



Schweizerische Eidgenossenschaft  
Confédération suisse  
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# State account

## Separate financial statements

Extract: ETH Domain

2010



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### 31 Introduction

The ETH Domain comprises the two Federal Institutes of Technology in Zurich (ETH Zurich) and Lausanne (EPFL), and the four research institutes – the Paul Scherrer Institute (PSI), the Swiss Federal Institute for Forest, Snow and Landscape Research (WSL), the Swiss Federal Laboratories for Materials Science and Technology (Empa) and the Swiss Federal Institute of Aquatic Science and Technology (Eawag). These are all federal institutions under public law with legal personality. In addition, the ETH Board (a strategic governing body) and the Internal Appeals Commission of the ETH (an independent appeals body) also belong to the ETH Domain.

#### *Management and reporting in the ETH Domain*

The ETH Law codifies the autonomy of both the ETH Domain and its institutions: political governance is realised by parliament and the Federal Council. The political authorities specify performance standards (current: 2008–2011 performance mandate between the Federal Council and the ETH Domain) and key financial parameters while the ETH Domain, as a service provider, is responsible for implementation of the specifications. The ETH Domain is also subject to parliamentary supervision. Strategic governance of the ETH Domain is the responsibility of the ETH Board. Operational management of the institutions is the responsibility of the institutions' executive boards and directorates.

Laws and the performance mandate oblige the ETH Board to conduct periodic reporting on the progress made towards reaching objectives, on the real estate situation, staff and finances. For this purpose, the ETH Board annually submits a progress report to the Federal Council. Once approved, this report serves as additional documentation for handling of the budget in parliament, and as a public relations tool.

#### *Swiss Federal Institute of Technology Zurich (ETH Zurich)*

ETH Zurich stands for excellent teaching, groundbreaking fundamental research and the application of results for the benefit of society. ETH Zurich has over 16,000 students from around 80 countries, including around 3,500 doctoral students. Over 400 professors are currently teaching and researching in the fields of architecture, construction science, engineering, natural sciences, mathematics, system-oriented sciences, management and social sciences.

#### *Swiss Federal Institute of Technology Lausanne (EPFL)*

There are around 11,500 people at EPFL – over 7,700 students, almost 300 professors and 4,500 research, technical and administrative staff. EPFL is one of the world's most multicultural tertiary institutions. People from over 130 countries work there every day, side by side. From the master's level onwards, all education is provided in two languages (French and English). This highly renowned institution follows a policy of expanding international cooperation, sponsoring and joint projects with the scientific community and industry.

#### *Paul Scherrer Institute (PSI)*

PSI conducts research on the subjects of matter and material, people and health, and energy and the environment. With the neutron source SINQ, the Synchrotron Light Source Switzerland (SLS) and the muon source  $S\mu S$ , PSI operates large-scale scientific research facilities. Each year, over 2,000 researchers come to PSI from around Switzerland and the whole world, in order to conduct experiments which are impossible elsewhere. PSI runs Switzerland's only facility for the treatment of specific cancers with protons. Around 700 of the approximately 1,700 staff at PSI are scientists.

#### *Swiss Federal Institute for Forest, Snow and Landscape Research (WSL)*

WSL addresses the use and protection of landscapes and habitats, with a particular focus on dealing with natural hazards in the Swiss Alps responsibly (also within the WSL Institute for Snow and Avalanche Research SLF). WSL employs a good 500 staff in Birmensdorf, Davos, Lausanne, Bellinzona and Sion. About half are scientific staff, while another 75 individuals are working on their theses.

#### *Swiss Federal Laboratories for Materials Science and Technology (Empa)*

Empa develops practical solutions for industry and society in the fields of nanostructured materials, environmental, energy-oriented and sustainable building technologies, biotechnologies and medical technologies. Empa has been providing public authorities with data and facts for political decisions since 1880 and it conducts studies on behalf of federal offices. At the end of 2010, around 940 staff were working at Empa, including 24 professors, around 140 doctoral students and 40 trainees. In addition, there were around 200 graduands and student apprentices, as is the case every year.

#### *Swiss Federal Institute of Aquatic Science and Technology (Eawag)*

Eawag is one of the world's leading aquatic research institutes. The combination of natural sciences, engineering and social sciences allows comprehensive aquatic research, ranging from relatively untouched natural waterbodies, through to fully engineered wastewater management systems. The 20 professors, 150 scientific staff and the same number of doctoral students find a unique research environment at Eawag, into which they actively incorporate interest groups from industry and society.

#### *Board of the Swiss Federal Institutes of Technology (ETH Board)*

The ETH Board is the strategic governing and supervisory body, as well as the electoral authority for the ETH Domain, and it conducts real estate management as a Federal Construction and Properties Service. A staff of around 40 support the ETH Board in fulfilling its legal mandate.

## 32 Consolidated annual financial statements

### 321 Overview

#### Introduction

With the federal resolution of 19 September 2007, the Swiss Parliament approved funding for the ETH Domain of CHF 8,235 million for the 2008–2011 period. The funds are designed to cover the financial requirement of ongoing spending and investment. They are being used to fulfil the objectives and sub-objectives under the approved performance mandate for 2008–2011. The total sum also includes funds totalling CHF 110 million for participation by the ETH Domain in higher education projects of national significance, namely equal opportunities, doctoral candidate education, e-libraries, authentication and authorisation infrastructure (AAI), research activities in micro-technology and nanotechnology, sensors, micro- and nanoelectromechanical systems (MEMS / NEMS), systems and software, information and communication technology (Nano-Tera.ch), and the Swiss Initiative in Systems Biology (SystemsX.ch).

The funding was increased by CHF 95 million for the following reasons: An injection of CHF 50 million was provided for early and additional investment as part of the second phase of the federal government's economic stabilisation measures (supplementary budget Ia, dispatch of 11 March 2009). This increase it made it possible to fund around 30 infrastructure projects relating to education and research. Secondly, the Swiss Parliament approved the plan of the Swiss National Strategy for High-Performance Computing and Networking (HPCN). To implement this strategy, funding was increased by a further CHF 45 million under Federal Resolution I compared to the estimate for 2010 (budget for 2010: CHF 33 million, budget for 2011, CHF 12 million). The above-mentioned increases take the total funding for the ETH Domain to CHF 8,330 million for the years 2008–2011. The average annual growth for the 2008–2011 performance period therefore rises from an original 3.7% to 3.9%. The federal financial contribution for ongoing operations (credit A2310.0346, 328 ETH Domain, 2010: CHF 1,984 million) and the contribution for investment in the ETH Domain buildings (credit A4100.0125, 620 FOBL, 2010: CHF 145 million) are charged against this funding.

The allocation of funds within the ETH Domain is governed by Article 12 (2) of the Ordinance on the ETH Domain (SR 414.110.3). The ETH Board apportions the funds on the basis of the objectives agreed with the two Federal Institutes of Technology and the four research institutes. This process is guided by the Board's strategic plan as well as by the approved development plans of the above-mentioned institutes. Before allocating the funds, the ETH Board first sets aside funds for its own administration and for the operation of the Appeals Commission, as well as for incentive and stimulus financing. Funding for the latter is transferred to the two Federal Institutes of Technology and the research institutes during the course of the year (see note 341).

As in the previous year, the two Federal Institutes of Technology again enjoyed strong growth in student numbers (+6.9%) in 2010. The ETH Domain continues to post successes in research. One indicator of this success is the strong rise in second-party resources and third-party funding, despite the competitive environment.

#### Annual financial statements for 2010

Total income of CHF 2,914 million net (including the financial result) is some 4.5% above the previous year's level, as expected. A positive development here was the level of second-party resources and third-party funding, which amounted to CHF 615 million (CHF +68 million). Of this inflow, funds not used in the year under review amounting to CHF 109 million were deducted from income (displayed under changes in second-party resources and third-party funding). These higher revenues facilitated the financing of additional education and research initiatives, which in turn had an impact on expenditure. Operating expenditure rose by 3.8% to CHF 2,855 million, a rise of more or less the same magnitude as that of income. The extra expenditure involved in delivering the additional services was largely covered by the financial contribution from the federal government. In addition, a large part of the increase also came from research promotion funding (second-party resources). The lion's share of operating expenditure was accounted for by personnel expenses (62%, or CHF 1,769 million).

The 2010 annual result comes in at CHF 60 million. This is a significant rise on the previous year (CHF 39 million) as well as exceeding the 2010 forecast (CHF 16 million). At CHF 53 million, the operating result was likewise significantly higher than in the 2009 financial statements (CHF 26 million).

The structure of the financing of the ETH Domain remained constant compared to previous years, as the breakdown of 2010 income reveals. 92% of income stems either directly from the Confederation or indirectly from associated institutions that promote research (second-party resources). Cooperation with the private sector (including donations) and payments for services account for some 10% of income volume.

CHF 201 million was spent on investments in tangible and intangible assets (2009: CHF 207 million). Income from divestments was CHF 16 million, a significant rise (CHF +14 million) on the previous year.

The ETH Domain's consolidated total assets amounted to CHF 2,237 million at the end of 2010, an increase of CHF 242 million on the previous year. On the asset side of the balance sheet, current assets (CHF +152 million) rose more strongly than fixed assets (CHF +89 million). On the liability side, all positions (borrowing, capital commitments and equity) posted an increase, with capital commitments showing the strongest rise at CHF 111 million.

## 322 Consolidated income statement

### Consolidated results from the income statement

CHF m	Actual 2009	Budget 2010	Actual 2010	Change versus 2009 absolute	%	Number in notes
<b>Overall result</b>	<b>39</b>	<b>16</b>	<b>60</b>	<b>21</b>	<b>54.1</b>	
<b>Operating result (excl. Financial result)</b>	<b>26</b>	<b>3</b>	<b>53</b>	<b>27</b>	<b>103.9</b>	
<b>Operating income</b>	<b>2,776</b>	<b>2,909</b>	<b>2,907</b>	<b>131</b>	<b>4.7</b>	
<b>Federal financial contribution</b>	<b>1,905</b>	<b>1,984</b>	<b>1,984</b>	<b>79</b>	<b>4.2</b>	<b>1</b>
<b>Accommodation contribution</b>	<b>276</b>	<b>284</b>	<b>284</b>	<b>9</b>	<b>3.2</b>	<b>2</b>
<b>Second-party resources and third-party funding</b>	<b>557</b>	<b>547</b>	<b>615</b>	<b>57</b>	<b>10.3</b>	<b>3</b>
Received from second-party resources	370	368	406	36	9.8	
Received from third-party funding	188	179	209	21	11.2	
<b>Changes in second-party resources and third-party funding</b>	<b>-95</b>	<b>-40</b>	<b>-109</b>	<b>-14</b>	<b>14.3</b>	<b>3, 19</b>
<b>Income from the provision of services</b>	<b>112</b>	<b>104</b>	<b>111</b>	<b>-1</b>	<b>-0.8</b>	<b>4</b>
<b>Other income</b>	<b>21</b>	<b>29</b>	<b>21</b>	<b>0</b>	<b>0.9</b>	
<b>Operating expenditure</b>	<b>2,751</b>	<b>2,906</b>	<b>2,855</b>	<b>104</b>	<b>3.8</b>	
<b>Own expenditure</b>	<b>2,695</b>	<b>2,778</b>	<b>2,779</b>	<b>84</b>	<b>3.1</b>	
Personnel expenditure	1,722	1,754	1,769	47	2.7	5
Other operating expenditure	845	875	869	25	2.9	2, 6
Depreciation and amortisation	119	152	138	19	16.1	
Changes in performance commitments	8	-3	2	-7	-79.2	19
<b>Transfer costs</b>	<b>56</b>	<b>128</b>	<b>76</b>	<b>20</b>	<b>36.0</b>	<b>7</b>
<b>Financial result</b>	<b>13</b>	<b>13</b>	<b>7</b>	<b>-6</b>	<b>-44.1</b>	<b>8</b>
Financial income	16	15	21	6	35.4	
Financial expenditure	2	1	14	11	458.0	

The consolidated *overall result* of CHF 60 million reported in the income statement comprises the *operating result* (CHF 53 million) and the *financial result* (CHF 7 million). This figure is CHF 44 million above budget, as well as an improvement of CHF 21 million on the 2009 result.

Second-party resources and third-party funding had no impact on the overall result. The difference between the funds received (income) and the actual funds used (expenditure) is offset through the changes in second-party resources and third-party funding in the income statement.

The *operating income figure* of CHF 2,907 million represents an increase of CHF 131 million on the 2009 equivalent (+4.7%). The positive development of the previous years has therefore persisted. The level of operating income is more or less the same as the budget figure for 2010. However, if this is compared to gross operating income, i.e. with changes to second-party resources and third-party funding stripped out, the resulting income figure of CHF 68 million is above budget. In other words, a higher level of second-party resources and third-party funding was acquired than had been budgeted for. Changes to second-party resources and third-party funding can only be budgeted for to a certain extent. Dramatic variations can occur in comparisons between previous years, depending on the progress of education and research projects.

The individual income categories developed with a number of discrepancies: Internal resources (CHF 2,269 million) revealed growth of CHF 88 million (+4%) on the 2009 financial statements, a lower rise than in total operating income. These funds include the Confederation's direct contributions, i.e. the *financial contribution* of CHF 1,984 million and the *contribution to accommodation* of CHF 284 million. First-party funds constitute around 78% of operating income, whereas income from second-party resources and third-party sources amounts to some 17% of operating income. The remaining 5% is divided between *income from the provision of services* (CHF 111 million) and *other income* (CHF 21 million), which revealed only a minimal year-on-year change.

The *operating expenditure* of CHF 2,855 million is CHF 104 million (+3.8%) above the 2009 equivalent and CHF 51 million below budget. The majority of operating expenditure was accounted for by personnel expenses (CHF 1,769 million or just under 62%). The total figure of CHF 869 million for *operating / other operating expenditure* includes premises expenditure for real estate owned by the Confederation and used by the ETH Domain (2010: CHF 284 million). A notable increase within operating expenditure was that of expenses for maintenance and improvements to infrastructure (2010: CHF 92 million), a sharp rise of 13%. Higher-maintenance apparatus, the increase in usable space (2010: +1.3% to 871,000 m<sup>2</sup>) and last but not least energy-related measures in the buildings area made a substantial

contribution to the higher costs. *Transfer costs* fell short of the budgeted figure by CHF 52 million. Budgeting for this position is largely undertaken centrally by the ETH Board, and is clarified during the year for individual projects before being allocated to the various institutes. The costs incurred are subsequently booked in keeping with the actual costs that arise, whereas the budget itself is not subsequently modified. As part of a shift of the credit from the investment contribution to the financial

contribution, the budgeted transfer costs were increased by CHF 18 million in order to avoid the budgeted annual result being distorted by this credit transfer.

The *financial result* of CHF 7 million was modest, and significantly below the equivalent 2009 figure. The principal drivers of this deterioration were the fair value adjustments for price and currency losses in financial expenditure.

### 323 Consolidated investment statement

CHF m	Actual 2009	Budget 2010	Actual 2010	Change versus 2009 absolute %	
<b>Balance of investment statement</b>	<b>-233</b>	<b>-211</b>	<b>-247</b>	<b>-14</b>	<b>6.2</b>
<b>Balance of investment in tangible assets</b>	<b>-205</b>	<b>-184</b>	<b>-185</b>	<b>20</b>	<b>-9.6</b>
<b>Investment revenues from tangible assets</b>	<b>2</b>	<b>-</b>	<b>16</b>	<b>14</b>	<b>n.a.</b>
<b>Investment expenditure on tangible assets</b>	<b>207</b>	<b>184</b>	<b>201</b>	<b>-6</b>	<b>-2.8</b>
Real estate properties	0	0	1	1	n.a.
Technical equipment and machinery	171	153	171	0	0.2
Information technology	35	30	29	-5	-15.6
Intangible assets	2	1	0	-1	-76.8
<b>Balance of investment in financial assets</b>	<b>-28</b>	<b>-27</b>	<b>-62</b>	<b>-34</b>	<b>123.0</b>
Co-financing (net)	-6	-27	5	11	-181.7
Financial assets (net)	-22	-	-67	-45	205.7

#### Consolidated results from the investment statement

The table above provides information on the expenditure incurred during the reporting period for the acquisition or creation of assets. As a rule, this information is only displayed for those investments that are transferred to the property of the ETH Domain. The exceptions to this rule are the assets acquired under co-financing arrangements for real estate belonging to the Confederation. These items are reported under financial assets and are depreciated over the useful life of the property financed.

Where the *investment revenues from tangible assets* are concerned, the lion's share comes from the replacement of the Blue Gene L supercomputer by the Blue Gene P supercomputer (CHF 10 million). The term Blue Gene covers a number of projects of EPFL in collaboration with the Universities of Lausanne and Geneva in the high-end computer technology area.

*Investment expenditure on tangible assets* was almost exactly the same as in the previous year. The requirement for funding for new and replacement purchases of technical equipment and machinery for scientific purposes continues to be high.

The majority of investment in technical equipment and machinery as well as for information technology breaks down as follows:

- Supercomputer (Cray upgrade for supercomputing) at CSCS in Manno (CHF 7.6 million)
- Tenant fit-out for the LCA computing centre (CHF 10.3 million), for the HPL Life Science Platform (CHF 9.4 million) and for the HPP laboratory building (CHF 3.5 million)
- Investments relating to SwissFEL (research involving coherent x-ray light sources) amounting to CHF 10.2 million
- Wind tunnel apparatus at Empa (CHF 1.3 million)

Around CHF 100 million per year is spent annually on information technology (2010: information technology expenses CHF 71 million, new investment in information technology CHF 29 million).

The level of investment in technical equipment, machinery and information technology financed by second-party resources and third-party funding amounts to CHF 42 million. This is significantly higher than the previous year's equivalent (2009: CHF 32 million).

The discrepancy in *co-financing* between the financial statements and the budget is the result of the delay to the project to provide student accommodation at the ETH Science City site (CHF 20 million).

Investment in *financial assets* for the most part relates to the investment of surplus funds – largely from second-party resources and third-party funding – that are not currently being used with the Swiss Federal Treasury.

### 324 Consolidated cash flow statement

CHF m	Actual 2009	Actual 2010	Change versus 2009 absolute	%	Number in notes
<b>Total cash flow</b>	<b>75</b>	<b>123</b>	<b>48</b>	<b>63.2</b>	
<b>Cash flow from ongoing activities</b>	<b>302</b>	<b>330</b>	<b>28</b>	<b>9.2</b>	
<b>Cash flow</b>	<b>176</b>	<b>202</b>	<b>26</b>	<b>14.9</b>	
Overall result	39	60	21	54.1	
Depreciation and amortisation	130	138	9	6.6	13
Change in provisions	64	14	-51	n.a.	18
Other non-cash expenditure / revenues	-57	-10	47	n.a.	
<b>Increase (-) / decrease (+) net current assets</b>	<b>14</b>	<b>17</b>	<b>3</b>	<b>21.0</b>	
<b>Increase (+) / decrease (-) capital commitments</b>	<b>112</b>	<b>111</b>	<b>-1</b>	<b>-1.2</b>	<b>19</b>
<b>Cash flow from investment operations</b>	<b>-205</b>	<b>-185</b>	<b>20</b>	<b>-9.7</b>	
<b>Tangible assets</b>	<b>-203</b>	<b>-185</b>	<b>19</b>	<b>-9.1</b>	<b>13</b>
Real estate, tech. equipment, information technology	-205	-201	4	-2.1	
Divestment of real estate / movable assets	2	16	14	n.a.	
<b>Intangible assets</b>	<b>-2</b>	<b>-0</b>	<b>1</b>	<b>n.a.</b>	<b>13</b>
<b>Cash flow from financial investments</b>	<b>-28</b>	<b>-62</b>	<b>-34</b>	<b>122.9</b>	<b>9, 11</b>
<b>Free cash flow</b>	<b>69</b>	<b>83</b>	<b>14</b>	<b>19.7</b>	
<b>Cash flow from financing operations</b>	<b>6</b>	<b>40</b>	<b>34</b>	<b>n.a.</b>	

### Statement of liquid assets held

CHF m	Actual 2009	Actual 2010	Change versus 2009 absolute	%	Number in notes
<b>Liquid assets held as at 1 January</b>	<b>973</b>	<b>1,048</b>	<b>75</b>	<b>7.8</b>	<b>9</b>
Increase / decrease	75	123	48	63.2	
<b>Liquid assets held as at 31 December</b>	<b>1,048</b>	<b>1,171</b>	<b>123</b>	<b>11.7</b>	<b>9</b>

### Consolidated results from the cash flow statement

The cash flow statement shows the cash flows generated by ongoing activities, investment activities and financing activities. It is prepared using the indirect method. The total cash flow corresponds to changes in the statement of liquid assets.

The cash flow of CHF 202 million is essentially arrived at through the overall annual result plus depreciation and amortisation. In addition to the cash flow, the total cash flow from ongoing activities (CHF 330 million) includes in particular the change in committed capital, namely an increase of CHF 111 million. This increase corresponds directly to the surplus income from second-party resources and third-party funding.

Within the cash flow from *investment activities*, the net outflow for tangible assets was rather lower than in the 2009 financial

statements. The cause of the decline lies in the fact that EPFL booked a substantial divestment under information technology. The cash flow from *financing activities* was largely determined by the financing arrangements at EPFL, which booked the funds for professorships (chairs) arising from Fondation EPFL Plus under short-term and long-term liabilities, as set against capitalisation of receivables from the above-mentioned foundation in the financial assets (approx. CHF 43 million). Against this figure stand the partial repayments (CHF -2 million) of loans granted by the canton of Aargau to PSI for implementation of the projects PRO-SCAN and CCEM-CH, which resulted in a final figure of CHF 40 million for cash flow for financing activities.

The resulting balance from the cash flows was an increase in liquid funds (including short-term cash investments) of CHF 123 million.

### 325 Consolidated balance sheet

CHF m	2009	2010	Change versus 2009 absolute	%	Number in notes
<b>Assets</b>	<b>1,995</b>	<b>2,237</b>	<b>242</b>	<b>12.1</b>	
<b>Current assets</b>	<b>1,201</b>	<b>1,354</b>	<b>152</b>	<b>12.7</b>	
Liquid funds	1,048	1,171	123	11.7	9
Receivables	50	53	3	5.6	10
Short-term financial investments	76	100	24	31.9	11
Inventories	12	12	-0	-2.2	12
Accrued income	16	18	2	15.8	
<b>Fixed assets</b>	<b>794</b>	<b>883</b>	<b>89</b>	<b>11.3</b>	
Tangible assets	690	742	52	7.6	13
Intangible assets	2	1	-1	-43.7	13
Loans	2	2	0	6.8	15
Participations	0	1	0	96.6	14
Long-term financial investments	100	137	37	37.5	11
<b>Liabilities</b>	<b>1,995</b>	<b>2,237</b>	<b>242</b>	<b>12.1</b>	
<b>Borrowing</b>	<b>336</b>	<b>412</b>	<b>75</b>	<b>22.4</b>	
<b>Short-term borrowing</b>	<b>230</b>	<b>261</b>	<b>31</b>	<b>13.5</b>	
Current liabilities	125	122	-3	-2.4	16
Short-term financial liabilities	20	24	5	24.7	17
Deferred income	40	64	25	61.8	
Short-term provisions	46	50	5	10.0	18
<b>Long-term borrowing</b>	<b>107</b>	<b>151</b>	<b>44</b>	<b>41.7</b>	
Long-term financial liabilities	15	51	35	234.6	17
Long-term provisions	91	100	9	9.8	18
<b>Capital commitments</b>	<b>1,031</b>	<b>1,141</b>	<b>111</b>	<b>10.7</b>	<b>19</b>
Second-party resources	243	250	8	3.1	19
Third-party funding	557	664	106	19.0	19
Own resources in government-owned real estate (co-financing)	100	95	-5	-4.8	
Own resources (internal performance commitments)	131	133	2	1.4	19
<b>Equity</b>	<b>628</b>	<b>683</b>	<b>55</b>	<b>8.8</b>	
<b>Other equity</b>	<b>172</b>	<b>198</b>	<b>27</b>	<b>15.6</b>	
Reserves from federal financial contribution	49	64	15	30.2	
Voluntary reserves	30	36	6	19.9	
Miscellaneous equity	92	98	6	6.3	
<b>Balance sheet surplus / deficit</b>	<b>456</b>	<b>485</b>	<b>29</b>	<b>6.3</b>	

#### Consolidated balance sheet

Total assets had increased by CHF 242 million to CHF 2,237 million (+12%) as at the balance sheet date. It should be observed that the real estate used by the ETH Domain is almost entirely owned by the Confederation (buildings and properties: CHF 6,772 million) and is therefore not capitalised.

The rise in *current assets* by CHF 152 million was due in large part to the increase in capital commitments. Second-party resources and third-party funding not immediately required for projects were temporarily invested with the Confederation on the basis of the treasury agreement in place, as well as in line with the investment guidelines of the ETH Board. These short-term cash investments placed with the Confederation amount to CHF 993 million.

The increase in *fixed assets* (CHF +89 million) is predominantly attributable to the following events:

- Investment spending on movable goods and on information technology was higher than the corresponding depreciation. This resulted in a net increase of CHF 52 million.
- The figure for *long-term financial investments* includes EPFL's receivables from Fondation EPFL Plus (CHF 42 million) for funds that have been earmarked for the sponsoring of new professorial chairs. Up until now, these funds have not been contained in the balance sheet of the ETH Domain. At the same time, an item of the equivalent amount is displayed under financial liabilities.

*Borrowing* rose by CHF 75 million to CHF 412 million. On the one hand, the increase is attributable to payments to third parties for projects (funds for FP, NCCR, Nano-Tera.ch), which were made at the end of December and entered in the balance sheet under deferred income. On the other hand, a financial liability against future professorships for the same amount was entered in con-

nection with the above-mentioned receivables from Fondation EPFL Plus (CHF 42 million).

The increase of *capital commitments* by CHF 111 million to CHF 1,141 million reflects the high cash inflow of second-party resources and third-party funding. There is typically a gap between the booking of receipts from second-party resources and third-party funding and the employment of these funds in education and research projects. The majority of funding for research projects, particularly from third parties, is received in advance. The corresponding research projects are then implemented over a time frame of one to three years. The proportion of the amount received but not yet used is entered under capital commitments, thereby reflecting the education and research performance obligation to the funders. In addition to second-party resources and third-party funding, committed capital also includes own resources for internal performance commit-

ments and the co-financing of real estate owned by the Confederation. Both of these positions were virtually unchanged over the course of the reporting year. Internal performance commitments include financial commitments for selected professorial appointments and for education and research projects. Internal performance commitments are for the most part financed from the federal financial contribution. The co-financing comprises funding received from third parties that have been allocated to the ETH Domain for the financing of real estate. The property that is partially financed in this way belongs to the Confederation. Recognition under own resources reflects the partial claim on the co-financed real estate in the event of any sale. These funds are simultaneously recognised under long-term financial assets.

The consolidated total equity rose by CHF 55 million to CHF 683 million, largely as a consequence of the improved annual result.

### 326 Consolidated statement of changes in equity

CHF m	Total equity	Reserves from federal financial contribution	Voluntary reserves	Miscellaneous equity	Result carried forward	Overall result
<b>As at 1 January 2009</b>	<b>614</b>	<b>50</b>	<b>30</b>	<b>85</b>	<b>407</b>	<b>42</b>
Rebookings to equity	-	-5	-0	-1	46	-39
Items recognised in equity	-30	5	1	3	-38	-
Overall result	39	-	-	-	-	39
<b>Total recognised profits and losses</b>	<b>9</b>	<b>-0</b>	<b>0</b>	<b>1</b>	<b>8</b>	<b>-1</b>
Other transactions	6	-	-	6	-	-
<b>As at 31 December 2009</b>	<b>628</b>	<b>49</b>	<b>30</b>	<b>92</b>	<b>414</b>	<b>42</b>
Rebookings to equity	-	15	6	8	26	-55
Items recognised in equity	-5	-	0	-2	-2	-
Overall result	60	-	-	-	-	60
<b>Total recognised profits and losses</b>	<b>55</b>	<b>15</b>	<b>6</b>	<b>6</b>	<b>23</b>	<b>5</b>
Other transactions	-	-	-	-	-	-
<b>As at 31 December 2010</b>	<b>683</b>	<b>64</b>	<b>36</b>	<b>98</b>	<b>438</b>	<b>47</b>

#### Consolidated statement of changes in equity

The consolidated statement of changes in equity gives information on the effect on equity of the events recorded in the reporting year. This discloses which expense and income positions were recognised directly in equity rather than in the income statement. In addition, changes in individual categories within equity are also displayed.

#### Reserves from the federal financial contribution

The ETH Domain has the option of creating reserves from the federal financial contribution and using these at a later time in accordance with the objectives of the performance mandate. The ETH Board reserves these funds for the strategic projects of the two Federal Institutes of Technology and the four research institutes within the framework of the performance mandate and the target agreements it has with all institutions. The rise of

CHF 15 million net compared to 2009 is largely attributable to the following positions:

- Creation of a reserve at ETH Zurich (CHF 12 million) for the HPCN project.
- An increase at Eawag of CHF 8 million for planned investment in the conversion of test facilities, orchestrated field research facilities, and the NEST project.
- A decline of CHF 6 million in the ETH Board reserves, relating in particular to the strategic research projects Blue Brain and SwissFEL.

#### Voluntary reserves and miscellaneous equity

Voluntary reserves and miscellaneous equity are used entirely in education and research. These are the management reserves of the two Federal Institutes of Technology and the four research

institutes. These reserves (CHF 8 million) are funded mainly via income from third parties and, in the process of the appropriation of profits, allocated during the financial year itself. In addition, value adjustments on securities amounting to CHF 2 million were recognized in the books directly (miscellaneous equity).

*Result carried forward / overall result (balance sheet surplus)*

“Reserves from balance brought forward” are funded on an annual basis from the balance sheet surplus as part of the appropriation of profits. The reporting year saw the booking of one-off value adjustments on PSI facilities amounting to CHF 2 million. The overall result contains accrued, undistributed profits.

### 33 Notes to the consolidated annual financial statements

#### 331 General notes

##### 1 Basic principles

###### Legal basis

The legal basis (including directives and regulations) for the accounting of the ETH Domain is as follows:

- Federal Law of 4 October 1991 on the Federal Institutes of Technology (ETH Law; SR 414.110)
- Ordinance of 19 November 2003 on the ETH Domain (ETH Domain Ordinance; SR 414.110.3)
- Ordinance of the ETH Board of 5 February 2004 on the Accounting of the ETH Domain; SR 414.123)
- ETH Domain Accounting Manual (as at October 2010)

###### Scope of consolidation

The scope of consolidation of the ETH Domain comprises the following units:

- Board of the Federal Institutes of Technology (ETH Board), Zurich
- ETH Zurich (ETHZ), Zurich
- ETH Lausanne (EPFL), Lausanne
- Paul Scherrer Institute (PSI), Villigen
- Swiss Federal Institute for Forest, Snow and Landscape Research (WSL), Birmensdorf and Davos
- Swiss Federal Laboratories for Materials Science and Technology (Empa), Dübendorf, St. Gallen and Thun
- Swiss Federal Institute of Aquatic Science and Technology (Eawag), Dübendorf and Kastanienbaum

###### Accounting framework

The accounting of the ETH Domain is based on the federal consolidated accounting (KRB) framework. It also follows the generally accepted principles concerning usual business practice and reporting standards as set out in the Ordinance of the ETH Board on the Accounting of the ETH Domain. The accounting standards, including valuation and depreciation standards, are set out in the ETH Domain Accounting Manual (Article 5 of the Ordinance of the ETH Board on the Accounting of the ETH Domain, SR 414.123).

###### Corporate governance

The principles for the management and control of the ETH Domain (including the ownership strategy of the Federal Council) are published in the annual report of the ETH Board on the ETH Domain "Progress 2010" (based on the corporate governance guideline of SIX Swiss Exchange).

###### Management of credits / budget appropriation

The ETH Domain is managed on the basis of the performance mandate relating to the 2008–2011 budget appropriation period, as approved by the Confederation. The annual instalments of this period are processed as follows:

- *Separate presentation of expenditure and investment in buildings:*  
The expenditure credit for the costs of ongoing operations (federal financial contribution) is carried in the federal government's accounts under 328 "ETH Domain". As the real estate used by the ETH Domain (with a few exceptions) is owned by the federal government, the investment credit for real estate used by the ETH Domain is allocated by the Federal Office for Buildings and Logistics (FOBL) and the real estate itself carried as assets in the FOBL's balance sheet. By contrast, the expenditure for research facilities and for user-specific items of technical equipment does not form part of the investment credit. These investments are funded from the federal financial contribution and pass directly into the ownership of the two Federal Institutes of Technology and the four research institutes. The value of this technical equipment is recorded in the accounts of the individual institutes (capitalisation and depreciation over the corresponding service life).
- *Credit reallocations:*
  - a) *Expenditure / investment credits*  
Credit reallocation is employed as a tool to ensure the required flexibility in the way that resources are used in the ETH Domain (FBO Article 20 (5), SR 611.01). In Federal Resolution I on the 2010 Budget (Article 3 (5)) of 9 December 2009, the FDHA was authorized, in consultation with the FDF (FFA and FOBL), to switch up to 10% of the investment credit between the investment credit of the FOBL for building measures in the ETH Domain and the expenditure credit of the ETH Domain for operations. In 2010, a budget-neutral credit reallocation of CHF 17.8 million was effected in favour of the federal financial contribution (see note 341).
  - b) *Contingent credits*  
Under Article 8 of Federal Resolution I on the 2010 Budget of 9 December 2009, the FDHA was authorised to reallocate a maximum of 2% of the lower contingent credit within the contingent credits under the 2010 building programme of the ETH Domain. No such allocations were undertaken in 2010.
- *Accommodation contribution for properties owned by the federal government*  
To promote cost transparency, the system of charging rent under the tenancy model is also applied to real estate used by the ETH Domain but owned by the federal government. The contribution made by the federal government towards

ETH Domain accommodation is booked in the federal government's accounts as a cash expenditure credit under 328 "ETH Domain". An equivalent sum is booked as income by the FOBL. The federal government's contribution towards accommodation costs does not form part of the budget appropriation for the operations and investments of the ETH Domain. The ETH Domain recognises the rent transaction in the income statement both as a contribution under income and, for the same amount, as a rental expense.

### Change in accounting principles

The funds invested with the Swiss Federal Treasury are now recognised under short-term cash investments. Previously they were booked under receivables. To facilitate comparisons, the reclassification has also been effected for the 2009 financial statements (affects the consolidated balance sheet and consolidated cash flow statement).

## 2 Principles of budgeting and accounting

### Principles of budgeting and accounting

The same criteria and principles used by the federal government are also used with respect to budgeting for the ETH Domain (historical cost convention, full disclosure, annuality and specification).

Under Article 35 (1) of the ETH Law, the consolidated accounting of the ETH Domain gives a true and fair view of the assets, liabilities, financial position, and profit or loss, adjusted for internal transactions. The principles of its accounting approach (materiality, clarity, consistency, historical cost convention) are based on the standards of the *federal consolidated accounting (KRB) framework*. This is set out in the ETH Domain Accounting Manual.

### Balance sheet and valuation principles

The balance sheet and valuation principles are also based on the standards of the federal consolidated accounting (KRB) framework. The corresponding standards are set out in the ETH Domain Accounting Manual.

### Material deviations from the KRB accounting framework

*Deviation:* In accordance with Article 9 of the Ordinance of the ETH Board on Accounting (SR 414.123), provisions are set aside even for the likelihood of future obligations. In addition, the creation of provisions for financial risks is permitted within the context of risk management.

*Reason:* Based on Article 12 (2) of the directives issued by the ETH Board governing the risk management systems of the two Federal Institutes of Technology and the four research institutes, which entered into force on 4 July 2006, the ETH Domain is permitted to create sufficient provisions or take appropriate measures in respect of uninsured risks or risks otherwise transferred to third parties.

*Effect:* The ETH Domain's total provisions contain amounts that will possibly be required for future events. As a result, the change in provisions shown in the income statement is not fully in line with the period in question.

*Deviation:* "Capital commitments" are recognised on the liabilities side of the balance sheet as a main account heading. These comprise the recognised liability in respect of future services to be performed in education and research projects that will be financed from second-party resources and third-party funding already received. In addition, they include internal performance commitments also carried as liabilities for professorships and for planned education and research projects.

*Reason:* The specific circumstances of a university should be reflected in the ETH Domain's accounts.

*Effect:* On the liability side of the balance sheet of the ETH Domain there is a third category alongside "Borrowing" and "Equity". The structure of the liabilities cannot therefore be compared with traditional balance sheet presentation. Furthermore, the ETH Domain's profit for the year is affected by the corresponding recognition of changes in funding as expenses or income.

### 3 Risk situation and risk management

#### Risk management in the ETH Domain

##### Background

The handling of risks is covered by the directives of the ETH Board 4 July 2006 on the risk management systems of the two Federal Institutes of Technology and the four research institutes, which the ETH Board issued on the basis of Article 19a (2) of the ETH Domain Ordinance (SR 414.110.3). These directives govern the basic principles of risk management and set out the objectives of the risk policy pursued by the ETH Board. The directives entered into force on 15 February 2007 on the basis of a Presidential Decree. In particular, they govern the following:

- Risk policy objectives and responsibilities
- Risk identification
- Risk assessment
- Risk handling and funding
- Risk control

The significance of risk management in the ETH Domain has greatly increased in recent years. With the risk policy defined in the ETH Board's directives, the following objectives are pursued in particular:

- Performance-oriented, cost-efficient and anticipatory fulfilment of tasks
- Preservation of functionality and of the ability to innovate
- Assurance of the safety of people, property and other assets, to the greatest possible extent
- Prevention of liability cases
- Support of the governance of the two Federal Institutes of Technology and the four research institutes by means of comprehensive, transparent and up-to-date risk information
- Raising of risk awareness among students, staff and professors
- Monitoring and (insofar as possible) minimisation of risk costs
- Standardisation of minimal insured sums
- Protection of the ETH Domain's good reputation

##### Responsibility and the risk management process

In keeping with the autonomy of the six institutions set out in the ETH Law as the basis for performance in teaching, research and services, each institution is responsible for managing the risks which arise in their respective fields themselves. Thus, the presidents of the two Federal Institutes of Technology and the directors of the research institutes bear ultimate responsibility for the risk management in their respective institutions.

For this reason, the two Federal Institutes of Technology and the four research institutes have each introduced their own risk management process on the basis of the ETH Board's specifications. This process includes the identification and assessment of individual risks and of strategies for handling them, as well as suitable controlling. The effective implementation of risk management in the individual institutions is assessed by the ETH

Board's Internal Audit staff, who report to the ETH Board's Audit Committee.

Each institution has a risk manager or a risk committee entrusted with coordination of the risk management activities and control of the risk management process. In most cases, the risk manager is supported by a risk commission.

In 2010, the first efforts were made to harmonise the institutions' risk reporting, with the objective of making it easier to consolidate the various individual risk maps, so as to compile an overall risk map for the ETH Domain. At its closed meeting in June 2010, the ETH Board (in its role as the ETH Domain's supervisory body) also intensively addressed the institutions' consolidated risk map.

#### Risk situation in the ETH Domain

##### Risks of the individual institutions

The individual profile of each of the individual institutions is reflected in its risk map. For instance, the two Federal Institutes of Technology have core risks different from those of the four research institutes. The specific orientation and the size of the examined institutions also affect the risks that they are exposed to. Therefore, the same risk can be assessed differently for each of the two Federal Institutes of Technology or research institute.

In their risk maps, the six institutions have described the identified risks in detail (along with the potential loss or damage which they entail) and assessed them according to the probability of occurrence and the financial impact (potential extent of loss or damage). The two Federal Institutes of Technology and the four research institutes update their individual risk maps at least once a year, taking new developments and changed risk situations into account. Each map includes the following risk categories:

- Financial and economic risks
- Legal risks
- Material risks, technical risks and natural hazards
- Personal and organisational risks
- Technological and scientific risks
- Social and political risks
- Environmental and ecological risks

The core risks of the two Federal Institutes of Technology and the four research institutes are those with potentially major financial consequences and an above-average probability of occurrence, which directly jeopardise the fulfilment of the institutions' legal duties.

In their annual reports, the institutions provide information on their core risks, particularly regarding the quantity, scope and potential consequences of these risks. As the ETH Domain's supervisory body, the ETH Board must also receive direct and timely notification from the institutions regarding any unusual risk changes or unusual events resulting in loss or damage. Once

a year, the ETH Domain's risk maps are submitted to the Federal Department of Home Affairs.

#### *Risk management tools and measures*

The basic principles of risk management stipulate that, in addition to other measures, the two Federal Institutes of Technology and the four research institutes must insure themselves against any loss or damage.

#### *Insurance situation*

Despite prudent risk management, the risk cannot be excluded that an institution might be affected by an event resulting in loss or damage that jeopardises its ability to fulfil its duties as set out in federal legislation. In such an event, under Article 19a (4) of the ETH Domain Ordinance, the ETH Board shall submit a request to the Federal Council for the performance mandate to be revised or for the federal financial contribution to be increased. The insurance policies taken out by the institutions of the ETH Domain are particularly important for assessing this subsidiary risk for the Federal Council (for the purposes of deficiency liability under Article 19 (1) of the Federal Law on the Liability of the Confederation). In this regard, each of the institutions must take its individual risk situation into account, strive for an appropriate cost-benefit ratio and adhere to the applicable regulations on federal public procurement. These insurance policies have to meet the Swiss insurance market's usual standard and must be taken out with an insurance institution which is licensed in Switzerland.

Each institution is responsible for taking out its own insurance policies and for the management of its own insurance portfolio. In its directives, the ETH Board only stipulates that, in addition to the legally prescribed insurance, the two Federal Institutes of Technology and the four research institutes must also take out the following insurance policies as basic coverage:

- Property and business interruption insurance
- Liability insurance
- Insurance policies which are necessary in order to cover the core risks as comprehensively as possible

The two Federal Institutes of Technology and the four research institutes have taken out property insurance and liability insur-

ance to cover loss or damage. The insured sums are mainly CHF 50 million for personal injury and property damage, and CHF 5 million for financial loss. Fire / natural catastrophe risks are also insured (ETH Zurich: CHF 1.7 billion for infrastructure damage, EPFL: CHF 700 million for infrastructure damage, PSI: CHF 1 billion, Empa: CHF 161 million). ETH Zurich has also insured its own real estate against any fire damage. If the probability of occurrence is high enough (>50%), provisions are also set aside for individual loss risks.

In addition, the two Federal Institutes of Technology, the four research institutes and the ETH Board have taken out smaller insurance policies to cover the risks specific to these individual institutions, as provided for in the directives.

#### **Confederation bears risk in subsidiary role**

In a subsidiary role, the Confederation accepts liability for loss or damage which the two Federal Institutes of Technology and the four research institutes cannot absorb themselves. This is an especially relevant issue in the area of real estate, because the properties which accommodate the two Federal Institutes of Technology and the research institutes belong neither to the ETH Domain nor to the individual institutions: instead, most belong to the Confederation. Due to the fact that the Confederation (as a self-insurer) does not take out any of the real estate sector's usual insurance policies against natural catastrophes, and as neither the ETH Domain nor the institutions (as non-proprietors) are authorised to take out such insurance policies, these real estate risks cannot be transferred to a third party. The risk remains with the individual institutions and is thus borne by the Confederation in a subsidiary manner.

#### *Disclosure of risks*

In preparing the annual financial statements, it is ensured that the risks identified within the scope of existing reporting are fully disclosed. Depending on the probability of occurrence, risks are either recognised as provisions (>50% probability of occurrence) or disclosed in the notes to the accounts under contingent liabilities.

### 332 Notes to the consolidated financial statements

#### Positions in the income statement

##### 1 Federal financial contribution

CHF m	Actual 2009	Budget 2010	Actual 2010	Change versus 2009 absolute	%
<b>Federal financial contribution</b>	<b>1,905</b>	<b>1,984</b>	<b>1,984</b>	<b>79</b>	<b>4.2</b>

The *federal financial contribution* is primarily used to achieve the targets set forth in the ETH Law (SR 414.110) and the performance mandate. According to the 2008–2011 performance mandate, part of the funding (totalling CHF 110 million) is earmarked to support participation of the institutes in nationally significant joint projects of Swiss higher education institutions (Swiss University Conference (SUC)).

Under Federal Resolution I of 9 December 2009 regarding the 2010 Budget, a financial contribution from the Confederation of CHF 1,966.7 million was approved. Over the course of the year, a further CHF 17.8 million arose from the use of budget-neutral credit reallocations (FBO Article 20 (5), SR 611.01) at the expense of the investment credit for buildings in the ETH Domain (credit A4100.0125, 620 FOBL). The amount of the credit reallocation was virtually the same as that in the 2009 financial statements (CHF 17.9 million). This brought the total federal financial contribution to CHF 1,984.5 million. The comparison with 2009 and the rise by 4.2% (CHF 79 million) is slightly distorted by different approaches in the 2009 financial statements (CHF -13 million) and the 2010 financial statements (CHF +14.5 million). The previous year's total contains funding of CHF 13 million for economic stabilisation measures for early and additional infrastructure projects of the ETH Domain (supplementary budget Ia 2009). This funding ceased to apply in 2010. On the other hand, a proportion of the increase in funding in 2010 (CHF 14.5 million) was realised for the implementation of the HPCN strategy.

CHF 31 million was spent on participation in nationally significant projects for higher education institutions, as well as

on SUC innovation and cooperation projects (equal opportunities, doctoral candidate education, electronic library (e-library), authentication and authorisation infrastructure (AAI) and key technologies with micro and nano components (Nano-Tera.ch, SystemsX.ch).

To fund the specific strategic projects outlined in the ERI dispatch, the ETH Domain spent CHF 51.3 million (the same figure as in 2009) on the following: Department for Biosystems (BSSE) at ETH Zurich, Institute for Experimental Cancer Research (ISREC) at EPFL, EPFL project in Neuchâtel, electron laser for x-rays SwissFEL at PSI, and ecotoxicology at Eawag.

The contribution of the ETH Board for incentive and stimulus financing for strategic plans and for the centres of competence of the ETH Domain amounted to CHF 38.2 million in 2010. These funds were originally allocated as part of the ETH Board's budget, and were transferred over the course of 2010 to the two Federal Institutes of Technology and the four research institutes (credit reallocations).

At around CHF 120 million, the total figure for the strategic funding for the projects outlined in the ERI dispatch 2008–2011 and for the ETH Board's incentive and stimulus financing exceeded the previous year's figure of CHF 106 million by CHF 14 million.

In addition to covering ongoing expenses, CHF 160 million (2009: CHF 173 million) of the federal financial contribution was used for investments in movable assets and intangible goods.

##### 2 Government accommodation contribution

CHF m	Actual 2009	Budget 2010	Actual 2010	Change versus 2009 absolute	%
<b>Government accommodation contribution</b>	<b>276</b>	<b>284</b>	<b>284</b>	<b>9</b>	<b>3.2</b>

The *government accommodation contribution* is earmarked to cover the expenses for the rental properties owned by the Confederation. This credit is not contained in the ETH Domain's budget

appropriation. It affects financing but not expenses (no cash flow). The basis of the calculation is the imputed appreciation and capital costs plus a processing fee.

### 3 Income second-party resources / third-party funding

CHF m	Actual 2009	Budget 2010	Actual 2010	Change versus 2009 absolute	%
<b>Income second-party resources / third-party funding</b>	<b>557</b>	<b>547</b>	<b>615</b>	<b>57</b>	<b>10.3</b>
<b>Second-party resources</b>	<b>370</b>	<b>368</b>	<b>406</b>	<b>36</b>	<b>9.8</b>
(Confederation, national and international organisations)					
Swiss National Science Foundation (SNSF)	130	125	155	25	19.1
Various income from research promotion	23	47	35	13	56.4
Commission for Technology and Innovation (CTI)	41	33	33	-8	-18.7
Government-funded research	62	59	73	10	16.5
EU Research Framework Programmes (FP)	114	105	110	-4	-3.6
<b>Third-party funding</b>	<b>188</b>	<b>179</b>	<b>209</b>	<b>21</b>	<b>11.2</b>
Collaboration with industry	119	120	143	24	20.1
Donations and bequests	27	39	36	9	34.9
Other third-party funds	42	20	30	-12	-29.0
CHF m	Actual 2009	Budget 2010	Actual 2010	Change versus 2009 absolute	%
<b>Changes in second-party resources / third-party funding</b>	<b>-95</b>	<b>-40</b>	<b>-109</b>	<b>-14</b>	<b>14.3</b>

Income from second-party resources and third-party funding amounted to CHF 615 million gross, an increase of CHF 57 million (+10.3%) on the equivalent figure for 2009 (CHF 557 million). This exceeded the forecast figure (budget) by CHF 68 million. Given the uncertain economic situation, the two Federal Institutes of Technology and the four research institutes adopted a rather cautious stance with respect to potential income from second-party resources and third-party funding. Moreover, the lion's share of second-party resources and third-party funding is acquired under competitive conditions, and is therefore difficult to budget for.

Second-party resources rose by CHF 36 million (+9.8%) while third-party funding increased by CHF 21 million (+11.2%). The estimates and expectations for 2010 were exceeded in almost all second-party resources and third-party categories. Only the actual cash flow is shown, and not the project funding promised (project total).

The change in second-party resources and third-party funding depends on the progress made in the education and research projects financed by such means. The change in the amounts is offset in the income statement under capital commitments. The change of CHF -109 million in the 2010 financial statements indicates that there has been an increase in education and research services which are to be provided in subsequent years with funds already received. The income and expenses of second-party resources and third-party funding are neutralised by posting the changes in the income statement.

The positive trend of the recent past continued in the 2010 reporting year. Where second-party resources are concerned, the funds stemming from research promotion (SNSF, CTI, various other revenues, SUC funds for joint higher education projects of national significance) showed a strong increase of 15% (CHF +30 million) on the previous year. At CHF 33 million, the contri-

butions from the Commission for Technology and Innovation (CTI) were almost exactly in line with expectations. However, a decline on the 2009 figure was unavoidable (CHF -8 million or -18.7%). By far the largest proportion of funding is raised by the two Federal Institutes of Technology. At CHF 73 million, the funds originating from research services exceeded both the budgeted figure for 2010 and the previous year's equivalent (CHF 62 million). In particular, PSI received a high additional contribution for the implementation of projects as part of EU-XFEL under the Accelerator Constructor Agreement. A large number of government research contracts (research services) are awarded to WSL by the Federal Office for the Environment (FOEN), including avalanche warning, NFI3, biotope protection etc. ETH Zurich and Empa also execute a high number of research mandates for the Confederation. Income from European Union (EU) subsidies remained at a high level (2010: CHF 110 million). This overall income figure was in line with 2010 projections. The majority of these funds are generated by the two Federal Institutes of Technology, which are very successful at acquiring this form of funding. The income figure for 2010 amounted to CHF 48 million for each institution.

A proportion of the additional income in second-party resources is attributable to improved parameters. This is particularly true of research promotion, for which indirect costs (overheads) have been reimbursed to a greater extent than in previous years.

Developments have likewise been positive in third-party funding. The total of CHF 209 million represents an increase of CHF 21 million on the previous year (+11%). The budget was exceeded by CHF 30 million. Joint projects with industry yielded higher income, with the total of CHF 143 million also exceeding that of 2009 (CHF 119 million). Inflows from donations and bequests were heavily influenced by the donation from the Society in Science amounting to CHF 20 million. As a result, income rose by total of CHF 9 million to CHF 36 million. The expectations for

2010 (CHF 39 million) were therefore not fully met. It should be pointed out, however, that this income position cannot be reliably budgeted for. Other third-party funding (including resources

of the cantons, municipalities etc.) had been extraordinarily high in both of the last two years, and the income figure of CHF 30 million for this category in 2010 is in line with the long-term average.

#### 4 Income from the provision of services

CHF m	Actual 2009	Budget 2010	Actual 2010	Change versus 2009 absolute	%
<b>Income from provision of services</b>	<b>112</b>	<b>104</b>	<b>111</b>	<b>-1</b>	<b>-0.8</b>
<b>Royalties, services</b>	<b>77</b>	<b>74</b>	<b>71</b>	<b>-6</b>	<b>-7.3</b>
Tuition and student fees	27	26	30	3	11.4
Patents / licences	6	5	7	1	17.1
Academic and administrative services	44	44	34	-10	-22.1
<b>Disposals</b>	<b>10</b>	<b>13</b>	<b>10</b>	<b>0</b>	<b>0.4</b>
<b>Rebates</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>0</b>	<b>4.4</b>
<b>Other remuneration</b>	<b>18</b>	<b>10</b>	<b>22</b>	<b>4</b>	<b>23.6</b>

The breakdown of service income in terms of amounts and percentages changed little in comparison with the previous year. The projected figure for 2010 was exceeded by CHF 7 million. The level of income from *tuition and student fees* rose in a year-on-year comparison by CHF 3 million to CHF 30 million. Of the total, some CHF 20 million was accounted for by ETH Zurich, CHF 9 million by EPFL and just under CHF 1 million by PSI. The level of tuition fees is dependent on the one hand upon the development of the number of students and doctoral candidates, and on the other upon the level of semester fees. The number of students rose once again last year (2010: 24,104 students and doctoral candidates, 2009, 22,540.) Semester fees remained unchanged in 2010 (SR 414.131.7 Annex I of the Fee Ordinance of the ETH Domain).

Revenues from *patents / licences* were virtually unchanged on the previous year. Likewise virtually unchanged was the number

of registered patents and new licences. Income from academic and administrative services declined by CHF 10 million to CHF 34 million. The decline relates to EPFL and is attributable to a rebooking. A number of income components booked under income from the provision of services in 2009 are booked under income from third-party funding from 2010 onwards. As a proportion of total income, income from *academic and administrative services* is a key source of financing for Empa in particular. Around CHF 12 million in revenue was earned from testing contracts (including for public authorities) and expertise mandates. ETH Zurich once again posted a high level of income (CHF 20 million).

Income for the other positions was broadly in line with the previous year.

## 5 Personnel expenditure

CHF m	Actual 2009	Budget 2010	Actual 2010	Change versus 2009 absolute	%
<b>Personnel expenditure</b>	<b>1,722</b>	<b>1,754</b>	<b>1,769</b>	<b>47</b>	<b>2.7</b>
<b>Wages and salaries</b>	<b>1,435</b>	<b>1,466</b>	<b>1,477</b>	<b>42</b>	<b>2.9</b>
Professors	157	164	164	7	4.7
Senioracademic staff, lecturers	122	124	126	4	3.6
Other academic staff	630	642	656	26	4.2
Technical / administrative staff	536	543	546	11	2.0
EO, SUVA and other rebates	-9	-7	-16	-7	81.4
<b>Employer contributions (social security)</b>	<b>256</b>	<b>254</b>	<b>276</b>	<b>21</b>	<b>8.1</b>
Social security AHV / ALV / IV / EO / MuV	95	89	89	-6	-6.7
Staff insurance (savings and risk components)	153	156	160	6	4.2
Accident and health insurance SUVA, BU / NBU	7	9	7	0	2.3
Family equalisation fund (FAK / FamZG)	-	-	20	20	n.a.
<b>Other employer contributions</b>	<b>7</b>	<b>-</b>	<b>11</b>	<b>4</b>	<b>59.9</b>
<b>Temporary staff</b>	<b>8</b>	<b>3</b>	<b>9</b>	<b>1</b>	<b>16.7</b>
<b>Other personnel expenditure</b>	<b>16</b>	<b>31</b>	<b>-5</b>	<b>-21</b>	<b>-130.9</b>

*Personnel expenditure* rose by CHF 47 million to CHF 1,769 million. This represents a rise of CHF 15 million on the estimated figure (CHF 1,754 million) when expressed in absolute terms, but as a percentage the increase amounts to just +0.9%.

*Wages and salaries* amounted to CHF 1,477 million (CHF +42 million, or +2.9%). On the one hand, the strong increase in full-time equivalents (FTEs) by 482 to a new total of 14,730 resulted in additional costs of CHF 30 million. On the other hand, an inflation-linked salary adjustment of 0.6% and a real wage increase of 1.2% were granted as part of the New Salary System (NSS). These wage measures resulted in additional costs of around CHF 15 million. The total additional expenditure of around CHF 45 million was partly compensated for by gains from staff turnover (new hires and replacement staff).

The rise in *employer contributions* was significant. Here the additional expenditure of CHF 21 million equates to a rise of 8.1%. The decline in social security is explained by the changeover and separate reporting of benefits for the family equalisation fund from 2010 onwards. The total figure for staff insurance in turn contains the one-off employer contribution of CHF 6 million to the pension fund of the ETH Domain (Publica) to benefit the insurance categories “45+” and “55+”. The increase in employer contributions is additionally attributable to the higher wage figure and a higher average cost ratio of employer contributions (2010: 18.9%, 2009: 17.8%).

*Other personnel expenditure* contains a CHF 18 million reduction in expenditure of PSI for the capitalisation of internally produced assets through the development of facilities (see note 13, Changes in tangible assets and intangible fixed assets).

The 14,730 full-time posts are spread across approximately 18,600 employees (employment contracts). In addition, the ETH

Domain provides training for just under 400 trainees in a number of different capacities.

The number of professors increased by 37 full-time posts. This saw expenditure for *professors* rise by CHF 7 million to CHF 164 million. The number of scientists rose significantly in 2010 by 359 full-time equivalents to 8,988. This is reflected in the change in the “*Other academic staff*” category, where additional personnel expenses amounting to CHF 26 million were incurred in 2010. A significant proportion of the increase in academic staff was covered by second-party resources and third-party funding. The creation of additional assistant professorships and full professorships should contribute to an improvement in the staff-student ratio at the two Federal Institutes of Technology. Between 2002 and 2007, there were approximately 33 students for each full-time-equivalent professor. This figure has increased gradually in recent years to 35:1.

Just under 70% of the financing of the 14,730 full-time equivalents (FTEs) came from the federal financial contribution. 3,189 full-time equivalents (+299 FTEs) and 1,318 full-time equivalents (+46 FTEs) were financed from second-party resources and third-party funding, respectively. Almost two thirds of the costs of additionally created posts in the reporting year were funded by second-party resources. The proportion of full-time equivalent posts financed by second-party resources and third-party funding therefore increased from 29% to just under 31% (when measured in terms of total headcount). Of the personnel expenditure, just under 24% is financed through second-party resources and third-party funding (previous year: 23%). As a result of the significant number of education and research projects planned, the majority of new hires were accounted for by academic staff. As a consequence of higher requirements, appointments increasingly involve staff with an academic background.

## Change in staff expenditure and headcount<sup>1</sup>

	Total		Staff funded by federal financial contribution		Staff funded by second-party resources / third-party funding	
	Expenditure CHF m	No. FTEs	Expenditure CHF m	No. FTEs	Expenditure CHF m	No. FTEs
2010	1,769	14,730	1,348	10,223	421	4,507
2009	1,722	14,248	1,336	10,086	386	4,162

1 Headcount: ø number of full-time equivalents (FTEs) excluding trainees (396 FTEs).

## 6 Operating / other operating expenditure

CHF m	Actual 2009	Budget 2010	Actual 2010	Change versus 2009 absolute	%
<b>Operating / other operating expenditure</b>	<b>845</b>	<b>875</b>	<b>869</b>	<b>25</b>	<b>2.9</b>
<b>Materials / goods expenditure</b>	<b>83</b>	<b>86</b>	<b>90</b>	<b>7</b>	<b>8.9</b>
<b>Operating expenditure</b>	<b>762</b>	<b>789</b>	<b>779</b>	<b>17</b>	<b>2.3</b>
Premises expenditure (externally rented)	14	14	14	0	3.5
Premises costs for real estate owned by the Confederation	276	284	284	9	3.2
Infrastructure	155	165	163	8	5.5
Administrative expenditure	17	19	17	-1	-3.2
Non-capitalisable fixed assets	44	32	32	-12	-27.6
IT and telecommunications expenditure	69	71	71	2	3.0
Commission and fees, R&D mandates	65	82	69	4	6.1
Research and development mandates					
Transport, insurance, charges	14	9	14	1	4.2
Other third-party services	15	13	15	0	2.7
Library expenditure	27	27	27	-0	-0.3
Expenses	58	60	64	6	10.3
Other operating expenditure	9	13	9	-1	-7.6

*Operating / other operating expenditure* rose moderately by CHF 25 million (+2.9%) to CHF 869 million. This fell slightly short of the budget figure (CHF -6 million).

For most of the positions under operating / other operating expenditure, the additional costs relate to the higher number of teaching and research projects implemented. This is particularly true for the additional *materials / goods expenditure*.

The lion's share of total operating expenditure is accounted for by *accommodation costs for the use of real estate owned by the Confederation* (CHF 284 million). The total amount equates to the government accommodation contribution in income (see note 2).

*Non-capitalisable fixed assets* include purchases for which the amount lies below the threshold set for capitalisable goods (CHF 5,000 per item). The decline compared to the previous year is attributable to the one-off, extraordinarily high influx of such goods in 2009. The total of CHF 32 million for 2010 is in line with the figure booked in earlier years.

*Infrastructure* maintenance and servicing gives rise to ever-increasing costs. The total of CHF 163 million includes expenditure on so-called user-specific adjustments and leasehold improvements, as well as on the non-capitalised parts of the code of measurement for cost planning (cost group 3), whereby a minimum capitalisation threshold of CHF 100,000 per property applies. Further resources were again expended on the maintenance of infrastructure in 2010. Rising taxes and fees for water, energy and waste disposal also played their part in the higher expenditure figure. Other contributors to the increase in costs include the rise in usable space (2010: +1.3% to 871,000 m<sup>2</sup>) and energy-related measures in the buildings area.

As in previous years, around CHF 100 million was spent on IT and telecommunications (investment and expenditure). Of this amount, CHF 29 million is channelled into investment in information technology (see 323, Consolidated investment statement).

## 7 Transfer costs

CHF m	Actual 2009	Budget 2010	Actual 2010	Change versus 2009 absolute	%
<b>Transfer costs</b>	<b>56</b>	<b>128</b>	<b>76</b>	<b>20</b>	<b>36.0</b>
Strategic projects of ETH Board and competence centres	–	66	15	15	n.a.
ETH Domain expenditure on participation in projects of national importance (SUC cooperation projects)	24	34	31	6	26.1
Grants, awards, membership fees	15	19	17	2	14.9
Research contributions to third parties	16	9	13	-4	-21.6

The total transfer costs include the funds for participating in nationally significant projects as set forth in the ERI dispatch 2008–2011 (FOBL 2007 1280). The annual expenses for memberships of national and international research organisations are reported under membership fees. Funding for nationally significant SUC projects (CHF 31 million) was transferred to the SNSF, which is responsible for selecting the projects. Likewise transferred to the SNSF were the contributions for SystemsX.ch (CHF 14.5 million) and for Nano-Tera.ch (CHF 13.5 million).

Due to a credit reallocation of CHF 17.8 million, the financial contribution was increased at the cost of the investment credit (see also note 1). The corresponding expense was incorporated into transfer costs, which explains the increase in the 2010 Budget from CHF 110 million to CHF 128 million.

The fact that the actual expenditure for the strategic projects of the ETH Board and competence centres was CHF 49 million below budget is explained as follows: In each case, the contributions are budgeted for centrally as transfer costs by the ETH Board and then assigned to the different institutions over the course of the year. The institutions then book these funds under different expense categories depending on their deployment.

The additional expenditure vis-à-vis the 2009 financial statements is above all attributable to the creation of provisions for the ETH Domain's strategic projects Blue Brain and SwissFEL (CHF 15 million) under the "Strategic projects of the ETH Domain" heading.

## 8 Financial result

CHF m	Actual 2009	Budget 2010	Actual 2010	Change versus 2009 absolute	%
<b>Financial result</b>	<b>13</b>	<b>13</b>	<b>7</b>	<b>-6</b>	<b>-44.1</b>
Financial income	16	15	21	6	35.4
Financial expenditure	2	1	14	11	n.a.

The funds are invested on the basis of the treasury agreement between the Federal Finance Administration (FFA) and the ETH Domain of 29 November 2007. In accordance with Article 34c (2) of the ETH Law (SR 414.110), the ETH Board issued investment guidelines which came into force on 1 January 2008. On the basis of these guidelines, the two Federal Institutes of Technology and the four research institutes defined their own investment strategies. In addition, the two Federal Institutes of Technology and the four research institutes give account of the performance of investments (and any planned measures) as per section 4 (6) of the investment guidelines of the ETH Board.

2010 was a less successful year with respect to the performance of the ETH Domain's cash and other financial investments. The financial result therefore declined by CHF 6 million to CHF 7 million, a development attributable in particular to price and currency losses of financial investments of the two Federal Institutes of Technology. These value impairments were booked under financial expenditure. The increase in financial income is to a large extent directly attributable to the substantial increase in the average level of short-term and long-term financial investments.

## Balance sheet items

### 9 Liquid funds and short-term cash investments

CHF m	2009	2010	Change versus 2009	
			absolute	%
<b>Liquid funds and short-term cash investments</b>	<b>1,048</b>	<b>1,171</b>	<b>123</b>	<b>11.7</b>
Bank, post office, cash balances	146	177	30	20.7
Short-term deposits (≤90 days)	902	994	93	10.3

*Liquid funds and short-term cash investments* increased by CHF 123 million to CHF 1,171 million. This item contains above all the funds invested in accordance with the treasury agreement between the Federal Finance Administration and the ETH Board of 19 November 2007. This relates in particular to funds relating to capital commitments, which are temporarily invested with the Swiss Federal Treasury until required for use in teach-

ing and research. The rise in *short-term cash investments* of CHF 93 million is attributable to the general increase in second-party resources and third-party funding in 2010. In contrast to previous years, these funds are now booked in keeping with their maturities, rather than under the receivables of the ETH Board. For purposes of comparison, the 2009 figures have been adjusted accordingly.

### 10 Receivables

CHF m	2009	2010	Change versus 2009	
			absolute	%
<b>Receivables</b>	<b>50</b>	<b>53</b>	<b>3</b>	<b>5.6</b>
Trade receivables	34	41	7	21.7
Receivables from the Confederation	5	8	3	72.8
Other receivables	11	4	-8	-69.0

Total receivables showed a slight increase of CHF 3 million to CHF 53 million. Within receivables, however, there was a shift between *trade receivables* and *other receivables*.

Credit risk is accounted for either individually or collectively. Value allowances in the amount of CHF 2 million are available for this purpose. Of the trade receivables, CHF 30 million relates to domestic debtors and CHF 11 million to foreign debtors.

## 11 Financial investments

CHF m	2009	2010	Change versus 2009	
			absolute	%
<b>Financial investments</b>	<b>176</b>	<b>237</b>	<b>61</b>	<b>34.4</b>
Short-term financial investments	76	100	24	31.9
Long-term financial investments	100	137	37	37.5

*Short-term financial investments* saw inflows of CHF 68 million and outflows of CHF 44 million. Where the former is concerned, CHF 35 million relates to a switch of securities which were transferred from short-term cash investments to financial investments in keeping with a new asset management mandate.

The lion's share of *long-term financial investments* consists of the co-financing by the two Federal Institutes of Technology of real estate owned by the Confederation (CHF 95 million), adjusted for cumulative depreciation. Around CHF 42 million relates to the newly booked receivable from Fondation EPFL Plus for funds

that have been promised to EPFL in connection with the sponsoring of new professorships (chairs). A liability vis-à-vis future professorships for the same amount is displayed under financial liabilities.

Of the total financial investments, around CHF 95 million was invested with the Confederation at the end of 2010, with CHF 141 million invested with private financial institutions.

## 12 Inventories

The balance sheet figure for inventories remained unchanged at CHF 12 million. This item relates exclusively to purchased inventories, and contains recurring storage items such as chemicals, laboratory materials and testing materials required in teaching and research. An annual physical inventory is conducted only

for holdings with an overall value of CHF 100,000 or more, while other inventory holdings are estimated.

*Inventories from purchases* were recognised at net realisable sale value.

## 13 Tangible assets

CHF m	2009	2010	Change versus 2009	
			absolute	%
<b>Tangible assets</b>	<b>690</b>	<b>742</b>	<b>52</b>	<b>7.6</b>
<b>Movable assets</b>	<b>678</b>	<b>731</b>	<b>53</b>	<b>7.7</b>
Technical equipment and machinery	505	516	11	2.1
Facilities under construction / capitalised advance payments	127	170	43	34.2
IT capital goods	47	45	-2	-3.7
<b>Real estate</b>	<b>11</b>	<b>11</b>	<b>-0</b>	<b>-1.2</b>
Land	5	5	-	-
Buildings	6	6	-0	-2.3

*Movable assets* rose by CHF 53 million to CHF 731 million (+7.7%). This increase was largely attributable to *facilities under construction / capitalised advance payments*. Sizeable increases in the code of measurement for cost planning (cost group 3) of ETH Zurich (operating / laboratory equipment, leasehold improvements) and internally produced assets in connection with the construction of facilities at PSI led to a net increase of CHF 43 million. *Technical equipment and machinery* contains the following assets: furniture, machines / instruments, technical operating equipment, leasehold / user-specific improvements, office machinery, vehicles, tools and equipment.

The total figure for *real estate* was unchanged on that of the previous year (CHF 11 million). This item contains the land and buildings of the two Federal Institutes of Technology and the four research institutes. By contrast, the co-financing by ETH Zurich and EPFL of real estate owned by the Confederation is reported under long-term financial investments.

### Changes in tangible assets and intangible fixed assets

CHF m	Total tangible assets 2010	Technical facilities and machines	IT investment good	Land and buildings	Facilities under construction and capitalised advance payments	Total intangible assets 2010
<b>Acquisition costs</b>						
<b>As at 1 January 2010</b>	<b>1,663</b>	<b>1,265</b>	<b>259</b>	<b>12</b>	<b>127</b>	<b>6</b>
Inflows	223	114	29	–	80	0
Other outflows / donations	–	–	–	–	–	–
Change in current values	–	–	–	–	–	–
Reclassifications	-0	17	-0	–	-17	1
Outflows	-141	-82	-40	–	-19	-1
<b>As at 31.12.2010</b>	<b>1,744</b>	<b>1,314</b>	<b>248</b>	<b>12</b>	<b>171</b>	<b>7</b>
<b>Cumulated valuation allowances</b>						
<b>As at 1 January 2010</b>	<b>-973</b>	<b>-761</b>	<b>-212</b>	<b>-1</b>	<b>0</b>	<b>-4</b>
Planned depreciation	-137	-107	-30	-0	–	-1
Unscheduled depreciation	-1	-1	-0	–	–	-0
Outflows / inflows valuation	109	70	39	–	–	1
Reversal of impairment losses	–	–	–	–	–	–
Reclassifications	-0	-0	0	–	-0	-1
<b>As at 31.12.2010</b>	<b>-1,002</b>	<b>-798</b>	<b>-203</b>	<b>-1</b>	<b>-0</b>	<b>-6</b>
<b>Balance sheet value as at 31 December 2010</b>	<b>742</b>	<b>516</b>	<b>45</b>	<b>11</b>	<b>170</b>	<b>1</b>
of which:						
Equipment under leasing agreements	–	–	–	–	–	–

The total inflows in tangible assets exceeded total depreciation in the reporting year. The high level of *outflows* within acquisition costs and also within valuation allowances is attributable to accounting adjustments. Technical equipment and IT capital

goods that were scrapped in previous years were not removed from the recognised assets until the reporting year.

The *intangible assets* include capitalised licenses, patents, rights and software.

## 14 Participations

### Participations in the ETH Domain broken down by institution

CHF		Acquisition valuation	Value allowance	Balance sheet value 2010	Equity investment (in %)	Institute
<b>Participations</b>	<b>Headquartered</b>	<b>7,571,032</b>	<b>-6,841,174</b>	<b>729,859</b>		-
Epispeed SA	Zug	5,750	-5,750	–	3.4	ETH Zurich
GlycoVaxyn AG	Schlieren	6,000	-6,000	–	0.4	ETH Zurich
HeiQ Materials AG	Bad Zurzach	4,150	-4,150	–	0.2	ETH Zurich
Venture Incubator AG	Zug	2,125,000	-2,125,000	–	8.4	ETH Zurich
Covagen AG	Zurich	3,703	-3,702	1	1.0	ETH Zurich
Alstom Inspection Robotics AG	Zurich	24,000	–	24,000	24.0	ETH Zurich
Lipideon Biothechnology AG	Zurich	2,000	-2,000	–	0.4	ETH Zurich
Advanced Metal Technology AG (in liquidation)	Zurich	4,000	-3,999	1	2.4	ETH Zurich
Arktis Radisation Detectors AG	Zurich	3,000	-3,000	–	2.2	ETH Zurich
ChromaCon AG	Zurich	5,000	-5,000	–	4.6	ETH Zurich
Redbiotec AG	Schlieren	7,470	-7,470	–	4.1	ETH Zurich
SuSoS AG	Dübendorf	4,500	-4,500	–	2.4	ETH Zurich
CovalX AG	Zurich	4,000	-4,000	–	2.4	ETH Zurich
Procedural AG	Zurich	1,000	-1,000	–	1.0	ETH Zurich
NeMo Devices AG	Zurich	850	-850	–	0.9	ETH Zurich
Virtamed AG	Zurich	2,000	-2,000	–	1.3	ETH Zurich
Inspire AG	Zurich	100	-100	–	0.1	ETH Zurich
Flisom AG	Dübendorf	4,500	-4,500	–	2.4	ETH Zurich
Kooaba AG	Zurich	50,000	-50,000	–	0.9	ETH Zurich
Pearltec AG	Zurich	26,000	-26,000	–	1.2	ETH Zurich
BiognoSYS AG	Zurich	39,000	-39,000	–	3.0	ETH Zurich
Belenos Clean Power Holding	Biel	250,000	-250,000	–	0.6	ETH Zurich
ETH Zürich SEC AG	Zürich	100,000	–	100,000	100.0	ETH Zurich
3-V Biosciences, Inc.	Delaware / USA			–		ETH Zurich
Anecova SA	Ecublens	2,200	-2,200 *	–	0.1	EPFL
Ayanda Biosystems SA	Ecublens	6,000	-6,000 *	–	3.6	EPFL
Beamexpress SA	Ecublens	11,000	-11,000 *	–	5.9	EPFL
BlueBotics SA	Lausanne	2,640	-2,640 **	–	0.8	EPFL
Covalys Biosciences AG	Witterswil / SO	8,500	-8,500 *	–	1.9	EPFL
Dartfish SA	Fribourg	15,000	-15,000 *	–	2.0	EPFL
MimoSys AG (in liquidation)	Zurich	6,165	-6,165 *	–	2.6	EPFL
Nano Bridging Molecules SA	Gland	10,850	-10,850 *	–	1.3	EPFL
PhotoDermaSA	Ecublens	34,863	-34,863 *	–	9.0	EPFL
Sensimed SA	Lausanne	11,000	-11,000 *	–	1.4	EPFL
Shockfish SA	Lausanne	3,000	-3,000 *	–	0.8	EPFL
Polytech Advisors SA	Ecublens	30,000	-30,000	–	30.0	EPFL
CSEM SA	Neuchâtel	4,000,000	-4,000,000	–	16.3	EPFL
EELCEE SA	Ecublens	5,000	-5,000 *	–	5.0	EPFL
SecuTix SA	Lausanne	5,000	-5,000 *	–	0.7	EPFL
Lyncée Tec SA	Ecublens	31,250	-31,250 *	–	4.0	EPFL
Jeunesse An 2000 SA	St-Sulpice	25,000	-25,000	–	50.0	EPFL
Crocus Technology SA	France	256	-256 *	–	0.1	EPFL
G24 Innovations Ltd	UK	46,029	-46,029 *	–	1.0	EPFL
Innovative Silicon Inc	USA			*	0.9	EPFL
Konarka Technologies Inc	USA			*	0.1	EPFL
Orla Protein Technologies Ltd	UK			*	0.1	EPFL
Bicycle Therapeutics Ltd	UK			*	4.0	EPFL
EPFL-RAKIA FZ-LLC Ltd	Ras al-Khaimah	212,256	–	212,256	50.0	EPFL
Dectris AG	Villigen	79,400	-23,800	55,600	20.0	PSI
Dysenos AG	Villigen	40,000	–	40,000	40.0	PSI
Belenos Clean Power Holding AG	Biel	258,000	– *	258,001	2.2	PSI
Eulitha AG	Villigen	20,000	–	20,000	20.0	PSI
Hydromethan AG	Villigen	20,000	–	20,000	20.0	PSI

\* Shares received in return for the granting of intellectual property rights.

\*\* CHF 2,000 cash payment, other.

In accordance with Article 3a of the ETH Law (SR 414.110), the Federal Institutes of Technology and the research institutes may found companies, take stakes in them or cooperate with third parties in other ways in order to fulfil their duties within the scope of the performance mandate and the directives of the ETH Board. Participations and loans to companies are possible in accordance with the Ordinance on Intangible Goods and Participations (IGBV-ETH, SR 414.172). These must be listed in the annual financial statements in accordance with Article 16 (6) of the Ordinance on the ETH Domain (SR 414.110.3).

In the individual financial statements of the two Federal Institutes of Technology and the four research institutes as at

31 December 2010, most of these participations were entered with a zero value or, in some cases, with a pro memoria value (1 CHF). Due to the minor significance of the participations, it was decided not to use the equity method for participations between 20% and 50%. On 31 December 2010, ETH Zurich had a 100% participation in ETH Zürich SEC AG. However, this is not sub-consolidated by ETH Zurich at present.

The spin-off companies that ETH Zurich has invested in are active in a wide range of areas. The EPFL spin-off companies focus primarily on life sciences and the development of information technologies.

## 15 Loans

### Loans in assets

A distinction is made between two categories of loans receivable. One category contains the loans of the two Federal Institutes of Technology and the four research institutes in accordance with Articles 9 and 10(c) of IGBV-ETH (SR 414.172). These are mostly loans to newly formed spin-off companies. In the second category, the other loans that have not been granted on the basis of the provisions of IGBV-ETH are listed.

Since the 2009 annual financial statements, ETH Zurich's loans to start-up companies in accordance with Articles 9 and 10(c) of IGBV-ETH were closed. Empa's loans concerned one acquisition (compliant concept GmbH) and one impairment reversal (QC-Expert AG). Regarding other loans, there were practically no changes in 2010 compared with 2009.

### Loan items

#### Loans in accordance with IGBV-ETH (Articles 9 and 10 (c))

CHF	2010		Balance sheet valuation
	Acquisition valuation	Value allowance	
<b>Loans</b>	<b>400,000</b>	<b>-175,000</b>	<b>225,000</b>
EPFL loans to Polytech Ventures	50,000	-50,000	–
Empa loans to compliant concept GmbH	250,000	-125,000	125,000
Empa loans to QC-Expert AG	100,000	–	100,000

#### Other loans

CHF	2010		Balance sheet valuation
	Acquisition valuation	Value allowance	
<b>Loans</b>	<b>3,223,269</b>	<b>-1,695,000</b>	<b>1,528,269</b>
ETH Zurich loans to students	356,133	-3,000	353,133
ETH Zurich loans to staff	88,350		88,350
ETH Zurich loans to Stiftung Bibliothek Oechsli	250,000		250,000
ETH Zurich loans to Mettler Toledo AG	516,333		516,333
EPFL loans to Fondation Maisons des Etudiants	1 692,000	-1,692,000	–
EPFL loans to Fondation du Centre Universitaire Protestant	250,000		250,000
PSI loans to the association KiBe-PSI	70,453		70,453

## 16 Current liabilities

CHF m	2009	2010	Change versus 2009	
			absolute	%
<b>Current liabilities</b>	<b>125</b>	<b>122</b>	<b>-3</b>	<b>-2.4</b>
Current accounts	32	34	2	7.5
Trade liabilities	75	63	-12	-15.8
Other current liabilities	18	25	6	35.2

Obligations and settlement balances, including those with leading houses from research programmes (e.g. of the EU, for SystemsX.ch, etc.) are listed in the current accounts.

The level of trade liabilities and of other current liabilities primarily depends on which day the last payment of the year takes place.

## 17 Financial liabilities

CHF m	2009	2010	Change versus 2009	
			absolute	%
<b>Financial liabilities</b>	<b>35</b>	<b>75</b>	<b>40</b>	<b>116.1</b>
Short-term financial liabilities	20	24	5	24.7
Long-term financial liabilities	15	51	35	234.6

Liabilities due to the AHV, Publica and Suva accounting units are reported under *short-term financial liabilities*. The items under *long-term financial liabilities* include the remaining no-interest loans granted by the canton of Aargau to PSI to carry out the CCEM-CH and PROSCAN projects. After another partial repayment in 2010, the canton of Aargau's loans to PSI decreased from CHF 11 to 9 million (CHF 1 million of which has a short term). On the other hand, the first accounting of performance com-

mitments to professors, amounting to CHF 42 million, led to an increase in both short-term and long-term financial liabilities. The commitment is offset by a receivable with the same value. The performance commitments are financed by Fondation EPFL Plus.

The nominal value and the market value of the financial liabilities at the end of 2010 are identical.

## 18 Provisions

CHF m	Total		
	2010	Staff	Other
<b>As at 1 January</b>	<b>137</b>	<b>47</b>	<b>90</b>
Creation (including increase)	18	3	16
Release	-3	-3	-1
Utilisation	-1	-0	-1
<b>As at 31 December</b>	<b>151</b>	<b>47</b>	<b>104</b>
of which short-term	50	38	12

CHF m	Total		
	2009	Staff	Other
<b>As at 1 January</b>	<b>73</b>	<b>40</b>	<b>33</b>
Creation (including increase)	78	8	71
Release	-11	-	-11
Utilisation	-4	-	-4
<b>As at 31 December</b>	<b>137</b>	<b>47</b>	<b>90</b>
of which short-term	46	38	8

Compared to 2009, the total short-term and long-term provisions rose by CHF 14 million, amounting to CHF 151 million.

The provisions for *staff* holiday and overtime balances remain at almost the same level as in the previous year. The balance of CHF 47 million is equivalent to around 300–350 full-time positions (FTEs). When carried over to the ETH Domain's staff, this gives a balance of almost one week of holiday entitlement per staff member on average. This value is lower than that of employers of comparable size. Staff holiday and overtime balances are estimated according to different methods (based on time recording, assumptions, extrapolations etc.) for each institution.

*Other provisions* include a provision of CHF 15 million for supporting the two strategic research projects Blue Brain (EPFL) and SwissFEL (PSI). In particular, the other provisions also include

CHF 70 million for the dismantling of accelerator facilities at PSI and the disposal of radioactive components from them. This financing has been arranged with the Confederation, but not yet realised.

The *other provisions* also include provisions relating to core risks and uninsured risks. These are the risks identified in the risk maps of the two Federal Institutes of Technology and the four research institutes (in accordance with the risk management specifications). The possibility of creating provisions relating to risk management is one of the deviations from the federal accounting framework. In this regard, the ETH Domain invokes Article 12 (2) of the ETH Board's directives of 4 July 2006 on the risk management systems of the Federal Institutes of Technology and the research institutes.

## 19 Capital commitments

The second-party resources, third-party funding and own resources for internal performance commitments, which are to be used at a later date (within around one to five years) in teaching and research projects, are accrued under *capital commitments*. These funds are essentially commitments, because in exchange for funds already received (income), the funding source is owed performance in teaching and research, which is still to be realised in the future (performance commitment). Co-financing for real estate owned by the Confederation is also recognised under own resources. The changes in second-party resources and third-party funding are reported in the income statement under income.

The *performance commitments* include appointment commitments to selected professors, as well as promised financial grants for handling approved teaching and research projects. As with second-party resources and third-party funding, the changes are realised via the income statement, although these are posted under expenditure rather than as preliminary items under income. The disclosure of changes in performance commitments also shows the non-reported component of internal performance commitments.

The *capital commitments* amount to CHF 1,141 million in total. This is an increase of CHF 111 million (+10.7%) since 2009. Within this total, CHF 250 million (21.9%) is accounted for by second-party resources and CHF 664 million (58.1%) by third-party funding. The capital commitments relating to second-party resources remained constant, whereas the capital commitments

relating to third-party funding increased significantly since 2009 (CHF +106 million, or +19%).

The reported internal *performance commitments* (own resources) for appointments and project commitments stayed at the previous year's level. There was no increase in appointment commitments, although the number of professors rose significantly in the year under review (+37 FTEs).

### Changes in second-party resources and third-party funding

The overview of the changes in second-party resources and third-party funding primarily shows an increase in performance commitments based on third-party funding. The income from second-party resources and third-party funding (see note 3) and use thereof for personnel expenditure, material expenditure and investment expenditure were almost identical in the two years under comparison. The increase is shown under *net change*. This includes much of the variety of income from services provided (see note 4) which is not accounted for by second-party resources or third-party funding. Some income from services provided was also indirectly accrued under capital commitments.

Performance commitments for projects financed with second-party resources and third-party funding increased by CHF 114 million, bringing them to CHF 914 million by the end of 2010; this is because a relatively high proportion of the additional income will not be put into teaching and research until the following years.

Second- / third-party funding	Total	Second-party	National	Sector	European	Third-party	Business-	Donations	Other
CHF m	2010	funding	research	research	Research	funding	oriented	and	third-party
			promotion		Programmes		research	bequests	funding
<b>As at 1 January</b>	<b>800</b>	<b>243</b>	<b>125</b>	<b>73</b>	<b>45</b>	<b>557</b>	<b>348</b>	<b>125</b>	<b>85</b>
Income	615	406	223	73	110	209	143	36	30
Utilisation	-617	-381	-210	-72	-99	-236	-169	-14	-52
Other changes*	116	-17	-8	0	-9	133	66	-8	74
<b>As at 31 December</b>	<b>914</b>	<b>250</b>	<b>129</b>	<b>73</b>	<b>47</b>	<b>664</b>	<b>388</b>	<b>139</b>	<b>137</b>

Second- / third-party funding	Total	Second-party	National	Sector	European	Third-party	Business-	Donations	Other
CHF million	2009	funding	research	research	Research	funding	oriented	and	third-party
			research	promotion	Programmes		research	bequests	funding
<b>As at 1 January</b>	<b>703</b>	<b>208</b>	<b>112</b>	<b>68</b>	<b>27</b>	<b>495</b>	<b>323</b>	<b>126</b>	<b>46</b>
Income	557	370	193	62	114	188	119	27	42
Utilisation	-581	-335	-178	-66	-92	-246	-167	-29	-50
Other changes*	121	0	-3	8	-4	120	73	0	46
<b>As at 31 December</b>	<b>800</b>	<b>243</b>	<b>125</b>	<b>73</b>	<b>45</b>	<b>557</b>	<b>348</b>	<b>125</b>	<b>85</b>

\* Balance, e.g. of income from provision of services an other income, changes in value an other changes (transfer etc.).

## Changes in performance commitments

Performance commitments	Total	Reported	Appointment commitments		Project commitments	
			reported	not reported	reported	not reported
CHF million	2010	2010				
<b>As at 1 January</b>	<b>203</b>	<b>131</b>	<b>38</b>	<b>58</b>	<b>93</b>	<b>14</b>
Creation (including increase)	30	23	0	4	22	3
Release / reallocation	4	-8	-0	16	-8	-4
Utilisation	-12	-12	-0	-	-12	-
<b>As at 31 December</b>	<b>224</b>	<b>133</b>	<b>38</b>	<b>78</b>	<b>95</b>	<b>13</b>

Performance commitments	Total	Reported	Appointment commitments		Project commitments	
			reported	not reported	reported	not reported
CHF million	2009	2009				
<b>As at 1 January</b>	<b>186</b>	<b>122</b>	<b>38</b>	<b>56</b>	<b>84</b>	<b>8</b>
Creation (including increase)	37	37	0	-	37	-
Release / reallocation	0	-10	-0	4	-10	6
Utilisation	-20	-18	-1	-2	-18	-
<b>As at 31 December</b>	<b>203</b>	<b>131</b>	<b>38</b>	<b>58</b>	<b>93</b>	<b>14</b>

In principle, the reported internal performance commitments are treated and posted in the same way as second-party resources and third-party funding, and are also part of the capital commitments. There are two categories of internal performance commitments in the ETH Domain. The first is for appointment commitments to newly selected professors. These are given free access to so-called appointment credits within the scope of the contractual agreements. These appointment credits are generally exhausted over a period of three to five years. In the second category, the same method is applied to project commitments for teaching and research projects.

The remainder of the reported performance commitments is accrued, whereby the change in value is entered as an expense or minimum expense with effect on profit and loss.

Compared with 2009, the non-reported component of appointment commitments increased by CHF 20 million in total. The other internal performance commitment items remained constant.

### Translation of allocation of capital commitments to borrowed capital or equity

CHF m	Consolidated balance sheet ETH Domain 2010		Reconciliation		Consolidated balance sheet ETH Domain View (NAM) 2010	
	Share %		Allocation to:	Reduction (-) Increase (+)	Share %	
<b>Liabilities</b>	<b>2,237</b>	<b>100.0</b>		<b>-1,141</b>	<b>2,237</b>	<b>100.0</b>
<b>Borrowing</b>	<b>412</b>	<b>18.4</b>			<b>1,187</b>	<b>53.0</b>
<b>Capital commitments</b>	<b>1,141</b>	<b>51.0</b>		<b>-1,141</b>		
<b>Second- / third-party funding</b>	<b>914</b>	<b>40.9</b>		<b>-914</b>		
<b>Second-party funding</b>	<b>250</b>	<b>11.2</b>		<b>-250</b>		
Research promotion	129	5.8	Borrowing	-129		
Government-funded research	73	3.3	Borrowing	-73		
European research programmes	47	2.1	Borrowing	-47		
<b>Third-party funding</b>	<b>664</b>	<b>29.7</b>		<b>-664</b>		
Business-oriented research	388	17.3	Borrowing	-388		
Donations and bequests	139	6.2	Equity	-139		
Other third-party funds	137	6.1	Borrowing	-137		
<b>Own resources</b>	<b>228</b>	<b>10.2</b>	<b>Equity</b>	<b>-228</b>		
<b>Equity</b>	<b>683</b>	<b>30.6</b>			<b>1,050</b>	<b>47.0</b>

The breakdown of liabilities into borrowed capital, capital commitments and equity does not follow standard accounting rules. For this reason, a translation overview shows how the assignments of capital commitments would affect the level of borrowed capital and / or equity. Such assignment occurs in accordance with IPSAS criteria. The second-party resources are allocated to borrowed capital, as are the funds from industry-

oriented research and other third-party funding. Donations and bequests, which are also part of the third-party funding, and own resources (internal performance commitments and co-financing for real estate owned by the Confederation) are assigned to equity.

### 333 Further explanatory notes

#### 1 Contingent liabilities

##### Pension liabilities and other employee benefits

The pension liabilities of the ETH Domain are understood as liabilities arising in respect of the ETH Domain pension fund's pension plans providing benefits via the collective foundation Publica in the event of retirement, death and disability. The pension liabilities are valued according to IPSAS 25. Notwithstanding IPSAS 25, the pension liabilities are only recognised as contingent liabilities in the notes to the annual financial statements.

Publica, the ETH Domain's pension fund, operates three pension plans. Employees are assigned to a pension plan on the basis of their pay category. In accordance with IPSAS 25, the plans are qualified as performance-oriented ("defined benefit") on the basis of the regulatory performance commitments.

The pension liabilities were calculated by outside actuarial experts, as at 31 December 2010, according to the projected unit credit (PUC) method. The pension liabilities correspond to the present value of the accumulated benefits on the valuation date, or to the service cost of the benefits to be accumulated in the following year. The calculation draws on key parameters, including those involving details of the insured person (duration of insurance policy, salary, retirement savings etc.), demographic assumptions (retirement, disablement, death etc.) and financial assumptions (changes in salary, changes in pension, interest etc.). The calculated values are discounted via the technical interest rate on the valuation date. The relevant parameters include the duration of the policy, the expected salary at normal retirement age and the periodical adjustment of pension payments to the consumer price index. In accordance with the PUC method, the contributions to the prospective actuarial reserves at the time of retirement are not staggered but accumulated in a straight line over the period of the number of years to be worked. Pension obligations as at 31 December 2010 totalled CHF 5.7 billion (on a roll-forward basis).

##### Pension liabilities and other employee benefits

CHF m	2009	2010	Change versus 2009	
			absolute	%
Cash value of capital-backed pension liabilities	-5,388	-5,711	-323	6.0
Retirement assets at market values	5,036	5,283	247	4.9
<b>Net capital-backed pension liabilities</b>	<b>-352</b>	<b>-428</b>	<b>-76</b>	<b>21.6</b>
Cash value of pension liabilities not backed by capital	-	-	-	-
<b>Total net pension liabilities</b>	<b>-352</b>	<b>-428</b>	<b>-76</b>	<b>21.6</b>

Pension assets correspond to the assets of the ETH Domain's pension fund at market values, less short-term liabilities. Pension assets as at 31 December 2010 were determined on the basis of the provisory balance sheet as at 31 December 2010 and amount to CHF 5.3 billion.

Net pension liabilities (pension liabilities less pension assets) thus amount to CHF 428 million.

Employer's contributions are regulated, with the savings contributions staggered by age and increasing with the beneficiary's age. Under the IPSAS 25 valuation methods, service cost is calculated in such a way that the pension liability is spread equally over the whole period of employment. This can result in differences between the employer's contributions and the employer's

service cost. In 2010, the contributions paid by the employer amounted to CHF 148 million, whereas the employer's service cost totalled CHF 101 million. If liquidation of the employer's contribution reserves is taken into account, the employer's contributions amount to CHF 153 million.

Net pension expenditure is made up of the employer's service cost and interest paid on pension liabilities, less the expected return on pension assets. Account also needs to be taken of such eventualities as curtailments and settlements. Net pension expenditure by the ETH Domain for 2010 totalled CHF 62 million. Net pension expenditure of CHF 48 million is expected for 2011. The reduction of net pension expenditure over the past years (2009: CHF 82 million) is largely due to the increasing pension assets and the correspondingly higher expected returns.

Upon valuation or roll-forward of pension liabilities as at 31 December 2010, the discount interest rate was adjusted according to current returns for federal bonds with a term of 20 years or more. The rate is now 2.1%, as opposed to 2.6% in the previous year. In addition, the assumptions regarding pension increases

and retirement (including capital option) were adjusted according to the empirical values at Publica. Adjustment of these parameters increased the pension liabilities by CHF 266 million (loss due to changed assumptions).

### Actuarial assumptions

	2009	2010
Discount interest rate	2.60%	2.10%
Expected long-term return on retirement assets	3.50%	3.50%
Expected changes in wages	1.50%	1.50%
Expected increases in pensions	0.25%	0.15%

### Changes to liabilities

CHF m	2009	2010	Change versus 2009	
			absolute	%
<b>As at 1 January</b>	<b>-700</b>	<b>-352</b>	<b>348</b>	<b>-49.7</b>
Net pension expenditure / profit	-82	-62	20	-24.6
Amount to be recorded immediately	279	-162	-441	-158.1
Employer contributions	151	148	-3	-1.9
<b>As at 31 December</b>	<b>-352</b>	<b>-428</b>	<b>-76</b>	<b>21.6</b>

### Net pension expenditure / profit

CHF m	2009	2010	Change versus 2009	
			absolute	%
Current employer's service cost (net)	107	101	-6	-6.0
Interest paid	134	136	2	1.7
Expected return on assets	-159	-175	-16	10.0
Net profit from long-term employee benefits recorded	-	-	-	-
<b>Regular net pensions expenditure</b>	<b>82</b>	<b>62</b>	<b>-20</b>	<b>-24.6</b>
Extraordinary net pensions expenditure / profit (curtailment)	-	-	-	-
<b>Net pension expenditure / profit</b>	<b>82</b>	<b>62</b>	<b>-20</b>	<b>-24.6</b>

### Other contingent liabilities

Empa and Eawag have provided security with regard to the childcare centre IG Kinderpavillon, in the form of limited deficit guarantees. EPFL has liabilities in the form of warranty provisions amounting to almost CHF 1 million. Eawag faces pending legal proceedings regarding a legal dispute with a former employee.

## 2 Financial commitments

ETH Zurich has taken on financial commitments amounting to around CHF 70 million for long-term leases.

## 3 Related persons and organisations

### Related persons and organisations

There are significant financial links with the Swiss Confederation. First among these are its financial contribution and its contribution to accommodation costs. Federal offices' research mandates (government-funded research) and funds from the Commission for Technology and Innovation (CTI) are included in the market-compliant goods and services received. The sum of short-term cash investments and short-term financial investments includes funds amounting to CHF 983.1 million, deposited by the ETH Domain with the Confederation in accordance with the treasury agreement.

### Remuneration of key individuals

Key individuals, defined as related natural persons, comprise the members of the ETH Board, the Presidents and Vice-Presidents of the two Federal Institutes of Technology, the members of the Directorates of the four research institutes, the Rector of ETH Zurich and the Executive Director of the ETH Board. They are remunerated and compensated on a statutory basis in accordance with the law on management remuneration (Federal Personnel Law (BPG), SR 172.220.1), the Management Salaries Ordinance (KadLV, SR 172.220.12), and the resolution of the Federal Council dated 19 December 2003 on the Federal Law on the Remuneration and Other Contractual Conditions of Senior Management and Members of Management of Federal Enterprises and Institutions. This information is available to the public.

## 4 Conversion rates

Unit	Exchange rate on	
	31.12.2009	31.12.2010
1 Euro (EUR)	1.497	1.24855
1 US Dollar (USD)	1.045	0.93275

## 5 Events after the balance sheet date

Events occurring after the balance sheet date whose disclosure is mandatory are those significant events that make it necessary for amounts recorded in the financial statements to be adjusted or for data to be added to them that had not previously been re-

corded. The ETH Domain's consolidated financial statements for 2010 were approved by the Federal Council on 30 March 2011. No events after the balance sheet date whose disclosure is mandatory had occurred in the ETH Domain up to this date.

### 34 Segment reporting / individual financial statements

Segment reporting covers the individual financial statements of the two Federal Institutes of Technology and the four research institutes. A separate column with the consolidation entries is

shown in order to enable translation of the individual financial statements to the consolidated values.

#### 341 Income statement by consolidated unit

CHF m	Actual 2010 ETH Domain	Actual 2010 Consoli- dation	Actual 2010 ETH Board	Actual 2010 ETH Zurich	Actual 2010 EPFL	Actual 2010 PSI	Actual 2010 WSL	Actual 2010 Empa	Actual 2010 Eawag
<b>Overall result</b>	<b>60</b>	<b>0</b>	<b>-6</b>	<b>31</b>	<b>10</b>	<b>17</b>	<b>-1</b>	<b>0</b>	<b>8</b>
<b>Operating result</b> (excl. financial result)	<b>53</b>	<b>0</b>	<b>-6</b>	<b>25</b>	<b>9</b>	<b>17</b>	<b>-1</b>	<b>1</b>	<b>8</b>
<b>Operating income</b>	<b>2,907</b>	<b>-9</b>	<b>59</b>	<b>1,428</b>	<b>789</b>	<b>340</b>	<b>77</b>	<b>155</b>	<b>70</b>
<b>Federal financial contribution</b>	<b>1,984</b>	<b>-</b>	<b>58</b>	<b>994</b>	<b>501</b>	<b>242</b>	<b>50</b>	<b>89</b>	<b>50</b>
<b>Accommodation contribution</b>	<b>284</b>	<b>-</b>	<b>0</b>	<b>163</b>	<b>70</b>	<b>26</b>	<b>4</b>	<b>17</b>	<b>5</b>
<b>Second- and third-party funding</b>	<b>615</b>	<b>-4</b>	<b>-</b>	<b>284</b>	<b>209</b>	<b>52</b>	<b>22</b>	<b>37</b>	<b>14</b>
Received from second-party funding	406	-3	-	190	137	28	17	26	10
Received from third-party funding	209	-1	-	94	73	24	5	11	4
<b>Changes in second- and third-party funding</b>	<b>-109</b>	<b>-</b>	<b>-</b>	<b>-81</b>	<b>-26</b>	<b>-0</b>	<b>-1</b>	<b>-1</b>	<b>-0</b>
<b>Income from the provision of services</b>	<b>111</b>	<b>-4</b>	<b>0</b>	<b>52</b>	<b>32</b>	<b>18</b>	<b>0</b>	<b>12</b>	<b>0</b>
<b>Other income</b>	<b>21</b>	<b>-1</b>	<b>0</b>	<b>15</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Operating expenditure</b>	<b>2,855</b>	<b>-9</b>	<b>65</b>	<b>1,402</b>	<b>780</b>	<b>323</b>	<b>78</b>	<b>154</b>	<b>62</b>
<b>Own expenditure</b>	<b>2,779</b>	<b>-8</b>	<b>18</b>	<b>1,385</b>	<b>768</b>	<b>323</b>	<b>76</b>	<b>154</b>	<b>62</b>
Personnel expenditure	1,769	-1	14	859	508	192	54	101	42
Other operating expenditure	869	-6	4	459	225	104	17	48	18
Depreciation and amortisation	138	-	0	68	33	27	1	7	2
Change in performance commitments	2	-	-	-1	2	-	3	-2	-0
<b>Transfer costs</b>	<b>76</b>	<b>-2</b>	<b>47</b>	<b>18</b>	<b>12</b>	<b>-0</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Financial result</b>	<b>7</b>	<b>-</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>-0</b>	<b>-0</b>	<b>0</b>
Financial income	21	-	0	13	7	1	0	1	0
Financial expenditure	14	-	0	7	5	0	1	1	0

## Reallocations of funds within the ETH Domain: 2010 Budget

Credit: A2310.0346

Federal financial contribution to the ETH Domain CHF m	Total Credit A2310.0346	ETH Board	ETH Zurich	EPFL	PSI	WSL	Empa	Eawag
<b>As at 1 January 2010 (Federal resolution IV 9.12.2009)</b>	<b>1,966.7</b>	<b>96.6</b>	<b>970.3</b>	<b>490.8</b>	<b>232.6</b>	<b>43.4</b>	<b>84.9</b>	<b>48.1</b>
Changes:								
<b>Credit reallocation flexibility</b> (Credit reallocated from Credit A4100.0125 Buildings ETH Domain in accordance with FBO Article 20 para. 5)	<b>17.8</b>	<b>-</b>	<b>7.0</b>	<b>2.8</b>	<b>2.9</b>	<b>3.6</b>	<b>1.2</b>	<b>0.3</b>
<b>Transfers by the ETH Board</b> Strategic projects teaching and research	-	-23.2	14.7	1.7	3.6	2.0	1.1	0.1
Centres of competence	-	-15.0	5.0	5.0	5.0	-	-	-
<b>Credit reallocations among centres of competence</b>								
Energy and sustainable mobility (CEM-CH)	-	-	0.9	0.7	-3.0	-	1.2	0.0
Environment and sustainability (CCES)	-	-	-3.9	1.4	0.3	1.4	0.1	0.6
Materials Sciences and Technology (CCMX)	-	-	0.4	-1.5	0.4	-	0.6	-
<b>Sundry credit reallocations</b>	<b>-</b>	<b>-</b>	<b>-0.2</b>	<b>0.1</b>	<b>-0.1</b>	<b>-0.3</b>	<b>0.1</b>	<b>0.4</b>
<b>As at 31 December 2010</b>	<b>1,984.5</b>	<b>58.4</b>	<b>994.2</b>	<b>501.1</b>	<b>241.7</b>	<b>50.1</b>	<b>89.4</b>	<b>49.5</b>

The schedule of the reallocations of funds sets out the budget-neutral credit reallocations within the ETH Domain. The reallocations of funds within the ETH Domain are shown on the basis of the federal financial contribution as per Federal Resolution IV of 9 December 2009. Essentially, these were budget-neutral transactions, like the transfers by the ETH Board in favour of the centres of competence and the reallocations of credit with-

in them. In addition, a credit increase was again carried out in 2010 within the scope of credit reallocation as per Article 20 (5) of the Financial Budget Ordinance (CHF 17.8 million). Credit reallocations within the competence centres occur because the respective competence centres' leading houses receive the annual contribution via the ETH Board, then transfer credit to the institutions of the ETH Domain.

## 342 Investment statement by consolidated unit

CHF m	Actual 2010 ETH Domain	Actual 2010 ETH Board	Actual 2010 ETH Zurich	Actual 2010 EPFL	Actual 2010 PSI	Actual 2010 WSL	Actual 2010 Empa	Actual 2010 Eawag
<b>Investment statement balance</b>	<b>-247</b>	<b>-</b>	<b>-123</b>	<b>-70</b>	<b>-42</b>	<b>-2</b>	<b>-7</b>	<b>-3</b>
<b>Balance of investments in tangible assets</b>	<b>-185</b>	<b>-</b>	<b>-91</b>	<b>-26</b>	<b>-57</b>	<b>-2</b>	<b>-7</b>	<b>-3</b>
<b>Investment income from tangible assets</b>	<b>16</b>	<b>-</b>	<b>0</b>	<b>14</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Investment expenditure on tangible assets</b>	<b>201</b>	<b>-</b>	<b>91</b>	<b>40</b>	<b>59</b>	<b>2</b>	<b>7</b>	<b>3</b>
Real estate properties	1	-	-	-	-	1	-	-
Technical equipment and machinery	171	-	72	32	57	1	6	3
Information technology	29	-	19	8	2	1	1	0
Intangible assets	0	-	0	-	0	-	-	-
<b>Balance of financial investments</b>	<b>-62</b>	<b>-</b>	<b>-32</b>	<b>-44</b>	<b>15</b>	<b>-</b>	<b>0</b>	<b>-0</b>
Co-financing (net)	5	-	1	4	-	-	-	-
Financial investments (net)	-67	-	-33	-48	15	-	0	-0

### 343 Cash flow statement by consolidated unit

CHF m	Actual 2010 ETH Domain	Actual 2010 ETH Board	Actual 2010 ETH Zurich	Actual 2010 EPFL	Actual 2010 PSI	Actual 2010 WSL	Actual 2010 Empa	Actual 2010 Eawag
<b>Total cash flow</b>	<b>123</b>	<b>8</b>	<b>60</b>	<b>51</b>	<b>-1</b>	<b>1</b>	<b>-2</b>	<b>5</b>
<b>Cash flow from ongoing activities</b>	<b>330</b>	<b>8</b>	<b>184</b>	<b>78</b>	<b>42</b>	<b>3</b>	<b>6</b>	<b>8</b>
<b>Cash flow</b>	<b>202</b>	<b>9</b>	<b>98</b>	<b>33</b>	<b>46</b>	<b>0</b>	<b>6</b>	<b>11</b>
Overall result	60	-6	31	10	17	-1	0	8
Depreciation and amortisation	138	0	68	33	27	1	7	2
Change in provisions	14	15	0	-1	0	0	-1	-0
Other non-cash expenditure/revenues	-10	-	-2	-10	2	0	-0	0
<b>Increase (-) / decrease (+)</b>	<b>17</b>	<b>-0</b>	<b>5</b>	<b>19</b>	<b>-4</b>	<b>-1</b>	<b>1</b>	<b>-2</b>
<b>Net current assets</b>								
<b>Increase (+) / decrease (-)</b>	<b>111</b>	<b>-</b>	<b>81</b>	<b>27</b>	<b>0</b>	<b>4</b>	<b>-1</b>	<b>-0</b>
<b>Capital commitments</b>								
<b>Cash flow from investment operations</b>	<b>-247</b>	<b>-</b>	<b>-123</b>	<b>-70</b>	<b>-42</b>	<b>-2</b>	<b>-7</b>	<b>-3</b>
<b>Tangible assets</b>	<b>-185</b>	<b>-</b>	<b>-91</b>	<b>-26</b>	<b>-56</b>	<b>-2</b>	<b>-7</b>	<b>-3</b>
Real estate, tech. equipment, information technology	-201	-	-91	-40	-58	-2	-7	-3
Divestment of real estate / movable assets	16	-	0	14	2	-	-	0
<b>Intangible assets</b>	<b>-0</b>	<b>-</b>	<b>-0</b>	<b>-</b>	<b>-0</b>	<b>-</b>	<b>-</b>	<b>-</b>
Investment in intangible assets	-0	-	-0	-	-0	-	-	-
Divestment of intangible assets	-	-	-	-	-	-	-	-
<b>Cash flow from financial investments</b>	<b>-62</b>	<b>-</b>	<b>-32</b>	<b>-44</b>	<b>15</b>	<b>-</b>	<b>0</b>	<b>0</b>
Increase in active loans	-0	-	0	-	-0	-	-0	-
Increase in participations	-0	-	-0	-	-0	-	-	-
Increase in co-financing	-2	-	-	-2	-	-	-	-
Increase in financial investments (long-term)	-81	-	-33	-48	-	-	-	-
Decrease in active loans	0	-	-	-	-	-	0	0
Decrease in participations	0	-	-	-	0	-	-	-
Decrease in co-financing	7	-	1	6	-	-	-	-
Decrease in financial investments (long-term)	15	-	-	-	15	-	-	-
<b>Free cash flow</b>	<b>83</b>	<b>8</b>	<b>61</b>	<b>8</b>	<b>-0</b>	<b>1</b>	<b>-1</b>	<b>5</b>
<b>Cash flow from financing operations</b>	<b>40</b>	<b>0</b>	<b>-1</b>	<b>43</b>	<b>-1</b>	<b>-</b>	<b>-1</b>	<b>-0</b>
<b>Statement of liquid assets held</b>								
CHF m	Actual 2010 ETH Domain	Actual 2010 ETH Board	Actual 2010 ETH Zurich	Actual 2010 EPFL	Actual 2010 PSI	Actual 2010 WSL	Actual 2010 Empa	Actual 2010 Eawag
<b>Liquid assets held as at 1 January</b>	<b>1,048</b>	<b>25</b>	<b>614</b>	<b>263</b>	<b>22</b>	<b>42</b>	<b>46</b>	<b>36</b>
Increase / decrease	123	8	60	51	-1	1	-2	5
<b>Liquid assets held as at 31 December</b>	<b>1,171</b>	<b>33</b>	<b>674</b>	<b>314</b>	<b>22</b>	<b>43</b>	<b>44</b>	<b>41</b>

### 344 Balance sheet by consolidated unit

CHF m	2010 ETH Domain	2010 Consoli- dation	2010 ETH Board	2010 ETH Zurich	2010 EPFL	2010 PSI	2010 WSL	2010 Empa	2010 Eawag
<b>Assets</b>	<b>2,237</b>	<b>-2</b>	<b>33</b>	<b>1,069</b>	<b>597</b>	<b>346</b>	<b>51</b>	<b>88</b>	<b>54</b>
<b>Current assets</b>	<b>1,354</b>	<b>-2</b>	<b>33</b>	<b>764</b>	<b>344</b>	<b>73</b>	<b>47</b>	<b>52</b>	<b>43</b>
Liquid funds and short-term cash investments	1,171	-	33	674	314	22	43	44	41
Receivables	53	-2	0	15	16	12	3	6	2
Short-term financial investments	100	-	-	61	6	33	-	-	0
Inventories	12	-	-	8	2	2	-	-	-
Accrued income	18	-	0	6	6	3	1	2	-
<b>Fixed assets</b>	<b>883</b>	<b>-</b>	<b>0</b>	<b>305</b>	<b>253</b>	<b>274</b>	<b>5</b>	<b>36</b>	<b>10</b>
Tangible assets	742	-	0	267	152	273	5	36	10
Intangible assets	1	-	-	1	-	0	-	-	-
Loans	2	-	-	1	0	0	-	0	-
Participations	1	-	-	0	0	0	-	-	-
Long-term financial investments	137	-	-	36	101	-	-	-	-
<b>Liabilities</b>	<b>2,237</b>	<b>-2</b>	<b>33</b>	<b>1,069</b>	<b>597</b>	<b>346</b>	<b>51</b>	<b>88</b>	<b>54</b>
<b>Borrowing</b>	<b>412</b>	<b>-2</b>	<b>17</b>	<b>99</b>	<b>149</b>	<b>118</b>	<b>8</b>	<b>18</b>	<b>4</b>
<b>Short-term borrowing</b>	<b>261</b>	<b>-2</b>	<b>7</b>	<b>89</b>	<b>98</b>	<b>39</b>	<b>8</b>	<b>18</b>	<b>4</b>
Current liabilities	122	-2	0	40	59	11	2	10	2
Short-term financial liabilities	24	-	0	13	7	4	-	-	-
Deferred income	64	-	1	21	32	7	2	2	1
Short-term provisions	50	-	6	15	-	18	4	6	2
<b>Long-term borrowing</b>	<b>151</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>51</b>	<b>80</b>	<b>-</b>	<b>0</b>	<b>-</b>
Long-term financial liabilities	51	-	-	-	43	8	-	-	-
Long-term provisions	100	-	10	10	9	72	-	0	-
<b>Capital commitments</b>	<b>1,141</b>	<b>-</b>	<b>-</b>	<b>693</b>	<b>293</b>	<b>74</b>	<b>25</b>	<b>35</b>	<b>22</b>
Second-party funding	250	-	-	104	89	23	11	16	7
Third-party funding	664	-	-	453	130	51	6	16	8
Own resources in government-owned real estate (co-financing)	95	-	-	36	59	-	-	-	-
Own resources (internal performance commitments)	133	-	-	99	15	-	9	3	7
<b>Equity</b>	<b>683</b>	<b>-</b>	<b>16</b>	<b>277</b>	<b>155</b>	<b>154</b>	<b>18</b>	<b>34</b>	<b>28</b>
<b>Other equity</b>	<b>198</b>	<b>-</b>	<b>16</b>	<b>67</b>	<b>20</b>	<b>14</b>	<b>20</b>	<b>33</b>	<b>28</b>
Reserves from federal financial contribution	64	-	16	12	-	-	14	4	17
Voluntary reserves	36	-	-	4	10	14	4	1	4
Miscellaneous equity	98	-	-	51	10	-	2	28	6
<b>Balance sheet surplus / deficit</b>	<b>485</b>	<b>-</b>	<b>0</b>	<b>210</b>	<b>135</b>	<b>140</b>	<b>-2</b>	<b>1</b>	<b>-</b>

## 35 Additional information

### 351 Investments by the Swiss Confederation in properties used by the ETH Domain

#### The real estate portfolio of the ETH Domain

The ETH Domain manages a substantial and diverse real estate portfolio in almost every region in Switzerland. It includes not only large, well-known buildings in central, inner-city locations and custom-designed research facilities, but also forests, entire Alpine farms, a boathouse and even stations on mountain peaks. All ETH Domain real estate is owned by the Swiss Confederation. The Swiss Confederation invoices the ETH Domain for the infrastructure costs (depreciation and imputed interest) while these funds are made available in full via the contribution to accommodation costs. Within the ETH Domain, the ETH Board acts as trustee on behalf of the Swiss Confederation. In its role as a Federal Construction and Properties Service (BLO), the ETH Board coordinates real estate management, is responsible for maintaining its value and functionality, and serves as the contact for the Swiss Confederation.

The buildings and facilities within the ETH Domain provide space for teaching, research and documentation activities, as well as for applying newly acquired knowledge and making this knowledge accessible to others. It is this systematically use-oriented infrastructure which enables the ETH Domain to fulfil its basic mandate of teaching, research and innovation at the current high level. Consequently, the real estate properties are a strategic production factor for the ETH Domain and a prerequisite for the competitiveness of the two Federal Institutes of Technology and the four research institutes on an international scale. Professional, innovative real estate management ensures timely, ongoing and cost-effective provision of the buildings and infrastructure in the ETH Domain. Key elements of this task include optimising the service life of the properties by making targeted investments and adapting the buildings to new requirements in order to retain the value of the investments for as long as possible.

The ETH Domain is committed to sustainable development of its real estate portfolio. Thus, it adheres to the corresponding mandate assigned to the Federal Council by the Federal Constitution, as well as its sustainability strategy. The objectives for sustainable construction also supported by the ETH Domain are beneficial for the environment and the climate on the one hand, while on the other hand they are financially oriented towards the life cycle of the real estate.

The buildings and facilities are spread over more than 560 properties which had a value when new of CHF 5.8 billion. These properties are sited on 273 plots of land valued at CHF 1.1 billion. The book value of all assets totals CHF 4.5 billion. The total usable space determined for 2010 of around 871,000 square metres represents an increase of 1.3% over the figure for 2009.

#### Ongoing projects and investments in 2010

The annual investment credit is allocated to the Federal Office for Buildings and Logistics (FOBL) (see volume 2B, section 06). The total investment in construction from the 2010 investment credit amounted to CHF 145.4 million. This amount is supplemented by third-party funding of approximately CHF 2.4 million, as well as CHF 69.5 million of investment in operating facilities chargeable to the ETH Domain's expenditure credit. In total, CHF 217.3 million was invested in real estate. For special uses, like the Starling Hotel and Innovation Square (Quartier de l'Innovation) at EPFL, public-private partnership (PPP) models were employed.

In 2010, the largest new building projects in relation to the contingent credit were the Life Science Platform building at ETH Zurich for a total of CHF 51 million (2010 expenditure: CHF 18.2 million), the new Leonhardstrasse building for CHF 106 million (2010 expenditure: 8.4 million CHF) and the new building for the Swiss National Supercomputing Centre (CSCS) in Lugano for CHF 29 million (2010 expenditure: CHF 18.7 million). At EPFL, work on the Science de la Vie building for CHF 69 million (2010 expenditure: CHF 3.9 million) was completed. The four research institutes did not have any large new building projects in 2010. Examples of renovation projects in 2010 include the physics tower (the highest building on ETH Zurich's campus Science City) and the remodelling project for EPFL's microtechnology building in Ecublens. The overhaul of the heating and cooling supply began on the premises of Empa and Eawag in Dübendorf. A waste-wood gas generator is being built using facility contracting.

#### Status of contingent credits for real estate

The contingent credits apply to investments in real estate owned by the Confederation. In total, contingent credits for around CHF 1.6 billion have been approved and two thirds of this has already been put to use. The details of the contingent credits for construction projects can be seen in the table on previously approved, ongoing contingent credits (see volume 2A, section 09 on contingent credits).

### 352 High-performance computing and networking (HPCN project)

#### Status report 2010

The Swiss National Supercomputing Centre (CSCS) has been under development ever since the Federal Council and parliament declared high-performance computing and networking (HPCN) to be a national strategy: funds from the Swiss Confederation and the ETH Domain, as well as contributions from the canton

Ticino and the city of Lugano, will enable a Swiss supercomputing centre with a new national high-performance computer to be set up in Lugano by 2014. The foundation stone for the new building was laid in October 2010. The project's construction work has already made considerable progress. At the end of December 2010, building shell 1 was practically complete. The general contractor (Implenia) does not envisage any problems at this time and it should be possible for inauguration of the new building to begin as scheduled, in January 2012 (building services equipment). In the 2011 building programme, an additional contingent credit of CHF 4.6 million was obtained in order to extend the building along two axes (accommodation of ETH Zurich's cluster, so as to achieve synergy effects). In 2010, around CHF 24 million went into the construction; 2011 will see

peak expenditure of around CHF 42 million. Of the approved CHF 76.2 million, around CHF 55 million is already contractually committed.

High-performance computing is a key technology for the competitiveness of Switzerland as a science location. The project HP2C (High-Performance and High-Productivity Computing), headed by the director of CSCS, was initiated for the purpose of efficient use of the new high-performance computer as part of the national strategy: thus, computers and modelling programs are to be coordinated with each other more effectively. HP2C is a network project conducted by Swiss universities, working towards optimal usage of future computer systems, also in cooperation with hardware manufacturers.



Reg. Nr. 1.11057.329.00348.02 (translation)  
23 March 2011

## **Report of the statutory auditors** *to the Finance Committees of the Federal Assembly*

### ***Consolidated financial statements of the Domain of the Swiss Federal Institutes of Technology for the year 2010***

As statutory auditor, and in application of article 35a of the Swiss Federal Law on the Swiss Federal Institutes of Technology (ETH), we have audited the consolidated financial statements, which comprise the balance sheet, income statement, investment statement, cash-flow analysis and notes (elements set out in article 16, paragraph 6 of the Ordinance concerning the ETH Domain, SR 414.110.3) of the ETH Board, the Swiss Federal Institutes of Technology and the ETH research institutes for the year ended on 31 December 2010 (special account 2010, pages 29-60).

#### ***Responsibilities of the ETH Board***

The ETH Board is responsible for the preparation of the consolidated financial statements in accordance with the requirements of Swiss law (Ordinance concerning the ETH Domain, SR 414.110.3; Ordinance of ETH Board concerning Accounting of the ETH Domain, SR 414.123; Accounting Manual for the ETH Domain). This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The ETH Board is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial consolidated statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial

statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Swiss Federal Audit Office is independent based on the Federal Auditing Act (SR 614.0) and there are no facts incompatible with our independence.

*Audit opinion*

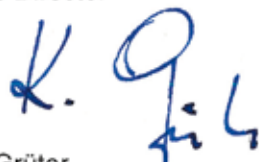
In our judgement, the consolidated financial statements of the ETH Domain for the year ended 31 December 2010 comply with Swiss law and the Accounting Manual for the ETH Domain.

We recommend that the financial consolidated statements submitted to you be approved.

In accordance with the Federal Auditing Act and Swiss Auditing Standards, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the ETH Board.

SWISS FEDERAL AUDIT OFFICE

The Director

A handwritten signature in blue ink, appearing to read 'K. Grüter', is written over the printed name.

K. Grüter

Enclosure: Federal account – special account 2010 for the ETH Domain



