current liabilities</b>       |       |                    |                    |
| Net defined benefit liability        | (18)  | 2 359 106          | 2 231 525          |
| Salary Savings Plan obligation       | (19)  | 762                | –                  |
| Trade and other payables             | (20)  | 6 233              | 5 703              |
| Finance lease liabilities            | (21)  | 13 709             | 18 158             |
| Provisions                           | (22)  | 12 406             | 6 508              |
| Prepaid fees                         | (23)  | 553 167            | 542 353            |
| <b>Total non-current liabilities</b> |       | <b>2 945 383</b>   | <b>2 804 247</b>   |
| <b>Current liabilities</b>           |       |                    |                    |
| Trade and other payables             | (20)  | 188 740            | 199 327            |
| Finance lease liabilities            | (21)  | 11 249             | 11 104             |
| Provisions                           | (22)  | 7 844              | 7 609              |
| Prepaid fees                         | (23)  | 318 422            | 335 254            |
| <b>Total current liabilities</b>     |       | <b>526 255</b>     | <b>553 294</b>     |
| <b>Total liabilities</b>             |       | <b>3 471 638</b>   | <b>3 357 541</b>   |
| <b>Total equity and liabilities</b>  |       | <b>1 611 352</b>   | <b>1 570 471</b>   |

The notes are an integral part of the financial statements. Regarding potential future national renewal fees, see Notes 2.5.3. and 4.

## Statement of Changes in Equity for the year ended 31 December 2009

in '000 EUR

|                                    | Issued capital | Cumulative changes in equity not recognised through profit or loss (Note 13) | Reserves    | Total equity       |
|------------------------------------|----------------|--|-------------|--------------------|
| <b>Balance at 1 January 2008</b>   | –              | (2 011)  | (1 844 499) | <b>(1 846 510)</b> |
| Changes in equity for 2008         |                | 1 724  | 57 716      | <b>59 440</b>      |
| <b>Balance at 31 December 2008</b> | –              | (287)  | (1 786 783) | <b>(1 787 070)</b> |
| Changes in equity for 2009         |                | (643)  | (72 573)    | <b>(73 216)</b>    |
| <b>Balance at 31 December 2009</b> | –              | (930)  | (1 859 356) | <b>(1 860 286)</b> |

The notes are an integral part of the financial statements. Regarding potential future national renewal fees, see Notes 2.5.3. and 4.

## Statement of Cash Flows for the year ended 31 December 2009

in '000 EUR

| Cash flows from operating activities  | Notes     | 2009            | 2008             |
|---|-----------|-----------------|------------------|
| Profit/loss of the year   |           | (72 573)        | 57 716           |
| Adjustments for:  |           |                 |                  |
| Depreciation and amortisation   | (10) (11) | 58 447          | 59 919           |
| Disposal of property, plant and equipment                                       | (10)      | 1 804           | 1 940            |
| Other gains and losses  |           | (1 899)         | (7 560)          |
| Net interest  |           | (18 433)        | (22 573)         |
| Changes in net defined benefit liability  | (18)      | 127 581         | (256 553)        |
| Changes in Salary Savings Plan obligation                                       | (18)      | 762             | –                |
| Changes in provisions   | (21)      | 6 133           | 557              |
| Changes in prepaid fees   | (22)      | (6 018)         | 77 900           |
| Changes in other assets and liabilities carried as working capital              |           | (7 200)         | (298 951)        |
| <b>Total</b>  |           | <b>88 604</b>   | <b>(387 605)</b> |
| <b>Cash flows from investing activities</b>                                     |           |                 |                  |
|   |           | <b>2009</b>     | <b>2008</b>      |
| Proceeds from disposal of:  |           |                 |                  |
| Property, plant and equipment   |           | 92              | 48               |
| Marketable securities   |           | 83 900          | 235 309          |
| Purchases of:   |           |                 |                  |
| Property, plant and equipment   |           | (24 405)        | (11 033)         |
| Intangible assets   |           | (3 607)         | (6 223)          |
| Marketable securities   |           | (93 644)        | –                |
| Home loans granted to staff   |           | (23 098)        | (21 554)         |
| Repayment of staff home loans   |           | 18 923          | 16 026           |
| Interest received   |           | 24 415          | 17 989           |
| <b>Total</b>  |           | <b>(17 424)</b> | <b>230 562</b>   |
| <b>Cash flows from financing activities</b>                                     |           |                 |                  |
|   |           | <b>2009</b>     | <b>2008</b>      |
| Interest paid   |           | (1 793)         | (1 264)          |
| Repayment of lease liabilities  |           | (12 360)        | (8 768)          |
| <b>Total</b>  |           | <b>(14 153)</b> | <b>(10 032)</b>  |
| <b>Net increase/decrease in cash and cash equivalents</b>                       |           |                 |                  |
|   |           | <b>(17)</b>     | <b>(167 075)</b> |
| Cash and cash equivalents net of bank overdrafts at the beginning of the period |           | 48 866          | 216 193          |
| Effect of exchange rate changes on cash and cash equivalents                    |           | –               | (252)            |
| Cash and cash equivalents net of bank overdrafts at the end of the period       |           | 105 893         | 48 866           |

The notes are an integral part of the financial statements. Regarding potential future national renewal fees, see Notes 2.5.3. and 4.

## Notes

## 1. GENERAL INFORMATION

The European Patent Organisation (the Organisation or the EPO) is an intergovernmental organisation set up pursuant to the European Patent Convention (EPC) which entered into force in 1977. It is the outcome of the European countries' collective political determination to establish a unitary patent system in Europe.

The Organisation comprises its legislative body, the Administrative Council, and its executive body, the European Patent Office (the Office). The Organisation is represented by the President of the Office. The task of the Organisation is to grant European patents, and is carried out by the Office supervised by the Administrative Council.

The Organisation is a legal entity and has its seat in Munich, a branch at The Hague/Rijswijk and sub-offices in Berlin and Vienna. The address of its head office is Erhardtstraße 27, 80469 Munich, Germany.

As laid down in the EPC and in the Organisation's Financial Regulations (FinRegs) effective as of 26 June 2007, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as provided by the International Accounting Standards Board (IASB), with the exception of the criteria for plan assets as defined in IAS 19.7.

These financial statements were authorised for issue by the President on 19 April 2010.

With respect to the information provided in the Statement of Comprehensive Income and in the Statement of Financial Position, it should be noted that

- as an intergovernmental organisation, the EPO cannot become insolvent because according to the EPC its Contracting States are obliged to finance any deficit;
- the value of future national renewal fees cannot be shown as an asset but is an essential factor for the Organisation's actual financial position.

For more details, see Notes 2.5.3. and 4 on future renewal fees for European patents and Note 29.2 on capital management.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for marketable securities which are measured at fair value. The financial statements are presented in euros (EUR) and all values are rounded to the nearest thousand (EUR '000) unless otherwise indicated.

Due to the exception in the Financial Regulations as regards non-adoption of the criteria for plan assets as defined in IAS 19.7 (see Note 1), the Organisation was not an IFRS first-time adopter within the meaning of IFRS 1. However, the Organisation had applied IFRS 1 as of the transition date 1 January 2005 to be comparable with other IFRS first-time adopters and fulfilled the disclosure requirements of IFRS 1.

In accordance with **IFRS 8, Operating Segments** (replacing the former **IAS 14, Segment Reporting**) the Organisation has not prepared a segment reporting, as IAS 14 must be applied only by entities whose debt or equity securities are publicly traded and by those in the process of issuing such securities in public securities markets.

#### 2.1.1. Standards effective in 2009 and having an impact on the Financial Statements as of 31 December 2009

**IFRS 7 (Amendment), Financial instruments – Disclosures** (effective 1 January 2009) requires additional disclosures about liquidity risk and fair value measurement, in particular regarding reconciliations of movements between levels of fair value measurement hierarchy as well as maturities of financial assets.

**IAS 1 (Revised 2007), Presentation of financial statements** (effective from 1 January 2009) requires information in financial statements to be aggregated on the basis of shared characteristics. It introduces a statement of comprehensive income to enable readers to analyse any changes in equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revised standard gives preparers of financial statements the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with sub-totals ("one statement approach"), or in two separate statements (a separate income statement followed by a statement of comprehensive income: "two statements approach"). The revision also amends the titles of some financial statements to reflect their function more clearly. The new titles will be used in accounting standards, but are not mandatory in financial statements. The revised standard affects only the presentation of the Organisation's financial information. Applying the "one statement approach", the EPO presents a "Statement of Comprehensive Income" and has changed the title "Balance Sheet" to "Statement of Financial Position".

### 2.1.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Organisation

**IFRS 1 (Amendments), First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters** (effective for annual periods beginning on or after 1 January 2010). IFRS 1 has been amended to provide additional exemptions from full retrospective application of IFRS for the measurement of oil and gas assets and leases. These amendments will have no impact on the EPO's accounts.

**IFRS 2, Group Cash-settled Share-based Payment Arrangements** (effective for annual periods beginning on or after 1 January 2010). These amendments to IFRS 2 consist of three basic amendments: the definition of share-based transactions and arrangements has been amended, as has the scope of IFRS 2, and guidance on accounting for group cash-settled share-based payment transactions has been provided. These amendments will have no impact on the EPO's accounts.

**IFRS 3 (Revised), Business Combinations** (effective for periods beginning on or after 1 July 2009). A change to the scope of IFRS 3 increases the number of transactions to which it must be applied, by including e.g. combinations of mutual entities. These amendments will have no impact on the EPO's accounts.

**IFRS 9, Financial Instruments** (effective 1 January 2013). This standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. New requirements for classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting are expected to be added to IFRS 9 in 2010. As a result, IFRS 9 will eventually be a complete replacement for IAS 39 and IFRS 7. EPO management will analyse the impact of early adoption of IFRS 9.

**IAS 24 (Revised), Related Party Disclosures** (effective 1 January 2011). The amendments to IAS 24 simplify the disclosure requirements for entities controlled, jointly controlled or significantly influenced by a government (known as "government-related entities") and clarify the definition of a related party. EPO management is analysing the impact of these amendments on the Organisation's related party disclosures.

**IAS 27 (Amendment), Consolidated and Separate Financial Statements** (effective for periods beginning on or after 1 July 2009). The revisions to IAS 27 principally affect the accounting for transactions or events that result in a change in interest in subsidiaries. These amendments will have no impact on the EPO's accounts.

**IAS 39 (Amendment), Financial Instruments: Recognition and Measurement – Eligible Hedged Items** (effective for periods beginning on or after 1 July 2009). The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. These amendments will have no impact on the EPO's accounts.

**IFRIC 14, Prepayment of a Minimum Funding Requirement** (effective 1 January 2011). **IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction** has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognise prepayments of minimum funding contributions as an asset. This will have no impact on the EPO's accounts.

**IFRIC 17, Distributions of Non-cash Assets to Owners** (effective for annual periods beginning on or after 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. It will have no impact on the EPO's accounts.

**IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments** (effective 1 July 2010). The interpretation addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability. It concludes that such issues constitute consideration paid. The consideration should be measured at the fair value of the equity instruments issued, unless that fair value is not readily determinable, in which case the equity instruments should be measured at the fair value of the obligation extinguished. Any difference between the fair value of the equity instruments issued and the carrying value of the liability extinguished is recognised in profit or loss. This will have no impact on the EPO's accounts.

### 2.1.3. Interpretations and amendments to existing standards effective in 2009 but not relevant for the Organisation's operations

The following Interpretations and amendments to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not relevant to the Organisation's operations:

- **IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards** – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- **IFRS 2 (Amendment), Share-based Payment** – Vesting Conditions and Cancellations
- **IFRS 8, Operating Segments**
- **IAS 23 (Revised), Borrowing Costs** not relevant in 2009
- **IAS 27 (Amendment), Consolidated and Separate Financial Statements** – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- **IAS 32 (Amendment), Financial Instruments: Presentation** and **IAS 1 Presentation of Financial Statements** – Puttable Financial Instruments and Obligations Arising on Liquidation
- **IFRIC 9 (Amendment), Reassessment of Embedded Derivatives** and **IAS 39 Financial Instruments: Recognition and Measurement** – Embedded Derivatives
- **IFRIC 13, Customer Loyalty Programmes**
- **IFRIC 15, Agreements for the Construction of Real Estate**
- **IFRIC 16, Hedges of a Net Investment in a Foreign Operation**
- **IFRIC 18, Transfers of Assets from Customers**

In May 2008 and April 2009 the IASB issued omnibuses of amendments to its standards, primarily to remove inconsistencies and clarify wording. None of these amendments has any impact on the financial position or performance of the Organisation; they are therefore not included in the list above.

## 2.2. CONSOLIDATION

Although the Reserve Funds for Pensions and Social Security (RFPSS) have to be internally treated and reported as a special class of asset of the Organisation, the EPO does not prepare consolidated financial statements, because under IFRS the Organisation constitutes a single entity.

## 2.3. FOREIGN CURRENCY TRANSLATION

The financial statements are presented in euro, the Organisation's functional currency. Foreign currency transactions are translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

## 2.4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements in order to conform to IFRS. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the balance sheet date and the reported amounts of revenue and expenses during the reporting period. The estimates and judgements are continually evaluated and are based on historical experience, third-party transactions and other factors, including expectations of current and future events that are believed to be reasonable under the circumstances. The following significant accounting judgements and estimates and related assumptions and uncertainties inherent in the accounting policies applied are essential to an understanding of the underlying financial reporting risks and the effects on the financial statements.

The assets and liabilities relating to the defined benefit pension plans and other post-employment benefits as defined in Note 2.14.1.1. are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, future pension increases and other actuarial parameters. Calculation of the defined benefit plan also means making assumptions to determine the level of lump-sum payments as partial compensation for the national tax levied on pensions ("partial compensation", disclosed as the "tax adjustment" pre-2009). Due to the long-term nature of these plans, such estimations are subject to significant uncertainties.

The Organisation exercises judgement in measuring and recognising provisions related to outstanding legal claims. Judgement is necessary in assessing the likelihood that an outstanding legal claim will succeed and to quantify the possible range of the final settlement. Provisions are recorded for liabilities when losses are expected from executory contracts, or a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties, actual losses may be different from the originally estimated provision. These estimates are updated when new information becomes available.

The Organisation follows the guidance of IAS 39 Financial Instruments: Recognition and Measurement on determining when an available-for-sale financial asset is other than temporarily impaired. This requires significant judgement. In making this judgement, the Organisation evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost.

Development costs are capitalised in accordance with the accounting policy in Note 2.10. Determining the amounts to be capitalised requires management to make assumptions about e.g. technological feasibility, expected benefits, allocation of costs to research or development phases, and the costs directly attributable to development of the assets.

National renewal fees for the fourth quarter of the reporting period not received before the closure of the accounts are accrued using estimates based on the average amount received in previous periods.

## 2.5. REVENUE RECOGNITION

### 2.5.1. Revenue from patent and procedural fees

#### 2.5.1.1. Patent granting, opposition and appeal procedures (EPC and Euro-PCT)

The EPO, as the patent granting authority for Europe, processes patent applications from filing up to grant (or refusal), opposition procedures against granted patents and appeals against EPO decisions.

A European patent can be obtained in one of two ways:

- European route: direct European patent application (EPC application)
- International route: European patent application derived from an international application filed under the Patent Cooperation Treaty (Euro-PCT application).

#### Principles of revenue recognition for fees from patent granting, opposition and appeal procedures

Patent granting, opposition and appeal procedures are fully standardised at the EPO and consist of different steps.

The fees for each step and the corresponding due dates are regulated in the European Patent Convention of 5 October 1973 (as in force at the balance sheet date) and its Implementing Regulations (as in force at the balance sheet date) and Rules relating to Fees of 20 October 1977 (as in force at the balance sheet date).

The patent applicant can decide at any time to abandon the procedure by not paying a fee which is due; the EPO then deems the application to be withdrawn.

In most cases, the EPO does not start performing the service related to each step until the applicant has paid the fees involved.

Patent granting fees are recognised in the Statement of Comprehensive Income after the service related to each fee has been fully performed by the EPO.

Fees are initially booked in the Statement of Comprehensive Income upon receipt of payment. To ensure that the Statement of Comprehensive Income shows only revenue for services actually rendered within the accounting period, the initially posted cash-based revenue is adjusted for prepaid fees at the closing date.

The prepaid fees, recognised in the Statement of Financial Position as liabilities, are carried forward and released to current revenue upon full completion of the underlying work as follows:

- **Search fees and claims fees for the eleventh and each subsequent claims:** the underlying search service is fully performed when the search report has been dispatched to the patent applicant.
- **Examination fees:** the underlying examination service is fully performed when the written communication of the intention to grant the patent or the decision to refuse the application has been sent to the patent applicant.
- **Opposition fees:** the underlying service is fully performed when the opposition procedure has been finalised, i.e. when a final decision by the opposition division has been communicated to the parties.
- **Appeal fees:** the underlying service is fully performed when the appeal procedure has been finalised, i.e. when a final decision by the board of appeal has been communicated to the parties.
- **Limitation fees:** the underlying service is fully performed when the examining division's decision as to whether or not the request for limitation is allowable has been communicated to the requester.

The following remaining fees are accounted for as current revenue upon receipt and are not adjusted for prepaid fees:

- **Filing fees:** the underlying service, comprising the formal check of the patent application, is completed by the EPO within a short time after filing. Payment is due within one month after the filing date.
- **Designation fees:** designation fees are not work-related; rather they are one-off fees payable to ensure protection of the invention in the EPO Contracting States and extension states of the applicant's choice. The underlying service has already been fully performed by the EPO at the date of filing, before payment of the fee is due.

As these fees are not refundable in any case, a liability for received payments for designation or extension fees not yet due at the year-end closing date is not recognised in the Statement of Financial Position.

Due to the lack of a legal payment obligation by the patent applicant, a trade receivable for potentially receivable fees at the closing balance sheet date with a due date in the following period is not recognised in the Statement of Financial Position.

- **Grant and printing fees:** grant and printing fees are due four months after conclusion of the examination service by the EPO.

Due to the lack of a legal payment obligation by the patent applicant, a trade receivable for potentially receivable fees at the closing balance sheet date with a due date in the following period is not recognised in the Statement of Financial Position.

- **Renewal fees for patent applications:** renewal fees for patent applications are not work-related and are due in advance on a yearly basis starting from the third year after the filing date. Therefore, a deferral of the amount for renewal fees for patent applications covering two financial periods is not recognised. The last renewal fee payable in respect of a European patent application covers the year in which mention of the grant of the patent is published.

For information on renewal fees post-grant, see Note 2.5.1.3 below (national renewal fees for granted patents).

#### 2.5.1.2. Searches and preliminary examinations on international applications (PCT procedure)

The EPO as an International Searching and Preliminary Examining Authority also performs international searches and preliminary examinations on international applications under the Patent Cooperation Treaty.

The due dates of the related fees are established by the World Intellectual Property Organization in the Patent Cooperation Treaty of 19 June 1970, as last amended on 3 October 2001, and the amounts are fixed in the Rules relating to Fees of 20 October 1977 (as in force at the balance sheet date).

#### Principles of revenue recognition for searches and preliminary examinations for international applications

The EPO does not start performing the service until the fee involved has been received.

As in the EPC and Euro-PCT procedure, revenue is recognised in the Statement of Comprehensive Income after the service related to each fee has been fully performed by the EPO.

International search and examination fees are initially booked in the Statement of Comprehensive Income upon receipt of payment. To ensure that the Statement of Comprehensive Income shows only revenue for services actually rendered within the accounting period, the initially posted cash-based revenue is adjusted for prepaid fees at the closing date.

The prepaid fees, recognised in the Statement of Financial Position as liabilities, are carried forward and released to current revenue as follows:

- **International and international-type search fees:** the file is considered completed when the search report has been dispatched.
- **PCT Chapter II examination fees:** the file is considered completed when the examining division has finalised its work.

**2.5.1.3. National renewal fees for granted European patents**

After a European patent has been granted, renewal fees for subsequent years during its term are payable to the designated Contracting States. Under Article 39 EPC, each Contracting State pays to the Organisation, for each European patent maintained in that state, a proportion of its national renewal fee fixed by the Administrative Council (since 1984: 50 %) and which may not exceed 75 % and is the same for all Contracting States. If that proportion is less than a uniform minimum amount fixed by the Administrative Council, the Contracting State has to pay that minimum to the Organisation. The structure and level of national renewal fees are fixed by the Contracting States.

The national patent offices of the Contracting States make these payments to the EPO on a quarterly basis.

**Principles of revenue recognition for national renewal fees for granted European patents**

National renewal fees for granted patents for the first three quarters of the year (due dates 30 April, 31 July and 30 October) are recognised as revenue upon receipt of payment. National renewal fees for the fourth quarter (due date 31 January) are accrued on the basis of cash received before year-end closure. Amounts not received by that date are accrued using estimates based on the average amount received in the first three quarters of the year.

**2.5.2. Other revenue**

Other revenue includes revenue from searches for national offices, third-party searches, patent information services and sales of patent information products, with the following principles of revenue recognition:

- Revenue from searches for national offices, third-party searches and patent information services are recorded upon performance of the corresponding service and issue of the invoice involved.
- For sales of patent information products, the revenue is recognised when ownership of the goods is transferred to the buyer.

**2.5.3. Potential future national renewal fees for European patents**

The EPO's costs related to the patent granting process from filing up to grant are covered only partly by its own procedural fees, the remainder being financed from national renewal fees for granted European patents, payable for each year the patent is maintained in force (see also Note 2.5.1.3.). Further information on the financing of the EPO is provided in Note 29.2 on capital management.

This is reflected in the Organisation's fee policy: when fixing its fees for the specific services delivered in the grant procedure, potential national renewal fees for granted patents are explicitly taken into account.

Since there is no legal obligation on the patentee to maintain the patent for the maximum term (20 years) by paying the renewal fees involved, and since the structure and level of the fees are defined by the Contracting States, the net present value of expected future national renewal fees on granted patents is presented in the notes but not recognised in the Statement of Comprehensive Income and the Statement of Financial Position. It is also possible that EPO income from these fees will not cover its remaining costs in granting the patent. As such future operating losses do not meet the criteria of a liability, the EPO recognises no provision.

The net present value of potential future national renewal fees for European patents is calculated on the basis of estimated cash flows per Contracting State and year. These cash flows are discounted in line with their expected timing using the discount rates from the zero-coupon yields curve extrapolated from the Euro iBoxx® indices for corporates with an AA rating.

The estimated cash flows are based on the actual number of granted patents until year-end, and their life expectancy in the different countries where they have been validated.

Life expectancy and national validations are estimated using historical statistics for each Contracting State.

The current renewal-fee distribution key and the fee amounts laid down by the Contracting States are taken as constant values over the expected term of the patents.

## 2.6. FINANCE REVENUE

Finance revenue is recognised on an accrual basis using the effective interest method.

## 2.7. LEASES

A lease is classified as a finance lease if it transfers to the lessee substantially all of the risks and rewards incidental to ownership. All other leases are treated as operating leases. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the legal form of the contract.

An item under finance lease is capitalised at the start of the lease at its fair value or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are directly expensed.

Capitalised leased assets are depreciated over the estimated useful life of the asset.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

## 2.8. INCOME TAXES

In accordance with Article 4 of the EPO's Protocol on Privileges and Immunities, the EPO and its property and income are exempt from all direct taxes within the scope of its official activities.

## 2.9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost (including borrowing cost, if any) less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

|                     |                 |
|---------------------|-----------------|
| Land                | not depreciated |
| Building components | 10–50 years     |
| Office equipment    | 3–20 years      |

The expected useful life of property, plant and equipment is reviewed at each year-end and adjusted if necessary.

For its buildings, the EPO applies the component approach, and depreciates parts of buildings with different useful lives separately. The depreciation periods for the components are as follows:

|                           |          |
|---------------------------|----------|
| Construction of buildings | 50 years |
| Facade                    | 30 years |
| Fitting out               | 20 years |
| Technical installations   | 20 years |
| Electrical installations  | 10 years |

If a part of a component is replaced, the new investment is added to the existing component's value, subject to IFRS recognition criteria, and the useful life of the component is extended accordingly. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they were incurred.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists and the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

Property, plant and equipment that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Specific rules relating to the impairment of intangible assets are described in Note 2.10 below. These rules are also valid to property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use and subsequent disposal. Any gain or loss arising on derecognition of the asset is included in the Statement of Comprehensive Income in the year the item is derecognised.

If an asset is kept with the intention to sell and is available for immediate sale in its present condition then it is reclassified to "assets held for sale". After reclassification the asset is no longer depreciated. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

## 2.10. INTANGIBLE ASSETS

Intangible assets acquired separately are capitalised at cost. Following initial recognition, an intangible asset is carried at its cost less any accumulated amortisation. The depreciable amount of an intangible asset is allocated on a straight-line basis over its useful life of 3-20 years. The amortisation period and method are reviewed at least at each financial year-end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Internal and external development costs of the intangible assets generated by the EPO are capitalised if they meet the recognition criteria:

- completion of the asset is technically feasible
- the EPO intends to complete the asset and use or sell it
- the EPO is able to use or sell the asset
- the asset is expected to generate future economic benefits
- the financial and technical resources necessary to complete the asset are available
- the costs attributable to the asset during its development can be measured reliably.

The costs incurred in the research phase of internal projects are expensed.

The costs of capitalised internally generated intangible assets comprise:

- the cost of services used in generating the asset
- the cost of internal employees involved in generating the asset
- other internal costs of materials, services and depreciation incurred in generating the asset
- borrowing cost, if any.

EPO accounting policy is to capitalise the costs of internal development of intangible assets or significant, separately identifiable enhancement if the total internal and external costs over the whole project life exceed EUR 3 million.

The internal costs for generating the asset include salaries allocated to the project based on the time used by internal staff for development activities (and recorded in an IT-based system) and any other directly attributable expenditure. External costs included in the capitalised projects mainly comprise fees for IT consultants, the purchase price of development software and hardware and the cost of developing and implementing specific system modules.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The asset concerned is impaired only if it is no longer in use. This policy is applied for two reasons:

- the intangible assets owned by the EPO are not traded in an active market, which renders any reliable calculation of the recoverable amount impossible
- the smallest cash-generating unit to which these intangible assets belong is the EPO as a whole. No reliable estimate of the value in use by the EPO can be made because the EPO is a non-profit institution and its mission contains non-measurable goals (such as promoting a knowledge-based society in Europe).

Intangible assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognised as income or expense in the Statement of Comprehensive Income.

## 2.11. OTHER ASSETS

The repurchase value of insurance contracts agreed between the former Institut International des Brevets (ex-IIB) and several insurance companies is presented as a separate asset – ex-IIB insurance funds – if the criteria for a qualifying insurance policy are met. The Organisation classifies as a qualifying insurance policy all insurance contracts issued by an insurer that is not a related party of the EPO, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan, are not available to the Organisation's own creditors and cannot be paid to the EPO, unless either the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations or are returned to the reporting entity to reimburse it for employee benefits already paid. Only if it is virtually certain that an insurance company will reimburse some or all of the expenditure required to settle the defined benefit obligation is the right to reimbursement recognised as a separate asset. The Organisation measures these assets at fair value. In all other respects they are treated as plan assets. In the Statement of Comprehensive Income, the expense relating to a defined benefit plan is presented net of the amount recognised for reimbursement.

In 2009, the Office concluded a contract with FIL Investments International UK – Niederlassung Frankfurt, Kronberg im Taunus, Germany and FIL Pensions Services GmbH, Kronberg im Taunus, Germany, for asset management services and individual account administration services in connection with the implementation and administration of the Organisation's new Salary Savings Plan (SSP). Since the introduction of the SSP, reimbursement rights due from the external service providers are capitalised as other assets measured at fair value at the balance sheet date. The term "reimbursement right", in this context, denotes the total contributions paid into each individual account plus the corresponding investment returns. SSP reimbursement rights are the Organisation's property within the meaning of Article 4 of the Protocol on Privileges and Immunities. They are a special class of asset of the Organisation designed solely to settle the amounts owed. Fair value changes are recognised in the Statement of Comprehensive Income as finance revenue or finance costs. The main characteristics of the SSP are summarised in Note 19. A corresponding liability is recognised and presented separately in the Statement of Financial Position (Salary Savings Plan obligation).

## 2.12. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are recognised in the Statement of Financial Position when the EPO becomes a party to the contractual provisions of the instrument.

Purchase and sale of financial assets are recognised using settlement-date accounting. The settlement date is the day on which the asset is delivered to or by the EPO.

Initially, financial instruments are recognised at fair value. For the purpose of measurement at subsequent reporting dates, the EPO classifies its financial assets according to IAS 39 (Financial Instruments: Recognition and Measurement) in the following categories: at fair value through profit or loss; available-for-sale; and loans and receivables. The classification depends on the purpose for which the financial asset was acquired. The classification of financial assets is determined at initial recognition and re-evaluated at every reporting date.

A financial asset is derecognised when the contractual rights to its cash flows have expired. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

### 2.12.1. Marketable securities

#### 2.12.1.1. Available-for-sale

Available-for-sale investments are measured after initial recognition at fair value without any deduction for transaction costs on sale or disposal. Gains and losses arising from a change in fair value are recognised as a separate component of equity until the investment is derecognised or until the investment is found to be impaired, at which time the cumulative gain or loss in equity previously reported is included in the Statement of Comprehensive Income. Interest income from these instruments is shown under finance revenues and is calculated using the effective interest method.

Available-for-sale marketable securities are debt instruments actively traded in organised financial markets and their fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

The EPO assesses at each balance sheet date whether there is any objective evidence that an available-for-sale security is impaired. If any such evidence exists, an amount comprising the difference between its acquisition cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the Statement of Comprehensive Income. Reversals of impairment losses on debt instruments are performed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Available-for-sale marketable securities are included in non-current assets unless they are disposed of within 12 months of the balance sheet date or the investment is due during that period. If the decision to dispose is already certain at the balance sheet date, then the marketable securities are classified as assets held for sale.

#### 2.12.1.2. At fair value through profit or loss

This category includes debt instruments designated by the EPO upon initial recognition at fair value through profit or loss. These debt instruments are hybrid contracts that contain an embedded derivative (underlying interest-rate option) as stated in Note 13. As the two conditions of IAS 39.11A are not met (i.e. the embedded derivative can significantly modify the cash flows of the instrument and it is not clear with little or no analysis that a separation of the embedded derivative is prohibited), this type of contract qualifies for designation upon initial recognition at fair value through profit or loss.

These instruments are initially recognised at fair value, transaction costs being expensed in the Statement of Comprehensive Income.

Gains or losses arising from changes in the fair value at the balance sheet date are shown in the Statement of Comprehensive Income as other operating income/expenses in the period in which they arise. Interest income is shown separately in the Statement of Comprehensive Income under finance revenues.

Since there is no active market for instruments in this category, the fair value is determined using standard valuation techniques on the basis of the market parameters at the balance sheet date. For a detailed description of the valuation technique used, see Note 28.

### 2.12.2. Home loans

Home loans are granted to the EPO staff for the construction, purchase or conversion of residential property at an interest rate lower than the prevailing market one. Therefore, the fair value at initial recognition is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating.

After initial recognition, home loans are measured at amortised cost using the effective interest method. They are split into non-current and current, based on the remaining term of the loan.

### 2.12.3. Trade and other current receivables

After initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, and discounted only if they are due in more than one year. Bad debts are written off when they become uncollectible, usually due to insolvency of the client.

### 2.12.4. Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less; they are measured at amortised cost. For the purpose of the Statement of Cash Flows, cash and cash equivalents are presented as defined above, net of any outstanding bank overdrafts, which are shown as such in the Statement of Financial Position.

Fixed-term deposits with a maturity longer than 3 months and up to 12 months are shown under other financial assets.

**2.12.5. Trade and other payables**

Trade and other liabilities are initially recognised at fair value. They are subsequently measured at amortised cost under the effective interest method, if applicable. Trade payables also include liabilities for goods received or services already performed but not yet invoiced.

**2.13. EQUITY**

In compliance with the EPC, no issued capital is designated.

**2.14. EMPLOYEE BENEFITS****2.14.1. Net defined benefit liability**

Employee benefits comprise any benefits given by an employer to actual or former employees and to those entitled under them (beneficiary) for past services rendered. Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal obligation to pay further contributions if the separate entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and pay.

The Organisation operates four defined benefit plans for its employees. Assets held to fund parts of the pension obligations, lump-sum payments as partial compensation for national taxation of pensions, long-term care (LTC) insurance and sickness insurance for pensioners are invested by the RFPSS. For some members of its key management the Organisation operates a defined contribution plan under which it pays fixed contributions to an external insurance company.

**2.14.1.1. Pension obligations**

The liability recognised in the Statement of Financial Position in respect of the defined benefit pension plan (retirement pension, invalidity pension/allowance and partial compensation thereon, if any, as well as family allowances) is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, together with adjustments – if any – for unrecognised actuarial gains or losses and past service costs.

The DBO is calculated annually by independent actuaries at the OECD's Joint Pension Administrative Section (JPAS) using the projected unit credit method, taking into account not only the pension obligations and vested pension rights known at the balance sheet date but also expected future salary increases and demographic assumptions about mortality, employee turnover, invalidity and other actuarial parameters. The present value of the DBO is also determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The increase in the present value of the DBO resulting from the employees' service in the current period is classified as service costs. Past-service costs are recognised immediately in the Statement of Comprehensive Income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

In 2008, the former invalidity pension became an invalidity allowance. Due to the economic substance of the invalidity allowance, the accounting treatment remains unchanged, however.

The plan assets comprise assets held by a long-term employee benefit fund. The expected return on plan assets is based on market expectations. The calculation also takes administrative costs into account, including custodian fees, taxes on income (non-EPO-Contracting States) and other expenses such as bank charges.

Actuarial gains and losses arising from changes in actuarial assumptions in excess of the greater of 10 % of the value of plan assets or 10 % of the DBO are charged or credited to employee benefit expenses over the employees' expected average remaining working lives (corridor approach). Due to the exception to the Financial Regulations as regards non-adoption of the criteria for plan assets as defined in IAS 19.7, the Organisation was not an IFRS first-time adopter within the meaning of IFRS 1. However, the Organisation applied IFRS 1 as of the transition date 1 January 2005 to recognise the cumulative actuarial gains and losses from all defined benefit plans directly in equity at the date of transition.

When the EPO introduces a new defined benefit plan, or changes the benefits payable under an existing plan the difference is recognised as past service cost.

A beneficiary of the defined benefit pension plan as defined above who took up duty before 1 January 2009 can be entitled to partial compensation applying to the Contracting State of the Organisation in which the pension and adjustment relating thereto are chargeable to income tax under the tax legislation in force in that state. The adjustment is equal to 50 % of the amount by which the recipient's pension would theoretically need to be increased, were the balance remaining after deduction of the amount of national income tax or taxes on the total to correspond to the amount of the pension calculated without income taxes. For such purpose, the Organisation uses tables of equivalence specifying, for each amount of pension and each country of residence, the amount of the adjustment to be added thereto. Until the end of the 2008 accounting period, the expenses of this adjustment were borne by the state in which the recipient was subject to taxes on income for the period considered. In June 2007 the Administrative Council decided to transfer the obligation for the former tax adjustment from the Contracting States to the Organisation. This decision has been in force since 1 January 2009. The increase in the DBO for pension obligations due to the abolition of future partial compensation/tax adjustment payments is assessed as past service costs.

EPO employees who have previously worked in national government departments, international organisations or industry may be able to arrange for inward transfer, into the EPO pension scheme, of retirement pension rights accrued under their previous schemes. In such cases, the EPO determines the number of years' reckonable service credited under its own pension scheme. Valuation differences resulting from inward transfers are taken into account as past service cost.

The interest component of the addition to provisions contained in pension expenses is classified as interest costs. The return on plan assets is classified as interest revenue. Current service costs and past service costs are classified as employee benefit expenses.

For defined contribution plans, the Organisation pays contributions to externally administered pension insurance plans on a contractual basis. The EPO has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

#### 2.14.1.2. Other post-employment benefit obligations

The Organisation provides health and LTC insurance for its pensioners. There is also insurance cover for the risks of death and invalidity for former staff members who have not yet reached the age of 60. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as for defined benefit pension plans. Actuarial gains and losses arising from changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets – if any – or 10% of the DBO, are charged or credited to income over the expected average remaining working lives of the employees concerned. These obligations are valued annually by independent qualified actuaries.

Post-employment health insurance is a defined benefit plan managed by the insurance broker Vanbreda International Antwerp, Belgium (Vanbreda). The obligation for this insurance is calculated on the basis of the anticipated medical costs and the EPO's estimated future contributions to the insurance contracts given the medical cost for the actual population of pensioners. Payments to beneficiaries are carried out directly by Vanbreda on behalf of the EPO, against an insurance premium. The benefits paid are calculated taking into account the graph of refunds by age, based on the refunds made to the pensioners by the insurance company.

Post-employment LTC insurance is also classified as a defined benefit plan. Insured on a compulsory basis are former employees and their dependent children, former employees in receipt of an invalidity or retirement pension and their dependent children, and dependent children in receipt of an orphan's pension following the death of the insured person. There are also persons who may be insured on a voluntary basis. The LTC insurance benefits are calculated in proportion to salaries. Depending on the degree of reliance on LTC identified, the monthly benefit paid corresponds to defined percentages of the monthly basic salary.

Death and invalidity insurance is a defined benefit plan and is managed by the Organisation. Under this plan, non-active staff members receive a lump sum, based on their last salary, in case of death or invalidity. The benefits are calculated in proportion to salaries. Payments to beneficiaries are carried out directly by the Organisation and financed by the contributions of the staff members and the Organisation.

#### 2.14.2. Salary Savings Plan obligation

Since 1 January 2009, the Organisation operates an SSP managed by external service providers. The amount of the SSP received by the beneficiaries is recognised as an obligation from other long-term employee benefits and is determined by the amount of contributions paid by the Office and the beneficiary to that plan together with investment returns on the contributions. Contributions paid by the EPO are included in employee benefit expenses. In contrast to the accounting treatment of pension and other post-employment benefit obligations, any actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income as finance revenue or finance costs. The main characteristics of the SSP are summarised in Note 19.

#### 2.14.3. Termination benefits

Termination benefits are payable when employment is terminated by the Organisation before the normal retirement date and the EPO is contractually committed to such payments. Benefits due more than 12 months after the balance sheet date are discounted to their present value.

### 2.15. PROVISIONS

Provisions are recognised when the Organisation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

If the effect is material, a provision is determined by discounting the expected future cash outflow using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. This increase in the provision due to passage of time is recognised as finance costs.

### 2.16. PREPAID FEES

Prepaid fees are recognised to record payments received for services not yet performed. See Note 2.5 above.

### 3. REVENUE

#### 3.1. REVENUE

The revenue breaks down into the following categories:

| in '000 EUR  |                  |                  |
|--|------------------|------------------|
| Revenue from patent and procedural fees                        | 2009             | 2008             |
| Procedural fees related to the patent grant process (Note 3.2) | 880 012          | 839 029          |
| National renewal fees for granted patents                      | 335 169          | 326 918          |
| <b>Total</b>   | <b>1 215 181</b> | <b>1 165 947</b> |
| <b>Other revenue</b>   |                  |                  |
| Searches for national offices and third parties                | 45 337           | 32 920           |
| Patent information services and products                       | 7 376            | 7 734            |
| Administrative fees  | 3 651            | 4 232            |
| <b>Total</b>   | <b>56 364</b>    | <b>44 886</b>    |

#### 3.2. PROCEDURAL FEES RELATED TO THE PATENT GRANT PROCESS

The different categories of grant-related services contributed to patent fee income as follows:

| in '000 EUR  |                |                |
|--|----------------|----------------|
|  | 2009           | 2008           |
| Procedural fees for filing and search – EPC and Euro-PCT         | 145 895        | 131 385        |
| Procedural fees for international searches – PCT                 | 127 640        | 126 816        |
| Procedural fees for examination and grant – EPC and Euro-PCT     | 177 677        | 165 384        |
| Procedural fees for international preliminary examinations – PCT | 15 743         | 16 593         |
| Procedural fees for opposition                                   | 2 170          | 2 437          |
| Procedural fees for appeal and protest                           | 2 087          | 2 138          |
| Designation, extension and validation fees                       | 58 908         | 63 781         |
| Renewal fees for patent applications                             | 349 892        | 330 495        |
| <b>Total</b>   | <b>880 012</b> | <b>839 029</b> |

The amount of revenue from these procedural fees is shown after deduction of the variation in the amount of prepaid fees.

### 4. POTENTIAL FUTURE NATIONAL RENEWAL FEES FOR EUROPEAN PATENTS

The net present value of these fees is KEUR 2 747 673 (2008: KEUR 2 274 535), i.e. an increase for the year of KEUR 473 138 (2008: KEUR 43 416).

Cash flows have been estimated individually per Contracting State and year over the term remaining after grant in each Contracting State.

The discount rates applied in line with the term of the expected cash flows range between 2.20 % and 5.55 % in 2009 (2008: between 5.06 % and 6.18 %). A one percentage point of increase (decrease) of the applied discount rates would result in a decrease (increase) of the net present value of potential future national renewal fees of KEUR 132 795 (2008: KEUR 106 841).

For further information see Note 2.5.3.

### 5. OTHER OPERATING INCOME

| in '000 EUR                              |               |               |
|--|---------------|---------------|
|  | 2009          | 2008          |
| Income from valuation of insurance funds | 6 037         | 4 332         |
| Third-party project funding              | 2 170         | 7 823         |
| Rental income                            | 1 527         | 1 626         |
| Gains from marketable securities         | 1 167         | 2 779         |
| Other                                    | 4 950         | 4 258         |
| <b>Total</b>                             | <b>15 851</b> | <b>20 818</b> |

Third-party project funding income concerns the reimbursement of expenses related to projects partly or totally financed by third parties. The corresponding expenses are shown under other operating expenses.

The income from valuation of insurance funds mainly arises from changes in the repurchase value of contracts with insurance companies and credit balances the Organisation has at Vanbreda. In 2009, the credit balance at Vanbreda increased by KEUR 74 (2008: KEUR 5 617).

Gains from marketable securities in 2009 arise from changes in fair value on disposal of these securities.

**Operating leases – the EPO as lessor**

The EPO has entered into a number of minor lease agreements concerning office premises.

The income from these was as follows:

| in '000 EUR               |              |              |
|---------------------------|--------------|--------------|
|                           | 2009         | 2008         |
| Netherlands Patent Office | 698          | 675          |
| Other                     | 829          | 951          |
| <b>Total</b>              | <b>1 527</b> | <b>1 626</b> |

Future payments for renting office premises in The Hague to the Netherlands Patent Office are as follows:

| in '000 EUR                                       |              |              |
|---|--------------|--------------|
|   | 2009         | 2008         |
| Not later than one year                           | 698          | 675          |
| Later than one year and not later than five years | 1 395        | 2 024        |
| Later than five years                             | –            | –            |
| <b>Total</b>                                      | <b>2 093</b> | <b>2 699</b> |

**6. EMPLOYEE BENEFIT EXPENSES**

| in '000 EUR   |                  |                |
|---|------------------|----------------|
|   | 2009             | 2008           |
| Basic salaries permanent employees                            | 570 492          | 526 040        |
| Social security incl. recognised actuarial gains <sup>1</sup> | 225 991          | 203 294        |
| Allowances and other benefits                                 | 154 669          | 141 782        |
| School and day-care centres                                   | 19 925           | 18 158         |
| Past service costs for "tax adjustments"                      | 19 614           | 17 698         |
| Remuneration of other employees                               | 11 385           | 14 855         |
| Training  | 9 173            | 9 996          |
| Other   | 10 244           | 10 241         |
| <b>Total</b>  | <b>1 021 493</b> | <b>942 064</b> |

<sup>1</sup> Incl. past service costs amounting to KEUR 859 (2008: negative past service cost KEUR 18 694), see Note 18

**7. OTHER OPERATING EXPENSES**

| in '000 EUR                             |                |                |
|---|----------------|----------------|
|   | 2009           | 2008           |
| IT maintenance                          | 66 432         | 73 443         |
| Property and equipment maintenance      | 49 933         | 47 419         |
| Consultancy and other external services | 19 070         | 19 246         |
| Patent information and public relations | 11 050         | 12 330         |
| Documentation                           | 9 193          | 8 300          |
| Co-operation and meetings               | 8 483          | 13 121         |
| Travel                                  | 5 505          | 6 680          |
| Postage and telecommunications          | 5 138          | 5 506          |
| Office supply                           | 4 146          | 6 276          |
| Other                                   | 8 929          | 8 478          |
| <b>Total</b>                            | <b>187 879</b> | <b>200 799</b> |

**8. FINANCE REVENUE**

| in '000 EUR                                     |                |                |
|---|----------------|----------------|
|   | 2009           | 2008           |
| Expected return on plan assets                  | 185 931        | 277 557        |
| Interest income from bank accounts and deposits | 13 286         | 13 034         |
| Interest income from home loans                 | 5 168          | 5 990          |
| Interest income on marketable securities        | 1 442          | 5 315          |
| Valuation gains assets Salary Savings Plan      | 74             | –              |
| Other   | 330            | 1 184          |
| <b>Total</b>                                    | <b>206 231</b> | <b>303 080</b> |

**9. FINANCE COSTS**

| in '000 EUR                                   |                |                |
|---|----------------|----------------|
|   | 2009           | 2008           |
| Interest costs on defined benefit obligations | 296 220        | 273 851        |
| Interest costs finance lease                  | 1 793          | 1 264          |
| Increase obligation Salary Savings Plan       | 74             | –              |
| Other   | 912            | 805            |
| <b>Total</b>                                  | <b>298 999</b> | <b>275 920</b> |

## 10. PROPERTY, PLANT AND EQUIPMENT

The reconciliation of the carrying amount of property, plant and equipment for the year 2009 is as follows:

| in '000 EUR                                      |                 |                  |                  |                  |
|--|-----------------|------------------|------------------|------------------|
|  | Land            | Buildings        | Office equipment | Total            |
| Cost at 1 January 2009                           | 174 732         | 780 135          | 166 891          | 1 121 758        |
| Additions  | –               | 20 957           | 11 955           | 32 912           |
| Disposals  | –               | (1 525)          | (44 540)         | (46 065)         |
| Transfers  | –               | –                | –                | –                |
| <b>Cost at 31 December 2009</b>                  | <b>174 732</b>  | <b>799 567</b>   | <b>134 306</b>   | <b>1 108 605</b> |
| Accumulated depreciation 1 January 2009          | –               | (284 529)        | (113 979)        | (398 508)        |
| Depreciation for the year                        | –               | (36 148)         | (17 732)         | (53 880)         |
| Disposals  | –               | 487              | 43 235           | 43 722           |
| Transfers  | –               | –                | –                | –                |
| <b>Accumulated depreciation 31 December 2009</b> | <b>–</b>        | <b>(320 190)</b> | <b>(88 476)</b>  | <b>(408 666)</b> |
| Impairment loss for the year                     | –               | –                | –                | –                |
| <b>Accumulated impairment 31 December 2009</b>   | <b>(12 819)</b> | <b>–</b>         | <b>–</b>         | <b>(12 819)</b>  |
| Net carrying value 1 January 2009                | 161 913         | 495 606          | 52 912           | 710 431          |
| <b>Net carrying value 31 December 2009</b>       | <b>161 913</b>  | <b>479 377</b>   | <b>45 830</b>    | <b>687 120</b>   |
| Including construction in progress               |                 |                  |                  |                  |
| 1 January 2009                                   | –               | 2 869            | –                | 2 869            |
| 31 December 2009                                 | –               | 11 998           | –                | 11 998           |

Land and buildings are located at three EPO sites: Munich, The Hague and Vienna.

As at 31 December 2009, property, plant and equipment includes EUR 16.4 m of the asset retirement obligation relating to renovation of the Isar building in Munich due to asbestos contamination (2008: EUR 8.3 m). The increase in the value of the asset retirement obligation is due to the higher expected costs of asbestos removal.

The disposals of office equipment in 2009 (EUR 44.5 m acquisition cost, EUR 1.3 m net book value) were mainly replacement of (a) computer workstations (EUR 24.8 m acquisition cost, EUR 0.2 m net book value) and (b) storage hardware (EUR 7.1 m acquisition cost, EUR 0.4 m net book value).

The EPO building at Erhardtstraße 27 in Munich was constructed under the hereditary building lease granted to the EPO by the German government in 1980 and ending on 8 August 2075. The Hinge building in The Hague is constructed on land leased from the Netherlands in 1988 for a period of 80 years ending on 30 May 2068, for the token amount of EUR 0.45 per year.

Office equipment contains assets under finance lease at the value of EUR 27.1 m (2008: EUR 30.6 m).

The comparative figures for the year 2008 are presented in the table below:

| in '000 EUR                                      |                 |                  |                  |                  |
|--|-----------------|------------------|------------------|------------------|
|  | Land            | Buildings        | Office equipment | Total            |
| Cost at 1 January 2008                           | 174 732         | 774 793          | 142 606          | 1 092 131        |
| Additions  | –               | 6 945            | 30 292           | 37 237           |
| Disposals  | –               | (1 603)          | (6 007)          | (7 610)          |
| Transfers  | –               | –                | –                | –                |
| <b>Cost at 31 December 2008</b>                  | <b>174 732</b>  | <b>780 135</b>   | <b>166 891</b>   | <b>1 121 758</b> |
| Accumulated depreciation 1 January 2008          | –               | (245 992)        | (102 512)        | (348 504)        |
| Depreciation for the year                        | –               | (39 395)         | (17 421)         | (56 816)         |
| Disposals  | –               | 858              | 5 954            | 6 812            |
| Transfers  | –               | –                | –                | –                |
| <b>Accumulated depreciation 31 December 2008</b> | <b>–</b>        | <b>(284 529)</b> | <b>(113 979)</b> | <b>(398 508)</b> |
| Impairment loss for the year                     | –               | –                | –                | –                |
| <b>Accumulated impairment 31 December 2008</b>   | <b>(12 819)</b> | <b>–</b>         | <b>–</b>         | <b>(12 819)</b>  |
| Net carrying value 1 January 2008                | 161 913         | 528 801          | 40 094           | 730 808          |
| <b>Net carrying value 31 December 2008</b>       | <b>161 913</b>  | <b>495 606</b>   | <b>52 912</b>    | <b>710 431</b>   |
| Including construction in progress               |                 |                  |                  |                  |
| 1 January 2008                                   | –               | 3 178            | –                | 3 178            |
| 31 December 2008                                 | –               | 2 869            | –                | 2 869            |

## 11. INTANGIBLE ASSETS

The reconciliation of the balances of intangible assets for the year 2008 is as follows:

| in '000 EUR                                      |                   |                              |                              |                 |
|--|-------------------|------------------------------|------------------------------|-----------------|
|  | Acquired software | Acquired information systems | Internally generated systems | Total           |
| Cost at 1 January 2009                           | 7 093             | 54 693                       | 24 380                       | 86 166          |
| Additions  | 475               | –                            | 3 168                        | 3 643           |
| Disposals  | (5)               | –                            | –                            | (5)             |
| Transfers  | –                 | (60)                         | 60                           | –               |
| <b>Cost at 31 December 2009</b>                  | <b>7 563</b>      | <b>54 633</b>                | <b>27 608</b>                | <b>89 804</b>   |
| Accumulated amortisation 1 January 2009          | (6 135)           | (40 847)                     | (1 379)                      | (48 361)        |
| Amortisation for the year                        | (471)             | (2 117)                      | (1 979)                      | (4 567)         |
| Amortisation disposals                           | 4                 | –                            | –                            | 4               |
| Amortisation transfers                           | –                 | 8                            | (8)                          | –               |
| <b>Accumulated amortisation 31 December 2009</b> | <b>(6 602)</b>    | <b>(42 956)</b>              | <b>(3 366)</b>               | <b>(52 924)</b> |
| Net carrying value 1 January 2009                | 958               | 13 846                       | 23 001                       | 37 805          |
| <b>Net carrying value 31 December 2009</b>       | <b>961</b>        | <b>11 677</b>                | <b>24 242</b>                | <b>36 880</b>   |
| Including construction in progress               |                   |                              |                              |                 |
| 1 January 2009                                   | –                 | –                            | 21 622                       | 21 622          |
| 31 December 2009                                 | –                 | –                            | 14 715                       | 14 715          |

The comparative figures for 2008 are as follows:

| in '000 EUR                                      |                   |                              |                              |                 |
|--|-------------------|------------------------------|------------------------------|-----------------|
|  | Acquired software | Acquired information systems | Internally generated systems | Total           |
| Cost at 1 January 2008                           | 6 860             | 54 633                       | 19 625                       | 81 118          |
| Additions  | 310               | 60                           | 5 945                        | 6 315           |
| Disposals  | (77)              | –                            | (1 190)                      | (1 267)         |
| Transfers  | –                 | –                            | –                            | 0               |
| <b>Cost at 31 December 2008</b>                  | <b>7 093</b>      | <b>54 693</b>                | <b>24 380</b>                | <b>86 166</b>   |
| Accumulated amortisation 1 January 2008          | (5 688)           | (38 726)                     | (920)                        | (45 334)        |
| Amortisation for the year                        | (523)             | (2 120)                      | (460)                        | (3 103)         |
| Amortisation disposals                           | 76                | –                            | –                            | 76              |
| <b>Accumulated amortisation 31 December 2008</b> | <b>(6 135)</b>    | <b>(40 847)</b>              | <b>(1 379)</b>               | <b>(48 361)</b> |
| Net carrying value 1 January 2008                | 1 172             | 15 907                       | 18 705                       | 35 784          |
| <b>Net carrying value 31 December 2008</b>       | <b>958</b>        | <b>13 846</b>                | <b>23 001</b>                | <b>37 805</b>   |
| Including construction in progress               |                   |                              |                              |                 |
| 1 January 2008                                   | –                 | –                            | 16 867                       | 16 867          |
| 31 December 2008                                 | –                 | –                            | 21 622                       | 21 622          |

The acquired software is amortised over the period of 3–5 years.

The amortisation period of acquired information systems is determined individually, depending on the expected useful life of the system. Some intangible assets are amortised over 20 years, including databases used by EPO examiners in the patent granting procedure.

The EPO invests in the development of information systems to support its operations. These internally generated systems include both external and internal costs. The external development costs are recognised based on the amounts invoiced for services rendered by external contractors. The internal costs are calculated based on the number of staff involved in the project multiplied by the average annual cost of the employees. This includes salaries, office space, equipment and other costs necessary to develop the system. The capitalised internal costs amounting to KEUR 618 (2008: KEUR 1 687) are presented in the Statement of Comprehensive Income as "Work performed and capitalised".

Internally generated systems still in the development phase (construction in progress) include:

| in '000 EUR              |               |               |
|--------------------------|---------------|---------------|
| Construction in progress | 2009          | 2008          |
| Docarea                  | 6 361         | 5 749         |
| Epodos                   | –             | 8 976         |
| Epoque                   | 8 354         | 6 896         |
| <b>Total</b>             | <b>14 715</b> | <b>21 621</b> |

The Epodos system was completed in April 2009 and is currently in operation. Its total development cost of the project was KEUR 10 134.

## 12. OTHER ASSETS

| in '000 EUR                             |               |               |
|---|---------------|---------------|
|   | 2009          | 2008          |
| Repurchase value insurance funds ex-IIB | 49 407        | 47 521        |
| Assets Salary Savings Plan (SSP)        | 762           | –             |
| Other                                   | 5 691         | 5 617         |
| <b>Total</b>                            | <b>55 860</b> | <b>53 138</b> |

The EPO holds contracts (funds) concluded by the ex-IIB with several insurance companies in order to receive reimbursements for pension payment to ex-IIB staff members. The Organisation received reimbursements from these funds amounting to KEUR 210 (2008: KEUR 152). Regarding changes to the repurchase value of these funds and to the EPO's credit balance at Vanbreda disclosed as "Other", see also Note 5.

The assets invested under the SSP are held by an external service provider in the name of the EPO and owned by the EPO. The main characteristics of the SSP are summarised in Note 19.

### 13. MARKETABLE SECURITIES

The EPO's marketable securities include the following:

| in '000 EUR                       |               |               |
|-----------------------------------|---------------|---------------|
|                                   | 2009          | 2008          |
| Interest-bearing bonds – quoted   | 92 781        | 73 595        |
| Interest-bearing bonds – unquoted | –             | 8 833         |
| <b>Total</b>                      | <b>92 781</b> | <b>82 428</b> |
| Current                           | –             | 73 595        |
| Non-current                       | 92 781        | 8 833         |

Interest-bearing bonds quoted in active markets are classified as available-for-sale bearing nominal interest in the range from 2.25% to 6.00% (2008: 2.5% to 5.25%) and maturity dates between February 2012 and November 2014 (January 2009 and May 2010).

Marketable securities designated at fair value through profit or loss are unquoted structured interest-bearing bonds with a capital guarantee. They accrue a higher yield, for a comparable duration, than fixed-interest-bearing bonds if the embedded interest-rate option underlying the bond remains within a specified range of the 6- or 12 month EURIBOR. If the option falls out of the range, no interest is achieved for that period. The nominal invested capital is returned to the EPO in full at maturity. All structured bonds held by the EPO were redeemed in May 2009 for 100% of their nominal value. As of the balance sheet date, the EPO had no structured bonds in its portfolio.

Net gains and losses on marketable securities were as follows:

| in '000 EUR                                       |       |       |
|---|-------|-------|
| Financial assets at fair value through P&L        | 2009  | 2008  |
| Net gains or losses                               | 1 167 | 2 708 |
| <b>Available for sale financial assets</b>        |       |       |
| Amount recognised in profit or loss               | –     | (40)  |
| Amount recognised in equity during the period     | (984) | 662   |
| Amount reclassified from equity to profit or loss | 341   | 1 062 |
| Total interest income                             | 1 442 | 5 315 |

No impairment provisions are required on marketable securities in 2009 (2008: Nil).

### 14. HOME LOANS TO STAFF

| in '000 EUR            |                |                |
|------------------------|----------------|----------------|
|                        | 2009           | 2008           |
| Home loans non-current | 103 425        | 99 307         |
| Home loans current     | 3 815          | 4 610          |
| <b>Total</b>           | <b>107 240</b> | <b>103 917</b> |

Home loans to staff are initially recognised at fair value. This is estimated at the present value of all future cash receipts discounted using the prevailing market rate for a similar financial instrument of a similar duration. After initial recognition, home loans are measured at amortised cost using the effective interest method. They are split into non-current and current portions based on the remaining term of the loan.

The EPO adds the discount to profit or loss using the effective interest rate method.

### 15. TRADE AND OTHER RECEIVABLES

| in '000 EUR                                    |                |                |
|--|----------------|----------------|
| Trade receivables                              | 2009           | 2008           |
| Trade receivables – Contracting States         | 64 587         | 66 431         |
| Trade receivables – clients                    | 13 527         | 5 824          |
| <b>Total</b>                                   | <b>78 114</b>  | <b>72 255</b>  |
| <b>Other receivables</b>                       |                |                |
| Other receivables – tax                        | 16 081         | 27 037         |
| Other receivables – staff and related accounts | 335            | 279            |
| Other receivables – others                     | 17 978         | 25 915         |
| <b>Total</b>                                   | <b>34 394</b>  | <b>53 231</b>  |
| <b>Total trade and other receivables</b>       | <b>112 508</b> | <b>125 486</b> |

All trade and other receivables are expected to be recovered or settled within 12 months after the balance sheet date and are therefore classified as current assets.

The analysis of trade receivables – clients that were past due but not impaired – is as follows:

| in '000 EUR   |        |       |
|---|--------|-------|
|   | 2009   | 2008  |
| Net carrying amount, trade receivables – clients                                      | 13 527 | 5 824 |
| Of which neither impaired nor past due on the reporting date                          | 8 187  | 5 636 |
| Of which not impaired as of the reporting date and past due in the following periods: |        |       |
| Less than 135 days  | 4 001  | 145   |
| More than 135 days  | 1 339  | 43    |

During 2009, the EPO wrote off uncollectible receivables amounting to KEUR 3 (2008: KEUR 3) which are shown in the Statement of Comprehensive Income under other operating expenses.

Trade receivables – Contracting States include the renewal fees payable by the Contracting States under Article 39 (1) EPC. These mainly relate to the last quarter of the reported year, due on 31 January of the following year.

Other receivables – tax comprise VAT and pensioners' income tax payable to the EPO by the Contracting States.

Other receivables – other mainly consist of accrued income on marketable securities and fixed-term deposits and advance payments to various suppliers.

## 16. OTHER FINANCIAL ASSETS

Fixed-term deposits with an initial maturity over three months are reported as other financial assets (2008: EUR 413.1 m; 2007: EUR 408.4 m).

## 17. CASH AND CASH EQUIVALENTS

The assets reported under this category have an original maturity of three months or less and comprise the following:

|                          | in '000 EUR    |               |
|--------------------------|----------------|---------------|
|                          | 2009           | 2008          |
| Short-term bank deposits | 88 640         | 42 900        |
| Cash at bank and in hand | 17 253         | 5 966         |
| <b>Total</b>             | <b>105 893</b> | <b>48 866</b> |

The effective interest rate achieved in 2009 on short-term deposits was 2.55 % (2008: 4.75 %).

## 18. NET DEFINED BENEFIT LIABILITY

|  | in '000 EUR        |                          |                    |                      |                  |
|--|--------------------|--------------------------|--------------------|----------------------|------------------|
| Accounting for 2009  | Pension obligation | Long-term care insurance | Sickness insurance | Death and invalidity | Total            |
| Discount rate  | 5.66 %             | 5.79 %                   | 5.62 %             | 5.01 %               |                  |
| Expected return on plan assets                                     | 6.95 %             | 6.95 %                   |                    |                      |                  |
| Future salaries increase   | 2.50 %             | 2.50 %                   |                    | 2.50 %               |                  |
| Future pensions increase   | 2.50 %             | 2.50 %                   |                    |                      |                  |
| Medical costs inflation  |                    |                          | 5.30 %             |                      |                  |
| The Organisation is expected to contribute EUR 120 m in 2010       |                    |                          |                    |                      |                  |
| Expected average remaining working lives                           | 19                 | 19                       | 19                 | 19                   |                  |
| Present value of obligation 1 January 2009                         | 4 213 782          | 107 022                  | 521 195            | 100 912              | 4 942 911        |
| Interest cost  | 252 495            | 6 358                    | 31 275             | 6 092                | 296 220          |
| Current service cost   | 205 120            | 4 416                    | 31 872             | 9 284                | 250 692          |
| Past service costs   | 859                | –                        | –                  | –                    | 859              |
| Transfer of pension rights   | 10 156             | –                        | –                  | –                    | 10 156           |
| Benefits paid  | (108 132)          | (2 460)                  | (13 593)           | (7 200)              | (131 385)        |
| Actuarial (gain) loss on obligation                                | 559 441            | 17 940                   | (62 261)           | 15 173               | 530 293          |
| <b>Present value of obligation 31 December 2009</b>                | <b>5 133 721</b>   | <b>133 276</b>           | <b>508 488</b>     | <b>124 261</b>       | <b>5 899 746</b> |
| Fair value of plan assets 1 January 2009                           | 2 364 601          | 34 243                   | 219 220            | –                    | 2 618 064        |
| Expected return on plan assets                                     | 168 099            | 2 596                    | 15 236             | –                    | 185 931          |
| Contributions  | 193 002            | 8 677                    | 8 780              | –                    | 210 459          |
| Transfer of pension rights   | 10 156             | –                        | –                  | –                    | 10 156           |
| Benefits paid  | (74 612)           | (2 460)                  | (13 593)           | –                    | (90 665)         |
| Actuarial gain (loss) on plan assets                               | 498 750            | 7 837                    | 49 807             | –                    | 556 394          |
| <b>Fair value of plan assets 31 December 2009</b>                  | <b>3 159 996</b>   | <b>50 893</b>            | <b>279 450</b>     | <b>–</b>             | <b>3 490 339</b> |
| Limits of corridor   | 421 378            | 10 702                   | 52 120             | 10 091               |                  |
| Unrecognised actuarial gains (losses) 1 January 2009               | (112 698)          | 1 907                    | 89 228             | 24 166               |                  |
| Actuarial gain (loss) for the year – obligation                    | (559 441)          | (17 940)                 | 62 261             | (15 173)             |                  |
| Actuarial gain (loss) for the year – plan assets                   | 498 750            | 7 837                    | 49 807             | –                    |                  |
| <b>Subtotal</b>  | <b>(173 389)</b>   | <b>(8 196)</b>           | <b>201 296</b>     | <b>8 993</b>         |                  |
| Actuarial (gain) loss recognised                                   | –                  | –                        | (1 953)            | (741)                |                  |
| <b>Unrecognised actuarial gains (losses) 31 December 2009</b>      | <b>(173 389)</b>   | <b>(8 196)</b>           | <b>199 343</b>     | <b>8 252</b>         |                  |
| Amounts recognised in the Statement of Financial Position          |                    |                          |                    |                      |                  |
| Present value of funded obligation as at 31 December 2009          | 4 749 809          | 133 276                  | 508 488            | –                    | 5 391 573        |
| Fair value of plan assets 31 December 2009                         | (3 159 996)        | (50 893)                 | (279 450)          | –                    | (3 490 339)      |
| <b>Subtotal</b>  | <b>1 589 813</b>   | <b>82 383</b>            | <b>229 038</b>     | <b>–</b>             | <b>1 901 234</b> |
| Unfunded obligation  | 383 912            | –                        | –                  | 124 261              | 508 173          |
| Unrecognised actuarial gains (losses)                              | (173 389)          | (8 196)                  | 199 343            | 8 252                | 26 010           |
| Unrecognised past service costs                                    | (76 311)           | –                        | –                  | –                    | (76 311)         |
| <b>Liability recognised in the Statement of Financial Position</b> | <b>1 724 025</b>   | <b>74 187</b>            | <b>428 381</b>     | <b>132 513</b>       | <b>2 359 106</b> |
| Amounts recognised in the Statement of Comprehensive Income        |                    |                          |                    |                      |                  |
| Interest cost  | 252 495            | 6 358                    | 31 275             | 6 092                | 296 220          |
| Current service cost   | 205 120            | 4 416                    | 31 872             | 9 284                | 250 692          |
| Past service costs   | 20 473             | –                        | –                  | –                    | 20 473           |
| Staff contributions  | (53 719)           | (2 740)                  | –                  | (2 231)              | (58 690)         |
| Expected return on plan assets                                     | (168 099)          | (2 596)                  | (15 236)           | –                    | (185 931)        |
| Net actuarial (gains) or losses recognised in year 2009            | –                  | –                        | (1 953)            | (741)                | (2 694)          |
| <b>Recognised in the Statement of Comprehensive Income</b>         | <b>256 270</b>     | <b>5 438</b>             | <b>45 958</b>      | <b>12 404</b>        | <b>320 070</b>   |
| Actual return on plan assets                                       |                    |                          |                    |                      |                  |
| Expected return on plan assets                                     | 168 099            | 2 596                    | 15 236             | –                    | 185 931          |
| Actuarial gain on plan assets                                      | 498 750            | 7 837                    | 49 807             | –                    | 556 394          |
| <b>Actual return on plan assets</b>                                | <b>666 849</b>     | <b>10 433</b>            | <b>65 043</b>      | <b>–</b>             | <b>742 325</b>   |

## Net defined benefit liability

in '000 EUR

| Accounting for 2008  | Pension obligation | Long-term care insurance | Sickness insurance | Death and invalidity | Total              |
|--|--------------------|--------------------------|--------------------|----------------------|--------------------|
| Discount rate  | 6.07%              | 6.01%                    | 6.08%              | 6.26%                |                    |
| Expected return on plan assets                                     | 7.50%              | 7.50%                    |                    |                      |                    |
| Future salaries increase   | 2.50%              | 2.50%                    |                    | 2.50%                |                    |
| Future pensions increase   | 2.50%              | 2.50%                    |                    |                      |                    |
| Medical costs inflation  |                    |                          | 5.00%              |                      |                    |
| The Organisation is expected to contribute EUR 112 m in 2009       |                    |                          |                    |                      |                    |
| Expected average remaining working lives                           | 20                 | 20                       | 20                 | 20                   |                    |
| Present value of obligation 1 January 2008                         | 4 266 038          | 118 428                  | 523 592            | 99 512               | 5 007 570          |
| Interest cost  | 233 524            | 6 499                    | 28 577             | 5 251                | 273 851            |
| Current service cost   | 217 661            | 4 817                    | 32 136             | 9 334                | 263 948            |
| Past service costs   | (18 694)           | –                        | –                  | –                    | (18 694)           |
| Transfer of pension rights   | 18 416             | –                        | –                  | –                    | 18 416             |
| Benefits paid  | (86 372)           | (2 250)                  | (11 796)           | (6 690)              | (107 108)          |
| Actuarial (gain) loss on obligation                                | (416 791)          | (20 472)                 | (51 314)           | (6 495)              | (495 072)          |
| <b>Present value of obligation 31 December 2008</b>                | <b>4 213 782</b>   | <b>107 022</b>           | <b>521 195</b>     | <b>100 912</b>       | <b>4 942 911</b>   |
| Fair value of plan assets 1 January 2008                           | 3 329 424          | 43 162                   | –                  | –                    | 3 372 586          |
| Expected return on plan assets                                     | 253 480            | 3 452                    | 20 625             | –                    | 277 557            |
| Contributions  | 150 848            | 7 973                    | 308 655            | –                    | 467 476            |
| Transfer of pension rights   | 18 416             | –                        | –                  | –                    | 18 416             |
| Benefits paid  | (68 654)           | (2 250)                  | (11 796)           | –                    | (82 700)           |
| Actuarial gain (loss) on plan assets                               | (1 318 913)        | (18 094)                 | (98 264)           | –                    | (1 435 271)        |
| <b>Fair value of plan assets 31 December 2008</b>                  | <b>2 364 601</b>   | <b>34 243</b>            | <b>219 220</b>     | <b>–</b>             | <b>2 618 064</b>   |
| Limits of corridor   | 426 604            | 11 843                   | 52 359             | 9 951                |                    |
| Unrecognised actuarial gains (losses) 1 January 2008               | 808 520            | (471)                    | 140 590            | 18 077               |                    |
| Actuarial gain (loss) for the year – obligation                    | 416 791            | 20 472                   | 51 314             | 6 495                |                    |
| Actuarial gain (loss) for the year – plan assets                   | (1 318 913)        | (18 094)                 | (98 264)           | –                    |                    |
| <b>Subtotal</b>  | <b>(93 602)</b>    | <b>1 907</b>             | <b>93 640</b>      | <b>24 572</b>        |                    |
| Actuarial (gain) loss recognised                                   | (19 096)           | –                        | (4 412)            | (406)                |                    |
| <b>Unrecognised actuarial gains (losses) 31 December 2008</b>      | <b>(112 698)</b>   | <b>1 907</b>             | <b>89 228</b>      | <b>24 166</b>        |                    |
| Amounts recognised in the Statement of Financial Position          |                    |                          |                    |                      |                    |
| Present value of funded obligation as at 31 December 2008          | 2 747 434          | 107 022                  | 521 195            | –                    | 3 375 651          |
| Fair value of plan assets 31 December 2008                         | (2 364 601)        | (34 243)                 | (219 220)          | –                    | (2 618 064)        |
| <b>Subtotal</b>  | <b>382 833</b>     | <b>72 779</b>            | <b>301 975</b>     | <b>–</b>             | <b>757 587</b>     |
| Unfunded obligation  | 1 466 348          | –                        | –                  | 100 912              | 1 567 260          |
| Unrecognised actuarial gains (losses)                              | (112 698)          | 1 907                    | 89 228             | 24 166               | 2 603              |
| Unrecognised past service costs                                    | (95 925)           | –                        | –                  | –                    | (95 925)           |
| <b>Liability recognised in the Statement of Financial Position</b> | <b>1 640 558</b>   | <b>74 686</b>            | <b>391 203</b>     | <b>125 078</b>       | <b>2 231 525</b>   |
| Amounts recognised in the Statement of Comprehensive Income        |                    |                          |                    |                      |                    |
| Interest cost  | 233 524            | 6 499                    | 28 577             | 5 251                | 273 851            |
| Current service cost   | 217 661            | 4 817                    | 32 136             | 9 334                | 263 948            |
| Past service costs   | (996)              | –                        | –                  | –                    | (996)              |
| Staff contributions  | (50 052)           | (2 740)                  | –                  | (1 929)              | (54 721)           |
| Expected return on plan assets                                     | (253 480)          | (3 452)                  | (20 625)           | –                    | (277 557)          |
| Net actuarial (gains) or losses recognised in year 2008            | (19 096)           | –                        | (4 412)            | (406)                | (23 914)           |
| <b>Recognised in the Statement of Comprehensive Income</b>         | <b>127 561</b>     | <b>5 124</b>             | <b>35 676</b>      | <b>12 250</b>        | <b>180 611</b>     |
| Actual return on plan assets                                       |                    |                          |                    |                      |                    |
| Expected return on plan assets                                     | 253 480            | 3 452                    | 20 625             | –                    | 277 557            |
| Actuarial gain on plan assets                                      | (1 318 913)        | (18 094)                 | (98 264)           | –                    | (1 435 271)        |
| <b>Actual return on plan assets</b>                                | <b>(1 065 433)</b> | <b>(14 642)</b>          | <b>(77 639)</b>    | <b>–</b>             | <b>(1 157 714)</b> |

## Net defined benefit liability

in '000 EUR

| Accounting for 2007  | Pension obligation | Long-term care insurance | Sickness insurance                                | Death and invalidity | Total            |
|--|--------------------|--------------------------|---|----------------------|------------------|
| Discount rate  | 5.53%              | 5.54%                    | 5.52%   | 5.46%                |                  |
| Expected return on plan assets                                     | 8.10%              | 8.10%                    |   |                      |                  |
| Future salaries increase   | 2.50%              | 2.50%                    |   | 2.50%                |                  |
| Future pensions increase   | 2.50%              | 2.50%                    |   |                      |                  |
| Medical costs inflation  |                    |                          | from 5.5% in year 1 to 2.5% in year 15 and beyond |                      |                  |
| The Organisation is expected to contribute EUR 152 m in 2008       |                    |                          |   |                      |                  |
| Expected average remaining working lives                           | 20                 | 20                       | 20  | 20                   |                  |
| Present value of obligation 1 January 2007                         | 3 732 658          | 121 668                  | 552 753   | 101 685              | 4 508 764        |
| Interest cost  | 181 793            | 6 055                    | 26 822  | 4 560                | 219 230          |
| Current service cost   | 206 038            | 5 339                    | 34 707  | 9 856                | 255 940          |
| Past service costs   | 720 208            | –                        | –   | –                    | 720 208          |
| Transfer of pension rights   | 9 051              | –                        | –   | –                    | 9 051            |
| Benefits paid  | (75 340)           | (2 102)                  | (10 738)  | (5 120)              | (93 300)         |
| Actuarial (gain) loss on obligation                                | (508 370)          | (12 532)                 | (79 952)  | (11 469)             | (612 323)        |
| <b>Present value of obligation 31 December 2007</b>                | <b>4 266 038</b>   | <b>118 428</b>           | <b>523 592</b>                                    | <b>99 512</b>        | <b>5 007 570</b> |
| Fair value of plan assets 1 January 2007                           | 3 135 153          | 36 477                   | –   | –                    | 3 171 630        |
| Expected return on plan assets                                     | 256 923            | 3 169                    | –   | –                    | 260 092          |
| Contributions  | 135 457            | 7 399                    | 7 208   | –                    | 150 064          |
| Transfer of pension rights   | 9 051              | –                        | –   | –                    | 9 051            |
| Benefits paid  | (71 026)           | (2 102)                  | (10 738)  | –                    | (83 866)         |
| Actuarial gain (loss) on plan assets                               | (136 134)          | (1 781)                  | 3 530   | –                    | (134 385)        |
| <b>Fair value of plan assets 31 December 2007</b>                  | <b>3 329 424</b>   | <b>43 162</b>            | <b>–</b>  | <b>–</b>             | <b>3 372 586</b> |
| Limits of corridor   | 373 266            | 12 167                   | 55 275  | 10 169               |                  |
| Unrecognised actuarial gains (losses) 1 January 2007               | 439 601            | (11 222)                 | 57 204  | 6 607                |                  |
| Actuarial gain (loss) for the year – obligation                    | 508 370            | 12 532                   | 79 952  | 11 469               |                  |
| Actuarial gain (loss) for the year – plan assets                   | (136 134)          | (1 781)                  | 3 530   | –                    |                  |
| <b>Subtotal</b>  | <b>811 837</b>     | <b>(471)</b>             | <b>140 686</b>                                    | <b>18 076</b>        |                  |
| Actuarial (gain) loss recognised                                   | (3 317)            | –                        | (96)  | –                    |                  |
| <b>Unrecognised actuarial gains (losses) 31 December 2007</b>      | <b>808 520</b>     | <b>(471)</b>             | <b>140 590</b>                                    | <b>18 076</b>        |                  |
| Amounts recognised in the Statement of Financial Position          |                    |                          |   |                      |                  |
| Present value of funded obligation as at 31 December 2007          | 3 439 453          | 118 428                  | 523 592   | –                    | 4 081 473        |
| Fair value of plan assets 31 December 2007                         | (3 329 424)        | (43 162)                 | –   | –                    | (3 372 586)      |
| <b>Subtotal</b>  | <b>110 029</b>     | <b>75 266</b>            | <b>523 592</b>                                    | <b>–</b>             | <b>708 887</b>   |
| Unfunded obligation  | 826 586            | –                        | –   | 99 511               | 926 097          |
| Unrecognised actuarial gains (losses)                              | 808 521            | (471)                    | 140 590   | 18 076               | 966 716          |
| Unrecognised past service costs                                    | (113 622)          | –                        | –   | –                    | (113 622)        |
| <b>Liability recognised in the Statement of Financial Position</b> | <b>1 631 514</b>   | <b>74 795</b>            | <b>664 182</b>                                    | <b>117 587</b>       | <b>2 488 078</b> |
| Amounts recognised in the Statement of Comprehensive Income        |                    |                          |   |                      |                  |
| Interest cost  | 181 793            | 6 055                    | 26 822  | 4 560                | 219 230          |
| Current service cost   | 206 038            | 5 339                    | 34 707  | 9 856                | 255 940          |
| Past service costs   | 606 585            | –                        | –   | –                    | 606 585          |
| Staff contributions  | (44 686)           | (2 527)                  | –   | (41)                 | (47 254)         |
| Expected return on plan assets                                     | (256 923)          | (3 169)                  | –   | –                    | (260 092)        |
| Net actuarial (gains) or losses recognised in year 2007            | (3 317)            | –                        | (96)  | –                    | (3 413)          |
| <b>Recognised in the Statement of Comprehensive Income</b>         | <b>689 490</b>     | <b>5 698</b>             | <b>61 433</b>                                     | <b>14 375</b>        | <b>770 996</b>   |
| Actual return on plan assets                                       |                    |                          |   |                      |                  |
| Expected return on plan assets                                     | 256 923            | 3 169                    | –   | –                    | 260 092          |
| Actuarial gain on plan assets                                      | (136 134)          | (1 781)                  | –   | –                    | (137 915)        |
| <b>Actual return on plan assets</b>                                | <b>120 789</b>     | <b>1 388</b>             | <b>–</b>  | <b>–</b>             | <b>122 177</b>   |

## Net defined benefit liability

in '000 EUR

| Accounting for 2006  | Pension obligation | Long-term care insurance | Sickness insurance                                | Death and invalidity | Total            |
|--|--------------------|--------------------------|---|----------------------|------------------|
| Discount rate  | 4.92%              | 5.00%                    | 4.90%   | 4.60%                |                  |
| Expected return on plan assets                                     | 8.10%              | 8.10%                    |   |                      |                  |
| Future salaries increase   | 2.50%              | 2.50%                    |   | 2.50%                |                  |
| Future pensions increase   | 2.50%              | 2.50%                    |   |                      |                  |
| Medical costs inflation  |                    |                          | from 5.5% in year 1 to 2.5% in year 15 and beyond |                      |                  |
| The Organisation is expected to contribute EUR 99 m in 2007        |                    |                          |   |                      |                  |
| Expected average remaining working lives                           | 20                 | 20                       | 20  | 20                   |                  |
| Present value of obligation 1 January 2006                         | 3 666 136          | 1 088 816                | 598 680   | 1 028 212            | 4 476 453        |
| Interest cost  | 161 711            | 5 070                    | 26 437  | 3 902                | 197 120          |
| Current service cost   | 205 061            | 4 763                    | 42 223  | 10 360               | 262 407          |
| Past service costs   | -                  | -                        | -   | -                    | -                |
| Transfer of pension rights   | 12 215             | -                        | -   | -                    | 12 215           |
| Benefits paid  | (64 353)           | (1 896)                  | (9 192)   | (5 555)              | (80 996)         |
| Actuarial (gain) loss on obligation                                | (248 112)          | 4 915                    | (105 395)   | (9 843)              | (358 435)        |
| <b>Present value of obligation 31 December 2006</b>                | <b>3 732 658</b>   | <b>1 216 688</b>         | <b>552 753</b>                                    | <b>1 016 855</b>     | <b>4 508 764</b> |
| Fair value of plan assets 1 January 2006                           | 2 721 322          | 27 608                   | -   | -                    | 2 748 930        |
| Expected return on plan assets                                     | 223 302            | 2 443                    | -   | -                    | 225 745          |
| Contributions  | 119 333            | 7 008                    | 6 190   | -                    | 132 531          |
| Transfer of pension rights   | 12 215             | -                        | -   | -                    | 12 215           |
| Benefits paid  | (60 565)           | (1 896)                  | (9 192)   | -                    | (71 653)         |
| Actuarial gain (loss) on plan assets                               | 119 546            | 1 314                    | 3 002   | -                    | 123 862          |
| <b>Fair value of plan assets 31 December 2006</b>                  | <b>3 135 153</b>   | <b>36 477</b>            | <b>-</b>  | <b>-</b>             | <b>3 171 630</b> |
| Limits of corridor   | 366 614            | 10 882                   | 59 868  | 10 282               |                  |
| Unrecognised actuarial gains (losses) 1 January 2006               | 71 943             | (7 621)                  | (51 193)  | (3 236)              |                  |
| Actuarial gain (loss) for the year – obligation                    | 248 112            | (4 915)                  | 105 395   | 9 843                |                  |
| Actuarial gain (loss) for the year – plan assets                   | 119 546            | 1 314                    | 3 002   | -                    |                  |
| <b>Subtotal</b>  | <b>439 601</b>     | <b>(11 222)</b>          | <b>57 204</b>                                     | <b>6 607</b>         |                  |
| Actuarial (gain) loss recognised                                   | -                  | -                        | -   | -                    |                  |
| <b>Unrecognised actuarial gains (losses) 31 December 2006</b>      | <b>439 601</b>     | <b>(11 222)</b>          | <b>57 204</b>                                     | <b>6 607</b>         |                  |
| Amounts recognised in the Statement of Financial Position          |                    |                          |   |                      |                  |
| Present value of funded obligation as at 31 December 2006          | 3 622 948          | 1 216 688                | 552 753   | -                    | 4 297 369        |
| Fair value of plan assets 31 December 2006                         | (3 135 153)        | (36 477)                 | -   | -                    | (3 171 630)      |
| <b>Subtotal</b>  | <b>487 795</b>     | <b>85 191</b>            | <b>552 753</b>                                    | <b>-</b>             | <b>1 125 739</b> |
| Unfunded obligation  | 109 711            | -                        | -   | 1 016 855            | 211 396          |
| Unrecognised actuarial gains (losses)                              | 439 601            | (11 222)                 | 57 204  | 6 607                | 492 190          |
| Unrecognised past service costs                                    | -                  | -                        | -   | -                    | -                |
| <b>Liability recognised in the Statement of Financial Position</b> | <b>1 037 107</b>   | <b>73 969</b>            | <b>609 957</b>                                    | <b>108 292</b>       | <b>1 829 325</b> |
| Amounts recognised in the Statement of Comprehensive Income        |                    |                          |   |                      |                  |
| Interest cost  | 161 711            | 5 070                    | 26 437  | 3 902                | 197 120          |
| Current service cost   | 205 061            | 4 763                    | 42 223  | 10 360               | 262 407          |
| Past service costs   | -                  | -                        | -   | -                    | -                |
| Staff contributions  | (38 881)           | (2 383)                  | -   | (2 404)              | (43 668)         |
| Expected return on plan assets                                     | (223 302)          | (2 443)                  | -   | -                    | (225 745)        |
| Net actuarial (gains) or losses recognised in year 2006            | -                  | -                        | -   | -                    | -                |
| <b>Recognised in the Statement of Comprehensive Income</b>         | <b>104 589</b>     | <b>5 007</b>             | <b>68 660</b>                                     | <b>11 858</b>        | <b>190 114</b>   |
| Actual return on plan assets                                       |                    |                          |   |                      |                  |
| Expected return on plan assets                                     | 223 302            | 2 443                    | -   | -                    | 225 745          |
| Actuarial gain on plan assets                                      | 119 546            | 1 314                    | -   | -                    | 120 860          |
| <b>Actual return on plan assets</b>                                | <b>342 848</b>     | <b>3 757</b>             | <b>-</b>  | <b>-</b>             | <b>346 605</b>   |

## Net defined benefit liability

in '000 EUR

| Accounting for 2005  | Pension obligation | Long-term care insurance | Sickness insurance                                 | Death and invalidity | Total            |
|--|--------------------|--------------------------|--|----------------------|------------------|
| Discount rate  | 4.45%              | 4.70%                    | 4.45%  | 3.90%                |                  |
| Expected return on plan assets                                     | 8.10%              | 8.10%                    |  |                      |                  |
| Future salaries increase   | 2.50%              | 2.50%                    |  | 2.50%                |                  |
| Future pensions increase   | 2.50%              | 2.50%                    |  | 2.50%                |                  |
| Medical costs inflation  |                    |                          | from 5.5% in year 1 to 2.55% in year 15 and beyond |                      |                  |
| The Organisation is expected to contribute EUR 135 m in 2006       |                    |                          |  |                      |                  |
| Expected average remaining working lives                           | 20                 | 20                       | 20   | 20                   |                  |
| Present value of obligation 1 January 2005                         | 3 201 850          | 92 007                   | 496 247  | 93 126               | 3 883 230        |
| Interest cost  | 155 509            | 4 653                    | 24 119   | 3 893                | 188 174          |
| Current service cost   | 164 388            | 3 671                    | 32 432   | 9 435                | 209 926          |
| Past service costs   | -                  | -                        | -  | -                    | -                |
| Transfer of pension rights   | 13 530             | -                        | -  | -                    | 13 530           |
| Benefits paid  | (56 385)           | (1 555)                  | (8 054)  | (6 869)              | (72 863)         |
| Actuarial (gain) loss on obligation                                | 187 244            | 10 040                   | 53 936   | 3 236                | 254 456          |
| <b>Present value of obligation 31 December 2005</b>                | <b>3 666 136</b>   | <b>1 088 816</b>         | <b>598 680</b>                                     | <b>1 028 212</b>     | <b>4 476 453</b> |
| Fair value of plan assets 1 January 2005                           | 2 208 122          | 18 586                   | -  | -                    | 2 226 708        |
| Expected return on plan assets                                     | 181 783            | 1 704                    | -  | -                    | 183 487          |
| Contributions  | 111 841            | 6 454                    | 5 310  | -                    | 123 605          |
| Transfer of pension rights   | 13 530             | -                        | -  | -                    | 13 530           |
| Benefits paid  | (53 141)           | (1 555)                  | (8 054)  | -                    | (62 750)         |
| Actuarial gain (loss) on plan assets                               | 259 187            | 2 419                    | 2 744  | -                    | 264 350          |
| <b>Fair value of plan assets 31 December 2005</b>                  | <b>2 721 322</b>   | <b>27 608</b>            | <b>-</b>   | <b>-</b>             | <b>2 748 930</b> |
| Limits of corridor   | 320 185            | 9 201                    | 49 625   | 9 313                |                  |
| Unrecognised actuarial gains (losses) 1 January 2005               | -                  | -                        | -  | -                    |                  |
| Actuarial gain (loss) for the year – obligation                    | (187 244)          | (10 040)                 | (53 936)   | (3 236)              |                  |
| Actuarial gain (loss) for the year – plan assets                   | 259 187            | 2 419                    | 2 744  | -                    |                  |
| <b>Unrecognised actuarial gains (losses) 31 December 2005</b>      | <b>71 943</b>      | <b>(7 621)</b>           | <b>(51 192)</b>                                    | <b>(3 236)</b>       |                  |
| Amounts recognised in the Statement of Financial Position          |                    |                          |  |                      |                  |
| Present value of funded obligation as at 31 December 2005          | 3 542 560          | 1 088 816                | 598 680  | -                    | 4 250 056        |
| Fair value of plan assets 31 December 2005                         | (2 721 322)        | (27 608)                 | -  | -                    | (2 748 930)      |
| <b>Subtotal</b>  | <b>821 238</b>     | <b>81 208</b>            | <b>598 680</b>                                     | <b>-</b>             | <b>1 501 126</b> |
| Unfunded obligation  | 123 577            | -                        | -  | 1 028 212            | 226 398          |
| Unrecognised actuarial gains (losses)                              | 71 943             | (7 621)                  | (51 192)   | (3 236)              | 9 894            |
| Unrecognised past service costs                                    | -                  | -                        | -  | -                    | -                |
| <b>Liability recognised in the Statement of Financial Position</b> | <b>1 016 758</b>   | <b>73 587</b>            | <b>547 488</b>                                     | <b>99 585</b>        | <b>1 737 418</b> |
| Amounts recognised in the Statement of Comprehensive Income        |                    |                          |  |                      |                  |
| Interest cost  | 155 509            | 4 653                    | 24 119   | 3 893                | 188 174          |
| Current service cost   | 164 388            | 3 671                    | 32 432   | 9 435                | 209 926          |
| Past service costs   | -                  | -                        | -  | -                    | -                |
| Staff contributions  | (36 325)           | (2 212)                  | -  | (2 315)              | (40 852)         |
| Expected return on plan assets                                     | (181 783)          | (1 704)                  | -  | -                    | (183 487)        |
| Net actuarial (gains) or losses recognised in year 2005            | -                  | -                        | -  | -                    | -                |
| <b>Recognised in the Statement of Comprehensive Income</b>         | <b>101 789</b>     | <b>4 408</b>             | <b>56 551</b>                                      | <b>11 013</b>        | <b>173 761</b>   |
| Actual return on plan assets                                       |                    |                          |  |                      |                  |
| Expected return on plan assets                                     | 181 783            | 1 704                    | -  | -                    | 183 487          |
| Actuarial gain on plan assets                                      | 259 187            | 2 419                    | -  | -                    | 261 606          |
| <b>Actual return on plan assets</b>                                | <b>440 970</b>     | <b>4 123</b>             | <b>-</b>   | <b>-</b>             | <b>445 093</b>   |

| in '000 EUR                               |           |           |
|---|-----------|-----------|
| Post-employment medical benefits          | 2009      | 2008      |
| Defined benefit obligation                | (508 488) | (521 195) |
| Experience adjustment on plan liabilities | 62 261    | 51 314    |
| Experience adjustment on plan assets      | 49 807    | 98 264    |

| in '000 EUR                                       |             |             |
|---|-------------|-------------|
| Defined benefit plans other than medical benefits | 2009        | 2008        |
| Defined benefit obligation                        | (5 391 258) | (4 421 716) |
| Experience adjustment on plan liabilities         | (626 782)   | 495 072     |
| Experience adjustment on plan assets              | 506 587     | 1 337 007   |

For the fiscal year 2009 a one percentage point change in assumed health care cost trends would have the following effects:

| in '000 EUR   |                               |                               |
|---|-------------------------------|-------------------------------|
|   | One percentage point increase | One percentage point decrease |
| Effect on the aggregate of service costs and interest costs | 15 956                        | (13 442)                      |
| Effect on DBO   | 131 236                       | (100 510)                     |

The contributions to the post-employment benefit plans are as follows:

| in '000 EUR                         |                |                |
|-------------------------------------|----------------|----------------|
|                                     | 2009           | 2008           |
| Pension benefits                    |                |                |
| Office contributions <sup>1</sup>   | 107 746        | 100 421        |
| Staff contributions                 | 53 719         | 50 052         |
| LTC benefits                        |                |                |
| Office contributions                | 5 665          | 5 245          |
| Staff and pensioners' contributions | 2 996          | 2 740          |
| Post-employment medical care        |                |                |
| Office contributions                | 43 272         | 45 632         |
| Staff and pensioners' contributions | 17 137         | 15 810         |
| Death and invalidity                |                |                |
| Office contributions                | 4 969          | 4 753          |
| Staff contributions                 | 2 231          | 1 937          |
| <b>Total</b>                        | <b>237 735</b> | <b>226 590</b> |

<sup>1</sup> Net of reimbursements for ex-IIB employees from external insurance companies as disclosed in Note 12.

In addition, a contribution of KEUR 30 555 was made in November 2009 in order to fund the part of the Organisation's pension DBO built up for partial compensation. This money is kept in a separate fund of the RFPSS.

The major categories of plan assets are as follows<sup>1</sup>:

| as %              |            |            |
|-------------------|------------|------------|
|                   | 2009       | 2008       |
| Domestic bonds    | 25         | 29         |
| Domestic equities | 25         | 25         |
| Foreign equities  | 23         | 23         |
| Emerging markets  | 9          | 7          |
| Real estate       | 7          | 6          |
| Commodities       | 5          | 3          |
| Foreign bonds     | 3          | 3          |
| Cash              | 3          | 4          |
| <b>Total</b>      | <b>100</b> | <b>100</b> |

<sup>1</sup> Money market funds from short-term securities lending, if any, are not included as a separate category.

### 18.1. EXPLANATIONS OF THE ACTUARIAL ASSUMPTIONS

The price inflation hypothesis reflects expected price inflation in the euro zone, in accordance with the European Central Bank's inflation target of 2%. The assumed future annual benefit and salary increase is 0.5% above price inflation.

The mortality table in use at the EPO is regularly adjusted for both serving staff and pensioners. For active staff, it is adjusted every two years, to take into account probable future increases in life expectancy.

The medical costs inflation applied is 3% in real terms for the five coming years; the rate is then reduced to 0.5% on a linear basis for the 10 following years. The weighted average of purely medical inflation concerning the actual liability structure is 3.3% (2007: 3.0%).

The expected return on plan assets is based on expected long-term development, using the 10-year average rate of return of the past as a plausibility reference. It is intended to amend the expected return on plan assets as soon as the strategic asset allocation is amended or an updated asset allocation study results in a different rate of return. The expected return on plan assets for 2009 will be based on the same policy as for the reporting period.

The obligations for allowance payments to non-active staff are presented as an unfunded pension obligation as these obligations are not covered by the assets of the RFPSS:

| in '000 EUR          |                |                  |
|----------------------|----------------|------------------|
|                      | 2009           | 2008             |
| Tax adjustment       | –              | 709 812          |
| Invalidity allowance | 246 936        | 649 746          |
| Family allowance     | 136 976        | 106 790          |
| <b>Total</b>         | <b>383 912</b> | <b>1 466 348</b> |

In 2009, the EPO started to fund the part of the Organisation's pension DBO built up for partial compensation. Its present value of KEUR 865 656 is disclosed as a separable part of the funded pension obligation.

Recipients of an invalidity allowance receive a retirement pension when they reach normal retirement age. The comparison figure for 2008, if the EPO had been applying this approach of excluding DBO on retirement pension of currently non-active staff in the above table then, would have been KEUR 252 505.

The Organisation receives reimbursements for ex-IIB employees from external insurance companies as disclosed in Note 12.

## 18.2. MAIN CHARACTERISTICS OF THE ORGANISATION'S DEFINED BENEFIT PLANS

### 18.2.1. Pension obligation

| Type of benefit                  | Beneficiary   | Calculation of the benefit   |
|----------------------------------|---|--|
| Retirement pension, old scheme   | Staff member who took up duty before 1 January 2009 from age of 60 with at least 10 years total service; reduced pension possible from the age of 50      | 2% of last monthly basic salary per reckonable year of service, subject to a maximum of 70% (80% for some key managers)  |
| Retirement pension, new scheme   | Staff member who took up duty on or after 1 January 2009 from age of 60 with at least 10 years total service; reduced pension possible from the age of 50 | 2% of last monthly basic salary per reckonable year of service, subject to a maximum of 70% (80% for some key managers), capped at twice the salary for Grade C1, step 3                                   |
| Reversion of retirement pension  | Surviving spouse/husband  | 60% of the retirement pension  |
| Survivor's pension               | Surviving spouse/husband  | 60% of the retirement pension to which the staff member would have been entitled at the time of his death, without the need for a minimum of ten years of service  |
| Orphan's pension                 | Dependent child, subject to age and education status  | 40% of the survivor's/reversionary pension (80% if there is no survivor's/reversionary beneficiary)  |
| Severance grant                  | Staff members   | Aggregate amount deducted from salary pension contributions, plus 4% p.a. compound interest and one month and a half of final monthly basic salary multiplied by the number of reckonable years of service |
| Invalidity allowance             | Staff member  | 70% of the salary until the age of 65, retirement pension after 65   |
| Family allowances                | Beneficiary of the pension plan (Note 2.14.1.1.)  | Same as for active staff   |
| Partial compensation, old scheme | Beneficiary of the pension plan (Note 2.14.1.1.)  | 50% of income taxes on retirement pensions and allowances calculated by use of standardised tables of equivalence specifying the amount of the adjustment to be added to the pension                       |

### 18.2.2. Sickness insurance

An employee who has remained in EPO service until retirement or is in receipt of an invalidity allowance, his spouse, his children and other dependants are insured against expenditure incurred in case of sickness, accident, pregnancy and confinement. One third of the contribution involved, calculated as a percentage of the pension (max. 2.4%) is charged to the employee. Since 2008, a spouse in employment outside the EPO and whose salary exceeds a certain level has been subject to an additional contribution.

Benefits also apply to the person entitled to a survivor's pension following the death of an employee who was in active employment or who remained in EPO service until retirement or following the death of a person entitled to an invalidity pension. The contribution is calculated as a percentage of the survivor's pension.

A person entitled to an orphan's or dependant's pension may also be covered, but only on request. The contribution is calculated as a percentage of the orphan's or dependant's pension.

Where the total medical expenditure not reimbursed for any period of twelve months exceeds half the pension paid, special reimbursement is allowed by the President. In addition, in the case of medical expenditure which exceeds one fifth but is less than one half of the pension, an additional reimbursement is allowed.

### 18.2.3. Long-term care insurance

A permanent employee, a former employee in receipt of an invalidity allowance or retirement pension, his spouse, his former spouse, his dependent children and other dependants are insured on either a compulsory or a voluntary basis against expenditure arising from reliance on long-term care. This insurance is intended to provide a fixed amount of financial support to defray some of the expenses incurred if an insured person's autonomy becomes seriously impaired on a long-term basis and he therefore requires help to carry out everyday activities; it does not include any expenditure on medical fees associated with the treatment of an illness or resulting from pregnancy or an accident.

The following contributions are paid:

- a contribution by the Office proportional to the basis formed by the sum of the basic salaries and basic pensions paid to the insured persons plus 6% for those insured persons who have opted for voluntary insurance of their spouse, and the sum of the survivor's pensions. The rate of this contribution is equal to two thirds of a reference rate determined on the basis of an actuarial study carried out by independent experts and fixed at 1.2% for the fiscal years 2009 and 2008.
- a contribution by the insured persons. The rate of this contribution is equal to one third of the reference rate. However, during periods in which a person insured is not in active employment, it is equal to the reference rate.

For employees joining the EPO after the age of 55, the Office and staff contributions are reduced to one third of those defined above.

#### 18.2.4. Death and invalidity insurance

The benefits payable are a fixed amount for funeral expenses incurred for the permanent employee himself, his spouse and, where appropriate, his dependants. In the event of death of the permanent employee, or of permanent invalidity totally preventing him from performing duties corresponding to his level of employment in the Organisation, the benefits payable are a lump sum equal to 2.75 times his annual basic salary. For permanent employees recruited after 9 June 1983 the lump sum is reduced by:

|       |                  |
|-------|------------------|
| 20 %  | at the age of 56 |
| 40 %  | at the age of 57 |
| 60 %  | at the age of 58 |
| 80 %  | at the age of 59 |
| 100 % | at the age of 60 |

The contribution which is required to meet the insurance for funeral expenses is included in the contribution provided for under the provisions for sickness insurance. One third of the contribution, calculated by reference to the basic salary of the permanent employee, which is required to insure him against the risks of death and invalidity is charged to the employee (max. 0.6 % of basic salary).

A permanent employee who has been in EPO service for at least two years and whose service terminates for reasons other than retiring or drawing an invalidity allowance may on request continue to be insured against risk of death, but must then bear the total contribution. The benefits payable are calculated on the basic salary received when service terminated. The insurance ends at the end of the month during which he reaches the age of 65 years.

### 19. SALARY SAVINGS PLAN OBLIGATION

Since 1 January 2009, the EPO has been operating an SSP which is compulsory for employees who took up duty on or after 1 January 2009 (participants). It is foreseen that participants may also, at their express request, make additional voluntary contributions. The rate for compulsory contributions is equal to the difference between the contribution to the pension scheme for staff in post on 31 December 2008 (currently 27.3 % of basic salary) and that payable under the new rules, i.e. applying the cap described in Note 18.2.1. One third of the compulsory contribution is charged to the employee, two thirds to the Office. Additional voluntary contributions, if any, shall be borne entirely by the employee. An individual salary savings account (individual account) is opened for each participant. The sums credited to the individual account are invested by the Office, in accordance with a predefined strategy. The Office offers participants a maximum of three investment strategies. A default investment strategy applies during the first six months of participation; thereafter, each participant may choose a different investment strategy from among those offered by the Office, and may change it once per calendar year. The Office bears no responsibility for the outcome of application of the default strategy or the strategies chosen by participants.

On termination of service, participants are entitled to payment of the balance of their individual account as a lump sum corresponding to the contributions paid into the account, plus or minus investment returns. The EPO recognises an obligation for payment of this entitlement amounting to KEUR 762 (2008: Nil). In the event of the participant's death, his entitlement passes to his estate. The lump sum is paid out as final salary.

### 20. TRADE AND OTHER PAYABLES

Of total trade and other payables, KEUR 6 233 (2007: KEUR 5 703) is non-current and mainly includes an obligation for long-term employee benefits due to long-service leave and gratuities.

The current portion of trade and other liabilities is as follows:

|   | in '000 EUR    |                |
|---|----------------|----------------|
|   | 2009           | 2008           |
| Current deposit accounts by patent applicants | 68 624         | 70 279         |
| Employee-related liabilities                  | 72 353         | 68 838         |
| Payables to suppliers and trade creditors     | 44 438         | 57 418         |
| Other   | 3 325          | 2 792          |
| <b>Total</b>                                  | <b>188 740</b> | <b>199 327</b> |

With My.epoline®, applicants can debit online the deposit accounts kept by the Organisation for fee payments relating to their applications. A liability is recognised for their inpayments replenishing these accounts.

Employee-related liabilities mainly include accrued liabilities for untaken annual leave amounting to KEUR 36 800 (2008: KEUR 37 962) and home leave of KEUR 26 512 (2008: KEUR 26 026).

### 21. FINANCE LEASE LIABILITIES

The EPO has entered into four finance lease contracts:

The Open Infrastructure Offering contract (OIO2, replacing the previous OIO contract with IBM) was signed in December 2007 with IBM companies in the Netherlands, Germany and Austria. The contract covers the period between 2008 and 2012. The total value of deliverables and services under this contract over the 5 year period is EUR 85.9 m (2008: 81.0 m).

The contract signed with Telematics S.A. Brussels, Belgium, relates to the delivery, configuration and maintenance of storage capacity. As at 31 December 2009, the total value of the contract was EUR 46.4 m (2008: EUR 41.4 m), including equipment amounting to EUR 31.8 m (2008: EUR 22.2 m). The first deliveries under this agreement were made in May 2003.

The contract with T-Systems Business Services GmbH, Bonn, Germany, signed in August 2006, relates to the supply, installation, connection, configuration and management of the LAN infrastructure consisting of new hardware and related software. The contract period is 6 years. First installations under the contract took place in October 2006. The total value of the equipment delivered under the contract is EUR 9.5 m (2008: EUR 8.4 m).

The contract with Dell GmbH, Frankfurt am Main, Germany, signed in June 2008, for delivery, installation, maintenance and management of the desktop and laptop computer equipment. The equipment delivered under the contract will be used over a period not shorter than 3.5 years. The contract is signed for an initial period of 6 years with annual extensions possible up to 10 years. First installations took place in July 2008. The expected total value of the contract is EUR 33.7 m (2008: EUR 35.7 m).

Details of the EPO's financial lease agreements are as follows:

| in '000 EUR                                       |               |               |
|---|---------------|---------------|
|   | 2009          | 2008          |
| Assets value                                      |               |               |
| Office equipment                                  | 27 119        | 30 600        |
| Future lease payments                             |               |               |
| Not later than one year                           | 12 552        | 12 659        |
| Later than one year and not later than five years | 14 513        | 19 632        |
| Later than five years                             | –             | –             |
| <b>Total future lease payments</b>                | <b>27 065</b> | <b>32 291</b> |
| Future interest payable                           | (2 108)       | (3 028)       |
| <b>Present value of future lease payments</b>     | <b>24 957</b> | <b>29 262</b> |

## 22. PROVISIONS

| in '000 EUR             |                             |                  |              |               |
|-------------------------|-----------------------------|------------------|--------------|---------------|
|                         | Asset retirement obligation | Litigation risks | Other        | Total         |
| 1 January 2009          | 12 317                      | 1 372            | 428          | 14 117        |
| Use                     | (4 699)                     | (1 372)          | (428)        | (6 499)       |
| Reversal                | –                           | –                | –            | –             |
| Addition                | 9 457                       | 1 416            | 1 079        | 11 952        |
| Interest effect         | 680                         | –                | –            | 680           |
| Other                   | –                           | –                | –            | –             |
| <b>31 December 2009</b> | <b>17 755</b>               | <b>1 416</b>     | <b>1 079</b> | <b>20 250</b> |
| Current                 | 5 606                       | 1 416            | 822          | 7 844         |
| Non-current             | 12 149                      | –                | 257          | 12 406        |
| <b>Total</b>            | <b>17 755</b>               | <b>1 416</b>     | <b>1 079</b> | <b>20 250</b> |

The Organisation recognises an asset retirement obligation amounting to KEUR 15 487 (2008: KEUR 10 613) for renovating one of the buildings it owns in Munich (Erhardtstraße) due to asbestos contamination. The corresponding debit is treated as part of the costs of the building. It is expected that the remaining related costs will be incurred in years 2010 and 2011.

A provision amounting to KEUR 2 268 (2008: KEUR 1 704) is recognised due to a contractual obligation for dismantling and renovating a leased office building in Munich (Westsite). The amount to settle this obligation depends on when the Organisation vacates the building. It is expected that these costs will occur in 2011 at the latest. Although contractual obligations for dismantling and renovation are usual in the ordinary course of business, the Organisation recognises no provisions for its other leased buildings as it is highly unlikely that it will terminate these lease contracts.

The provisions for litigation risks mainly include provisions for staff appeals pending at the Administrative Tribunal of the International Labour Organization. The EPO expects a settlement within twelve months after the balance sheet date.

Other provisions mainly include obligations for legal support in administrative and judicial procedures as well as obligations to fulfil requirements of the EPC – mainly due to external audit of financial statements, adherence to budgetary regulations and internal controls. It is expected that these obligations will be settled between 2010 and 2013.

## 23. PREPAID FEES

The total amount of prepaid fees relating to the patent grant procedure has developed as follows (divided by type of services):

| in '000 EUR                                 |                                   |                         |                                       |
|---|-----------------------------------|-------------------------|---------------------------------------|
|   | Opening balance<br>1 January 2009 | Increase/<br>(decrease) | Ending balance<br>31 December<br>2009 |
| Searches – EPC and Euro-PCT                 | 189 165                           | (13 870)                | 175 295                               |
| International searches – PCT                | 54 468                            | (10 324)                | 44 144                                |
| Examination – EPC and Euro-PCT              | 613 961                           | 18 674                  | 632 635                               |
| International preliminary examination – PCT | 7 850                             | (1 360)                 | 6 490                                 |
| Opposition                                  | 6 159                             | 92                      | 6 251                                 |
| Appeal                                      | 5 897                             | 769                     | 6 666                                 |
| Others                                      | 107                               | 1                       | 108                                   |
| <b>Total</b>                                | <b>877 607</b>                    | <b>(6 018)</b>          | <b>871 589</b>                        |

| in '000 EUR                                 |                                   |                         |                                       |
|---|-----------------------------------|-------------------------|---------------------------------------|
|   | Opening balance<br>1 January 2008 | Increase/<br>(decrease) | Ending balance<br>31 December<br>2008 |
| Searches – EPC and Euro-PCT                 | 166 449                           | 22 716                  | 189 165                               |
| International searches – PCT                | 51 561                            | 2 907                   | 54 468                                |
| Examination – EPC and Euro-PCT              | 562 192                           | 51 769                  | 613 961                               |
| International preliminary examination – PCT | 8 129                             | (279)                   | 7 850                                 |
| Opposition                                  | 6 261                             | (102)                   | 6 159                                 |
| Appeal                                      | 5 103                             | 794                     | 5 897                                 |
| Others                                      | 12                                | 95                      | 107                                   |
| <b>Total</b>                                | <b>799 707</b>                    | <b>77 900</b>           | <b>877 607</b>                        |

## 24. COMMITMENTS

|                                   | in '000 EUR |       |
|-----------------------------------|-------------|-------|
|                                   | 2009        | 2008  |
| Purchase commitments fixed assets | 1 705       | 4 856 |
| thereof payable within one year   | 1 609       | 4 180 |

The EPO has entered into several operating lease contracts. The major contracts are described below.

The contract for the lease of office space in the Le Croisé building in The Hague was signed with Eurocommerce Robex Groep B.V. The agreement covers a period of 10 years ending on 31 August 2013. If the agreement is not terminated by giving notice at least twelve months prior to the expiry of the lease term, the agreement is extended for another 5 years. The total value of the contract over 10 years is EUR 44 m.

The contract for the lease of office space in the Rijsvoort building in The Hague was signed with Rijsvoort Holding B.V. The agreement covers a period of 10 years ending on 31 August 2011. If the agreement is not terminated by giving notice at least twelve months prior to the expiry of the lease term, the agreement is extended for another 5 years. The total value of the contract over 10 years is EUR 14.7 m.

The contract for the lease of office space in the Capitellum building in Munich was signed with Alterra Immobilienverwaltungs GmbH. The agreement covers a period of 15 years ending on 30 June 2015. The total value of the contract over 15 years is EUR 49 m.

The contract for the lease of office space in the Westsite building in Munich was signed with Hochtief Projektentwicklung GmbH. The agreement covers a period of 10 years ending on 31 January 2013. The EPO has the option to terminate the contract at 31 December 2011. The total value of the contract over 10 years is EUR 42 m.

The contract signed in 2002 with Schuyffel Vastgoed Exploitatie V B.V. to rent office space in Kantorenpark Hardenburch (The Hague) covers a period of ten years ending on 31 March 2012 and can be extended by another ten years. Its total value is EUR 1.8 m.

The total operating lease expense recognised in the Statement of Comprehensive Income for 2009 amounts to KEUR 18 319 (2008: KEUR 17 707).

In 2009 there were no extensions to the existing operating lease contracts. Nor were any significant new contracts signed.

Future minimum rentals payable under non-cancellable operating leases are as follows:

|   | in '000 EUR   |               |
|---|---------------|---------------|
|   | 2009          | 2008          |
| Not later than one year                           | 13 622        | 13 328        |
| Later than one year and not later than five years | 30 752        | 35 643        |
| Later than five years                             | 1 703         | 4 867         |
| <b>Total</b>                                      | <b>46 077</b> | <b>53 838</b> |

The Organisation has other commitments of EUR 97 m (2007: EUR 84 m) to external companies, mainly for IT-related services, buildings maintenance and outsourced services.

## 25. CONTINGENCIES

The Organisation has contingencies arising in the ordinary course of business, mainly due to disputed invoices or appeals by staff members. It is not anticipated that these will give rise to any material liabilities other than those for which provision has been made (Note 22).

## 26. RELATED PARTY DISCLOSURES

The Organisation has entered into transactions with members of the EPO's key management personnel, their close family members and the Contracting States. For the year ended 31 December 2008, it has not made any provisions for doubtful debts concerning amounts owed by related parties (2008: Nil).

### 26.1. RELATED PARTIES TO THE ORGANISATION

#### 26.1.1. Members of key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. This applies to the Management Committee of the Office and the Fund Administrator of the RFPSS.

The EPO has five directorates-general (DG), each headed by a vice-president who together, along with the President, the Controller, the head of DG 1 Business Services, the Principal Director Finance and the head of Communication, form the executive body (Management Committee or MAC) of the EPO. For the purpose of this note to the financial statements, the members of the MAC are considered to be related parties.

Besides the MAC members, the RFPSS Fund Administrator is also considered to be a related party. The importance and the size of the funds, combined with his functions, put him on a par with the members of the MAC.

### 26.1.2. Close family members of key managers

Close family members of a key manager are those family members who may be expected to influence, or be influenced by, that individual in their dealings with an entity. For the purpose of this note to the financial statements, the partner, children and dependants of the MAC members and the Fund Administrator are considered to be related parties.

### 26.1.3. Contracting States

The Administrative Council of the Organisation is made up of representatives of the Contracting States to the EPC. As the EPO's supervisory body, it exercises legislative powers, decides policy issues and oversees the Office's activities. Furthermore, Article 37 (c) EPC provides that the budget of the Organisation is financed, where necessary, by financial contributions from the Contracting States. If the Organisation is unable to balance its budget in accordance with Article 40 (1) EPC, then under Article 40 (2) to (7) EPC the Contracting States must remit special financial contributions to the Organisation, the amount of which is determined by the Administrative Council for the accounting period concerned. In Article 40 (2) to (4) Pension Scheme Regulations, the Contracting States jointly guarantee payment of the benefits to be paid under the pension scheme. As the Contracting States appoint their representatives on the Administrative Council and can determine how they vote, the Contracting States themselves are also considered to be related parties to the EPO.

## 26.2. TRANSACTIONS AND OUTSTANDING BALANCES WITH RELATED PARTIES

### 26.2.1. Compensation of key managers (MAC members and Fund Administrator) and close family members of key managers

|  | in '000 EUR  |              |
|--|--------------|--------------|
|  | 2009         | 2008         |
| Compensation of key managers                         |              |              |
| Short-term employee benefits <sup>1</sup>            | 2 329        | 2 269        |
| Post-employment benefits, service costs              | 630          | 655          |
| Post-employment benefits, defined contribution plans | 67           | 85           |
| <b>Total</b>   | <b>3 026</b> | <b>3 009</b> |

<sup>1</sup> The salaries included in the short-term employee benefits are reported after deduction of internal tax.

The compensation (short-term employee benefits and post-employment benefits, service costs and past service costs) for close family members of key managers are KEUR 0 for the fiscal year 2009 (2008: KEUR 139).

The Organisation recognises a defined benefit obligation for post-employment benefits amounting to KEUR 7 566 (2008: KEUR 8 077) for the key managers and to KEUR 0 (2008: KEUR 745) for close family members.

### 26.2.2. Expenses with related parties other than compensation of key managers and their close family members

|                                      | in '000 EUR  |              |
|--------------------------------------|--------------|--------------|
|                                      | 2009         | 2008         |
| MAC members and Fund Administrator   | –            | –            |
| Close family members of key managers | –            | –            |
| Contracting States                   |              |              |
| Co-operation with national offices   | 3 019        | 4 390        |
| Rent office building Berlin          | 2 575        | 2 575        |
| Work by national offices             | –            | 2 451        |
| <b>Total</b>                         | <b>5 594</b> | <b>9 416</b> |

### 26.2.3. Revenues from patent and procedural fees and other revenues from related parties

|   | in '000 EUR    |                |
|---|----------------|----------------|
|   | 2009           | 2008           |
| MAC members and Fund Administrator                | 2              | 3              |
| Close family members of key managers              | –              | 2              |
| Contracting States                                |                |                |
| Renewal fees for granted patents (incl. interest) | 335 499        | 328 102        |
| Searches on behalf of ex-IIB member states        | 32 872         | 32 659         |
| Searches on behalf of other Contracting States    | 12 485         | 48             |
| Reimbursement rent office building Berlin         | 1 031          | 1 069          |
| Rental income Netherlands patent office           | 698            | 675            |
| Other revenue                                     | 4 845          | 4 834          |
| <b>Total</b>                                      | <b>387 432</b> | <b>367 392</b> |

#### 26.2.4. Loans, receivables and other assets due from related parties

|                                       | in '000 EUR   |               |
|---------------------------------------|---------------|---------------|
|                                       | 2009          | 2008          |
| MAC members and Fund Administrator    | 70            | 77            |
| Close family members of key managers  | –             | 60            |
| Contracting States                    |               |               |
| Renewal fees                          | 64 587        | 66 431        |
| Contracting States using EPO services | 11 376        | 3 069         |
| VAT and other taxes                   | 9 136         | 10 812        |
| Tax adjustments                       | 6 945         | 16 225        |
| Other                                 | 1 592         | 1 973         |
| <b>Total</b>                          | <b>93 706</b> | <b>98 647</b> |

The amounts due from key management personnel and their close family members result from home loans granted by the Organisation. The terms for granting home loans are the same as for other EPO employees.

#### 26.2.5. Payables and other liabilities

|                                      | in '000 EUR  |            |
|--------------------------------------|--------------|------------|
|                                      | 2009         | 2008       |
| MAC members and Fund Administrator   | –            | –          |
| Close family members of key managers | –            | –          |
| Contracting States                   | 3 640        | 121        |
| <b>Total</b>                         | <b>3 640</b> | <b>121</b> |

The post-employment benefit obligation for key managers and their close family members is disclosed in the section "Compensation of key managers (MAC members and Fund Administrator) and their close family members".

### 27. EVENTS AFTER THE REPORTING PERIOD

There are no material favourable and unfavourable events that occur between the end of the reporting period and the date when the financial statements have been authorised for issue.

### 28. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Set out below is a comparison by category of the carrying amounts and fair values of all of the EPO's financial instruments carried in the financial statements:

|  | in '000 EUR        |                                      |                       |   |                                  |                         |
|--|--------------------|--------------------------------------|-----------------------|---|----------------------------------|-------------------------|
|  | Available for sale | At fair value through profit or loss | Loans and receivables | Financial liabilities carried at amortised cost | Net carrying amount 31 Dec. 2009 | Fair value 31 Dec. 2009 |
| <b>Financial assets</b>                      |                    |                                      |                       |   |                                  |                         |
| <b>Non-current</b>                           |                    |                                      |                       |   |                                  |                         |
| Marketable securities                        |                    |                                      |                       |   |                                  |                         |
| Fixed interest-bearing bonds – quoted        | 92 781             |                                      |                       |   | 92 781                           | 92 781                  |
| Structured interest-bearing bonds – unquoted |                    | –                                    |                       |   | –                                | –                       |
| Home loans to staff                          |                    |                                      | 103 425               |   | 103 425                          | 108 237                 |
| Other assets – other                         |                    |                                      |                       | 5 691   | 5 691                            | 5 691                   |
| <b>Current</b>                               |                    |                                      |                       |   |                                  |                         |
| Trade and other receivables                  |                    |                                      |                       |   |                                  |                         |
|  |                    |                                      | 103 583               |   | 103 583                          | 103 583                 |
| Marketable securities                        |                    |                                      |                       |   |                                  |                         |
| Fixed interest-bearing bonds – quoted        | –                  |                                      |                       |   | –                                | –                       |
| Structured interest-bearing bonds – unquoted |                    | –                                    |                       |   | –                                | –                       |
| Home loans to staff                          |                    |                                      | 3 815                 |   | 3 815                            | 3 882                   |
| Other financial assets                       |                    |                                      | 413 070               |   | 413 070                          | 413 070                 |
| Cash and cash equivalents                    |                    |                                      | 105 893               |   | 105 893                          | 105 893                 |
| <b>Total</b>                                 | <b>92 781</b>      | <b>–</b>                             | <b>729 785</b>        | <b>5 691</b>                                    | <b>828 257</b>                   | <b>833 137</b>          |
| <b>Financial liabilities</b>                 |                    |                                      |                       |   |                                  |                         |
| <b>Non-current</b>                           |                    |                                      |                       |   |                                  |                         |
| Trade and other payables                     |                    |                                      |                       |   |                                  |                         |
|  |                    |                                      |                       | –   | –                                | –                       |
| Finance lease liabilities                    |                    |                                      |                       | 13 709  | 13 709                           | 13 709                  |
| <b>Current</b>                               |                    |                                      |                       |   |                                  |                         |
| Trade and other payables                     |                    |                                      |                       |   |                                  |                         |
|  |                    |                                      |                       | 116 387   | 116 387                          | 116 387                 |
| Finance lease liabilities                    |                    |                                      |                       | 11 249  | 11 249                           | 11 249                  |
| <b>Total</b>                                 |                    |                                      |                       | <b>141 345</b>                                  | <b>141 345</b>                   | <b>141 345</b>          |

| in '000 EUR                                  |                    |                                      |                       |   |                                  |                         |
|--|--------------------|--------------------------------------|-----------------------|---|----------------------------------|-------------------------|
|  | Available for sale | At fair value through profit or loss | Loans and receivables | Financial liabilities carried at amortised cost | Net carrying amount 31 Dec. 2008 | Fair value 31 Dec. 2008 |
| <b>Financial assets</b>                      |                    |                                      |                       |   |                                  |                         |
| <b>Non-current</b>                           |                    |                                      |                       |   |                                  |                         |
| Marketable securities                        |                    |                                      |                       |   |                                  |                         |
| Fixed interest-bearing bonds – quoted        | –                  |                                      |                       |   | –                                | –                       |
| Structured interest-bearing bonds – unquoted |                    | 8 833                                |                       |   | 8 833                            | 8 833                   |
| Home loans to staff                          |                    |                                      | 99 307                |   | 99 307                           | 103 509                 |
| Other assets – other                         |                    |                                      |                       | 5 617   | 5 617                            | 5 617                   |
| <b>Current</b>                               |                    |                                      |                       |   |                                  |                         |
| Trade and other receivables                  |                    |                                      |                       |   |                                  |                         |
|  |                    |                                      | 113 860               |   | 113 860                          | 113 860                 |
| Marketable securities                        |                    |                                      |                       |   |                                  |                         |
| Fixed interest-bearing bonds – quoted        | 73 595             |                                      |                       |   | 73 595                           | 73 595                  |
| Structured interest-bearing bonds – unquoted |                    | –                                    |                       |   | –                                | –                       |
| Home loans to staff                          |                    |                                      | 4 610                 |   | 4 610                            | 4 653                   |
| Other financial assets                       |                    |                                      | 408 400               |   | 408 400                          | 408 400                 |
| Cash and cash equivalents                    |                    |                                      | 48 866                |   | 48 866                           | 48 866                  |
| <b>Total</b>                                 | <b>73 595</b>      | <b>8 833</b>                         | <b>675 043</b>        | <b>5 617</b>                                    | <b>763 088</b>                   | <b>767 333</b>          |
| <b>Financial liabilities</b>                 |                    |                                      |                       |   |                                  |                         |
| <b>Non-current</b>                           |                    |                                      |                       |   |                                  |                         |
| Trade and other payables                     |                    |                                      |                       |   |                                  |                         |
|  |                    |                                      |                       | –   | –                                | –                       |
| Finance lease liabilities                    |                    |                                      |                       | 18 158  | 18 158                           | 18 158                  |
| <b>Current</b>                               |                    |                                      |                       |   |                                  |                         |
| Trade and other payables                     |                    |                                      |                       |   |                                  |                         |
|  |                    |                                      |                       | 130 489   | 130 489                          | 130 489                 |
| Finance lease liabilities                    |                    |                                      |                       | 11 104  | 11 104                           | 11 104                  |
| <b>Total</b>                                 |                    |                                      |                       | <b>159 751</b>                                  | <b>159 751</b>                   | <b>159 751</b>          |

Cash, cash equivalents, trade and other receivables as well as trade and other payable have mainly short terms to maturity. Their carrying amounts at the reporting date represent a reasonable approximation of their fair values.

Trade receivables include prepaid expenses amounting to KEUR 8 925 (2008: KEUR 11 556) that are not classified as financial instruments and therefore are excluded from the table above.

The fair value of fixed-interest-bearing bonds classified as available-for-sales securities is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the EPO is the current bid price.

Home loans and structured interest-bearing bonds designated at fair value through profit or loss are not traded in an active market. Their fair value is determined using standard valuation techniques. Different methods are used, based on assumptions about the market conditions at each balance sheet date. The fair value of home loans is calculated as the present value of the future cash flows discounted using the prevailing market rates of interest by application of the Moosmüller method.

The fair value of structured interest-bearing bonds is determined using generally accepted mathematical models. For this calculation, the cash flows already fixed or determined by way of forward rates using the current yield curve are discounted at the measurement date using the discount factors calculated from the yield curve applicable at the reporting date. Middle swap rates are used.

For valuation purposes, financial instruments are classified under the following fair value levels:

- **Level 1**, Quoted prices in active markets for identical assets or liabilities
- **Level 2**, Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly
- **Level 3**, Inputs for the asset or liability that are not based on observable market data

The table below presents the financial instruments measured at fair value classified according to the fair value hierarchy:

| in '000 EUR                                  |               |              |          |               |
|--|---------------|--------------|----------|---------------|
| 31 December 2009                             | Level 1       | Level 2      | Level 3  | Total         |
| Fixed interest-bearing bonds – quoted        | 92 781        |              |          | 92 781        |
| Structured interest-bearing bonds – unquoted |               | –            |          | –             |
| <b>Total</b>                                 | <b>92 781</b> | <b>–</b>     | <b>–</b> | <b>92 781</b> |
| 31 December 2008                             | Level 1       | Level 2      | Level 3  | Total         |
| Fixed interest-bearing bonds – quoted        | 73 595        |              |          | 73 595        |
| Structured interest-bearing bonds – unquoted |               | 8 833        |          | 8 833         |
| <b>Total</b>                                 | <b>73 595</b> | <b>8 833</b> | <b>–</b> | <b>82 428</b> |

## 29. FINANCIAL RISK MANAGEMENT

### 29.1. FINANCIAL INSTRUMENTS

The EPO has a variety of financial instruments. They comprise trade receivables and payables, other assets, cash and fixed-term deposits which arise directly from the EPO's operational activities as well as finance lease obligations that are used to finance the EPO's operations.

Liquidity surpluses not needed to cover operational short-term expenses are invested in marketable securities with the aim of maximising the returns. The EPO's long-term investment portfolio comprises fixed-interest-bearing bonds and structured interest-bearing bonds with maturities within a range of 1 to 5 years.

Additionally, home loans are granted to staff at an interest rate below the prevailing market rate.

The main risks arising from the EPO's financial instruments are interest rate risk, liquidity risk and credit risk. The Budget and Finance Committee and the Administrative Council approve the investment policies and strategy for managing the risks summarised below:

#### 29.1.1. Cash flow, foreign exchange and fair value interest rate risk

The EPO's exposure to the risk for changes in market interest rates relates primarily to its marketable securities. Whereas the cash flow interest rate risk only concerns the structured interest-bearing bonds (see Note 13.), the fair value interest risk has an effect on both fixed and structured interest-bearing bonds.

The EPO manages the cash flow interest risk by investing the liquidity surpluses using a mix of fixed and structured interest-bearing bonds with the aim of maximising the overall return on these assets.

Interest rate risks are presented by way of sensitivity analyses. These show the effects of changes in market interest rates on profit or loss in the case of structured interest-bearing bonds and on equity in the case of fixed-interest-bearing bonds.

The sensitivity analysis is based on the calculation of the modified duration of the EPO portfolio of marketable securities. The effect of convexity has no significant bearing on the sensitivity analysis and has therefore not been taken into account.

If market interest rates had been 100 basis points higher (lower) at 31 December 2009, equity would have been KEUR 2 974 (31 December 2008: KEUR 224) lower (higher) as a result of a decrease (increase) in fair value of fixed-interest-bearing bonds classified as available-for-sale. The higher volatility of the portfolio is due to the longer period to maturity of the bonds held by the EPO at 31 December 2009.

At 31 December 2009, if the EUR had weakened/strengthened by 10 % against the pound sterling (GBP), Swedish krona (SEK) and Swiss franc (CHF) with all other variables held constant the result for the year would have been higher/lower, mainly as a result of foreign exchange gains/losses on translation of GBP/SEK/CHF-denominated accounts receivable. The impact on the income would have been as follows:

|              | in '000 EUR  |              |
|--------------|--------------|--------------|
|              | 2009         | 2008         |
| GBP          | 784          | 834          |
| SEK          | 312          | 294          |
| CHF          | 208          | 240          |
| <b>Total</b> | <b>1 304</b> | <b>1 368</b> |

The Organisation has not performed a sensitivity analysis for granted home loans as fair value changes due to lower (higher) interest rates would not have an impact on the EPO's profit or loss and equity.

#### 29.1.2. Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities to be able to face the entity's short- and long-term liabilities.

The EPO's treasury department monitors the risk of a shortage of funds using a daily cash management tool. This tool considers the maturity of financial assets (e.g. marketable securities) and takes into consideration the expected cash in- and outflows from the daily operations.

The EPO has no significant liquidity risk. The cash generated by its operations more than covers its liquidity needs for both operational and capital expenditure.

Liquidity surpluses not needed in the short term are invested in non-current marketable securities with maturities of 2 to 5 years in line with estimated cash outflows according to the 5-year budget planning.

In order to maximise the return on its liquidity surpluses, the EPO tries to maintain a balance between short-term deposits (up to one year) and non-current marketable securities. Based on past experience, the appropriate ratio is 30 % : 70 %. This ratio is reviewed regularly.

Marketable securities held by the EPO are highly liquid and can be sold at any time.

#### 29.1.3. Credit risk

Financial instruments deriving from the EPO's operational activities are not subject to significant credit risk. The EPO has policies in place to ensure that sales of patent information services and products are made to customers with an appropriate credit history. Outstanding trade receivables are monitored continually. Trade and other receivables held with the Contracting States are not subject to credit risk.

Regarding financial investments, the internal guidelines require that fixed-term deposits up to 1 year are placed with at least four financial institutions with at least a minimum P-1 "short term debt" rating. Longer than 1-year fixed-term deposits have to be placed with financial institutions with at least an AA "issuer rating".

Also not subject to significant credit risk are the home loans. They are only granted to permanent staff, and repayment is guaranteed through the mortgage or other land charge entered in the Land Register or other appropriate public record. Interest and capital repayments are withheld from salary. No home-loan borrower has ever defaulted.

Bonds and other interest-bearing securities held by the EPO have to be capital-guaranteed with at least an AA rating. If there is no rating available for the security, the rating requirement applies to the issuer of the security. Furthermore, the credit risk of securities is minimised through the setting of a maximum limit (20 %) on the total marketable securities portfolio that may be invested in a single issuer.

## 29.2. CAPITAL MANAGEMENT

The EPO is a non-profit organisation and the main objectives of its capital management are to ensure the continuity of its tasks as defined in the EPC – in particular the grant of European patents – and to meet its obligations to its stakeholders.

The stakeholders are the Contracting States, patent applicants and their representatives, serving and former EPO staff, and its product- and/or service-providers.

The Organisation is financed from its own resources, from its share of national renewal fees and, if need be, from special contributions by the Contracting States. Any liquidity deficits would be financed by its Contracting States, so the Organisation has no risk of insolvency.

According to Article 38 EPC, the Organisation's own resources comprise

- all income from fees and other sources, and the Organisation's reserves
- the resources of the RFPSS which are a special class of assets to support the Organisation's pensions and social security scheme (PSSS) by providing the appropriate reserves.

The Organisation's main assets are those of the RFPSS (included as plan assets in the net defined benefit liability), the investments in property, plant and equipment, and financial assets other than plan assets.

For managing the Organisation's capital, two substantial liabilities are to be addressed. Firstly, the EPO is a labour-intensive organisation based on intellectual human capital, so its main obligation concerns the pay and post-employment benefits of its staff. Its second large obligation concerns the prepaid fees it has already received in cash but for which it has not yet provided the services involved.

EPO capital management is based on financial planning for a period of five years, including a forecast of budgeted cash flows and of IFRS statements for each of these years. Both are based on a five-year business plan for all EPO services. Thorough analyses of possible developments in demand for European patents and in applicant behaviour are conducted in close consultation with the relevant stakeholders.

Actual developments during the year are closely monitored, in the form of monthly financial management reports to EPO management and quarterly reports to the Budget and Finance Committee and the Administrative Council.

This planning and monitoring of EPO business and finances ensure that any necessary action (e.g. efficiency measures) can be prepared and taken in good time. This minimises any risk of the EPO not being able to finance its operations from its own resources. In addition, the EPO has taken measures to avoid the risk of sudden increases in its procedural fees or of special contributions from the Contracting States being needed to finance its long-term liabilities (especially for pensions and social security).

Since 1984, the EPO has been setting aside reserves in the RFPSS so that it can pay its pension obligations. This also minimises the risk of the Contracting States being asked to cover the financing of these pensions in accordance with the guarantee laid down in Article 40 of the Pension Scheme Regulations.

Since 2001, it has also been building up a reserve fund for LTC insurance.

In January 2008, the Organisation assigned an amount of KEUR 300 000 to the RFPSS to fund the defined benefit obligation for pensioners' sickness insurance. An additional contribution of KEUR 30 555 was made in November 2009 to fund part of the Organisation's pension DBO built up for partial compensation. Both cash injections are kept in separate funds of the RFPSS.

Another instrument to manage coverage for post-employment benefits is the three-yearly actuarial study to assess whether these obligations are sufficiently funded. If required, measures are then taken. For example, the actuarial study as per 31 December 2005 resulted in the pension scheme contribution being revised from 24% to 27.3%.

The monitoring of the development of assets and liabilities is an important task of the Asset Liability Management (ALM) Committee, which reports direct to the President and makes recommendations on all substantial investments and/or changes in liabilities.

The policy and measures described above are part of EPO management's strategy to ensure that the Organisation can continue as a going concern without any risk of needing to draw on special contributions from the Contracting States.

EPO capital management takes account of how the Organisation is financed. As described in Note 2.5.3, the value of future national renewal fees, which cannot be shown as an asset and is therefore not included in EPO equity, is nonetheless an essential factor when considering the Organisation's financial position on the balance sheet date.

At the end of the 2009 accounting period, the EPO had negative equity of EUR 1860 m i.e. EUR 73 m more than at the balance sheet date 2008.

The net present value of future renewal fees for European patents granted up to 31 December 2009 amounts to EUR 2 748 m, an increase of EUR 473 m over the year (see Note 4.).

The EPO's annual financial planning and regular actuarial studies will continue to consider what measures may be necessary to ensure that the Organisation can meet its financial obligations to its stakeholders, especially the EPC Contracting States and serving and retired EPO staff.

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