

Commitments and Contingent Liabilities

note 25

Leases

The Group leases a number of offices under operating leases. The leases typically run for a period of 10 years, with an option to renew the lease. Lease payments are increased to reflect market rentals. None of the leases include contingent rentals.

At December 31, 2006, annual commitments under rental and operational lease agreements amounted to €67 million (2005: €69 million). The average term of these commitments is approximately 6.2 years (2005: 5.9 years).

Non-cancelable operating lease rentals are payable as follows:

Non-cancelable operating lease rentals	2006	2005
Less than one year	11	7
Between one and five years	34	21
More than five years	62	62

Some of the leased property is sublet by the Group. Sublease payments of €2 million are expected to be received during the following financial year. The Group has recognized a provision of €1 million in respect of these subleases.

Property, Plant and Equipment includes €4 million (2005: not applicable) relating to finance lease arrangements. The amount due within one year is €2 million, the amount due in the second to fifth years is €2 million. The present value of the lease payments does not differ materially from the nominal value.

Guarantees

At December 31, 2006, the Group has outstanding guarantees regarding royalty payments to societies during the coming years of approximately €4 million (2005: €5 million).

The Group has issued formal guarantees for bank credit facilities for a total amount of €91 million (2005: €106 million) on behalf of a number of its foreign subsidiaries. At December 31, 2006, none of these credit facilities had been utilized (2005: none). At December 31, 2006, other bank guarantees had been issued at the request of the company or its subsidiaries for a total amount of €4.8 million (2005: €4.3 million). These guarantees mainly relate to rent for real estate.

Legal and judicial proceedings, claims

The Group is involved in legal and judicial proceedings and claims in the ordinary course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists.

A liability is accrued only if an adverse outcome is probable and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the proceeding or claim is disclosed as contingent liability, if material. The actual outcome of a proceeding or claim may differ from the estimated liability, and consequently may affect the financial performance and position.