Europäisches Patentamt
European Patent Office
Office européen des brevets

Financial Statements 2024

Contents

Audit opinion

1. Audit and audit opinion

We have audited the financial statements, comprising the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes (Article 69(1a) of the Financial Regulations), together with the European Patent Organisation's bookkeeping system for the accounting period 1 January to 31 December 2024, as disclosed in CA/60/25.

In our opinion, the financial statements give a true and fair view of the Organisation's financial position as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with the accounting principles of Article 50(g) of the European Patent Convention (EPC) and the Financial Regulations (FinRegs) based thereon.

2. Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the section of our report entitled "Auditors' responsibilities for the audit of the financial statements". We are independent of the Organisation in accordance with the ethical requirements and with Article 50(g) EPC and the FinRegs relevant to our audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Responsibilities of the President of the EPO for the financial statements

The President of the EPO is responsible for the preparation and fair presentation of the financial statements in accordance with Article 50(g) EPC and the FinRegs. According to Article 1(3) FinRegs, the generally accepted accounting principles of the EPO are the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB). Furthermore, the President of the EPO is responsible for such internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the President of the EPO is responsible for assessing its ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organisation or to cease operations, or has no realistic alternative but to do so.

4. Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control,

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the EPO's internal control,

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the President of the EPO,

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the EPO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements – or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the EPO to cease to continue as a going concern,

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Munich, 11 April 2025

Board of Auditors

F. Hervio O. Hollum H. Schuh

Financial Statements

Statement of Comprehensive Income for the year ended 31 December 2024

in EUR '000

Revenue	Notes	2024	2023
Revenue from patent and procedural fees	(3)	2 325 883	2 158 032
Other revenue	(3)	5 839	9 510
Other operating income	(5)	10 124	8 145
Employee benefit expenses	(7)	(1 700 569)	(1 649 929)
Depreciation and amortisation expenses	(11)(12)	(50 312)	(69 231)
Other operating expenses	(8)	(251 603)	(253 329)
Operating result		**339 362**	**203 198**
Finance revenue	(9)	1 616 997	1 768 571
Finance costs	(10)	(740 432)	(704 740)
Financial result		**876 565**	**1 063 831**
Profit / (loss) for the year		**1 215 927**	**1 267 029**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement defined benefit obligations	(22)	1 893 992	(2 871 958)
Items that may be reclassified subsequently to profit or loss		—	—
Total comprehensive income/loss for the year		**3 109 919**	**(1 604 929)**

The notes are an integral part of the financial statements.
Information on potential future national renewal fees is provided in Notes 2.5.3 and 4.

Statement of Financial Position as at 31 December 2024

in EUR '000

Assets	Notes	2024	2023
Non-current assets			
Property, plant and equipment	(11)	619 816	617 187
Intangible assets	(12)	31 801	39 585
RFPSS financial assets		*13 255 982*	*11 780 378*
RFPSS other assets		*647*	*639*
RFPSS restricted cash		*195 762*	*359 249*
RFPSS financial liabilities		*(40 807)*	*(7 852)*
RFPSS other liabilities		*(132)*	*(112)*
RFPSS net assets	(14)	13 411 452	12 132 302
Investments	(15)	4 593 754	3 532 032
Home loans to staff	(16)	77 737	81 868
Other financial assets	(17)	—	—
Other assets	(18)	323 160	240 245
Total non-current assets		19 057 720	16 643 219
Current assets			
Trade and other receivables	(19)	209 109	187 217
Investments	(15)	30 605	187 706
Home loans to staff	(16)	8 324	8 469
Other financial assets	(17)	—	115 360
Prepaid expenses	(20)	29 242	29 636
Cash and cash equivalents	(21)	221 755	155 425
Total current assets		499 035	683 813
Total assets		**19 556 755**	**17 327 032**

in EUR '000

Equity and liabilities	Notes	2024	2023
Equity			
Retained earnings		(1 249 170)	(2 465 097)
Other components of equity		(1 437 258)	(3 331 250)
Total equity		**(2 686 428)**	**(5 796 347)**
Non-current liabilities			
Defined benefit liability	(22)	20 130 307	21 207 392
Salary Savings Plan obligation	(23)	322 908	239 977
Other employee-related liabilities	(24)	37 034	29 683
Lease liabilities	(13)	13 930	17 425
Prepaid fees	(3)	875 002	838 912
Total non-current liabilities		21 379 181	22 333 389
Current liabilities			
Other employee-related liabilities	(24)	168 329	164 981
Trade and other payables	(25)	226 875	190 480
Lease liabilities	(13)	3 492	3 996
Provisions	(26)	6 463	6 025
Prepaid fees	(3)	458 843	424 508
Total current liabilities		864 002	789 990
Total liabilities		22 243 183	23 123 379
Total equity and liabilities		**19 556 755**	**17 327 032**

The notes are an integral part of the financial statements.
Information on potential future national renewal fees is provided in Notes 2.5.3 and 4..

Statement of Changes in Equity for the year ended 31 December 2024

in EUR '000

	Issued capital	Reserves		Total equity
		Cumulative changes in equity not recognised through profit or loss	Retained earnings	
Balance at 1 January 2023	**—**	**(459 292)**	**(3 732 126)**	**(4 191 418)**
Changes in equity for 2023				
Remeasurement defined benefit obligations		(2 871 958)		(2 871 958)
Profit (loss) for the period			1 267 029	1 267 029
Balance at 31 December 2023	**—**	**(3 331 250)**	**(2 465 097)**	**(5 796 347)**
Changes in equity for 2024				
Remeasurement defined benefit obligations		1 893 992		1 893 992
Profit (loss) for the period			1 215 927	1 215 927
Balance at 31 December 2024	**—**	**(1 437 258)**	**(1 249 170)**	**(2 686 428)**

The notes are an integral part of the financial statements.
Information on potential future national renewal fees is provided in Notes 2.5.3 and 4.

Statement of Cash Flows for the year ended 31 December 2024

in EUR '000

Cash flows from operating activities	Notes	2024	2023
Cash receipts from Patent Applicants	(3)	1 623 604	1 520 750
Cash receipts from Member States – patent related	(3)	790 268	752 718
Cash receipts from Member States – reimbursement of VAT and other taxes		38 212	37 889
Cash receipts from other users and other cash receipts		4 838	6 128
Cash receipts from transfers of pension rights	(22)	3 694	1 168
Total operating cash receipts		**2 460 616**	**2 318 653**
Payments to staff – salaries and allowances	(7)	(991 439)	(955 131)
Payments to pensioners and former staff	(22)	(395 631)	(362 537)
Payments to healthcare provider for staff and pensioners	(22)	(105 125)	(89 816)
Payments to the European School Munich		(26 829)	(25 555)
Payments to suppliers of goods and services		(290 517)	(322 128)
Net investments in Salary Savings Plan	(23)	(29 414)	(26 900)
Payment of fees to UP Participating Member States		(1 750)	—
Payment of fees to Extension and Validation States	(3)	(1 134)	(1 225)
Total operating cash payments		**(1 841 839)**	**(1 783 292)**
Cash Flow from operating activities		**618 777**	**535 361**

Cash flows from investing activities	Notes	2024	2023
Acquisition of tangible and intangible assets	(11,12)	(47 056)	(53 756)
Proceeds from sale of assets	(11,12)	—	—
Net statutory investments in RFPSS	(14)	(23 637)	(36 374)
Net voluntary investments in RFPSS	(14)	—	(239 000)
Net investments in EPOTIF	(15)	(780 000)	—
Home Loans granting	(16)	(5 542)	(5 160)
Home Loans repayment	(16)	10 599	11 068
Home Loans interest payment	(16)	701	643
Net investments in bank deposits	(17)	115 360	(35 360)
Net investments in bonds	(15)	166 157	(185 335)
Interest from deposit and current account	(9)	15 257	10 042
Cash flow from Investing activities		**(548 161)**	**(533 232)**

Cash flows from financing activities	Notes	2024	2023
Interest paid	(13)	(288)	(378)
Repayment of lease liabilities	(13)	(3 998)	(9 446)
Cash flow from Financing activities		**(4 286)**	**(9 824)**

Net increase/(decrease) in cash and cash equivalents		**66 330**	**(7 695)**
Cash and cash equivalents net of bank overdrafts at the beginning of the period		**155 425**	**163 120**
Effect of exchange rate changes on cash and cash equivalents			
Cash and cash equivalents net of bank overdrafts at the end of the period		**221 755**	**155 425**

The notes are an integral part of the financial statements.
Information on potential future national renewal fees is provided in Notes 2.5.3 and 4.

Notes

1. General information

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

The EPO 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 Bob-van-Benthem-Platz 1, 80469 Munich, Germany.

As laid down in the EPC and in the EPO's Financial Regulations, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as provided by the International Accounting Standards Board (IASB).

These financial statements were authorised for issue by the President on 15 April 2025.

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

- the EPO is an intergovernmental organisation where the Contracting States are obliged to finance any deficit;
- the value of future national renewal fees for European Patents cannot be shown as an asset but is an essential factor for the EPO's actual financial position. For more details, see Notes 2.5.3 and 4.

2. Material accounting policy information

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. As required by amended IAS 1, the EPO presents profit or loss and other comprehensive income in one statement, the Statement of Comprehensive Income, with expenses analysed by nature. The cash flows from operating activities have been prepared in line with IAS 7.18a using the direct method. The classes of gross cash receipts and gross cash payments have been obtained based on IAS 7.19b by adjusting items in the Statement of Comprehensive Income for changes during the period in operating receivables and payables.

2.1 Basis of preparation

The financial statements of the EPO have been prepared in accordance with IFRS. They have been prepared on a historical cost basis, except for financial instruments that are measured at fair value, and the defined benefit obligation measured in accordance with IAS 19. The financial statements are presented in euro (EUR) and all values are rounded to the nearest thousand (EUR '000) unless indicated otherwise.

The EPO does not prepare segment reporting, since IFRS 8 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.

New, revised or early adopted standards and interpretations affecting the Financial Statements in the current year and/or prior years

The EPO did not adopt any new standards or interpretations in 2024.

Standards, amendments, and interpretations to existing standards that are new or revised but not yet effective and have not been adopted early by the EPO

Lack of Exchangeability (Amendments to IAS 21)
The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. It is applicable to reporting periods beginning on or after 1 January 2025. It will have no impact on the EPO Financial Statements.

Amendments to the SASB standards to enhance their international applicability
The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics. It is applicable to reporting periods beginning on or after 1 January 2025. It will have no impact on the EPO Financial Statements.

Amendments to IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments
The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9. It is applicable to reporting periods beginning on or after 1 January 2026. The EPO has not yet evaluated the impact of this pronouncement.

Annual Improvements to IFRS Accounting Standards applicable to reporting periods on or after 1 January 2026.
The pronouncement comprises the following amendments:

- IFRS 1: Hedge accounting by a first-time adopter
- IFRS 7: Gain or loss on derecognition
- IFRS 7: Disclosure of deferred difference between fair value and transaction price
- IFRS 7: Introduction and credit risk disclosures

- IFRS 9: Lessee derecognition of lease liabilities
- IFRS 9: Transaction price
- IFRS 10: Determination of a ‘de facto agent'
- IAS 7: Cost method

The EPO has not yet evaluated the impact of these pronouncements.

IFRS 18 Presentation and Disclosures in Financial Statements
IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. It is applicable to reporting periods beginning on or after 1 January 2027. The EPO has not yet evaluated the impact of this pronouncement.

IFRS 19 Subsidiaries without Public Accountability: Disclosures
IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards. It is applicable to reporting periods beginning on or after 1 January 2027. It will have no impact on the EPO accounts.

Interpretations and amendments to existing standards which became effective in 2024 but are not relevant for the EPO's operations

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 Climate-related Disclosures
IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

Non-current Liabilities with Covenants (Amendments to IAS 1)
The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
The amendments add disclosure requirements, and ‘signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

2.2 Consolidation

The EPO does not prepare consolidated financial statements, because under IFRS the EPO constitutes a single entity, including the Reserve Funds for Pensions and Social Security (RFPSS) that is reported as a special class of EPO assets.

2.3 Foreign currency translation

The financial statements are presented in euro, the EPO'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 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 liabilities relating to the defined benefit pension plans as defined in Note 2.15.2 and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, career development, mortality rates, the duration of incapacity to work, future pension increases and other actuarial parameters. The mortality table used by the EPO is regularly adjusted for both serving staff and pensioners. For serving staff, the mortality table is adjusted every two years, based on the International Civil Servants Life Table (ICSLT) produced by the OECD's International Service for Remunerations and Pensions (ISRP) which is a table specific to international civil servants based in Europe. In 2023, the EPO's Actuarial Advisory Group (AAG) confirmed the use of an EPO-specific mortality table based on ICSLT 2018 and the recalibrated 10-year longevity trend for pensioners. For the 2024 valuation, the same mortality table was used. Calculation of the defined benefit plan requires assumptions to determine the level of lump-sum payments as tax compensation for the national tax levied on pensions, disclosed as "tax adjustment" in Note 22. Due to the long-term nature of these plans, these estimates are subject to significant legal and actuarial uncertainties.

- The EPO 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.

- 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 technological feasibility, expected benefits, allocation of costs to research or development phases, and the costs directly attributable to development of the assets.

- Where national renewal fees for the reporting period are not received before the closure of the accounts, these are accrued using estimates based on the average amounts received in previous periods, or by using the budget when this data is not available. .

- Calculation of the net present value of potential future national renewal fees disclosed in Note 4 requires management to make assumptions about discount rates, exchange rates and the life expectancy of patents in the different countries where the patents have been validated.

2.5 Revenue recognition

2.5.1 Revenue from patent and procedural fees

2.5.1.1 Procedural fees related to the Patent grant process

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:

(a) European route: direct European patent application (EPC application)

(b) 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

The EPO recognises its revenue in accordance with IFRS 15. When a patent application is filed, a contract is established between the EPO and the patent applicant, creating enforceable rights and obligations for both parties. However, the EPO does not usually have individual customer contracts in place but instead performs its patent examination services on the basis of the legal regulations (EPC and PCT) under which patent applicants file their applications.

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 EPC and its Implementing Regulations, and the Rules relating to Fees determine the transaction price.

The EPO as an International Searching Authority (ISA), Supplementary International Search Authority (SISA) and International Preliminary Examining Authority (IPEA) also performs international searches and preliminary examinations on international applications under the Patent Cooperation Treaty (PCT). The fees for each step and the corresponding due dates are regulated in the PCT and the Rules relating to Fees that determine the transaction price.

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.

Fee payments received for patent and procedural fees for which the performance obligation has not yet been satisfied, are recognised in the Statement of Financial Position as liabilities (from contracts with customers), and are recognised as revenue in the Statement of Comprehensive Income when the EPO satisfies its performance obligation by transferring the services as follows, with costs expensed as incurred:

- Filing and page fees: the underlying performance obligation is the examination of the patent application for compliance with the formal requirements, and is satisfied by the EPO shortly after filing/entry into the European phase. Payment is due within one month of the filing date.

- Search fees and claims fees included in the transaction price: the underlying performance obligation for the search service is satisfied once the search report has been dispatched to the patent applicant. According to Article 9.2 of the Rules relating to Fees, an applicant may be entitled to a full or partial refund of the search fees if the EPO was able to make use of a search report previously drawn up by it.

  Furthermore, the applicant can decide at any time to cancel the search contract with the EPO either actively (withdrawal of the application) or passively (application deemed to be withdrawn). According to Article 9.1 of the Rules relating to Fees, the search fee paid for a European or supplementary European search is to be fully refunded if the European patent application is withdrawn, refused, or deemed to be withdrawn at a time when the EPO has not yet begun to draw up the search report.

- Examination fees and claims fees included in the transaction price: the underlying performance obligation for the examination service is satisfied once the written communication of the intention to grant the patent or the decision to refuse the application has been sent to the patent applicant.

  The patent applicant can decide at any time to cancel the examination contract with the EPO either actively (withdrawal of the application) or passively (application deemed to be withdrawn). Under Article 11(a) of the Rules relating to Fees, the examination fee provided for in Article 94(1) EPC is to be refunded in full if the European patent application is withdrawn, refused, or deemed to be withdrawn before substantive examination has begun.

  Under Article 11(b) of the Rules relating to Fees, the examination fee provided for in Article 94(1) EPC is to be refunded at a rate of 50% if the European patent application is withdrawn after substantive examination has begun but before either expiry of the time limit for replying to the first Article 94(3) EPC communication issued by the examining division, even if the applicant has already replied, or, in the case of a direct grant (a grant with no previous Article 94(3) EPC communication), before the date on which the Rule 71(3) EPC communication is dispatched.

  Article 11(b) of the Rules relating to Fees applies to all applications for which substantive examination started on or after 1 November 2016 and applies only if they are withdrawn, not if they are refused or deemed to be withdrawn.

- Grant and printing fees: the underlying performance obligation for the grant service is satisfied once the patent is published.

- Opposition fees: the underlying performance obligation is satisfied once the opposition proceedings have been closed, which is once a final decision by the opposition division has been communicated to the parties.

- Appeal fees: the underlying performance obligation is satisfied once the appeal proceedings have been closed, which is once a final decision by the board of appeal has been communicated to the parties.

- Limitation fees: the underlying performance obligation is satisfied once the examining division's decision as to whether or not the request for limitation is allowable has been communicated to the requester.

- International and international-type PCT search fees: the underlying performance obligation is fully satisfied once the search report has been dispatched to the patent applicant. As prescribed by Rule 41.1 PCT, when establishing the international search report on an international application in its capacity as International Searching Authority, the EPO must, to the extent possible, use the results of any earlier search performed by it. The EPO must then fully or partially refund the search fee, depending on the extent of use it was able to make of the results of that previous search.

- PCT Chapter II examination fees: the underlying performance obligation is fully satisfied once the international preliminary examination report has been dispatched to the patent applicant and the examining division has completed its work.

Fee payments received for the following fees are recognised as revenue in the Statement of Comprehensive Income patent on receipt, with costs expensed as incurred:

- Designation, extension, and validation fees: These are one-off fees payable to ensure protection of the invention in the EPC Contracting States and the extension/validation states of the applicant's choice. The underlying service has already been performed by the EPO at the date of filing, before the fee payment is due. As these fees are not refundable, a liability is not recognised in the Statement of Financial Position for payments for designation or extension and validation fees that are received at the year-end closing date but not yet due.

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

- Renewal fees for patent applications: renewal fees for patent applications are due in advance on a yearly basis starting from the third year after the filing date, and are not subject to the EPO's fulfilment of a performance obligation. The fees are not spread across financial periods where the renewal period runs across two reporting periods. 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. Renewal fees validly paid three months (six months for the third renewal fee) before the due date under Rule 51(1) EPC are refundable and therefore recognised as prepayments.

2.5.1.2 National renewal fees for granted patents

After a European patent has been granted, the patent proprietor has the option to validate the patent in the Contracting States designated during the patent grant procedure with the renewal fees for subsequent years payable to the designated Contracting States. Under Article 39 EPC, each Contracting State pays 50% (as agreed by the Administrative Council) of its national renewal fee to the EPO for each European patent maintained in that state, at the end of the month following the quarter in which the payment was received by the Contracting State. If the resulting amount that is payable to the EPO is less than a uniform minimum amount set by the Administrative Council, the Contracting State must pay that minimum to the EPO. The structure and level of national renewal fees are fixed by the Contracting States.

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

National renewal fees are accrued based on the actual data received before year-end closure. If such data is not timely available, the amounts are accrued using the average actual amounts received in the first three quarters of the year or, if these are not available, based on the budget.

2.5.1.3 Renewal fees for granted patents with unitary effect

Since 1 June 2023, the patent proprietor has the possibility to request unitary patent protection to the EPO within one month after the publication of a European patent in the European Patent Bulletin. Patents with unitary effect will be protected within the EU Member States that have ratified the Agreement on the Unified Patent Court (UPC Agreement) providing uniform patent protection in these Member States. In September 2024 an additional Member State ratified the UPC Agreement which increased number of participating Member States from 17 to 18.

It is expected that more EU Member States will ratify the UPC Agreement in the coming years, so that eventually a patent with unitary effect could benefit from the unified patent protection in up to 25 EU Member States.

Fees relating to patents with unitary effect include renewal fees, any additional fees for their belated payment, fees for re-establishment of rights and administrative fees. These fees are paid in full by the patent proprietor to the EPO and are partly distributed to the participating Member States on a quarterly basis. The participating Member States receive 50% of the renewal fees and of any additional fees for their late payment (Article 147 EPC). The costs for the administration of the unitary patent incurred by the EPO shall be borne in their entirety by the participating Member States in line with Article 146 EPC, and are disclosed under Other Operating Income, see Note 5.

Principles of revenue recognition for patent fees for granted European patents with unitary effect

Payment of renewal fees for patents with unitary effect is not subject to the EPO's fulfilment of a performance obligation. Renewal fees are due yearly in advance, and in respect of the years following the year in which the European Patent receives unitary effect. The fees are recognised as revenue on receipt and are not spread across financial periods where the renewal period runs across two reporting periods.

Renewal fees validly paid not more than three months before the due date under Rule 13(2) of the rules related to Unitary Patent Protection (UPR) are refundable and therefore the EPO's share of 50% is recognised as a prepayment.

Administrative fees and fees for the re-establishment of rights are allocated in full to the participating Member States and do not constitute revenue for the EPO.

2.5.1.4 Searches for national offices and third parties

Revenue from searches for national offices and third parties are recognised as revenue upon satisfaction of the corresponding performance obligation, which is upon rendering of the service and the issue of the invoice involved. To better reflect the nature of these revenues and to align them with the internal reporting on search products, they are classified as revenue from patent and procedural fees.

2.5.2 Other revenue

Other revenue includes revenue from patent information services and products, and administrative fees, with the following principles of revenue recognition:

- Revenue from patent information services is recognised upon satisfaction of the corresponding performance obligation, which is upon rendering of the service and issue of the invoice involved.
- For sales of patent information products, the revenue is recognised once control over the goods is transferred to the buyer.

- Revenue from administrative fees is recognised upon satisfaction of the corresponding performance obligation which is upon rendering of the administrative service.

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 (see also Note 2.5.1.2). This is reflected by the EPO when setting its fees for the services delivered in the grant procedure, by explicitly taking into account potential national renewal fees for granted patents.

Since there is no legal obligation for the patentee to maintain the patent by paying the renewal fees for the maximum term of 20 years, and since the structure and level of the renewal 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 is not recognised in the Statement of Comprehensive Income and the Statement of Financial Position. It is also possible that EPO income from these fees, together with that from renewal fees for pending applications, will not cover its remaining costs of granting the patent. As these potential future operating losses do not meet the criteria of a liability, the EPO recognises no provision for onerous contracts.

The net present value of potential future national renewal fees for European patents is calculated based on 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 at the balance sheet date, with their life expectancy estimated using historical statistics for each Contracting State where the patents are validated.

The current renewal-fee distribution key of 50% and the fee amounts laid down by the Contracting States are taken as constant values over the expected term of the patents.

Further information on the financing of the EPO is provided in Note 31.4 on capital management.

2.6 Finance revenue and finance costs

Gains or losses arising from changes in the fair value of financial assets through profit and loss are presented in the period in which they arise in the financial result section of the Statement of Comprehensive Income.

Interest from assets measured at amortised cost is calculated using the effective interest method and recognised in financial income on an accrual basis. Interest from assets measured at fair value is recognised on an accrual basis.

Dividend income is recognised when the right to receive the payment is established.

2.7 Leases

At inception of a contract, the EPO assesses whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and therefore is, or contains, a lease.

As a lessee

The EPO recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets are included in *Property, plant and equipment* in the Statement of Financial Position.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, or over the useful life of the underlying asset. The right-of-use asset value is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method calculated as the present value of the discounted lease payments at the commencement date. The discount rate used is the estimated rate that the EPO would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments included in the measurement of the lease liability comprise fixed payments, in-substance fixed payments, variable lease payments that depend on an index or a rate and the exercise price of a purchase option that the EPO is reasonably certain to exercise, lease payments in an optional renewal period if the EPO is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the EPO is reasonably certain not to terminate the lease contract early.

The EPO has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets below EUR 1m, and short-term leases including for IT equipment. The EPO recognises the lease payments associated with these leases as an expense 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 (EPO-PPI), 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 component is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income in 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.

When 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.

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 period in which 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 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 are capitalised at cost. Following initial recognition, an intangible asset is carried at its cost less accumulated amortisation. Amortisation is allocated on a straight-line basis over the useful life of the asset. 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.

Acquired software is amortised over a period of 3-5 years. The amortisation period of acquired, and internally developed 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.

Internally generated intangible assets are capitalised if they meet the following 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 total internal and external costs over the project life exceed EUR 3m.

The costs of internally generated intangible assets comprise:

- the cost of services used in generating the asset. This comprises fees for IT consultants, the purchase price of development software and hardware,

- the cost of internal employees involved in generating the asset. This includes salaries allocated to the project based on the time used by internal staff for development activities and recorded in an IT-based system.

- other directly attributable internal costs of materials, services and depreciation incurred in generating the asset;

- programme management cost;

- borrowing cost, if any.

  When data concerning internal cost is not available, eligible projects are capitalised based on their external cost only.

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

  Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets not yet ready for use are reviewed for impairment at each reporting date. 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, and

- 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 are recognised as income or expense in the Statement of Comprehensive Income.

2.11 Other assets

Other assets consist of assets held under the Salary Savings Plan (SSP) as well as assets held to finance the obligations towards beneficiaries of the former Institut International des Brevets (ex-IIB).

Since 2009, the Office has had a contract with FIL Investments International UK – Niederlassung Frankfurt, Kronberg im Taunus, Germany, and FIL Investment Services GmbH (formerly 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 EPO's 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 determined by obtaining the market price 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 EPO's property within the meaning of Article 4 EPO-PPI. They are a special class of asset of the EPO 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 23. A corresponding liability is recognised and presented separately as the Salary Savings Plan obligation in the Statement of Financial Position.

The repurchase value of insurance contracts agreed between the ex-IIB and several insurance companies is presented as a separate asset. The EPO measures these assets at fair value determined by obtaining the repurchase values from the market makers.

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. The EPO applies IFRS 9 to the reporting of financial instruments.

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. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the EPO commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the EPO has transferred substantially all risks and rewards of ownership. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Initially, financial instruments are recognised at fair value, unless it is a trade receivable without a significant financing component, in which case it is initially measured at the transaction price. For measurement at subsequent reporting dates, the EPO classifies its financial assets according to IFRS 9 at fair value through profit or loss, or at amortised cost. The classification depends on the purpose for which the financial asset was acquired and is defined at initial recognition. The business model for managing the financial assets and the contractual cash-flow characteristics of financial assets is also determined at initial recognition and is re-evaluated at each reporting date.

Financial assets are classified as current if expected to be settled within 12 months; otherwise, they are classified as non-current.

RFPSS assets are held with the aim of covering future pension payments. The financial study performed in 2024 recommends to review a potential usage of the RFPSS assets for benefit payments only in 2029. Therefore, all RFPSS assets are presented in the financial statements as non-current.

(a) Financial instruments at fair value through profit or loss

EPO Treasury Investment Fund (EPOTIF)

The EPOTIF portfolio is managed, evaluated, and measured on a fair value basis and is not held to collect contractual cash flows. The portfolio comprises fixed income instruments, equities, funds, derivatives, and other instruments. The performance of both assets and liabilities included in the EPOTIF portfolio is managed on a fair value basis. Consequently, the EPOTIF portfolio is measured at fair value through profit and loss.

After initial recognition, the fair value of EPOTIF investment units is measured on the basis of the Net Assets Value as published by the Master KVG, the capital management company in charge of the fund administration.

Bonds

The bonds portfolio is managed, evaluated, and measured on a fair value basis and is not held to collect contractual cash flows. Consequently, bonds are measured at fair value through profit and loss.

All bonds owned by the EPO are actively traded in the market. At initial recognition, the instruments in this category are measured at fair value. After initial recognition bonds are valued at the market close price on the balance sheet date. Gains or losses are recognised in the Statement of Comprehensive Income in the financial result section.

RFPSS assets

The RFPSS portfolio is managed and evaluated on a fair value basis and is not held to collect contractual cash flows. The portfolio comprises standard and other bonds, shares, funds, derivatives, and other instruments. The performance of both assets and liabilities included in the RFPSS portfolio is managed on the fair value basis. Consequently, the RFPSS portfolio is measured at fair value through profit and loss.

At initial recognition, the instruments in this category are measured at fair value. Transaction costs are expensed in profit or loss for the period in which they were incurred. The instruments that are actively traded in the market are valued at the market auction price (also called close price) on the balance sheet date. If there is no active market for the financial instruments, the last available price from the market maker is used. Gains or losses are recognised in the Statement of Comprehensive Income in the financial result section. A gross presentation is disclosed in Note 30.3.

(b) Financial instruments at amortised cost

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 rate. Therefore, the fair value at initial recognition is estimated as the present value of all future cash receipts discounted using the prevailing market interest rate for a similar instrument with a similar credit rating.

After initial recognition, home loans are measured at amortised cost using the effective interest method. Instalments and interest payments due beyond 12 months are presented as non-current assets.

Trade and other 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 counterparty. In such cases, the carrying amount of the trade receivables is reduced directly, rather than recognising the impairment on a separate account.

Other financial assets

Bank deposits with maturity above 3 months are shown under other financial assets and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks, as well as short-term deposits with maturity of three months or less, and 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.

RFPSS restricted cash

RFPSS restricted cash is cash and cash equivalents used for the purchase or received from the sale of RFPSS investments. RFPSS restricted cash comprises cash at bank, short-term deposits with a term to maturity of three months or less from the balance sheet date, and cash collateral relating to derivative transactions (margin account). According to the EPO regulations, this cash cannot be used for operational purposes, but only for post-employment benefit payments. Therefore, the cash of the RFPSS is presented separately as a part of non-current RFPSS net assets and is measured at amortised cost.

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. Trade payables include liabilities for goods received or services already performed but not yet invoiced and refund liabilities.

RFPSS other assets

RFPSS other assets comprise mainly receivables from dividends and amounts from the sale of RFPSS assets.

RFPSS other liabilities

RFPSS other liabilities comprise amounts payable for the purchase of RFPSS assets, as well as other trade payables.

Lease liabilities

Reference is made to Note 2.7.

Impairment

The EPO recognises an expected credit loss allowance on financial assets that are measured at amortised cost. The loss allowance is measured at an amount equal to 12 months' expected credit losses unless the credit risk on the financial instrument has increased significantly since initial recognition, in which case the loss allowance is measured at an amount equal to the lifetime expected credit losses. The credit loss on the financial asset is measured as the present value of the difference between the cash flows that are due to the EPO under the contract and the cash flows that the EPO expects to receive.

Fair value measurements

The EPO uses the following techniques and inputs to determine the fair value measurements:

- The fair value of instruments that are actively traded in the market is measured at the market auction price (also called the close price) on the balance sheet date.
- The fair value of instruments for which there is no active market is measured at the last available price from the market maker.
- The fair value of EPOTIF investment units is measured on the basis of the Net Asset Value as published by Master KVG, the capital management company in charge of the fund administration.
- The fair value of home loans is calculated as the present value of the future cash flows discounted using the prevailing market interest rates and applying the Moosmüller method. Interest rates used as input for the model are Euribor rates and the rates of AAA-rated Euro-area central-government bonds.

The EPO's policy is to recognise transfers into and out of fair value levels as at the date of the event or change in circumstances that caused the transfer.

2.13 Prepaid expenses

To ensure that the Statement of Comprehensive Income shows only expenses for services actually rendered or goods actually received within the accounting period, the initially posted cash-based expenses are adjusted for prepaid expenses at the closing date.

2.14 Equity

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

2.15 Employee benefits

Employee benefits comprise any benefits payable by the EPO to beneficiaries as described in Note 22.2.1.

2.15.1 Short-term employee benefits

Short-term employee benefits are those benefits (other than post-employment benefits) that are expected to be wholly settled within twelve months of the end of the annual reporting period in which the services were rendered. Obligations resulting from short-term employee benefits are presented in the Statement of Financial Position under Current Liabilities as other employee-related liabilities. These liabilities mainly include bonus payments and compensated absences such as regular annual leave and home leave which are determined by applying an average daily cost rate, based on year-end figures, to granted but untaken leave.

2.15.2 Post-employment benefits – defined benefit liability

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. At the EPO, the benefits are grouped into four plans that are treated as defined benefit obligations (DBOs) for its employees:

- a retirement pension plan including retirement for health reasons, any tax compensation thereon, and family allowances (see Note 2.15.3)
- an LTC plan (see Note 2.15.4)
- a sickness insurance for pensioners (see Note 2.15.4)
- a death insurance involving lump-sum payments (see Note 2.15.4).

The pension benefit is usually dependent on one or more factors such as age, years of service and pay. Assets held to fund part of the pension obligations, lump-sum payments made in tax compensation for national taxation of pensions, long-term care (LTC) insurance, and sickness insurance for pensioners and those entitled under them are invested by the RFPSS but do not represent plan assets in terms of IAS 19.8.

In 2023 an extension of the recognition of registered partnerships has been decided leading to amendments to the Service Regulations as well as to the Pension Regulations. Registered partnerships, both same-sex and mixed-sex, are treated the same as marriages, giving access to the same entitlements and being subject to the same obligations. The extension of the recognition of registered partnerships triggered past service costs which were reflected in 2023.

For all employees declared to be on incapacity following a medical opinion, a provision is recognised on a case-by-case basis for 70% of their basic salary and salary-related allowances for that part of time for which they are discharged from duties for reasons of incapacity, during the entire expected period of incapacity. Since there is no vesting period, for all such employees vesting occurs immediately following the declaration that they are incapacitated. Therefore, no provisions are recognised for the potential risk of incapacity in the group of active employees.

Allowances to persons on non-active or retired status are considered as post-employment benefits accounted for under the rules of defined benefit plans, whereas the salary (or percentage thereof) and salary-related allowances payable during discharge from service for reasons of incapacity are considered as other long-term employee benefits.

The potential risk of retirement for health reasons is recognised under the normal pension scheme of the EPO.

2.15.3 Pension plan

The liability recognised in the Statement of Financial Position in respect of the defined benefit pension plan is the present value of the defined benefit obligation (DBO) at the balance sheet date, together with any adjustments for past service costs.

The DBO is calculated annually by independent actuaries at the ISRP 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, career development and demographic assumptions about mortality, employee turnover, retirement for health reasons 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.

Actuarial gains and losses are recognised, in total, in other comprehensive income in the period in which they arise.

A beneficiary of the defined benefit pension plan who assumed duty before 1 January 2009 can be entitled to tax compensation ("tax adjustment") applying to the Contracting State of the EPO in which the pension and related adjustment 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, for 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 these purposes, the EPO uses tables of equivalence specifying the amount of the adjustment to be added for each amount of pension and each country of residence.

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

EPO employees who have previously worked in national government departments, international organisations or industry may be able to arrange a 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 recognised as past service cost.

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

2.15.4 Other post-employment benefit obligations

The EPO provides health and LTC insurance for its pensioners and those entitled under them. There is also insurance cover for the event of death. 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 are recognised in total in the period in which they occur, in retained earnings. The obligations are valued annually by independent, qualified actuaries.

Post-employment health insurance is a defined benefit plan covered by the EPO and administered by the insurance broker Cigna International Health Services BVBA, Antwerp, Belgium (Cigna). The insurance obligation is based on anticipated medical costs and the EPO's estimated future contributions for pensioners and their dependents. Cigna directly reimburses beneficiaries under a self-insurance mode. The insurance obligation is based on anticipated medical costs and the EPO's estimated future contributions for pensioners and their dependents. The benefits paid are calculated taking into account the graph of refunds by age, based on the refunds made to the beneficiaries by Cigna.

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 a 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 are insured on a voluntary basis. Depending on the degree of reliance on LTC identified, the monthly benefit paid corresponds to defined percentages of the monthly basic salary.

A deferred pensioner can irrevocably opt for LTC Insurance. The Office assesses the probability of deferred pensioners remaining in the LTC scheme. Any amounts resulting from the difference between the estimate of the Office and the actual number of insured persons is recognised as an actuarial gain or loss in Other Comprehensive Income.

Death insurance is a defined benefit plan managed by the EPO. Under this plan, in the event of death, beneficiaries receive a lump sum calculated in proportion to the deceased's last salary. Payments to beneficiaries are made directly by the EPO and are settled after a three-year period. These regular cash-settlements do not affect the actuarial present value of the death obligation. The actuarial present value of the death benefits is based on the terms of the plan as described in Note 22.2.4 using the projected salary levels and the risk of death in service for each plan participant at the balance sheet date.

2.15.5 Other long-term employee benefits

2.15.5.1 Salary savings plan (SSP) obligation

The EPO operates an SSP managed by external service providers. The amount of the SSP to be received by the beneficiaries is recognised as an obligation under 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 gains and losses have no impact in the Statement of Comprehensive Income as assets and liabilities are impacted the same way. The Salary Savings Plan obligation is presented in the Statement of Financial Position as a separate line item. The main characteristics of the SSP are summarised in Note 23.

2.15.5.2 Incapacity

For any employee declared to be on incapacity following a medical opinion, a provision is recognised on a case-by-case basis for 70% of their basic salary and salary-related allowances for that part of time for which they are discharged from duties for reasons of incapacity, during the entire expected period of incapacity.

2.15.5.3 Other employee-related liabilities

Other employee-related benefits are those that do not qualify as post-employment or termination benefits. These benefits are recognised as a liability in the financial statements over the period in which the employee renders the related service.

2.15.6 Termination benefits

Termination benefits, if any, are payable when employment is terminated by the EPO 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. Termination benefit obligations are presented in the Statement of Financial Position as part of other employee-related liabilities under current and non-current liabilities.

2.16 Provisions

Provisions are recognised when the EPO 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 discounted using the market interest rate and the risks specific to the obligation. This increase in the provision due to passage of time is recognised as finance costs.

2.17 Prepaid fees

Prepaid fees are recognised under IFRS 15 to record fee payments received for services for which the performance obligation has not yet been fully satisfied as well as prepayments for renewal fees for patent applications. See also Note 2.5.

3. Revenue from contracts with customers

The following tables show the disaggregation of the EPO revenue by major products:

3.1 Revenue from patent and procedural fees and other revenue

The revenue breaks down into the following categories:

in EUR '000

Revenue from patent and procedural fees	2024	2023
Procedural fees related to the patent grant process (Note 3.2)	1 541 718	1 400 101
National renewal fees for granted patents	716 899	702 716
Renewal fees for granted patents with unitary effect	9 563	1 529
Searches for national offices and third parties	57 703	53 686
Total	**2 325 883**	**2 158 032**

Other revenue	2024	2023
Patent information services and products	4 224	7 170
Administrative fees	1 615	2 340
Total	**5 839**	**9 510**

3.2 Procedural fees related to the patent grant process

The different categories of revenue from procedural fees related to the patent grant process are as follows:

in EUR '000

Procedural fees related to the patent grant process	2024	2023
Filing – EPC and Euro-PCT	87 340	83 496
Searches – EP and Euro-PCT	212 200	158 955
International searches – PCT	127 775	124 982
Examination – EPC and Euro-PCT	238 260	240 888
International preliminary examination – PCT	8 867	9 250
Grant – EP and Euro-PCT	116 512	107 216
Opposition	2 485	3 110
Appeal	7 815	7 500
Designation, extension, and validation fees	119 392	114 922
Renewal fees for patent applications	616 093	544 914
Others	4 979	4 868
Total	**1 541 718**	**1 400 101**

3.3 Contract balances

The different categories of contract balances are as follows:

in EUR '000

Contract balances	2024	2023
Receivables included in "Trade and other receivables" (see Note 19)	177 726	157 802
Prepaid fees	1 333 844	1 263 420
Refund liabilities included in "Trade and other payables" (see Note 25)	11 446	9 969

The following tables show the changes in the prepaid fees balances during the reporting period:

in EUR '000

Prepaid fees	Opening balance 01.01.2024	Revenue recognised that was included in the prepaid fees at the beginning of the period	Increases due to cash received excluding amounts recognised as revenue during the period	Ending balance 31.12.2024
Filing – EPC and Euro-PCT	21 841	(21 385)	21 321	21 777
Searches – EP and Euro-PCT	171 447	(145 447)	138 729	164 728
International searches – PCT	35 136	(33 059)	32 954	35 032
Examination – EPC and Euro-PCT	983 910	(225 562)	302 942	1 061 290
International preliminary examination – PCT	3 649	(3 498)	3 441	3 592
Grant – EP and Euro-PCT	12 454	(12 155)	12 753	13 053
Opposition	4 197	(2 338)	2 602	4 461
Appeal	16 578	(7 653)	3 197	12 122
EQE/EPAC Certificates	—	—	979	979
Others	14 208	(13 515)	16 119	16 812
Total	**1 263 420**	**(464 612)**	**535 037**	**1 333 845**

in EUR '000

Prepaid fees	Opening balance 01.01.2023	Revenue recognised that was included in the prepaid fees at the beginning of the period	Increases due to cash received excluding amounts recognised as revenue during the period	Ending balance 31.12.2023
Filing – EPC and Euro-PCT	20 138	(19 815)	21 518	21 841
Searches – EP and Euro-PCT	132 576	(103 788)	142 659	171 447
International searches – PCT	37 104	(35 968)	34 000	35 136
Examination – EPC and Euro-PCT	916 638	(230 186)	297 458	983 910
International preliminary examination – PCT	3 726	(3 610)	3 533	3 649
Grant – EP and Euro-PCT	8 512	(8 242)	12 184	12 454
Opposition	5 104	(2 922)	2 016	4 197
Appeal	19 262	(7 349)	4 665	16 578
EQE/EPAC Certificates	—	—	—	—
Others	13 360	(12 840)	13 688	14 208
Total	**1 156 419**	**(424 720)**	**531 721**	**1 263 420**

The prepaid fees balances correspond to the transaction price allocated to the remaining performance obligations from contracts with customers. Minor modifications to the transaction price are possible if the patent applicant amends the number of claims or pages during the patent application process.

For European, Euro-PCT and international searches, the fee may be not fully realised as revenue, as applicants may be entitled to a refund if the search performed was based on an earlier search drawn up by the EPO and the EPO was able to profit fully or partially from the results of that earlier search. For more details on the search fee refund rules, please refer to Note 2.5.

As an indication, refunds paid out in the reporting period due to the use of previous search reports were:

- For European and Euro-PCT searches: EUR 18.5m (2023: EUR 17.3m), which is 10% (2023: 12%) of the annual revenue for this product category.

- For international PCT searches: EUR 39.1m (2023: EUR 41.3m), which is 34% (2023: 36%) of the annual revenue for this product category.

Furthermore, examination, European and Euro-PCT search fees will not be fully or partly realised as revenue if applicants cancel the contract by withdrawing their application actively or passively or by closing the proceedings. In these cases, the EPO will no longer have a performance obligation. Refunds may fall due depending on whether the examiner has started work when the cancellation takes effect.

As an indication, refunds paid in the reporting period due to active or passive withdrawal by the applicant were:

- For examination: EUR 29.8m (2023: EUR 24.6m), which is 13% (2023: 11%) of the annual revenue for this product category.

- For European and Euro-PCT searches: EUR 3.9m (2023: EUR 2.3m), which is 2% (2023: 2%) of the annual revenue for this product category.

In line with its planned production schedule, the EPO expects to satisfy its remaining performance obligations in place at the balance sheet date for its two main products, search and examination, within:

- 5.5 months (2023: 5.8 months) for searches – EP, Euro-PCT, and international searches – PCT,

- 35.9 months (2023: 32.1 months) for examination – EP, Euro-PCT and international preliminary examination – PCT.

4. Potential future national renewal fees for European patents

As at the balance sheet date the net present value of potential future national renewal fees for European patents was EUR 5 627m (2023: EUR 5 325m).

Cash flows have been estimated individually per Contracting State and year over the term remaining after grant in each Contracting State. The renewal rates were derived from the currently observed behaviour of patent proprietors in the post-grant phase.

The discount rates applied in 2024 in line with the term of the expected cash flows range between 2.69% and 3.56% (2023: between 2.97% and 3.57%). A one percentage point increase in the discount rates applied would result in a decrease of EUR 291m (2023: EUR 272m) in the net present value of potential future national renewal fees.

For further information see Notes 2.4 and 2.5.3.

5. Other operating income

in EUR '000

Other operating income	2024	2023
Member States share of Unitary Patent administration costs	2 271	2 145
Release accruals from prior years	2 127	334
Fees for European Qualifying Examination	1 296	1 450
Income from refund of energy tax	605	666
Rental income	538	451
Reimbursement additional site costs Berlin	396	476
Tuition fees of EPO Academy	187	166
Other	2 704	2 457
Total	**10 124**	**8 145**

6. Operating leases – the EPO as lessor

The EPO has entered into several minor agreements to lease out limited parts of office premises. All these contracts are classified as operating leases with fixed payments subject to periodical adjustments for inflation. The income from these contracts in 2024, including rent and charges, was EUR 538k (2023: EUR 451k).

At 31 December 2024, all non-cancellable lease payments (undiscounted) to be received by the EPO have a maturity of less than one year and amount to EUR 388k (31 December 2023: EUR 378k).

7. Employee benefit expenses

in EUR '000

Employee benefit expenses	2024	2023
Current service cost (net of staff contributions)	482 413	381 033
Basic salaries	843 511	817 091
Allowances and other benefits	277 836	215 902
Healthcare and other cost of social security	43 594	34 845
School and day-care centres	27 361	26 083
Past service costs	3 072	149 358
Remuneration of other employees	8 946	10 806
Other	13 835	14 811
Total	**1 700 569**	**1 649 929**

Detailed information on current service cost is presented in Note 22.

8. Other operating expenses

in EUR '000

Other operating expenses	2024	2023
IT maintenance	132 332	120 811
Consultancy and other external services	39 060	35 279
Property and equipment maintenance	34 380	43 551
Patent information and public relations	17 139	18 843
Documentation	12 957	12 467
Travel	3 014	842
Postage and telecommunications	1 617	2 066
Stakeholder support	879	—
Charges on payment by credit card	754	634
Co-operation and meetings	—	16 332
Damages	—	268
Other	9 471	2 236
Total	**251 603**	**253 329**

In 2024 the presentation of the expenses that were reported as "Cooperation and meetings" in 2023 was classified according to the nature of the expenses. Had the revised classification been applied in 2023 already, the expenses for "Cooperation and meetings" in 2023 would have been presented under the following categories: IT maintenance (EUR 10 225k), Consultancy (EUR 2 114k), Stakeholder support (EUR 1 564k), Travel (EUR 1 296k) and Patent information and public relations (EUR 1 133k)

9. Finance revenue

in EUR '000

Finance revenue	2024	2023
Interest income from bank accounts and deposits	14 270	11 580
Interest income from home loans	2 030	2 097
Valuation gains on investments	290 778	303 650
Valuation gains on RFPSS financial instruments	1 254 148	1 425 035
Valuation gains on assets Salary Savings Plan	55 771	26 209
Decrease obligation Salary Savings Plan	—	—
Total	**1 616 997**	**1 768 571**

Further information on gains from financial instruments is presented in Note 30.3.

10. Finance costs

in EUR '000

Finance costs	2024	2023
Interest costs on defined benefit obligations	684 373	678 153
Valuation losses on investments	—	—
Valuation losses on RFPSS financial instruments	—	—
Valuation losses assets Salary Savings Plan	—	—
Increase obligation Salary Savings Plan	55 771	26 209
Interest costs lease	288	378
Other	—	—
Total	**740 432**	**704 740**

Further information on losses from financial instruments is presented in Note 30.3.

11. Property, plant and equipment

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

in EUR '000

	Land	Buildings	Office equipment	Total
Cost 1 January 2024	**174 732**	**1 161 000**	**117 892**	**1 453 624**
Additions	—	34 862	9 178	44 040
Disposals/Retirements	—	(927)	(7 103)	(8 030)
Transfers	—	—	—	—
Cost 31 December 2024	**174 732**	**1 194 935**	**119 967**	**1 489 634**
Accumulated depreciation 1 January 2024	**—**	**(720 874)**	**(103 141)**	**(824 015)**
Depreciation for the year	—	(31 868)	(8 285)	(40 153)
Disposals/Retirements	—	—	6 772	6 772
Transfers	—	—	—	—
Accumulated depreciation 31 December 2024	**—**	**(752 742)**	**(104 654)**	**(857 396)**
Accumulated impairment 1 January 2024	—	(12 422)	—	(12 422)
Impairment loss for the year	—	—	—	—
Accumulated impairment 31 December 2024	**—**	**(12 422)**	**—**	**(12 422)**
Net carrying value 1 January 2024	174 732	427 704	14 751	617 187
Net carrying value 31 December 2024	**174 732**	**429 771**	**15 313**	**619 816**
Including construction in progress				
1 January 2024	—	29 600	—	29 600
31 December 2024	—	11 309	—	11 309

Additions to buildings in 2024 include EUR 22 394k for the Vienna Green Hub project which was completed in November 2024 with a total capitalised cost of EUR 43.3m. In this project, the EPO building in Vienna has been renovated into a carbon-negative building with a carbon-neutral lifecycle. Additions to office equipment include EUR 5 912k for new laptops and screens. Disposals of office equipment comprise various audio/video and telecommunication devices no longer used and already fully amortised.

The Shell building in The Hague is scheduled for demolition by 2028 and has been subject to full impairment loss already in 2023. A legal obligation exists to remove asbestos in compliance with local regulations and a detailed inventory will be executed in 2025. As at 31 December 2024, it is not possible to reliably estimate the extent of asbestos removal costs. Preliminary assessments indicate that the costs will fall within the low single-digit million-euro range.

The EPO building at Bob-van-Benthem-Platz 1 in Munich was constructed under a hereditary building lease granted to the EPO by the German government in 1980 and ending on 8 August 2075. The Hinge building and the New Main building in The Hague were constructed on land leased from the Netherlands in 1988 and ending on 30 May 2068, for the token amount of EUR 0.45 per year.

The comparative figures are presented in the table below:

in EUR '000

	Land	Buildings	Office equipment	Total
Cost 1 January 2023	174 732	1 134 009	134 694	1 443 435
Additions	—	40 811	4 492	45 303
Disposals/Retirements	—	(13 793)	(21 321)	(35 114)
Transfers	—	(27)	27	—
Cost 31 December 2023	**174 732**	**1 161 000**	**117 892**	**1 453 624**
Accumulated depreciation 1 January 2023	**—**	**(699 399)**	**(111 012)**	**(810 411)**
Depreciation for the year	—	(35 269)	(13 445)	(48 714)
Disposals/Retirements	—	13 794	21 316	35 110
Transfers	—	—	—	—
Reversal of impairment loss	—	—	—	—
Accumulated depreciation 31 December 2023	**—**	**(720 874)**	**(103 141)**	**(824 015)**
Impairment loss for the year	—	(12 422)	—	(12 422)
Accumulated impairment 31 December 2023	—	(12 422)	—	(12 422)
Net carrying value 1 January 2023	174 732	434 610	23 682	633 024
Net carrying value 31 December 2023	**174 732**	**427 704**	**14 751**	**617 187**
Including construction in progress				
1 January 2023	—	28 818	—	28 818
31 December 2023	—	29 600	—	29 600

The additions to buildings in 2023 include EUR 18 681k for the Vienna Green Hub project, EUR 16 566k for various building renovation projects in Munich, and EUR 4 468k for renovation works in The Hague.

The impairment loss in 2023 relates to the Shell building in The Hague, which has remained idle due to high maintenance and energy costs since end of 2023, rendering its further use economically and environmentally unviable. The retirements of buildings in 2023 relate primarily to technical installations and those of the Office equipment include fully amortised IT hardware.

12. Intangible assets

The reconciliation of the balances of intangible assets for the reporting period is as follows:

in EUR '000

	Acquired software	Acquired information systems	Internally generated systems	Total
Cost at 1 January 2024	**11 322**	**720**	**99 432**	**111 474**
Additions	—	—	3 016	3 016
Disposals	—	—	(641)	(641)
Transfers	—	—	—	—
Cost at 31 December 2024	**11 322**	**720**	**101 807**	**113 849**
Accumulated amortisation 1 January 2024	**(10 823)**	**(719)**	**(60 347)**	**(71 889)**
Amortisation for the year	(197)	—	(9 962)	(10 159)
Amortisation disposals	—	—	—	—
Amortisation transfers	—	—	—	—
Accumulated amortisation 31 December 2024	**(11 020)**	**(719)**	**(70 309)**	**(82 048)**
Net carrying value 1 January 2024	499	1	39 085	39 585
Net carrying value 31 December 2024	**302**	**1**	**31 498**	**31 801**
Including construction in progress				
1 January 2024	—	—	1 875	1 875
31 December 2024	—	—	3 016	3 016

Additions to internally generated systems in 2024 relate to IT developments within the framework of the Strategic Plan.

The EPO invests in the development of information systems to support its operations. The amounts capitalised for internally generated systems include only external costs. All internally generated systems developed in the reporting period and included in construction in progress are part of the Strategic Plan.

The comparative figures are as follows:

in EUR '000

	Acquired software	Acquired information systems	Internally generated systems	Total
Cost at 1 January 2023	**13 336**	**720**	**95 562**	**109 618**
Additions	5	—	8 990	8 995
Disposals	(2 019)	—	(5 120)	(7 139)
Transfers	—	—	—	—
Cost at 31 December 2023	**11 322**	**720**	**99 432**	**111 474**
Accumulated amortisation 1 January 2023	**(12 523)**	**(719)**	**(57 691)**	**(70 933)**
Amortisation for the year	(319)	—	(7 776)	(8 095)
Amortisation disposals	2 019	—	5 120	7 139
Amortisation transfers	—	—	—	—
Accumulated amortisation 31 December 2023	**(10 823)**	**(719)**	**(60 347)**	**(71 889)**
Net carrying value 1 January 2023	813	1	37 871	38 685
Net carrying value 31 December 2023	**499**	**1**	**39 085**	**39 585**
Including construction in progress				
1 January 2023	—	—	28 406	28 406
31 December 2023	—	—	1 875	1 875

Additions to internally generated systems in 2023 relate to IT developments within the framework of the Strategic Plan. The primary contributors were the WIPO Data Exchange and Classification 2.0 programs, with investments totalling EUR 3 081k and EUR 2 506k, respectively. The decrease of construction in progress by EUR 26 531k in 2023 results from the completion of IT development projects including EUR 6 226k for the Search Platform, EUR 5 686k for the new Electronic Filling, and EUR 2 902k for the Digital File Repository.

The disposal of internally generated systems primarily pertains to the New Account Management (NACM) that had an initial construction cost of EUR 4 167k and was fully amortised at the time of disposal. Additionally, in 2023, there were disposals of acquired software, which encompassed various software licenses that were no longer used and had already been fully amortised.

13. Right-of-use assets and liabilities from leases

The EPO entered into a number of leasing contracts as a lessee, to address specific needs concerning the office space and IT equipment. The right-of-use assets recognised by the EPO at 31 December 2024 relate to dedicated data centre facilities, and to the leasing of office space in the Haar district of Munich.

The following amounts for the right-of-use assets have been recognised during the reporting period in the statement of financial position (see Note 11):

in EUR '000

Right-of-use assets	Buildings	Office equipment	Total
Balance 1 January 2024	**20 776**	**—**	**20 776**
Additions	—	—	—
Changes in assumptions	—	—	—
Depreciation	(3 645)	—	(3 645)
Balance 31 December 2024	**17 131**	**—**	**17 131**

The amounts recognised during the reporting period in the statement of comprehensive income were as follows:

in EUR '000

Financial position statement of comprehensive income	2024	2023
Interest on lease liabilities	288	378
Expenses relating to leases of short term & low-value assets	689	903
Total	**977**	**1 281**

The total amounts recognised during the reporting period in the statement of cash flows for finance and operating leases were as follows:

in EUR '000

Cash outflows for leases	2024	2023
Total	**4 976**	**10 689**

The maturity structure of undiscounted lease liabilities at 31 December was as follows:

in EUR '000

Undiscounted lease liabilities	2024	2023
Less than 1 year	3 723	4 287
Between 1 years and 5 years	9 782	11 775
Over 5 years	4 760	6 491
Total	**18 265**	**22 553**

In July 2024, the EPO signed a lease agreement for office premises in Berlin. According to IFRS 16, the recognition of the lease liability and the corresponding right-of-use asset will take place at the commencement date of the lease in February 2025. The total future cash outflows associated with this lease agreement, which are not yet accounted for in the measurement of lease liabilities at 31 December 2024, amount to EUR 31.6m.

The EPO does not have lease contracts that contain substantial variable lease payments. Substantial subleasing and sale-and-lease-back transactions did not take place during the reporting year. No leasing costs have been included in the carrying amount of other assets.

The leasing contracts relating to buildings contain standard provisions according to which future lease payments are increased periodically to reflect changes in the relevant consumer price indexes. These potential increases of lease payments may lead to future cash outflows that are not reflected in the current measurement of lease liabilities. The increases will be reflected both in the right-of-use assets and lease liabilities at the time they become effective.

Substantial payments concerning extension or termination options, residual value guaranties, and leases committed not yet commenced, other than those disclosed above, are not present in the EPO leasing contracts. The contracts do not include financial restrictions or covenants for the EPO.

14. RFPSS net assets

The value of RFPSS assets for each post-employment benefit plan at 31 December was as follows:

in EUR '000

2024	Pensions	LTC	Sickness insurance	Total
RFPSS financial assets	11 862 360	365 101	1 028 521	13 255 982
RFPSS other assets	578	18	51	647
RFPSS restricted cash	175 182	5 392	15 188	195 762
RFPSS financial liabilities	(36 517)	(1 124)	(3 166)	(40 807)
RFPSS other liabilities	(118)	(4)	(10)	(132)
Total	**12 001 485**	**369 383**	**1 040 584**	**13 411 452**

in EUR '000

2023	Pensions	LTC	Sickness insurance	Total
RFPSS financial assets	10 562 144	312 786	905 448	**11 780 378**
RFPSS other assets	573	17	49	**639**
RFPSS restricted cash	322 099	9 539	27 611	**359 249**
RFPSS financial liabilities	(7 039)	(208)	(605)	**(7 852)**
RFPSS other liabilities	(100)	(3)	(9)	**(112)**
Total	**10 877 677**	**322 131**	**932 494**	**12 132 302**

The major categories of RFPSS net assets were as follows:

Asset class share in %	2024	2023
Domestic government bonds	11,0%	10,8%
Domestic corporate bonds	7,1%	6,8%
Foreign bonds	8,2%	7,7%
Emerging market bonds	10,0%	9,7%
Domestic equities	16,2%	15,9%
Foreign equities	26,3%	25,6%
Emerging markets	10,0%	9,6%
Real estate	9,7%	11,1%
Commodities	0,0%	0,0%
Cash holdings	1,5%	2,8%
Total	**100,0%**	**100,0%**

15. Investments

The EPO invests its excess liquidity through the EPO Treasury Investment Fund (EPOTIF) and investments in bonds.

EPO Treasury Investment Fund (EPOTIF)
The fund is administered by an external capital management company (Master KVG – Kapitalverwaltungsgesellschaft). The EPO participates in the fund by purchasing investment units issued by the Master KVG. The fund invests, both directly and in the form of derivative instruments, in equities, fixed-income instruments, real estate trusts, commodities and alternative investments. Management of the resources invested in the fund by the EPO has been outsourced to asset management companies.

Bonds
The EPO invests in government and corporate bonds with an investment grade rating and a duration to maturity not exceeding 3 years.

The value of the EPO's investment portfolio at the year-end was as follows:

in EUR '000

Investments	2024	2023
EPO Treasury Investment Fund (EPOTIF)	4 593 754	3 532 032
Bonds, non-current	—	—
Bonds, current	30 605	187 706
Total	**4 624 359**	**3 719 738**

The table below presents the EPOTIF asset allocation at the year-end.

Percentage share in Net Assets Value	2024	2023
Equities	15,6%	17,2%
Profit Participation Certificates (Equities)	0,1%	0,1%
Dividend Claims	0,1%	0,1%
Equity-Index Futures	-0,3%	0,3%
Equity Funds	20,9%	18,8%
Bonds	26,7%	28,7%
Bond Futures	0,0%	0,1%
Fixed-Income Funds	21,2%	21,3%
Commodity Funds	0,5%	0,5%
Currency Forwards	-0,6%	0,4%
Other Funds	5,2%	7,4%
Cash	10,6%	5,1%
Total	**100,0%**	**100,0%**

Net gains and losses on investments were as follows:

in EUR '000

Net gains and losses on investments	2024	2023
Financial assets at fair value through P&L		
Valuation gains or losses	290 778	303 650
Total	**290 778**	**303 650**

16. Home loans to staff

in EUR '000

Home loans to staff	2024	2023
Home loans non-current	77 737	81 868
Home loans current	8 324	8 469
Total	**86 061**	**90 337**

Home loans to staff are initially recognised at fair value, which is estimated at the present value of all future cash receipts discounted using the market interest rate for a similar financial instrument of a similar duration. In 2024 the net loss due to the revaluation of new home loans to fair value amounted to EUR 548k (2023: EUR 565k).

17. Other financial assets

Other financial assets include bank deposits with maturity date beyond 3 months, whereas, bank deposits below 3 months are reported as cash and cash equivalents.

in EUR '000

Other financial assets	2024	2023
Other financial assets non-current	—	—
Other financial assets current	—	115 360
Total	**—**	**115 360**

The annualised effective interest rate on fixed-term deposits in 2024 was 3.65% (2023: 2.86%).

18. Other assets

in EUR '000

Other assets	2024	2023
Assets Salary Savings Plan (SSP)	322 908	239 977
Repurchase value insurance funds ex-IIB	252	268
Total	**323 160**	**240 245**

The assets invested under the SSP are held by an external service provider on the EPO's behalf and are owned by the EPO. The main characteristics of the SSP are summarised in Note 23.

19. Trade and other receivables

in EUR '000

Trade receivables	2024	2023
Trade receivables – renewal fees	170 418	150 659
Trade receivables – EPO products and services	7 308	7 143
Total trade receivables	**177 726**	**157 802**
Other receivables		
Other receivables – tax	21 527	24 489
Other receivables – staff and related accounts	1 659	1 887
Other receivables – others	8 197	3 039
Total other receivables	**31 383**	**29 415**
Total trade and other receivables	**209 109**	**187 217**

Trade receivables – renewal fees 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 and are due on 31 January of the following year.

Other receivables – tax comprises VAT and income tax payable to the EPO ("tax adjustment") by the Contracting States.

Other receivables – others mainly consists of accrued income on fixed-term deposits, and advances to suppliers.

20. Prepaid expenses

in EUR '000

Prepaid expenses	2024	2023
Prepaid employee-related expenses	14 797	14 498
Prepaid software expenses	14 445	15 138
Total	**29 242**	**29 636**

Prepaid expenses refer mainly to prepaid school fees, multiyear software licences, and software maintenance fees.

21. Cash and cash equivalents

The assets reported under Cash and Cash Equivalents have a maturity of three months or less and comprise the following:

in EUR '000

Cash and cash equivalents	2024	2023
Short-term bank deposits	196 000	145 000
Cash at bank	25 755	10 425
Total	**221 755**	**155 425**

22. Defined benefit liability

in EUR '000

Accounting for 2024	Pension obligation	Long-term care insurance	Sickness insurance	Death	Total
Discount rate	3,54%	3,59%	3,57%	3,25%	
Future salaries increase	2,20%	2,20%		2,20%	
Future pensions increase	2,20%				
Medical costs inflation			2,51%		
Present value of obligation 01.01.2024	17 987 563	913 277	2 275 351	31 201	21 207 392
Interest cost	580 050	29 714	73 696	913	684 373
Current service cost	511 735	26 246	35 871	1 798	575 650
Past service cost	3 072	—	—	—	3 072
Transfer of pension rights	3 694	—	—	—	3 694
Benefits paid	(392 927)	(9 167)	(43 324)	(4 464)	(449 882)
Remeasurements on obligation	(1 505 891)	(126 064)	(265 557)	3 520	(1 893 992)
Present value of obligation 31.12.2024	**17 187 296**	**834 006**	**2 076 037**	**32 968**	**20 130 307**
Unrecognised past service costs	—	—	—	—	—
Liability recognised in the Statement of Financial Position	**17 187 296**	**834 006**	**2 076 037**	**32 968**	**20 130 307**
Amounts recognised in the Statement of Comprehensive Income					
Interest cost	580 050	29 714	73 696	913	684 373
Current service cost	511 735	26 246	35 871	1 798	575 650
Past service costs	3 072	—	—	—	3 072
Staff contributions	(83 798)	(7 885)	—	(1 732)	(93 415)
Recognised in the Statement of Comprehensive Income	**1 011 059**	**48 075**	**109 567**	**979**	**1 169 680**

in EUR '000

Accounting for 2023	Pension obligation	Long-term care insurance	Sickness insurance	Death	Total
Discount rate	3,26%	3,27%	3,27%	3,15%	
Future salaries increase	2,20%	2,20%		2,20%	
Future pensions increase	2,20%				
Medical costs inflation			2,52%		
Present value of obligation 01.01.2023	15 053 910	592 557	1 763 756	28 825	17 439 048
Interest cost	584 547	23 421	69 142	1 043	678 153
Current service cost	428 515	16 600	27 546	1 669	474 330
Past service costs	117 053	12 111	20 194	—	149 358
Transfer of pension rights	1 168	—	—	—	1 168
Benefits paid	(361 055)	(8 176)	(35 498)	(1 894)	(406 623)
Remeasurements on obligation	2 163 425	276 764	430 211	1 558	2 871 958
Present value of obligation 31.12.2023	**17 987 563**	**913 277**	**2 275 351**	**31 201**	**21 207 392**
Unrecognised past service costs	—	—	—	—	—
Liability recognised in the Statement of Financial Position	**17 987 563**	**913 277**	**2 275 351**	**31 201**	**21 207 392**
Amounts recognised in the Statement of Comprehensive Income					
Interest cost	584 547	23 421	69 142	1 043	678 153
Current service cost	428 515	16 600	27 546	1 669	474 330
Past service costs	117 053	12 111	20 194	—	149 358
Staff contributions	(85 943)	(6 330)	—	(741)	(93 014)
Recognised in the Statement of Comprehensive Income	**1 044 172**	**45 802**	**116 882**	**1 971**	**1 208 827**

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

in EUR '000

	2024	2023
Pension benefits		
Office contributions	167 596	171 886
Staff contributions	83 798	85 943
LTC benefits		
Office contributions	14 820	11 838
Staff and pensioners' contributions	7 885	6 330
Post-employment medical care		
Office contributions for pensioners	19 018	18 149
Pensioners' contributions	9 555	9 114
Death		
Office contributions	2 726	1 150
Staff contributions	1 732	741
Total	**307 130**	**305 151**

The Office and staff contributions for the next annual reporting period are expected to be EUR 311m.

The present value of the pension obligation is made up of the following components:

in EUR '000

	2024	2023
Retirement pension / Retirement pensions for health reasons	13 830 961	14 477 164
Tax adjustment	2 734 339	2 870 126
Family allowances	621 996	640 273
Total	**17 187 296**	**17 987 563**

The present value of defined benefit obligations is allocated to the following populations:

in EUR '000

	2024	2023
Pension obligation		
Active staff	9 904 931	10 785 313
Deferred pensioners	89 062	95 174
Pensioners	7 193 303	7 107 076
LTC insurance		
Active staff	397 063	454 973
Deferred pensioners	700	768
Pensioners	436 243	457 536
Sickness insurance		
Active staff	1 307 968	1 505 169
Deferred pensioners	2 309	2 384
Pensioners	765 760	767 798
Death insurance		
Active staff	32 968	31 201
Deferred pensioners	—	—
Pensioners	—	—
Total	**20 130 307**	**21 207 392**

22.1 Actuarial assumptions and sensitivities

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 0.2% (2023: 0.2%) 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 mortality table applied by the Office is an EPO specific one based on the International Civil Servants Life Table (ICSLT 2018 with projection) produced by the ISRP which is a table specific to international civil servants based in Europe.

Experience adjustments and the effects of changes in actuarial assumptions result in actuarial gains and losses that can be categorised as follows:

in EUR '000

	2024	**2023**
Pension obligation		
Actuarial (gain) loss from changes in financial assumptions	(879 091)	2 051 995
Actuarial (gain) loss from changes in experience and demographic assumptions	(626 800)	111 430
LTC insurance		
Actuarial (gain) loss from changes in financial assumptions	(71 346)	151 919
Actuarial (gain) loss from changes in experience and demographic assumptions	(54 718)	124 845
Sickness insurance		
Actuarial (gain) loss from changes in financial assumptions	(143 337)	314 601
Actuarial (gain) loss from changes in experience and demographic assumptions	(122 220)	115 609
Death		
Actuarial (gain) loss from changes in financial assumptions	(201)	1 113
Actuarial (gain) loss from changes in experience and demographic assumptions	3 721	446
Total	**(1 893 992)**	**2 871 958**

The actuarial gains and losses on defined benefit obligations include a EUR 801m decrease in liability, resulting from updates to actuarial models. The updates result from changes in the attribution method for survivor pension and medical obligations, including post-employment staff medical contributions, as well as the application of age-nearest assumptions for valuing all DBOs to better reflect the historical employee retirement patterns, demographic data and actuarial advice.

A change in the discount rates on defined benefit obligations by 0.1 percentage point would result in the following present value of each plan:

in EUR '000

At 31 December 2024	**0.1 percentage point increase**	**0.1 percentage point decrease**
Present value pension obligation	16 888 491	17 493 926
Present value LTC insurance	813 208	855 497
Present value sickness insurance	2 032 297	2 121 072
Present value death	32 770	33 169

At 31 December 2023	0.1 percentage point increase	0.1 percentage point decrease
		in EUR '000
Present value pension obligation	17 653 694	18 330 648
Present value LTC insurance	889 163	938 231
Present value sickness insurance	2 224 995	2 327 253
Present value death	31 007	31 398

An increase of one year in life expectancy at the age of 63 would result in the following present value of each plan:

in EUR '000

At 31 December 2024	One year increase in life expectancy
Present value pension obligation	17 705 377
Present value LTC insurance	900 187
Present value sickness insurance	2 136 749
Present value death	29 488

in EUR '000

At 31 December 2023	One year increase in life expectancy
Present value pension obligation	18 523 454
Present value LTC insurance	987 349
Present value sickness insurance	2 345 446
Present value death insurance	27 916

The above sensitivity analyses are based on one assumption changing while all others remain constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligations recognised within the Statement of Financial Position. The methods and types of assumptions used in preparing the sensitivity analysis have not changed compared to the previous accounting period.

The expected maturity analysis of undiscounted defined benefit payments is as follows:

in EUR '000

At 31 December 2024	Less than 1 year	Between 1-5 years	Over 5 years
Pension obligation, net of tax adjustment	360 203	1 730 969	27 851 876
LTC insurance	9 388	48 157	2 293 182
Sickness insurance	33 553	168 339	4 739 007
Death	4 230	13 676	22 956
Total	**407 374**	**1 961 141**	**34 907 021**

in EUR '000

At 31 December 2023	Less than 1 year	Between 1-5 years	Over 5 years
Pension obligation, net of tax adjustment	335 381	1 615 733	28 774 969
LTC insurance	8 508	43 902	2 396 347
Sickness insurance	31 017	155 991	5 049 568
Death	3 846	12 526	22 283
Total	**378 752**	**1 828 152**	**36 243 167**

The expected maturity analysis of undiscounted defined benefit payments is calculated using the salary/pension/cost increase assumptions presented in Note 22.

The undiscounted values of the pension DBO from the above table are net of tax adjustment. Including the tax adjustment would result in a total undiscounted amount of the pension DBO of EUR 35 444m (2023: EUR 36 416m).

The weighted average duration of the defined benefit obligations is as follows:

in years

Duration	2024	2023
Pension obligation	18	19
LTC insurance	26	27
Sickness insurance	22	23
Death	6	6

22.2 Main characteristics of the EPO's defined benefit plans

As an intergovernmental organisation the EPO is not subject to national law and regulations. For all its defined benefit plans the EPO has developed its own regulations that have been approved by the Administrative Council.

Since 1984, the EPO has been setting aside reserves in the RFPSS so that it can fund its pension obligations. Since 2001, it has also been building up a reserve fund for LTC insurance, and since 2008 for sickness insurance. A breakdown of the reserves for each of the funded plans is disclosed in Note 14.

In 1992 the President established the AAG, consisting of three independent actuaries, to advise the Office on the conditions to be met in order to ensure the long-term equilibrium of its pension scheme. The AAG regularly analyses the demographic and financial assumptions and recommends modifications where necessary in view of general trends and specific developments at the Office. The AAG also examines the assumptions specific to LTC and sickness insurance. Neither the scope of the examined plans nor the valuation methods used by the AAG are congruent with IFRS provisions.

Through its defined benefit plans the EPO is exposed to a number of risks, the most significant of which are as follows:

(a) Interest rate risk: changes in market interest rates have a direct impact on the applied discount rates where a decrease in interest rates would increase plan liabilities.
(b) Inflation risk: all plans' benefit obligations are linked to inflation, either directly (medical cost inflation) or indirectly (all plans linked to basic salaries). Higher inflation would lead to higher liabilities, but also likely to a higher discount rate, thereby partly mitigating the impact on liabilities.
(c) Life expectancy: three out of four plans provide benefits for the beneficiary's lifetime, where higher life expectancy would increase those plans' liabilities.

Although the RFPSS assets do not constitute plan assets in terms of IAS 19.8, the EPO monitors their volatility risk. The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If the RFPSS assets underperform this yield, this would increase the funding deficit. The RFPSS have significant equity holdings, which are expected to outperform corporate bonds in the long term but create volatility risk in the short term.

22.2.1 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 (5 years for some key managers) 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 capped at twice Grade G1, step 4, per reckonable year of service, subject to a maximum of 70% but not less than the minimum benefit specified in Art 10 (3) of New Pension Scheme Regulations.
Reversion of retirement pension	Surviving spouse/registered partner	60% of the retirement pension
Survivor's pension	Surviving spouse/registered partner	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)
Retirement for health reasons	Staff members aged between 55 and 65 that have been totally discharged of duties for reasons of incapacity during 10 years and beneficiaries of the former invalidity allowance	Same as for Retirement pension. For employees who have not reached the age of 60, the number of reckonable years is determined as if the employee had remained in service until the age of 60, and the reference salary is 70% of the employee's last salary as defined under the Pension Scheme Regulations.
Family allowances	Beneficiary of the pension plan (Note 2.15.2)	Same as for active staff
Tax compensation, old scheme	Beneficiary of the pension plan (Note 2.15.2)	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

The Reserve Fund for Pensions is the allocated payments equivalent to the Office's and the staff's pension contributions – 21.4% and 10.7% respectively of basic salaries paid, and after deduction of pensions actually paid. For the reporting period, the total pension contribution rate recommended by the AAG was 32.1% (2023: 32.7%).

The EPO Member States jointly guarantee the payment of these benefits. In the event of a merger, reconstitution or other transformation or in the event of dissolution of the EPO, the Administrative Council or any ad hoc body set up in one of the afore-mentioned cases takes the necessary measures to ensure uninterrupted payment of pension scheme benefits until the cessation of entitlement of the last beneficiary. Should an EPO Member or ex-Member State fail to comply with its obligations, the other States meet the cost thereof in proportion to their contribution to the budget of the EPO as fixed annually from and after the said State's default.

22.2.2 Sickness insurance

An employee who has remained in EPO service until retirement or retirement for health reasons, the employee's spouse or registered partner, children and other dependants are insured against expenditure incurred in case of sickness, accident, pregnancy and confinement. One third of the contribution, calculated as a percentage of the pension (2024: 3.15% and 2023: 3.25%) is borne by the employee. A spouse in employment outside the EPO and whose salary exceeds a certain level has to pay an additional contribution if coverage by the EPO health insurance is desired.

Benefits also apply to a 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. 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.

22.2.3 Long-term care insurance

An employee, a former employee in receipt of a retirement pension or a retirement pension for health reasons, the employee's (former) spouse, spouse, registered partner, 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 the person 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) 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 was for the reporting period defined to be 1.8% (2023: 1.5%).
(b) 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.

22.2.4 Death insurance

In the event of death of the insured, the benefits payable is a lump sum equal to 2.75 times the annual basic salary for permanent and fixed-term staff. For the category of employees under the conditions of employment for young professionals, the lump sum payment is equal to one time the annual basic salary.

The contribution for the insurance for funeral expenses is included in the contribution for sickness insurance. One third of the contribution, calculated by reference to the basic salary of the employee, which is required to insure him against the risk of death, is charged to the employee.

An employee who has been in the service of the Office for at least two years may on request continue to be insured, after termination of service, against the risk of death. However, the employee must then bear the total contribution, and the benefits payable are calculated on the basic salary received at the moment of termination of service. The insurance ends at the end of the month during which the employee reaches the age of 65 years.

23. Salary Savings Plan obligation

Since 1 January 2009, the EPO has been operating an SSP which is compulsory for employees who assumed duty on or after that date (participants).

The rate for compulsory contributions to the SSP is equal to the difference between the contribution to the pension scheme for staff in post on 31 December 2008 belonging to the old pension scheme and that payable under the new pension scheme, by applying the cap described in Note 22.2.1. One third of the compulsory contribution is borne by the employee, two thirds by the Office.

An individual salary savings account (individual account) is opened for each participant. The sums credited to the individual account are invested by an external investment fund commissioned 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; after which each participant may choose a different investment strategy from 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. In the event of the participant's death, his entitlement passes to his estate. The lump sum is paid out as final salary. See Note 18 for details of the assets invested under the SSP.

24. Other employee-related liabilities

in EUR '000

Current other employee-related liabilities	2024	2023
Regular vacation	70 982	64 900
Home leave	41 072	36 600
Other compensated absences	30 303	27 505
Outstanding healthcare claims from staff	14 435	14 688
Bonus payments	6 508	11 300
Other	5 029	9 988
Total	**168 329**	**164 981**
Non-current other employee related liabilities	**37 034**	**29 683**

Non-current other employee related liabilities mainly include liabilities for termination indemnity, jubilee benefits and obligations due to former non-active staff.

25. Trade and other payables

in EUR '000

Trade and other payables	2024	2023
Current deposit accounts by patent applicants	137 568	131 574
Payables to suppliers and trade creditors	89 274	57 865
Other	33	1 041
Total	**226 875**	**190 480**

One of the payment methods offered by the EPO is for patent applicants to place funds in deposit accounts with the EPO and use them for future fee payments. The corresponding liability is presented in the table above.

Refund liabilities towards applicants and representatives amounting to EUR 11 446k (2023: EUR 9 969k) are included under Payables to suppliers and other creditors, see also Note 3.3.

26. Provisions

in EUR '000

	Litigation risks	Other	Total
1 January 2024	**5 525**	**500**	**6 025**
Use	100	—	100
Reversal	—	—	—
Addition	538	—	538
Interest effect	—	—	—
Other	—	—	—
31 December 2024	**5 963**	**500**	**6 463**
Current	5 963	500	6 463
Non-current	—	—	—
Total	**5 963**	**500**	**6 463**

The provisions for litigation risks include mainly 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 include mainly 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 within the next 12 months.

27. Commitments

in EUR '000

Purchase commitments	2024	2023
Purchase commitments fixed assets	7 369	19 246
Purchase commitments intangible assets	447	1 984

As at 31 December 2024, commitments for the purchase of property, plant and equipment relate mainly to projects to upgrade the security and technical infrastructure of the Office's buildings.

28. Contingencies and risks

Contingencies and risks are disclosed as at the balance sheet date. Any material changes after the balance sheet date are disclosed in Note 32.

Salary Savings Plan

The participation in the Salary Savings Plan (SSP) is compulsory for all staff who joined the Office on or after 1 January 2009. It allows staff to build up individual savings accounts through monthly contributions deducted from salary (see Note 2.15.5.1). Throughout their EPO employment, the money invested remains the property of the EPO. Consequently, the resulting income is regarded as exempt from direct taxes, under Article 4 EPO-PPI. On termination of service, the employee is entitled to payment of the capital built up under the SSP. As deferred salary, this is subject to internal tax under Article 16(1) EPO-PPI and therefore, in the Office's view, exempt from national tax.

This view might not be shared by all national tax authorities. It is not clear whether a negative outcome of possible court decisions would result in an EPO obligation to compensate staff who relied on a tax exemption. For the reporting period, the EPO does not regard the tax risk as material. The Office will decide on further action, which might involve recognising further liabilities.

Salary Adjustment Method

In 2020, the EPO formally adopted a new salary adjustment method, applied for the first time in January 2021. This new method has been legally challenged by a number of the EPO employees and pensioners in front of the International Labour Organization Administrative Tribunal (ILOAT) in January 2025. The Office is not in a position to anticipate the delivery date of the judgement(s), considering notably that the exchanges of submissions have not started yet. As the file stands, the analysis performed by the EPO found it highly unlikely for the appellants to succeed in the litigation. The EPO does not expect any outflow of resources and, consequently, no provision has been recognised in this regard in the financial statements.

Other contingencies and risks

In addition, the EPO has contingencies arising from the ordinary course of business, mainly due to disputed invoices, pending legal disputes and arbitration procedures or appeals by staff members including those in front of the Administrative Tribunal of the International Labour Organization. It is not anticipated that these will give rise to any material liabilities other than those for which provision has been made (see Note 26).

29. Related party disclosures

The EPO has entered into transactions with members of the EPO's key management personnel, their close family members and the Contracting States. The EPO has not applied partial exemptions, if any, for government-related entities provided by IAS 24.

29.1 Related parties to the EPO

29.1.1 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 executive body of the Office and the Fund Administrator of the RFPSS.

At the balance sheet date, the EPO had three directorates-general, each headed by a Vice-President.

The President, the Vice-Presidents and specific functional Principal Directors and Directors appointed by the President, constitute the Management Committee (MAC). For the purpose of this note to the financial statements, the MAC members 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 the Fund Administrator's functions, make this position equivalent to the members of the MAC.

29.1.2 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, the partner, children and dependants of the MAC members and the Fund Administrator are considered to be related parties.

29.1.3 Contracting states

The Administrative Council of the EPO 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 EPO is financed, where necessary, by financial contributions from the Contracting States. If the EPO 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 EPO, 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 they 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.

29.2 Transactions and outstanding balances with related parties

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

in EUR '000

	2024	2023
Short-term employee benefits*	20 660	19 456
Post-employment benefits, service costs	4 114	4 492
Total	**24 774**	**23 948**

* The salaries included in the short-term employee benefits are reported before deduction of internal tax.

The EPO recognised a defined benefit obligation for post-employment benefits amounting to EUR 107 862k (2023: EUR 108 004k) for 43 (2023: 42) key managers and their close family members.

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

in EUR '000

	2024	2023
MAC members and Fund Administrator	—	—
Close family members of key managers	—	—
Contracting States		
Co-operation with national offices	11 675	11 776
Rent office building Berlin	2 575	2 575
Total	**14 250**	**14 351**

Revenues from patent and procedural fees and other revenues from related parties

in EUR '000

	2024	2023
MAC members and Fund Administrator	—	—
Close family members of key managers	—	—
Contracting States		
Renewal fees for granted patents	716 899	702 716
Searches on behalf of ex-IIB member states	35 494	36 314
Searches on behalf of other Contracting States	26 337	20 848
Reductions searches on behalf of MS	(4 128)	—
Reimbursement rent office building Berlin	396	476
Other revenue	5 493	8 483
Total	**780 491**	**768 837**

Loans, receivables, and other assets due from related parties

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

in EUR '000

	2024	2023
MAC members and Fund Administrator	118	206
Close family members of key managers	26	32
Contracting States		
Renewal fees	170 405	150 734
Receivables search on behalf of Member States	13	—
VAT and other taxes	21 520	24 445
Contracting States using EPO services and products	6 350	5 954
Carry-over Unitary Patent balance	2	743
Tax adjustments	2	44
Total	**198 436**	**182 158**

Payables and other liabilities

in EUR '000

	2024	2023
MAC members and Fund Administrator	—	—
Close family members of key managers	—	—
Contracting States	2 846	378
Total	**2 846**	**378**

Renewal fees for granted patents

The split of renewal fees for granted patents per Contracting State was as follows:

in EUR '000

		2024	2023
AL	Albania	581	607
AT	Austria	26 031	26 102
BE	Belgium	11 193	11 335
BG	Bulgaria	2 230	2 299
CH/LI	Switzerland/Liechtenstein	25 588	24 989
CY	Cyprus	820	1 145
CZ	Czech Republic	6 828	6 886
DE	Germany	260 939	255 447
DK	Denmark	11 528	10 955
EE	Estonia	1 451	1 521
ES	Spain	24 813	24 068
FI	Finland	10 827	11 215
FR	France	86 084	84 208
GB	United Kingdom	78 356	73 181
GR	Greece	4 222	4 215
HR	Croatia	1 117	997
HU	Hungary	5 906	6 022
IE	Ireland	7 537	7 519
IS	Iceland	1 027	928
IT	Italy	45 743	48 431
LT	Lithuania	1 417	1 439
LU	Luxembourg	1 553	1 625
LV	Latvia	1 375	1 403
MC	Monaco	1 188	1 186
ME	Montenegro	10	—
MK	North Macedonia	231	150
MT	Malta	445	440
NL	Netherlands	47 256	46 917
NO	Norway	7 500	5 684
PL	Poland	7 236	6 519
PT	Portugal	6 762	6 603
RO	Romania	3 772	3 729
RS	Serbia	1 278	1 003
SE	Sweden	15 073	15 392
SI	Slovenia	2 003	1 980
SK	Slovakia	2 582	2 582
SM	San Marino	308	278
TR	Türkiye	4 089	3 711
Total		**716 899**	**702 712**
	Interest on renewal fees	—	4
Total renewal fees including interest		**716 899**	**702 716**

30. Additional disclosures on financial instruments

30.1 Financial instruments by category

A comparison of the carrying amounts and fair values of all of the EPO's financial instruments is presented below:

in EUR '000

	Carrying value		Fair value	
RFPSS Financial instruments	**2024**	**2023**	**2024**	**2023**
Financial assets at fair value through profit and loss				
Standard bonds	1 930 960	1 702 024	1 930 960	1 702 024
Other bonds	1 174 837	1 030 285	1 174 837	1 030 285
Shares	3 678 263	3 530 770	3 678 263	3 530 770
Funds	6 439 722	5 475 062	6 439 722	5 475 062
Derivatives used for trading	6 077	16 255	6 077	16 255
Other instruments	26 123	25 982	26 123	25 982
Total	**13 255 982**	**11 780 378**	**13 255 982**	**11 780 378**
Financial assets at amortised cost				
RFPSS other assets	647	639	647	639
RFPSS restricted cash	195 762	359 249	195 762	359 249
Financial liabilities at fair value through profit and loss				
Derivatives used for trading	(40 807)	(7 852)	(40 807)	(7 852)
Financial liabilities at amortised cost				
RFPSS other liabilities	(132)	(112)	(132)	(112)
Total net RFPSS financial instruments	**13 411 452**	**12 132 302**	**13 411 452**	**12 132 302**

Office financial instruments	**2024**	**2023**	**2024**	**2023**
Financial assets at fair value through profit and loss				
EPO Treasury Investment Fund	4 593 754	3 532 032	4 593 754	3 532 032
Bonds	30 605	187 706	30 605	187 706
Financial assets measured at amortised cost				
Home loans	86 061	90 337	79 596	84 446
Trade and other receivables	209 109	187 217	209 109	187 217
Other financial assets	—	115 360	—	115 360
Cash and cash equivalents	221 755	155 425	221 755	155 425
Total Office financial assets	**5 141 284**	**4 268 077**	**5 134 819**	**4 262 186**
Financial liabilities measured at amortised cost				
Trade and other payables	(226 875)	(190 480)	(226 875)	(190 480)
Lease liabilities	(17 422)	(21 421)	(17 422)	(21 421)
Total Office financial liabilities	**(244 297)**	**(211 901)**	**(244 297)**	**(211 901)**

* Approximation of fair value

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

Home loans are not traded in an active market. Their fair value at the balance sheet date is calculated as the present value of the future cash flows discounted using the prevailing market interest rates and applying the Moosmüller method.

The carrying amounts and contractual cash flows of financial instruments have not been affected by the interest rate benchmark reform.

The changes in liabilities arising from financing activities are classified as follows:

in EUR '000

	Lease liabilities	Total
At 1 January 2024	**21 421**	**21 421**
Cash flows		
Repayment	(3 999)	(3 999)
Non-cash		
Acquisition	—	—
Change in lease assumptions	—	—
At 31 December 2024	**17 422**	**17 422**

	Lease liabilities	Total
At 1 January 2023	**30 325**	**30 325**
Cash flows		
Repayment	(9 446)	(9 446)
Non-cash		
Acquisition	58	58
Change in lease assumptions	484	484
At 31 December 2023	**21 421**	**21 421**

30.2 Fair value hierarchy

Depending on the techniques and inputs used to measure fair value, financial instruments are categorised into three levels:

- Level 1 – measurement based on quoted prices in active markets for identical assets or liabilities;
- Level 2 – measurement based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – measurement based on unobservable inputs for the asset or liability.

Financial instruments measured at fair value and those for which the fair value is disclosed in the notes to the Financial Statements are presented in the table below:

in EUR '000

31 December 2024	Level 1	Level 2	Level 3	Total
RFPSS financial assets				
Standard bonds	1 930 960	—	—	**1 930 960**
Other bonds	1 160 346	14 491	—	**1 174 837**
Shares	3 678 263	—	—	**3 678 263**
Funds	—	6 439 722	—	**6 439 722**
Derivatives used for trading	—	6 077	—	**6 077**
Other instruments	—	26 123	—	**26 123**
Office financial assets				
EPO Treasury Investment Fund	—	4 593 754	—	**4 593 754**
Bonds	30 605	—	—	**30 605**
Home Loans	—	79 596	—	**79 596**
Total financial assets	**6 800 174**	**11 159 763**	**—**	**17 959 937**
RFPSS financial liabilities				
Derivatives used for trading	—	40 807	—	**40 807**
Total financial liabilities	**—**	**40 807**	**—**	**40 807**

in EUR '000

31 December 2023	Level 1	Level 2	Level 3	Total
RFPSS financial assets				
Standard bonds	1 702 024	—	—	**1 702 024**
Other bonds	1 016 843	13 442	—	**1 030 285**
Shares	3 530 770	—	—	**3 530 770**
Funds	—	5 475 062	—	**5 475 062**
Derivatives used for trading	—	16 255	—	**16 255**
Other instruments	—	25 982	—	**25 982**
Office financial assets				
EPO Treasury Investment Fund	—	3 532 032	—	**3 532 032**
Bonds	187 706	—	—	**187 706**
Home Loans	—	84 446	—	**84 446**
Total financial assets	**6 437 343**	**9 147 219**	**—**	**15 584 562**
RFPSS financial liabilities				
Derivatives used for trading	—	7 852	—	**7 852**
Total financial liabilities	**—**	**7 852**	**—**	**7 852**

Level 1 includes exchange-traded instruments for which quoted prices are readily available and highly liquid instruments with quoted prices in active markets.

Level 2 measurements were determined using the following methodology:

- The fair value of RFPSS financial instruments was determined based on the published net asset values of investment fund companies and quoted prices for identical assets in markets that are not active.
- The fair value of EPOTIF investment units corresponds to the Net Asset Value of the fund as published by the capital management company responsible for the fund administration (Master KVG).
- The fair value of home loans was calculated as the present value of the future cash flows discounted using the prevailing market interest rates and applying the Moosmüller method. Interest rates used as input for the model were Euribor rates and the rates of AAA-rated Euro-area central-government bonds.

30.3 Gains and losses on financial instruments

Gains and losses on financial instruments are summarised in the table below:

in EUR '000

Financial instruments at fair value	2024	2023
Valuation gains (losses) on financial assets	1 343 829	1 539 462
Income from coupons, dividends and interest	244 062	199 307
Custodian fees and other costs	(1 324)	(1 091)
Sundry	(834)	(1 141)
Valuation gains (losses) on liabilities	(40 807)	(7 852)
Total	**1 544 926**	**1 728 685**

in EUR '000

Financial assets at amortised cost	2024	2023
Interest income from home loans	2 030	2 097
Interest income from bank accounts and deposits	14 270	11 580
Total	**16 300**	**13 677**

Financial liabilities at amortised cost	2024	2023
Interest costs lease	(288)	(378)
Total	**(288)**	**(378)**

31. Financial risk management

Risk management policies at the EPO vary depending on the type of assets concerned. RFPSS portfolio risk management is distinct from that for Office-held financial instruments and for EPOTIF. The following discussion of the policies and processes for managing and measuring the risk reflects the split of the management responsibility for these three portfolios.

The main risks arising from the financial instruments are market risk, liquidity risk and credit risk. The Budget and Finance Committee, the Administrative Council and the Supervisory Board of RFPSS approve the investment policies and strategy for managing the risks summarised in Notes 31.1 to 31.3.

(a) Financial instruments held by the Office

Financial instruments held by the Office comprise trade receivables and payables, bonds, bank deposits and cash which arise directly from the EPO's operating activities as well as lease obligations that are used to finance the EPO's operations. Additionally, home loans are granted to staff at an interest rate below the prevailing market rate.

Investments in bonds and fixed term deposits are only made in investment grade instruments with duration not exceeding 3 years. With the exception of sovereign bonds with the highest available rating (AAA), no more than EUR 25m or 25% of the portfolio, whichever is higher, may be invested in fixed income securities of any single issuer.

(b) EPO Treasury Investment Fund

EPOTIF invests in the following asset classes:

Equities	– up to 40% of the total portfolio,
Fixed income	– up to 60% of the total portfolio,
Cash	– up to 10% of the total portfolio,
Commodities	– up to 5% of the total portfolio,
Real estate	– up to 15% of the total portfolio,
Alternatives / multi-asset investments	– up to 15% of the total portfolio

To execute the investments in the above asset classes the EPOTIF may use all available financial instruments, including physical, derivative, and structured financial products. The instruments held by the EPOTIF are subject mainly to market risk. The risk profile of the portfolio is derived from the EPO's strategic asset allocation, as proposed by the President, and approved by the Budget and Finance Committee. For tactical reasons, asset managers may depart from this strategic asset allocation, as long as they observe the asset class limits set out above.

Asset managers are bound by a maximum net portfolio exposure of 100%.

EPOTIF cash may be held only with the depositary or other credit institution with a seat or branch registered in Germany and only up to the protection ceiling provided by the German Deposit Protection Fund (Einlagensicherungsfond).

Securities lending of EPOTIF assets is entirely prohibited. Repurchase agreements are not permitted. Derivative short positions may only be held for hedging purposes. Over-the-counter (OTC) derivative contracts for hedging purpose or to gain exposure can only be entered into with one of six selected counterparties, approved jointly by the EPO and Master KVG.

(c) Financial instruments held by the RFPSS

The RFPSS allocates assets in accordance with the investment strategy and tactical ranges defined by its Supervisory Board. The lower and the upper bandwidths set the maximum admissible deviations from the strategic asset allocation. In case of a passive bandwidth breach, the Fund Administrator shall take appropriate corrective action. The following asset classes are defined: domestic equities, foreign equities, domestic government bonds including Danish mortgage bonds, foreign bonds, domestic corporate bonds, emerging market bonds, emerging market equities, real estate, and cash. The assets are managed actively and/or passively.

The risk characteristics of the financial instruments managed by the RFPSS are essentially derived from the risk profile of the strategic asset allocation as defined by the Supervisory Board of the RFPSS.

31.1 Market risk

(a) Financial instruments held by the Office

The market risk for the fixed income securities held by the Office is managed according to the Regulations on the Office's cash reserve (see also point 31 (a)), including rating, duration and diversification requirements. As their maximum duration must not exceed 3 years to maturity the market risk of those instruments is low.

The remaining financial instruments held by the Office have no exposure to changes in market value. As these instruments are not market listed and the fair value changes would have no impact on the EPO's profit or loss and equity, a sensitivity analysis has not been performed.

At the reporting date, the Office had no material exposure to foreign-exchange risks.

(b) EPO Treasury Investment Fund

Market risks are managed by portfolio diversification, the asset class restrictions imposed by the EPO investment guidelines and absolute limits on the total risk exposure of the portfolio measured with VaR (Value at Risk), a statistically based estimate of the potential loss on the portfolio resulting from adverse market movements. The EPO investment guidelines stipulate that the VaR of the investment portfolio (one-year holding period, 95% level of confidence) must not exceed 20% of the EPOTIF Net Asset Value at any time.

The VaR figures are based on the historical simulation method performed by RiskMetrics® RiskManager (MSCI Inc.). The premise behind historical simulation is that potential changes in the underlying risk factors are identical to those observed over a defined historical period of six years. The empirical distributions of returns for all relevant risk factors (exchange rates, interest rates, equity prices, credit spreads, commodity prices, inflation rates, volatilities) are applied to obtain risk statistics on the basis of mark-to-model valuation. The risk factor price scenarios are calculated at a given holding period of 250 business days, on the assumption that the current fund portfolios are to be held over this same horizon. Lastly, the risk factors' P&Ls are finally used to obtain P&L scenarios for both the fund assets and higher aggregation levels (asset classes, fund portfolios, total fund level). The confidence level (expected probability of loss) of 0.95 is obtained as an interpolated order statistic from the simulated P&L distributions.

VaR figures are monitored by fund and by each fund segment against an absolute VaR guideline.

As at 31 December 2024 the EPOTIF portfolio's VaR was EUR 416m (2023: EUR 298m), which represented 9.1% (2023: 8.4%) of the Net Asset Value.

(c) Financial instruments held by the RFPSS

Market risks are mitigated by diversification and limiting provisions laid down in the investment guidelines and code of procedure, and are quantified using Value at Risk (VaR), a statistically based estimate of the potential loss on the portfolio resulting from adverse market movements. This metric makes it possible to estimate the maximum expected loss with a degree of confidence, chosen to be 95%, over a one-month horizon.

The lower VaR for 2024 (EUR 564m vs EUR 620m in 2023) stems from a lower market risk (from 10.77% in 2023 to 8.86% in 2024). The higher value of assets under management reduced the absolute VaR decrease resulting from the lower market risk.

The VaR figures are based on the assumptions of normal risk factor return distributions and persistence of the statistical characteristics of the distributions of returns in the horizon period. VaR figures are monitored by asset class and relative VaR guidelines are used to monitor aspects of deviations from the benchmarks, which are based on MSCI/FTSE for equity/real estate and Bloomberg/JP Morgan/Nykredit for fixed income. A risk-factor-based model, MSCI Barra One, is used to break risk down and enable management to analyse aggregations and contributions.

Foreign exchange risks are mitigated by maintaining a minimum of 50% of assets in core currencies and maintaining a currency overlay programme at a strategic 50% hedge ratio on US dollar, pound sterling and Japanese yen exposures.

31.2 Liquidity risk

(a) Financial instruments held by the Office

Liquidity risk management implies maintaining sufficient cash position and cash flows to meet 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, that analyses the maturity of financial assets as well as the expected cash in- and outflows from daily operations.

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

Surplus liquidity not needed in the short term is invested in EPOTIF units in line with the annual cash flow plan approved by the President of the Office.

The operational cash reserve of the Office can only be invested in liquid instruments with at least EUR 500m issue size. Bonds held by the Office can be liquidated within 2 working days.

The expected cash outflows resulting from financial instruments of the Office include payment of liabilities to trade creditors and lessors. As at the balance sheet date, the maturity structure of future payments resulting from financial liabilities was as follows:

in EUR '000

	2024	2023
Within 1 year	92 997	62 152
More than 1 year	14 542	18 266
Total	**107 539**	**80 418**

(b) EPO Treasury Investment Fund

The Office transfers parts of the cash surplus generated from operational activities to the EPOTIF. A financial study performed by the EPO in 2024 assessed that it will continue to generate an operational cash surplus until at least 2042. It is therefore not expected to redeem any EPOTIF units in the coming years. Nevertheless, the EPO is legally entitled to liquidate a part or the whole of the EPOTIF fund at any time. In such a case, proceeds from liquidation of fund units would be available at short notice.

As at the year-end, the margin account held as collateral for derivative transactions of EPOTIF amounted to EUR 26.6m (2023: EUR 17.0m).

(c) Financial instruments held by the RFPSS

The Office transfers to the RFPSS the contributions to cover future costs of pensions, sickness insurance and long term care. The reserves managed by the RFPSS are created to assist the Office in covering its social security schemes under its budget. Owing to the reserve nature of the funds, liquidity risk – defined as the risk of not being able to cover short- or long-term liabilities – is insignificant.

Within the scope of investment management activities, daily operational cash requirements are covered by cash management tools that forecast and allow matching of cash flows generated by investment operations. The margin account relating to collateral for derivative transactions amounted to EUR 0.0m (2023: EUR 2.3m).

The RFPSS financial liabilities include mainly derivatives used for trading and had the following maturity structure as at 31 December:

in EUR '000

Financial liabilities	2024	2023
Less than 3 months	40 939	7 964
Between 3 months and 1 year	—	—
More than 1 year	—	—
Total	**40 939**	**7 964**

31.3 Credit risk

Financial instruments used in the EPO's operational activities are subject to limited 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.

Financial assets are considered to have a low credit risk if they have received the investment grade issuer rating BBB-/Baa3 from either S&P or Moody's rating agency or have comparable credit risk characteristics. This applies in particular to home loans and bank deposits reported under other financial instruments.

As at the reporting date the gross carrying amount of financial assets subject to credit risk exposure was as follows:

in EUR '000

	Low Credit Risk		High Credit Risk	
	2024	2023	2024	2023
Home loans	86 061	90 337	—	—
Trade and other receivables	209 109	187 217	—	—
Bonds	30 605	187 706	—	—
Other financial assets	—	115 360	—	—
Cash and cash equivalents	221 755	155 425	—	—
RFPSS restricted cash	195 762	359 249	—	—
RFPSS other assets	647	639	—	—
Total	**743 939**	**1 095 933**	**—**	**—**

A financial asset is considered to be credit-impaired once one or more events having a detrimental impact on the estimated future cash flows have occurred. Examples of such events are: information about serious financial difficulty of the borrower or a high probability it will enter bankruptcy proceeding. The expected credit losses for credit-impaired assets are measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

A default is considered to have occurred if the delay in payment of interest or principal by the borrower exceeds 30 days, which is the best industry practice used by major rating agencies. In this case, the borrower's debt is written off in full unless any external information is available that allows for a reliable estimate of the recoverable amount, in which case only the amount that cannot be recovered is written off.

(a) Financial instruments held by the Office

Home loans

Home loans granted to the staff are not subject to significant credit risk. They are granted only to permanent staff, and repayment is guaranteed by the mortgage or other land charge entered in the land register or other appropriate public record. Interest and capital repayments are withheld from a salary or pension. No home-loan borrower has ever defaulted. As this is equivalent to the quality of an AAA instrument, the home loans portfolio is considered to have low credit risk. For these instruments, the EPO calculates a loss allowance amounting to 12 month expected credit losses.

The EPO incorporates the forward-looking information in three economic scenarios: one assuming the current economic conditions will remain unchanged, one assuming deterioration and one assuming improvement of the economic conditions. The probability that the current conditions will remain unchanged has been estimated at 68%, which represents a 1-standard deviation in the normal distribution. The remaining 32% has been equally split between the two other scenarios. The expected credit losses are calculated using S&P Mortgage Default Index. The lifetime default probability represented by the index is adjusted to a 12-month probability by reference to the German Sovereign Credit Default Swap curve. For current conditions, the default probability as at the reporting date is used. For the scenarios with improved/deteriorated economic conditions, the lowest/highest default probability within the last three years is used. The expected loss has been calculated under assumption of a 58% recovery rate, this being the statistic for the German mortgage market. The default probability is adjusted to the 12 month rate. For home loans with a remaining duration of less than one year, the expected loss has been calculated on the basis of a one-year duration, as the effect is immaterial.

As at the reporting date there were no material expected credit losses related to the portfolio of home loans.

Bonds

Bonds purchased by the Office shall have an investment grade rating, defined as a minimum credit rating of BBB- (S&P) or Baa3 (Moody's). In the event of a split rating, the higher rating is applied. No more than EUR 25m or 25% of the portfolio, whichever higher, may be invested in fixed income securities of any issuer, while sovereign bonds with AAA (S&P) or AAA (Moody's) rating are exempt from this limit. Investments are only allowed in fixed income instruments with issue size of at least EUR 500m.

Trade and other receivables

Trade receivables – renewal fees: these 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 and are due on 31 January of the following year.

Other receivables – tax: these include VAT and income tax payable ("tax adjustment") to the EPO by the Contracting States.

Other receivables – others: these consist mainly of accrued income on bonds and fixed-term deposits as well as advances to suppliers

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

Outstanding balances are constantly monitored and assessed for recoverability. Both internal collection procedures and procedures using an external debt collection agency have been set up, and a list of blacklisted customers is kept.

Bad debts are written off when:

- they become uncollectible due to insolvency of the customer, or
- all internal collection and external debt-collector measures to collect the outstanding amounts have failed, or
- all internal collection measures have failed and, due to the small amount of the outstanding receivable, it is not considered cost-effective to pursue further collection measures.

In the case of a write-off, the carrying amount of trade receivables is reduced directly, rather than recognising the impairment on a separate account.

The EPO estimates the expected credit losses from trade receivables on the basis of the default probability of the member states, as quoted by Bloomberg. The customers are grouped into low risk (below 1% default probability) and high risk (above 1% default probability) portfolios. For both groups, the expected credit losses are calculated using a provision matrix. As at the balance sheet date, the expected credit losses on trade receivables were immaterial.

To calculate the expected credit losses for the portfolio, the EPO uses a provision matrix. The provision matrix is based on its historically observed default rates over the expected lifetime of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

As at the reporting date, there were no material expected credit losses related to trade and other receivables.

Other financial assets

Other financial assets comprise bank deposits, used in the management of the EPO's operational cash flows.

All deposits with banks which have received the investment grade issuer rating BBB-/Baa3 from either S&P or Moody's rating agency are considered to have a low credit risk. For these instruments, the EPO recognises a loss allowance amounting to 12 months' expected credit losses. The EPO incorporates the forward-looking information in three economic scenarios: one assuming the current economic conditions will remain unchanged, one assuming deterioration and one assuming improvement of the economic conditions. The probability that the current conditions remain unchanged has been estimated at 68%, which represents a 1 standard deviation in the normal distribution. The remaining 32% has been equally split between the two other scenarios. The expected credit losses are calculated using Bloomberg's 1-year default probability. For current conditions, the default probability as at the reporting date is used. For the scenarios with improved/deteriorated economic conditions, the lowest/highest default probability within the last three years is used. The expected loss has been calculated under assumption of a 40% recovery rate, which is the industry standard for valuation of Credit Default Swaps. For deposits with a remaining duration of less than one year, an adjustment for the actual duration of the deposit was made.

The EPO constantly monitors the macroeconomic environment in which the banks operate and, if adverse changes to this environment can reliably be expected, it may adapt the expected default rates using forward-looking information available from Bloomberg.

Should the rating of an instrument fall below the investment grade, the EPO reassesses whether the credit risk of the asset has increased significantly since initial recognition. The major criteria for the reassessment are significant negative changes in credit rating or external market indicators of credit risk, unfavourable price changes of the bank's equity, significant adverse changes in the bank's financial situation or its regulatory, economic, or technological environment. Where there has been a significant increase in the asset's credit risk, the EPO recognises a loss allowance amounting to the lifetime expected credit losses. The amount of losses is calculated on the basis of available external information such as credit default swap prices or Bloomberg's Credit Risk model.

As at the reporting date there were no material expected credit losses related to other financial assets.

(b) EPO Treasury Investment Fund

The EPO investment guidelines impose a limit on the fund's exposure to credit-risk-bearing instruments of 60% of the total portfolio value. The risk of the credit instruments is managed by a limit on the total risk exposure (Value at Risk, one year, 95% level of confidence) of 20% of the Net Asset Value. The EPOTIF Strategic Asset Allocation defines the diversification of the credit-risk-bearing instruments and is used as a benchmark for evaluating the asset manager's performance. The target allocation of funds to asset classes subject to credit risk is as follows:

	in %
Asset Class	**Weight in portfolio**
Domestic Government Bonds (Aggregate)	7%
Domestic Corporate Bonds	13%
Global Bonds (hedged)	14%
Emerging Markets Bonds Local Currency	7%
Emerging Markets Bonds Hard Currency (hedged)	7%

All EPOTIF debt instruments are managed on the fair value basis.

(c) Financial instruments held by the RFPSS

The limitations and provisions relating to credit exposures are defined in the investment guidelines approved by the RFPSS Supervisory Board and are monitored on a daily basis. The salient features of the policies are indicated below.

Investments in fixed income asset classes must be made in securities within the admissible investment universe and with due consideration to rating criteria specified for the relevant portfolio. At least 85% of direct bond investments of the relevant portfolio shall be rated investment grade. The relevant rating agencies are Standard and Poor's, Moody's, and Fitch. Investment grade is defined as a credit rating of BBB- (or equivalent) or higher by one of the above-mentioned rating agencies. In the event of a split rating, the best rating is applied. No more than 5% of Fund assets may be invested in the fixed-interest securities of any one issuer except in the case of AAA non-corporate securities. In this case the limit is 8% except for AAA government debt of a member state of the European Union in which case the limit is 25%. A 2% limit of RFPSS assets applies to convertible bonds converting to MSCI listed companies. A Prime-2 or equivalent rating for short-term deposits is required whereby cash and fixed-term deposits must normally be deposited with at least 3 such institutions, with the further restriction of a 5% limit with any one such institution.

The table below presents RFPSS-held financial instruments according to the asset classes used by the RFPSS for risk-management purposes:

in EUR '000

31 December 2024	Rating below "A"	Not rated	Rating "A" and higher	Total
Domestic government bonds	243 244	—	1 231 414	1 474 658
Domestic corporate bonds	272 826	—	670 317	943 143
Foreign bonds	—	—	687 996	687 996
Cash and currency forwards	—	—	201 839	201 839
Total financial assets	**516 070**	**—**	**2 791 566**	**3 307 636**

in EUR '000

31 December 2023	Rating below "A"	Not rated	Rating "A" and higher	Total
Domestic government bonds	213 780	—	1 090 221	1 304 001
Domestic corporate bonds	250 280	—	577 260	827 540
Foreign bonds	—	—	600 768	600 768
Cash and currency forwards	—	—	375 504	375 504
Total financial assets	**464 060**	**—**	**2 643 753**	**3 107 813**

For the use of derivatives, limitations and provisions are foreseen in the investment guidelines. Options and futures must be traded on a regulated market or with a regulated counterparty. In the case of non-standardised trades (OTC contracts) with a time to maturity of more than 12 months, the counterparty must have at least an A-rating provided by one of Standard & Poor's, Moody's or Fitch. If the contract expires within the next 12 months, a short-term rating of at least A-2 or equivalent is required.

Derivative transactions of the RFPSS are either executed on an exchange, or entered into under German master agreements (DRV). In general, under such agreements the amounts owned by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination values are assessed and only a single net amount is due or payable in settlement of all transactions.

The DRV agreements do not meet the criteria for offsetting in the statement of financial position. This is because the RFPSS does not have any currently legally enforceable right to offset recognised amounts, due to the fact that the right to offset is enforceable only on the occurrence of future events such as default.

For the derivative transactions open at year's end, Credit or Debit Value Adjustments are calculated. The counterparty risk assessments are established by the calculation of a Credit Valuation Adjustment (CVA) for OTC derivative assets and, for symmetrical treatment, the Debit Valuation Adjustment (DVA), which is the own credit risk assessment for derivative liabilities. The adjustment amount is determined by assessing the potential credit exposure to a given counterparty and, taking into account any collateral held, the effect of any relevant netting arrangements as well as the expected loss given the default and the credit risk, based on available market information, including the probability of default.

The table below presents a summary of master netting and similar agreements:

in EUR '000

31 December 2024	Gross and net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
Financial Assets			
Derivatives used for trading	6 077	(40 807)	(34 730)
Total financial assets	**6 077**	**(40 807)**	**(34 730)**
Financial Liabilities			
Derivatives used for trading	40 807	(40 807)	—
Total financial liabilities	**40 807**	**(40 807)**	**—**

in EUR '000

31 December 2023	Gross and net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
Financial Assets			
Derivatives used for trading	16 255	(7 852)	8 403
Total financial assets	**16 255**	**(7 852)**	**8 403**
Financial Liabilities			
Derivatives used for trading	7 852	(7 852)	—
Total financial liabilities	**7 852**	**(7 852)**	**—**

31.4 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 granting of European patents, and to meet its obligations to its stakeholders, including: the Contracting States, patent applicants and their representatives, serving and former EPO staff, the EPO's suppliers and service providers.

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

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

(a) all income from fees and other sources, and the EPO's reserves

(b) the resources of the RFPSS which are a special class of assets to support the EPO's pensions and social security scheme by providing the appropriate reserves.

EPO capital management is based on financial planning for a period of five years, including a forecast of IFRS statements for each of these years. Analyses of possible developments in demand for European patents and in applicant behaviour are conducted in consultation with the relevant stakeholders.

Actual developments during the year are monitored through monthly financial management reports provided to the EPO management and quarterly reporting to the Budget and Finance Committee and the Administrative Council.

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

32. Events after the reporting period

No material favourable or unfavourable events occurred between the end of the reporting period and the date when the financial statements were authorised for issue.