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Consolidated financial statements 2019

Foreword

Managing our finances even more efficiently

EPFL has expanded rapidly over the past fifteen years and further enhanced its international reputation. In 2019 we pursued a strategy designed to reconcile growth, excellence and financial stability so that we can best fulfil our three core missions – education, research, and innovation – over the long term. Today our School brings together over 15,000 people at campuses in Lausanne, Fribourg, Geneva, Neuchâtel and Sion, and has an annual budget of around one billion francs.

Following the strategy adopted by the School's Senior Management, the Vice Presidency for Finances (VPFI) runs the School's financial planning, controlling, accounting and treasury, making sure our systems and processes comply with the principles of good governance and financial stewardship. The VPFI also implements the School's risk management policy, coordinating efforts to mitigate or prevent various risks.

Funding sources

The federal contribution to EPFL totalled MCHF 686 in 2019 and is our main source of funding. The second-largest source (MCHF 183 in 2019) is indirect public funding, which we receive from the Swiss National Science Foundation, Innosuisse, other Swiss federal programs and EU Framework Programmes. Other funding comes from the private sector, non-profit organizations, services revenue, tuition, and donations and bequests; these together amounted to MCHF 187 in 2019 and represent our third-largest source of funding.

Our School has proven to be effective in rapidly seizing funding opportunities as they arise and in remaining one of the top recipients of a wide range of competitive grants. Such third-party funds grew further in 2019 and now account for 35% of our total funding. We use these resources to expand our research activities and promote Switzerland as a competitive hub for advanced R&D. Important decisions will be made in 2020 regarding the future of Switzerland's participation in EU research programs, and this could have major implications for our School in the coming years.

Enhanced financial planning and management control processes

Since 2017, the VPFI has introduced a program to strengthen the School's financial planning processes in response to new challenges being presented by the School's size, diversity and rapid expansion. The goals of this initiative include building up employees' skills in project management and finance, expanding our partnerships and our services offering, modernizing and digitizing some of our operating processes, and managing risks more systematically and proactively.

In 2019, the ETH Board decided to start gradually increasing EPFL's basic funding, starting in 2020. This comes in recognition of our excellent performance on a number of indicators, such as our ability to obtain competitive grants, attract venture capital and boost the number and quality of our research Publications. The additional funds will allow our School to keep making long-term investments in infrastructure (e.g., new buildings for research and education) and to maintain our effective system for promoting professors.

Enhanced risk management and governance

Over the past three years we have made substantial improvements in our risk management processes, giving us a more comprehensive and transparent view of the main risks we face. That has helped Senior Management make better informed decisions for our School and follow up on any corrective measures.

Discussion of the consolidated financial statements

Overview

EPFL's full-year consolidated financial statements have been prepared entirely under IPSAS since 2017. They therefore provide a faithful view of the School's financial health, income and assets. The main conclusions of our 2019 financial statements are as follows:

- EPFL has highly diversified funding sources. 35% of our operating revenue comes from third-party funds, illustrating our ability to obtain new funding and to attract other researchers to our School to carry out cutting-edge projects;
- Operating expenses have grown in line with operating revenue, indicating firm cost control;
- Dedicated reserves and free reserves together rose 10%, indicating that we have the financial capacity to grow by hiring new professors and making targeted investments in state-of-the-art infrastructure.

Consolidated statement of financial performance

The slight 0.3% increase in operating revenue masks variations in the components of this line item. The federal contribution decreased 2.6%, or MCHF 18, due in part to a MCHF 10 reduction in the federal contribution to accommodation (resulting from a change in the calculation method used). The federal financial contribution – which accounts for the bulk of the School's funding – fell MCHF 8, reflecting the fact that most of the initial funding for Strategic Focus Areas (SFAs) was received in 2018. Third-party funds (which comprise operating revenue other than the federal contribution) grew 6.2%, or MCHF 21, to MCHF 370. These funds now make up 35% of total operating revenue (versus 33% in 2018).

Operating expenses edged up 0.2%, or MCHF 1. This reflects a MCHF 15 increase in personnel expenses (which accounted for 65% of operating expenses in 2019 and 64% in 2018), fully offset by an equivalent decrease in other operating expenses. The growth in personnel expenses was due primarily to increases in the School's headcount (by 64 FTEs), average salaries (as a result of cost-of-living adjustments) and employer contribution rates for pensions and the Family Compensation Fund.

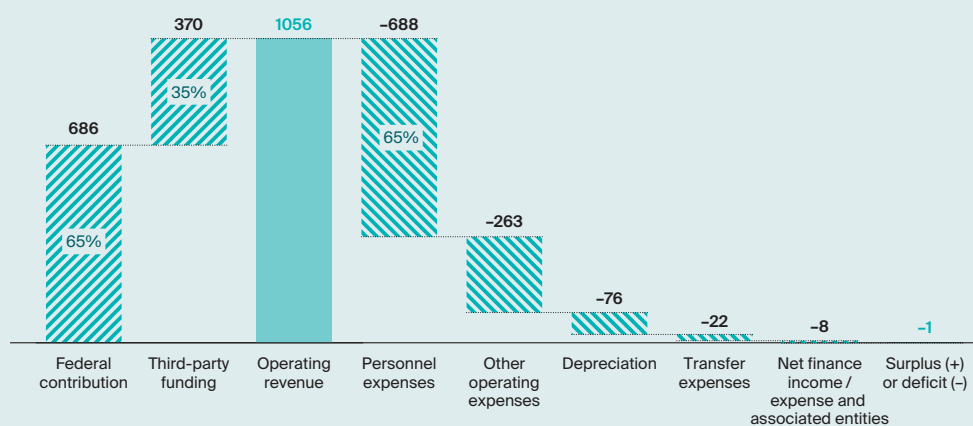
The net finance income / expense (including income from associated entities) was driven up in 2019 by proceeds from the sale of most of the securities held in the School's portfolio and by a substantially lower level of unrealised currency translation losses than in 2018.

As a result of the above, the School recorded a MCHF 1 deficit for the year, against a MCHF 9 deficit for 2018.

Consolidated statement of financial performance

MCHF	2019	2018
Operating revenue	1 056	1 052
Changes to previous year	0.3%	0.1%
Operating expenses	1 049	1 048
Changes to previous year	0.2%	4.5%
Net finance income / expense	-8	-14
Surplus (+) or deficit (-)	-1	-9
Third-party funds relative to operating revenue	35%	33%
Personnel expenses relative to operating revenue	65%	64%

Graphical representation of the 2019 consolidated statement of financial performance



Consolidated balance sheet

Total assets fell 2.8%, or MCHF 47, to MCHF 1,638 in 2019. This decrease mainly reflects the fact that the depreciation charge was temporarily higher than the level of investments in non-current assets, as well as a 6.7% decline in receivables from donors (non-current receivables from non-exchange transactions).

The main changes in liabilities and equity were as follows:

- Liabilities fell MCHF 9 to MCHF 1,659.
 - Current liabilities decreased MCHF 47 as a result of payments made to research project partners in 2019 (including for the HBP).
 - Non-current liabilities grew MCHF 39 on the back of a rise in net defined benefit liabilities and changes in the underlying actuarial assumptions (such as the discount rate). Under IPSAS – unlike under Swiss GAAP (as set forth in the Swiss Code of Obligations) – employers' defined benefit liabilities are stated after subtracting out the fair value of plan assets. EPFL calculates these liabilities under IPSAS 39 (economic approach), and they do not represent mandatory cash outflows for the School (contractual approach). These liabilities have been rising steadily in recent years because the discount rate – which is equal to the yield on Swiss Confederate bonds – has been falling. The 1.7%, or MCHF 9, decline in dedicated third-party reserves reflects normal fluctuations in this line item. These reserves account for the unspent portion of research funding received from public-sector organisations (like the SNSF, Innosuisse and the EU) and private-sector donors.
- Consolidated equity was negative at year-end (MCHF -21) for the first time. The negative balance can be attributed to a drop in valuation reserves (resulting from an increase in net defined benefit liabilities). However, it is worth noting that dedicated reserves and free reserves together grew 10.3%, or MCHF 43, to MCHF 457. These reserves give the School

financial leeway to implement ambitious strategic initiatives and to keep investing in more modern facilities. Other equity consists mainly of retained earnings, and the increase in this line item in 2019 primarily reflects the growth in dedicated reserves and free reserves.

Consolidated balance sheet

MCHF	31.12.2019	31.12.2018
Current assets	834	833
thereof cash and cash equivalents	349	315
Non-current assets	804	851
Total assets	1 638	1 685
Liabilities	1 659	1 668
Valuation reserves	- 361	- 330
Dedicated reserves	247	229
Free reserves	210	185
Subtotal of dedicated and free reserves	457	414
Other equity	- 117	- 67
Equity	- 21	17
Total liabilities and equity	1 638	1 685
Changes to previous years	- 2.8%	4.3%

Consolidated cash flow statement

Cash flows from operating activities consist of the MCHF 1 deficit for the year, adjusted for the non-cash revenue and expenses (e.g., depreciation and amortisation) recognised in the statement of financial performance and for line items on the balance sheet that are related to the School's operations (mainly net current assets, dedicated third-party funds and net defined benefit liabilities). The large cash flow in 2018 was primarily due to funding received that year for research projects for which EPFL is the leading house (most notably the HBP). Those funds were distributed to project partners in 2018 and 2019.

The low level of cash flows from investing activities reflects a MCHF 52 net investment in property, plant and equipment and MCHF 35 in proceeds from the sale of most of the securities in the School's portfolio.

Consolidated cash flow statement

MCHF	2019	2018
Cash flows from operating activities	59	161
Cash flows from investing activities	-17	-56
Cash flows from financing activities	-8	-8
Total cash flow	34	97

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Glossaire

BBP	Blue Brain Project
BCC	Building Cost Classification
BVG	Altersvorsorge
BVV 2	Ordinance on occupational retirement, survivors' and disability pension
CHF	Swiss Francs
CHUV	Centre hospitalier universitaire vaudois
COS	Certificate of Open Studies
CSCS	Centre suisse de calcul scientifique
CSEM	Centre suisse d'électronique et de microtechnique
CTI	Commission pour la technologie et l'innovation
DBO	Defined Benefit Obligation
EPFL	Ecole polytechnique fédérale de Lausanne
EPFZ	Ecole polytechnique fédérale de Zürich
ETH	Eidgenössischen technischen Hochschulen
EUR	Euro, monnaie unique européenne
FBC	Fondation Les Bois Chamblard
FEIP	Fondation EPFL Innovation Park
FFA	Federal Finance Administration
FP7	7th Framework Programme
FTE	Full Time Equivalent
H2020	Horizon 2020
HBP	Human Brain Project
ICS	Internal Control System
IIMT	Fondation institut d'imagerie moléculaire translationnelle
IPSAS	International Public Sector Accounting Standards
MBA	Master of Business Administration
MCHF	Millions of Swiss Francs
PhD	Philosophiæ Doctor
PUC	Projected Unit Credit
SCITAS	Scientific Information Technology and Application Support
SDSC	Swiss Data Science Center
SERI	State Secretariat for Education, Research and Innovation
SFAs	Strategic Focus Areas
SNSF	Swiss National Science Foundation
SPC	Swiss Plasma Center
SQIE	Société pour le quartier de l'innovation de l'EPFL
SQNE	Société pour le quartier nord de l'EPFL
SR	Systematische Rechtssammlung
UE	Union européenne
UNIL	Université de Lausanne
USD	United States Dollar

Consolidated financial statements

Rounding differences: It is possible that the sum of figures presented in this document does not correspond exactly to the total amounts shown in the tables. Variations are calculated on unrounded figures and may differ from values based on the figures in the tables, which are rounded.

■ Consolidated statement of financial performance

MCHF	2019	2018	Change absolute	Notes
Federal financial contribution	625	633	- 8	
Federal contribution to accommodation	61	71	- 10	
Total federal contribution	686	704	- 18	05
Tuition fees, continuing education	16	13	3	06
Swiss National Science Foundation (SNSF)	94	95	- 1	
Swiss Innovation Agency (Innosuisse)	14	18	- 4	
Special federal funding of applied research	12	12	0	
EU Framework Programmes for Research and Innovation (FP)	62	59	4	
Industry-oriented research (private sector)	56	42	14	
Other project-oriented third-party funding (incl. cantons, municipalities, international organisations)	31	29	2	
Research contributions, mandates and scientific services	271	256	14	07
Donations and bequests	26	19	7	08
Other revenue	58	60	- 2	09
Operating revenue	1 056	1 052	4	
Personnel expenses	688	673	15	10, 26
Other operating expenses	263	278	- 15	11
Depreciation	76	76	0	19, 21
Transfer expenses	22	20	1	12
Operating expenses	1 049	1 048	2	
Operating result	7	5	2	
Net finance income / expense	- 6	- 13	8	13
Share of surplus / deficit of associated entities and joint ventures	- 2	- 1	- 1	18
Surplus (+) or deficit (-)	- 1	- 9	8	

■ Consolidated balance sheet

MCHF	31.12.2019	31.12.2018	Change absolute	Notes
Cash and cash equivalents	349	315	34	14
Current receivables from non-exchange transactions	206	217	- 11	15
Current receivables from exchange transactions	16	13	3	15
Current financial assets and loans	248	281	- 34	20
Inventories	2	2	0	16
Prepaid expenses and accrued income	13	5	8	17
Total current assets	834	833	0	
Property, plant and equipment	406	427	- 21	19
Intangible assets	57	62	- 4	19
Non-current receivables from non-exchange transactions	229	246	- 17	15
Investments in associated entities and joint ventures	35	37	- 2	18
Non-current financial assets and loans	7	7	0	20
Co-financing	70	72	- 2	21
Total non-current assets	804	851	- 47	
Total assets	1 638	1 685	- 47	
Current liabilities	64	104	- 40	22
Current financial liabilities	14	15	- 1	23
Accrued expenses and deferred income	39	41	- 2	24
Short-term provisions	26	31	- 5	25
Short-term liabilities	144	191	- 47	
Dedicated third-party funds	530	539	- 9	27
Non-current financial liabilities	337	342	- 5	23
Net defined benefit liabilities	631	579	52	26
Long-term provisions	18	17	1	25
Long-term liabilities	1 515	1 476	39	
Total liabilities	1 659	1 668	- 8	
Valuation reserves	- 361	- 330	- 31	
Dedicated reserves	247	229	18	
Free reserves	210	185	25	
Co-financing	70	72	- 2	21
Reserves from associated entities	35	37	- 2	18
Accumulated surplus (+) / deficit (-)	- 221	- 176	- 45	
Total equity	- 21	17	- 38	
Total liabilities and equity	1 638	1 685	- 47	

■ Consolidated statement of changes in equity

MCHF	Valuation reserves	Donations and bequests	Teaching and research reserves	Infrastructure and administration reserves	Dedicated reserves	Free reserves	Co-financing	Reserves from associated entities	Accumulated surplus (+)/ deficit (-)	Total equity
2018										
Value as of 01.01.2018	- 270	120	98	15	233	160	67	38	- 142	86
Surplus (+) or deficit (-)	0								- 9	
Revaluation of financial assets	- 60									- 60
Revaluation of defined benefit liability	- 60									- 60
Total items directly recognised in equity										
Changes in investments in associated entities directly recognised in equity								0	0	0
Increase (+) / decrease (-) in reserves	- 60	- 5	- 7	8	- 4	25	5	- 1	- 25	-
Total changes	- 60	- 5	- 7	8	- 4	25	5	- 1	- 34	- 69
Value as of 31.12.2018	- 330	115	91	23	229	185	72	37	- 176	17
2019										
Changes from restatement as of 01.01.									- 6	- 6
Value as of 01.01.2019	- 330	115	91	23	229	185	72	37	- 181	11
Surplus (+) or deficit (-)	0								- 1	- 1
Revaluation of financial assets	- 31									0
Revaluation of defined benefit liability	- 31									- 31
Total items directly recognised in equity										
Changes in investments in associated entities directly recognised in equity								0	0	0
Increase (+) / decrease (-) in reserves	- 31	- 14	32	0	18	25	- 2	- 2	- 39	-
Total changes	- 31	- 14	32	0	18	25	- 2	- 2	- 40	- 32
Value as of 31.12.2019	- 361	101	123	22	247	210	70	35	- 221	- 21

Overview

Equity fell by MCHF 32 in 2019. 97% of this decline is due to changes in valuation reserves (resulting from new actuarial assumptions for net defined benefit liabilities and changes in the fair value of plan assets, see Note 26). These valuation reserves are calculated in accordance with IPSAS 39 and do not constitute mandatory cash outflows for the School. Dedicated reserves and free reserves – which represent the School's capacity to continue funding its development plans – totalled MCHF 457 at year-end.

The MCHF 6 in changes from the 1 January 2019 restatement reflect the reclassification into liabilities of the stake in CSEM that EPFL holds on a fiduciary basis for the ETH Board (see Note 23).

Valuation reserves

Valuation reserves relate to net defined benefit liabilities and are discussed in Note 26. The negative position at the start of the period is due to the recognition of a provision for defined benefit liabilities, initially calculated under IPSAS 25 and then under IPSAS 39 starting on 1 January 2017. Changes since 1 January 2014 that affect equity have been recorded in valuation reserves. These net defined benefit liabilities totalled MCHF 631 at 31 December 2019.

Dedicated reserves

Reserves from donations and bequests fell in 2019 as some of these funds were used for research chairs.

Teaching and research reserves mainly include remaining commitments under contracts with new professors (start-up funds, which totalled MCHF 24 in 2019 and MCHF 21 in 2018), funds for research in the strategic areas identified by the ETH Board (MCHF 24 for the BBP and MCHF 10 for the SFAs) and funds to pay for research facilities. The increase in these reserves relates primarily to funds allocated to the Dubochet imaging centre (named after one of the winners of the 2017 Nobel Prize in Chemistry) which EPFL and the University of Lausanne are setting up jointly.

Free reserves

The MCHF 25 change in free reserves can be attributed to:

- A MCHF 38 increase resulting from a budgetary underspend caused by a delay in hiring new professors and launching strategic initiatives
- A MCHF 17 increase resulting from reclassifications between dedicated reserves and free reserves
- A MCHF 30 decrease resulting from the allocation to dedicated reserves of funds that will be used for strategic projects.

Co-financing

EPFL provides co-financing through third-party funding that is used for the construction of buildings belonging to the Swiss federal government.

The carrying value of this co-financing is reduced every year by the amount of the depreciation charge on the buildings being funded. Co-financing is recorded in assets and in equity in matching amounts.

■ Consolidated cash flow statement

MCHF	2019	2018	Change absolute	Notes
Surplus (+) or deficit (-)	- 1	- 9	8	
Depreciation	76	76	0	19, 21
Share of surplus / deficit of associated entities and joint ventures	2	1	1	18
Net finance income / expense (non-cash)	- 1	3	- 4	13
Increase / decrease in net working capital	- 41	48	- 90	
Increase / decrease in net defined benefit liabilities	21	28	- 7	26
Increase / decrease in provisions	- 4	- 4	- 1	25
Increase / decrease in non-current receivables	- 1	- 13	12	15
Increase / decrease in dedicated third-party funds	9	39	- 30	27
Reclassification and other (non-cash) income	0	- 8	8	
Cash flows from operating activities	59	161	- 102	
Purchase of property, plant and equipment	- 52	- 49	- 3	19
Purchase of intangible assets	0	0	0	19
Increase in co-financing	0	- 7	7	21
Increase in current and non-current financial assets	0	- 1	1	20
Total investments	- 52	- 57	5	
Disposal of property, plant and equipment	0	0	0	19
Disposal of intangible assets	0	0	0	19
Decrease in co-financing	0	0	0	21
Decrease in loans	0	0	0	20
Decrease in current and non-current financial assets	35	0	35	20
Total divestments	35	1	34	
Dividends received from associated entities and joint ventures	0	0	0	18
Cash flows from investing activities	- 17	- 56	39	
Increase in short-term and long-term financial liabilities	1	1	0	23
Decrease in short-term and long-term financial liabilities	- 9	- 8	- 1	23
Cash flows from financing activities	- 8	- 8	0	
Total cash flow	34	97	- 63	
Cash and cash equivalents at the beginning of the period	315	218	97	14
Total cash flow	34	97		
Cash and cash equivalents at the end of the period	349	315	34	14
Contained in the cash flows from operating activities				
Dividends received	0	0	0	
Interest received	0	1	0	
Interest paid	- 7	- 8	1	

■ Notes to the consolidated financial statements

01 Business activity

EPFL is one of two Swiss federal institutes of technology. With the status of a federal school since 1969, it has grown in many ways, to the extent of becoming one of the most well-known European institutions of science and technology. EPFL is Europe's most cosmopolitan technical university, with students, professors and staff from over 120 nations. A dynamic environment, open to Switzerland and the world, EPFL is centred on its three missions: teaching, research and technology transfer. EPFL works together with an extensive network of partners including other universities and institutes of technology, developing and emerging countries, secondary schools and colleges, industry and economy, political circles and the general public, to bring about a real impact for society.

The School brings together some 15,000 people, including 11,449 students and 344 professors. 13 complete Bachelor's programmes and 25 Master's programmes are offered in engineering, basic sciences, information technology and communication, life sciences, as well as in the fields of construction, architecture, the environment, digital humanities and financial engineering. They are accompanied by exchange programmes with the world's best institutions and industrial internships to better understand the realities of the corporate world.

02 Basis of accounting

These financial statements are consolidated financial statements covering the reporting period from 1 January 2019 to 31 December 2019. The reporting date is 31 December 2019. The reporting is prepared in Swiss francs (CHF). All figures are shown in Millions of Swiss francs (MCHF) unless indicated otherwise. The accounts presented in French are authentic.

Legal basis

The legal basis of EPFL's accounting is formed of the version of the following (including directives and regulations) in effect in the reporting period:

- Federal Act on the Federal Institutes of Technology of 4 October 1991 (FIT Act; SR 414.110) (Systematische Rechtssammlung, SR; classified compilation of the Swiss federal law)
- Ordinance on the Domain of the Swiss Federal Institutes of Technology of 19 November 2003 (Ordinance on the ETH Domain; SR 414.110.3)
- Ordinance on the Finance and Accounting of the ETH Domain of 5 December 2014 (SR 414.123)
- Accounting Manual for the ETH Domain (version 6.4)

Accounting standards

The annual consolidated financial statements of EPFL have been prepared in accordance with the International Public Sector Accounting Standards (IPSASs). The underlying accounting provisions are set out in the Accounting Manual for the ETH Domain (Art. 34 Directives, Ordinance on the Finance and Accounting of the ETH Domain, SR 414.123).

The following standards were newly adopted in the reporting period:

standard	title	effective date
IPSAS 40	Public sector combinations	01.01.2019
divers	Improvements to IPSAS, 2018	01.01.2019

The standard IPSAS 40 is applied prospectively, whereby no combination took place in the reporting period. The amendments to IPSAS 2018 had solely a minor impact on the disclosures concerning financial liabilities (see Note 23 Financial liabilities).

IPSAS issued but not yet applied

The following IPSAS was issued before the reporting date:

standard	title	effective date
IPSAS 41	Financial instruments (replaces IPSAS 29)	01.01.2022
IPSAS 42	Social benefits	01.01.2022
other	Improvements to IPSAS 36 Investments in associates and joint ventures and IPSAS 41 Financial instruments	01.01.2022

The above mentioned standards and improvements to the IPSAS have not been applied early in these annual consolidated financial statements. EPFL systematically analyses the effects on its annual consolidated financial statements. No material impact on the consolidated financial statements is currently expected. There are no further changes or interpretations which do not yet have to be applied and which would have a significant impact on EPFL.

03 Accounting policies

The accounting policies are derived from the basis of accounting. The annual consolidated financial statements present a true and fair view of EPFL's financial position, financial performance and cash flows.

The consolidated financial statements are based on historical cost. Exceptions to this rule are described in the following presentation of the accounting principles.

Consolidation

The annual consolidated financial statements of EPFL comprise the financial statements of all the entities over which it exercises direct or indirect control. The carrying amounts of investments in associated entities are also included in the consolidated financial statements.

Control means that, through its involvement with the entity, EPFL has the power to direct the relevant activities of the entity and thus the ability to affect the nature and amount of benefits. At the same time, the controlling entity is exposed, or has rights, to variable benefits. EPFL normally has control if it directly or indirectly holds more than 50 percent of the voting rights or potential voting rights of the entity. These entities are fully consolidated.

The consolidation is made on the basis of the single-entity financial statements of EPFL and the controlled entities. Receivables, liabilities, revenue and expenses from transactions between the consolidated entities as well as ownership interests and unrealised intra-economic entity surpluses are eliminated on consolidation. All financial statements are prepared in accordance with uniform policies and normally as at the same reporting date.

Due to time constraints, it is sometimes necessary to use prior-year financial statements for controlled entities rather than the financial statements as at 31 December of the reporting period. The prior-year financial statements used make up an insignificant portion of the consolidated financial statements of EPFL and are adjusted for significant transactions between the prior-year reporting date and 31 December of the reporting period.

Investments in entities newly acquired in the course of the reporting period are included in the annual consolidated financial statements if they meet the consolidation criteria and exceed the thresholds defined in the Ordinance on the Finance and Accounting of the ETH Domain two years in succession. Entities which are sold are included up until the date on which control is lost, which is usually the date of disposal.

There are no non-controlling interests to consider or report in EPFL.

Associated entities are entities where EPFL has significant influence, but not control. EPFL normally has significant influence over an associated entity if it holds a 20 to 50 percent share of the voting rights. These investments are not consolidated, but are instead accounted for using the equity method and recognised as investments in associated entities. Under the equity method, the value of the investment corresponds to the acquisition value, which is subsequently adjusted for any changes in the net assets of the associated entity.

An overview of the controlled and associated entities can be found in section 33 List of the controlled and associated entities (Scope of consolidation).

Currency translation

Transactions in a currency other than the functional currency are translated using the exchange rate at the transaction date.

At the reporting date, monetary items in foreign currencies are translated at the closing rate and non-monetary items using the exchange rate at the transaction date. The resulting currency translation differences are recognised as finance income or finance expense.

Assets and liabilities of controlled entities with a different functional currency are translated at the closing rate, and the statement of financial performance and cash flow statement at the average rate. Translation differences arising on the translation of net assets and statements of financial performance are recognised in equity.

The principal currencies and their exchange rates are:

currency	unit	closing rate as of 31.12.2019	closing rate as of 31.12.2018	average rate 2019	average rate 2018
EUR	1	1.0866	1.1265	1.1125	1.1549
USD	1	0.9676	0.9855	0.9937	0.9780
GBP	1	1.2828	1.2523	1.2683	1.3055

Revenue recognition

Each inflow of funds is assessed to determine whether it is an exchange transaction (IPSAS 9) or a non-exchange transaction (IPSAS 23). In the case of an exchange transaction (IPSAS 9), the revenue is generally recognised when the goods are delivered or the services rendered. For project agreements, the service obligation not yet performed is allocated to liabilities. The revenue is recorded and reported by reference to the stage of completion of the project, based on the costs incurred in the reporting period.

In the case of a non-exchange transaction (IPSAS 23), a distinction is made between whether or not there is a performance or repayment obligation. If there is such an obligation, the corresponding amount is recognised as a liability at inception of the agreement and released to surplus or deficit according to the stage of completion based on the resources consumed.

If there is neither an exchange nor a performance or repayment obligation in accordance with IPSAS 23, revenue is recognised in surplus or deficit in full in the reporting period and net assets / equity increased accordingly. This is usually the case with donations.

Revenue is structured as follows.

Total federal contribution

The contributions granted by the Federal Government to the EPFL include the federal financial contribution (in the narrower sense) and the federal contribution to accommodation. Both types of revenue are classified as non-exchange transactions (IPSAS 23).

Federal contributions are recognised in the year in which they are paid. Unused funds from federal financial contributions result in reserves under equity.

The contribution to accommodation is equal to the accommodation expense, which represents the amount of an imputed rent for the buildings owned by the Federal Government and used by EPFL. Accommodation expense is reported within other operating expenses.

Tuition fees, continuing education

Revenue from tuition fees, cost contributions to continuing education and further training as well as administration fees is classified as an exchange transaction (IPSAS 9). As a rule, revenue is accounted for on an accrual basis when the goods are delivered or the services rendered.

Research contributions, mandates and scientific services

Project-related contributions are given to EPFL by various donors with the aim of promoting teaching and research. Project financing primarily relates to multi-year projects. Depending on the nature of the contributions, they are classified as either an exchange or a non-exchange transaction.

Donations and bequests

Revenue from donations and bequests is classified as a non-exchange transaction (IPSAS 23). Such grants where there is no conditional repayment risk are usually recognised as revenue in full when the agreement is signed. Donations also include goods and services in-kind, which are distinguished as follows:

- Goods in-kind are recognised as assets in accordance with the applicable provisions when the agreement is signed.

- **Donated rights to use assets** in the sense of an operating lease are recognised as revenue and expense. Donated rights to use assets in the sense of a finance lease are measured at their fair value at inception of the agreement, if this is known, and depreciated over their useful life. If a performance obligation exists, it is stated as a liability and revenue recognised annually according to the services received. If there is no performance obligation, revenue is recognised upon recognition of the asset as a whole.
- **Services in-kind received** are not recognised but are instead disclosed and commented upon in the Notes if they are material.

Due to the high number and the difficulty in elicitation, separability and measurement of rights of use and services in kind within research agreements, these are not recognised. There is only a general description of the research activity in the Notes section.

Other revenue

Among other items, other revenue includes other service revenue and real estate revenue. This revenue is classified as an exchange transaction (IPSAS 9). As a rule, revenue is accounted for on an accrual basis when the goods are delivered or the services rendered.

Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand, demand and term deposits with financial institutions and funds invested with the Federal Government if their total term or the remaining term to maturity at the time of acquisition is less than 90 days. Cash and cash equivalents are measured at their nominal amount.

Receivables

Receivables from exchange (from goods and services) and non-exchange transactions are presented separately in the balance sheet.

In the case of receivables from non-exchange transactions (IPSAS 23), such as on SNSF and EU projects and from other donors, it is probable that there will be an inflow of funds in relation to the total contractual project volume. Therefore, the total amount of the project is usually recognised as a receivable at inception of the agreement if the fair value can be measured reliably. If the recognition criteria cannot be met, information is disclosed under contingent assets.

Non-current receivables of over MCHF 10 are stated at amortised cost using the effective interest method. Current receivables are stated at cost.

Value adjustments are recognised on receivables on the basis of experience and a case-by-case assessment.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Appropriate value adjustments are recognised for slow-moving inventories.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation. They are depreciated over their estimated useful life using the straight-line method. The estimated useful lives are as follows:

asset category	useful life
Immovable assets	
Property	unrestricted
Leasehold improvements ≤ CHF 1 million	10 years
Leasehold improvements > CHF 1 million	according to components ¹
Buildings and structures	according to components ²
Movable assets	
Machinery, equipment, tools, devices	5 years
Passenger vehicles, delivery vehicles, trucks, aircraft, ships, etc.	5 years
Furnishings	5 years
IT and communication	3 years

¹ In the case of items of property, plant and equipment with a value of MCHF 1 or above, a check is made whether components (with a value that is significant in relation to the total value) need to be recognised and depreciated separately because they have a different useful life (components approach).

² Useful life depends on the type of building, its purpose and the fabric of the building (20-100 years). Assets under construction are not yet depreciated.

Capitalised leasehold improvements and installations in leased premises are depreciated over the estimated useful life or over the term of the lease if shorter.

In the event of additions to property, plant and equipment, checks are made as to whether components with a value that is significant in relation to the total value need to be recognised and depreciated separately because they have a different useful life (components approach).

Investments that have future economic benefits or are of public interest over several years and can be measured reliably are recognised as assets and depreciated over the estimated useful life.

The residual value of property, plant and equipment that is scrapped or sold is derecognised at the time of the asset's physical disposal. The gains or losses resulting from the derecognition of an item of property, plant and equipment are recognised as to operating revenues or operating expenses.

Movable cultural items and works of art are not recognised as assets. An inventory of these items is kept.

Intangible assets

Intangible assets are recognised at cost. Standard software is amortised over three years using the straight-line method. Other intangible assets with an amortisation period required to be determined individually are amortised over their estimated useful life using the straight-line method.

Impairments (property, plant and equipment and intangible assets)

Property, plant and equipment and intangible assets are reviewed annually for indications of impairment. If specific indications are identified, an impairment test is performed. If the carrying amount permanently exceeds the value in use or net realisable value, an impairment is recognised in surplus or deficit for the amount of the difference. If the main purpose of an investment is to generate a commercial return, the impairment is calculated using IPSAS 26

"Impairment of cash-generating assets". For all other investments, any impairment is calculated in accordance with the provisions of IPSAS 21 "Impairment of non-cash-generating assets".

The main criteria for the assessment are the original motives behind the respective investments and the significance of the planned cash inflows.

Leases

Leases for real estate, equipment, other movable assets and vehicles where EPFL substantially assumes all the risks and rewards incidental to ownership are treated as finance leases.

At inception of the lease, the assets and liabilities under a finance lease are recognised at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Each lease payment is apportioned between the reduction of the outstanding liability and the finance charge.

The reduction is deducted from the recognised lease liability. The depreciation of the leased goods occurs over whichever is the shorter of the useful life or the lease term, if the transfer of ownership is not certain by the end of the lease term.

Other leases where EPFL acts as the lessee or lessor are recognised as operating leases. They are not carried in the balance sheet, but instead recognised as an expense in the statement of financial performance on an accrual basis.

Long-term leases of real estate are assessed separately depending on whether they are for plots of land or buildings.

Financial assets and loans

Financial assets are recognised at fair value if they are acquired with the intention of generating a profit from short-term fluctuations in price or if they are designated as financial assets at fair value (e.g. investments held without significant influence). Changes in value are recognised in surplus or deficit.

Other non-current financial assets that are held for an indefinite period and may be sold at any time for liquidity reasons or in response to changes in market conditions are classified as available for sale and stated at fair value or at cost if the fair value cannot be determined reliably. Unrealised gains and losses are recognised in equity and only transferred to surplus or deficit when the financial asset is sold or an impairment occurs. For instance, investments where there is neither control nor significant influence are recognised as available for sale.

Originated loans and fixed deposits are stated either at amortised cost (nominal value of less than MCHF 10, and current loans and fixed deposits of over MCHF 10) or at amortised cost using the effective interest method (non-current loans and fixed deposits of over MCHF 10). The effective interest method allocates the difference between the acquisition cost and the repayment amount (premium/discount) over the term of the asset, using the net present value method. Impairment losses are recognised based on a case-by-case assessment.

Derivative financial instruments are used primarily for hedging or as a strategic position. Without exception, they are measured at fair value. Changes in value are usually recognised in surplus or deficit.

Investment property

Investment property is only reported separately if it is material. Otherwise, it is recognised in the balance sheet as property, plant and equipment and disclosed accordingly.

Co-financing

Co-financing is third-party funding acquired by the EPFL that is used to finance construction projects in property owned by the Federal Government.

Co-financing is measured based on the valuation of the underlying property, which the Federal Government recognises at cost less accumulated depreciation. A property's ongoing depreciation reduces the value of the co-financing to the same degree as the underlying property.

Co-financing is reported at the same amounts on both the assets and the equity and liabilities side (in equity) of the balance sheet.

Current liabilities

Current liabilities are usually recognised on receipt of the invoice. This item also includes current accounts with third parties (including social insurance institutions). Current liabilities are measured at their nominal amount.

Financial liabilities

Financial liabilities include monetary liabilities resulting from financing activities as well as negative replacement values from derivative financial instruments. Monetary liabilities are usually interest-bearing. Liabilities that are due for repayment within twelve months of the reporting date are current. They are generally measured at amortised cost. Derivative financial instruments are measured at their fair value.

Provisions

Provisions are recognised when a past event gives rise to a present obligation, an outflow of resources is probable and the amount can be estimated reliably.

Net defined benefit liabilities

Net defined benefit liabilities presented in the balance sheet are measured in accordance with IPSAS 39. They correspond to the present value of the defined benefit obligations (DBO), less the fair value of the plan assets. A description of the pension scheme and the insured persons of the ETH Domain can be found in Note 26 Net defined benefit liabilities.

The defined benefit obligations and the service costs are determined annually by external experts using the actuarial valuation method Projected Unit Credit Method (PUC). The calculation is made based on information about the beneficiaries (salary, vested benefits, etc.) and using both demographic (retirement rates, disability rates, mortality rates, etc.) and financial (salary or pension trends, returns, etc.) assumptions. The amounts

calculated are discounted to the valuation date by applying a discount rate. Changes in estimates of economic conditions can significantly affect defined benefit obligations.

The defined benefit obligations were measured based on the current membership base of the ETH Domain's pension scheme as of 31 October 2019, using actuarial assumptions as of 31 December 2019 (e.g. BVG 2015 actuarial tables), and the plan provisions of the ETH Domain pension scheme. The results were then adjusted using estimated pro rata cash flows as of 31 December 2019. The fair value of the plan assets is used including estimated performance as of 31 December 2019.

Current service cost, past service cost resulting from plan amendments, gains and losses on settlement, administrative costs and interest on the net defined benefit liabilities are presented in the statement of financial performance within personnel expenses.

Plan amendments and settlements are recognised immediately in surplus or deficit in the period in which they occur provided they result in vested benefits.

Actuarial and investment gains and losses on defined benefit plans are recognised directly in equity in the reporting period in which they occur.

Dedicated third-party funds

Liabilities from dedicated projects that arise from non-exchange transactions (IPSAS 23) are presented in the balance sheet as dedicated third-party funds. They are allocated solely to non-current liabilities because the projects usually last for several years and the current portion of the liability cannot be determined in most cases due to the nature of the projects.

They are measured based on the outstanding performance obligations at the reporting date, which are calculated from the total contractual project volume less services performed up to the reporting date.

Equity

Net assets/equity is the residual interest in the assets of an entity after deducting all its liabilities. In EPFL, equity is structured as follows.

Valuation reserves (recognition in equity)

- Revaluation reserves for available-for-sale financial assets recognised at fair value. Fair value changes are recognised in equity until the financial assets are sold.
- Revaluation reserves for net defined benefit liabilities. Actuarial and investment gains and losses on defined benefit obligations or plan assets are recognised in equity.
- Valuation reserves from hedging transactions. If hedge accounting is used, positive and negative replacement values from hedging transactions are recognised in equity and released to surplus or deficit when the underlying hedged transaction affects surplus or deficit.

Dedicated reserves

- Donations and bequests. This item includes unused funds from donations and bequests that have certain conditions attached, but are not required to be classified as liabilities.
- Teaching and research reserves (electoral / appointment commitments, teaching and research projects). This item indicates that various internal and external commitments

exist and appropriate reserves were recognised to cover them. These mostly comprise “election commitments”, i.e. funds granted to newly elected professors under contractual arrangements for the purpose of setting up their professorship.

- **Infrastructure and administration reserves** (value fluctuations, construction projects). These include reserves for fluctuations in the value of the securities portfolio (risk capital) and for delayed construction projects.

Dedicated reserves must (with the exception of election / appointment commitments) have been generated. They are recognised and released within equity.

Free reserves

Unused funds for which there are no contractual or internal provisions in accordance with IPSASs are presented as free reserves. They are not restricted in terms of time or purpose.

Reserves from associated entities

This item comprises reserves from the inclusion of the share of equity of investments in associated entities that are accounted for using the equity method. These reserves cannot be accessed directly and they are dedicated.

Accumulated surplus / deficit

The accumulated surplus or deficit shows the cumulative results at the reporting date. It comprises the surplus / deficit carried forward, the surplus / deficit for the period and increases or decreases in reserves.

The surplus / deficit carried forward is accumulated annually as part of the appropriation of surplus / deficit. The surplus / deficit for the period includes the portion of the result not yet distributed. If currency translation differences arise on foreign, fully consolidated entities on consolidation, they are recognised in equity, without affecting surplus or deficit.

Contingent liabilities and contingent assets

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of an uncertain future event not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because of its low probability of occurrence (less than 50%) or because the obligation cannot be measured reliably, as a result of which the criteria for recognising a provision are not met.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of an uncertain future event not wholly within the control of the entity.

Financial commitments

Financial commitments are presented in the Notes if they are based on events prior to the reporting date, they will definitely lead to obligations to third parties after the reporting date and their amount can be measured reliably.

Cash flow statement

The cash flow statement shows the cash flows from operating activities, investing activities and financing activities. It is presented using the indirect method, i.e. cash flows from operating activities are based on the surplus or deficit for the period, adjusted for the effects of transactions of a non-cash nature. Total cash flow represents the change in the balance sheet item “Cash and cash equivalents”.

04 Estimation uncertainty and management judgements

Estimation uncertainty in the application of accounting policies

Preparation of the annual consolidated financial statements is dependent on assumptions and estimates in connection with accounting principles, where management has a certain margin of discretion. Although these estimates are based on management’s best knowledge, actual results may differ from those estimates.

This applies to the following items in particular.

Useful life and impairment of plant, property and equipment

The useful life of plant, property and equipment is defined and periodically reviewed bearing in mind the current technical environment and past experience. A change in the estimate may affect the future amount of the depreciation charges and the carrying amount.

Estimates that could lead to a reduction in the carrying amount (impairment) are likewise made in the course of the regular impairment test.

Provisions

These involve a higher degree of estimation than other balance sheet items and therefore may lead to a higher or lower cash outflow depending on the actual outcome of a past event.

Net defined benefit liabilities

The net defined benefit liabilities are calculated based on long-term actuarial assumptions for the defined benefit obligations and for the expected returns on plan assets. These assumptions may differ from actual future developments. The discount rate and future salary trends are key components in the actuarial valuation.

Recognition of donations

EPFL regularly receives donations in the form of assets. Under IPSASs, donations must be recognised initially at fair value. The determination of that fair value requires management to make estimates.

Discount rates

Uniform discount rates have been defined for use in discounting non-current receivables, liabilities and provisions. They are based on a risk-free rate and a premium for credit risk. However, because of the current interest rate situation these discounting rates are subject to some uncertainties.

Management judgements in the application of accounting policies

Finance lease

When accounting for two long-term lease contracts, EPFL applied the following significant management judgements in 2017 and which remain applicable:

- Both leases are classified as finance leases because the main risks and rewards incidental to ownership have been transferred to EPFL.
- Termination of the lease after thirty years is currently seen as the most likely scenario. This hypothesis does not impose any formal obligation upon the EPFL to terminate the leases and does not determine who is to finance the buy-back or who will lease the objects following termination.
- The impairment of the leased assets of the ordinary partnership entity SQNE is calculated on the basis of IPSAS 21 "Impairment of non-cash-generating assets" because the main objective of this investment is to upgrade the EPFL site by adding conference and lecture facilities and student accommodation and the economic return is not the primary objective.

05 Federal financial contribution

MCHF	2019	2018	Change absolute
Federal financial contribution	625	633	- 8

MCHF	2019	2018	Change absolute
Federal contribution to accommodation	61	71	- 10

The basic funding granted by the Swiss federal government, also called the federal contribution, accounts for two-thirds of EPFL's operating revenue. This funding is intended primarily to cover the costs of teaching, research and overheads. It also includes contributions for the BBP and the School's Strategic Focus Areas (SFA) like personalised healthcare and related technology, data science and advanced manufacturing.

Excluding funding for the SFAs, BBP and the SPC, the federal financial contribution grew in 2019, but taking these projects into account, the contribution fell 1%, or MCHF 8, to MCHF 625. This decrease can be attributed to prefunding received in 2018 for the SFAs.

The federal contribution to accommodation covers the rent charged to EPFL by the Swiss federal government for the use of government-owned land and buildings. It declined 14%, or MCHF 10, in 2019 (see Note 11), as a result of a decrease in interest rates and depreciation as well as a change in how the contribution is distributed among ETH Domain institutions (the contribution is now distributed according to a property's depreciable cost rather than carrying value).

06 Tuition fees, continuing education

MCHF	2019	2018	Change absolute
Tuition fees, continuing education	16	13	3
of which tuition fees for bachelor / master students	10	9	1

Tuition fees and attendance fees for studies and continuing education programmes as well as other fees are regulated in the Ordinance on Fees in the Domain of Federal Institutes of Technology (RS 414.131.7 of 31 May 1995; as amended on 1 September 2018). The annual tuition fees are set to increase gradually by a total of CHF 300 from autumn 2019 onwards (CHF +80 for the 2019 autumn semester and 2020 spring semester; a further CHF +70 from the 2020 autumn semester onwards).

Tuition fees derive primarily from Bachelor's, Master's and PhD programmes, as well as continuing education courses. As well as the rise in the number of students and in tuition fees, the increase of revenue in 2019 largely reflects the success of the School's continuing education programmes such as the Extension School, where students can obtain a Certificate of Open Studies without necessarily having a prior degree, and the joint Executive MBA programme with the University of Lausanne.

07 Research contributions, mandates and scientific services

MCHF	2019	of which revenues (IPSAS 23)	of which revenues (IPSAS 9)	2018	Change absolute
Swiss National Science Foundation (SNSF)	94	94	0	95	- 1
Swiss Innovation Agency (Innosuisse)	14	14	0	18	- 4
Special federal funding of applied research	12	10	2	12	0
EU Framework Programmes for Research and Innovation (FP)	62	62	0	59	4
Industry-oriented research (private sector)	56	26	30	42	14
Other project-oriented third-party funding (incl. cantons, municipalities, international organisations)	31	26	5	29	2
Total research contributions, mandates and scientific services	271	233	37	256	14
EU Framework Programmes for Research and Innovation (FP)					
of which financed by SERI	6	6	0	8	- 2

Research contributions, mandates and scientific services include all funding granted by national and international institutions, as well as third-party funding from Swiss cantons and municipalities, international organisations, Swiss federal agencies and private-sector entities. Third-party funding is mainly aimed at two- to five-year projects, and is recognised as revenue on a percentage-of-completion basis during the accounting period in which the funding is used.

Research contributions, mandates and scientific services totalled MCHF 271 in 2019, up 5% from the prior year.

Funding from Innosuisse fell 20% in 2019 due to a decline in the number of active projects. As a reminder, the transformation of CTI into Innosuisse on 1 January 2018 had a

considerable impact on new research-contract approvals last year. This year, the number of approved contracts grew 35% and the corresponding revenue increase will start to be seen in 2020.

The decrease in EU Framework Programme funding can be attributed to:

- A sharp decline in FP7 funding, which was expected, since 2019 was the last year of that programme;
- A substantial increase in Horizon 2020 funding, especially for the prestigious European Research Council projects (up MCHF 7 to MCHF 26) and the HBP, a FET Flagship Project (up MCHF 4 to MCHF 7).

The 32% climb in funding for industry-oriented research (private sector) is due to:

- A MCHF 11 rise in revenue from research contracts with businesses;
- A MCHF 2 rise in revenue from research contracts with non-profit organisations;
- A 34% increase in the average revenue generated per research contract.

The 7% rise in other project-oriented third-party funding reflects new research projects funded by Swiss universities and new research partnerships with US universities.

08 Donations and bequests

MCHF	2019	2018	Change absolute
Total donations and bequests	26	19	7

This line item consists of donations and bequests made to EPFL and its consolidated entities, as well as revenue from usage rights for property made available by the cantons of Neuchâtel, Fribourg and Valais (see following table). These funds allow EPFL to implement strategic initiatives (such as creating new chairs) and acquire the necessary equipment to spur both research and teaching.

In-kind contributions

MCHF	2019	2018	Change absolute
Goods in-kind	0	0	0
Donated rights	4	4	0
Total in-kind contributions recognised as revenue	4	4	0
Services in-kind	2	3	0
Total in-kind contributions not recognised as revenue	2	3	0
Total in-kind contributions received	7	7	0

The donated rights concern the use of the Microcity building, made available by the Canton of Neuchâtel, and the Industrie 17 building, made available by the Canton of Valais.

The MCHF 2 of services in-kind corresponds to the value of the high-speed computing capacity provided by the Swiss National Supercomputing Centre (CSCS, part of EPFZ).

09 Other revenue

MCHF	2019	2018	Change absolute
Licences and patents	4	4	0
Sales	3	4	0
Refunds	1	4	-3
Other services	23	23	0
Real estate revenue	25	25	-1
Revenue from real estate owned by the Federal Government left for use	1	0	1
Profit from disposals (property, plant and equipment)	0	0	0
Other miscellaneous revenue	1	0	1
Total other revenue	58	60	-2

The decline in refunds is due to a clarification of the applicable accounting method, which led to the reclassification of some revenue to other miscellaneous revenue and to a reduction of expenses (refunds of patent fees and travel expenses).

Real estate revenue comes from commercial property and laboratories that are rented to third parties, and concerns essentially EPFL Innovation Park (SQIE and FEIP buildings) and the SQNE building.

The recent amendment to the Ordinance on the Finance and Accounting of the ETH Domain (SR 414.123) requires ETH Domain institutions to transfer real estate revenue to the Swiss government. These institutions now record all the revenue to be transferred under a separate line item, for greater clarity. 50% of the transferred revenue charge is recognised under other operating expenses (see Note 11).

10 Personnel expenses

MCHF	2019	2018	Change absolute
Professors	80	78	2
Scientific personnel	264	264	0
Technical and administrative personnel, apprentices, trainees	202	191	10
IC, Suva and other refunds	-2	-2	0
Total salaries and wages	544	531	12
Social insurances OASI/DI/IC/MB	34	33	1
Net pension costs	86	89	-4
Accident and sickness insurance Suva (BU/NBU/KTG)	2	2	0
Employer's contribution to family compensation fund (FAK/FamZG)	14	12	3
Total social insurance schemes and pension expenses	135	136	0
Other employer contributions	0	0	0
Temporary personnel	3	5	-2
Change in provisions for untaken leave and overtime	-1	0	-1
Change in provisions for contributions to long-service awards	1	-5	6
Other personnel expenses	6	6	0
Total personnel expenses	688	673	15

The 2%, or MCHF 15, rise in personnel expenses is the result of several offsetting factors:

- Linear increases in salaries and wages for all personnel – the increase was 0.8% at 1 January 2019 and 0.2% at 1 July 2019;
- A 66 FTE increase in technical and administrative personnel, apprentices and trainees (from 1,839 FTEs in 2018 to 1,905 FTEs in 2019). This is the line item that grew the most in 2019, and relates mainly to the BBP, HBP and the SDSC (one of the School's SFAs);
- A decrease in net pension costs following a change in actuarial assumptions (see Note 26), partly offset by an increase in employer contributions for employees aged 45 and over.

Full-time equivalents (FTEs)	2019	2018
Professors	325	323
Scientific personnel	3 430	3 434
Technical and administrative personnel, apprentices, trainees	1 905	1 839
Total Full-time equivalents	5 660	5 596

11 Other operating expenses

MCHF	2019	2018	Change absolute
Expenses for goods and materials	43	43	- 1
Premises costs	98	107	- 9
Energy costs	16	15	1
IT expenses	24	28	- 4
Expenses for consultations, expertises and guest lecturers	32	30	2
Library expenses	6	6	0
Other operating costs	44	49	- 4
Total other operating expenses	263	278	- 15

The premises costs charged by the Swiss government fell MCHF 9, due in part to a decrease in interest rates and depreciation and in part to a change in how costs are distributed among ETH Domain institutions (they are now distributed according to a property's depreciable cost rather than carrying value). These costs are fully offset by the federal contribution to accommodation (see Note 5).

The 8% rise in energy costs stems primarily from gas and heating expenses, and partly reflects a reclassification of expenses from premises costs to this line item.

Most of the decrease in IT expenses can be attributed to purchases of network equipment, software and software licences.

The growth in expenses for consultations, expertises and guest lecturers is due in part to investments in EPFL's image as part of the School's 50th anniversary celebrations.

The decline in other operating costs reflects accounting reclassifications as well as reversals of provisions for liabilities and for unused vacation. This line item also includes MCHF 0.4 in real estate revenue transferred to the Swiss government (the same amount as in 2018), following the recent amendment to the Ordinance on the Finance and Accounting of the ETH Domain (SR 414.123).

12 Transfer expenses

MCHF	2019	2018	Change absolute
Scholarships and grants to students and doctoral students	6	7	- 1
Contributions to research projects	10	8	2
Other transfer expenses	6	6	0
Total transfer expenses	22	20	1

The contributions to research projects line item includes funds that EPFL distributes to its partners on projects for which EPFL is fully responsible for project implementation. This is in contrast to research projects for which EPFL is the leading house, where the funds transferred to the project partners are deducted from total research contributions, mandates and scientific services (see Note 7).

13 Net finance income / expense

MCHF	2019	2018	Change absolute
Interest income	0	1	0
Income from investments	0	0	0
Changes in fair value of financial assets	3	0	3
Foreign currency gains	2	3	- 1
Other finance income	0	0	0
Total Finance income	5	4	1
Interest expense	8	8	0
Changes in fair value of financial assets	0	3	- 3
Foreign currency losses	3	6	- 3
Other finance expense	0	0	0
Total Finance expense	11	17	- 6
Total net finance income / expense	- 6	- 13	8

The interest expense given above relates to financial liabilities, which are discussed in Note 23.

The net finance income / expense is affected by two factors in particular:

- A MCHF 3 gain on securities holdings in 2019, on the back of a MCHF 3 unrealised loss in 2018. The gain in 2019 includes a MCHF 2 realised gain on the sale of most of the securities in EPFL's portfolio;
- A MCHF 1 net unrealised loss on currency translation in 2019, following a MCHF 3 net unrealised loss in 2018.

14 Cash and cash equivalents

MCHF	31.12.2019	31.12.2018	Change absolute
Cash	0	0	0
Swiss Post	47	47	- 1
Bank	11	22	- 11
Short-term deposits (< 90 days)	290	245	45
Total cash and cash equivalents	349	315	34

Short-term deposits (< 90 days) are held with the Swiss Federal Finance Administration.

15 Receivables

MCHF	31.12.2019	31.12.2018	Change absolute
Receivables from project contracts and donations	431	459	- 28
Other receivables	5	4	1
Value adjustments	0	0	0
Total Receivables from non-exchange transactions	436	463	- 27
of which current	206	217	- 11
of which non-current	229	246	- 17
Trade accounts receivable	17	14	3
Other receivables	0	0	0
Value adjustments	- 1	- 1	0
Total Receivables from exchange transactions	16	13	3
of which current	16	13	3
of which non-current	0	0	0

Maturity analysis

MCHF	Total receivables	Not past due	Past due up to 90 days	Past due 91 to 180 days	Past due more than 180 days
31.12.2019					
Gross amount	453	442	7	1	3
Receivables from non-exchange transactions	436	433	2	1	0
Receivables from exchange transactions	17	9	5	0	3
Value adjustments	- 2	0	0	0	- 1
of which individually impaired	- 1				
31.12.2018					
Gross amount	477	472	3	0	2
Receivables from non-exchange transactions	463	462	1	0	0
Receivables from exchange transactions	14	10	2	0	2
Value adjustments	- 1	0	0	0	- 1
of which individually impaired	- 1				

16 Inventories

MCHF	31.12.2019	31.12.2018	Change absolute
Inventories purchased	2	2	0
Inventories self-produced	0	0	0
Total inventories	2	2	0

Inventories purchased are valued at purchase price. Inventories self-produced are valued at production cost.

17 Prepaid expenses and accrued income

MCHF	31.12.2019	31.12.2018	Change absolute
Prepaid expenses	10	3	7
Other prepaid expenses and accrued income	3	2	1
Total prepaid expenses and accrued income	13	5	8

The increase in prepaid expenses and accrued income reflects a payment made in 2019 to help cover the Campus Biotech Geneva Foundation's operating costs for H1 2020.

18 Change in associated entities

Details about the significant associated entities can be found in the tables below. All the associated entities can be found in the scope of consolidation on Note 33.

There are no joint ventures in EPFL's scope of consolidation.

Change in associated entities

MCHF	2019	2018
As of 01.01.	37	38
Additions	0	0
Disposals	0	0
Dividends	0	0
Share of the annual surplus or deficit	-2	-1
Share of items directly recognised in equity	0	0
Currency translation differences	0	0
As of 31.12.	35	37

Material associated entities - aggregated financial information

The aggregated financial information about the material associated entities is indicated below. This reflects the amounts of the financial statements of the associated entities which are adjusted to the accounting of the ETH Domain applying simplifications.

MCHF	Fondation Les Bois Chamblard	Fondation Campus Biotech Geneva
31.12.2019		
Reporting date used	31.12.2018	31.12.2019
Current assets	11	12
Non-current assets	15	12
Short-term liabilities	0	8
Long-term liabilities	0	6
Revenue	0	21
Surplus (+) or deficit (-)	-1	-1
31.12.2018		
Reporting date used	31.12.2017	31.12.2018
Current assets	12	15
Non-current assets	15	14
Short-term liabilities	0	9
Long-term liabilities	0	9
Revenue	0	21
Surplus (+) or deficit (-)	0	-2

The reporting date of 31 December 2018 is used for FBC because this associated entity has its financial statements audited and publishes them after EPFL publishes its own financial statements. However, the amounts given include any material events occurring in 2019.

Aggregated information for individually immaterial associated entities (FCUP and IIMT)

MCHF	2019	2018
Revenue	0	0
Surplus (+) or deficit (-)	-1	-1

Unrecognised share of losses of associated entities

No associated entities reported losses.

19 Property, plant and equipment and intangible assets

Change in property, plant and equipment and intangible assets

MCHF	Large scale research plants and equipment, machinery, furnishings, vehicles	Information and communication	Advance payments, movable assets under construction	Total movable assets	Property, buildings	Assets under construction	Total immovable assets	Total property, plant and equipment	Total intangible assets
Purchase value									
Value as of 01.01.2019	484	145	29	658	434	8	442	1 101	81
Additions	23	10	8	41	3	7	10	51	0
Reclassifications	13	1	- 13	0	6	- 6	0	0	0
Disposals	- 11	- 5	- 2	- 17	0	0	0	- 17	0
Value as of 31.12.2019	510	151	22	682	443	9	452	1 135	81
Accumulated depreciation									
Value as of 01.01.2019	371	131	0	501	172	0	172	673	19
Depreciation	42	9	0	51	18	0	18	69	4
Impairments	0	0	0	0	0	0	0	0	0
Reversed impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Disposals value adjustments	- 9	- 5	0	- 14	0	0	0	- 14	0
Value as of 31.12.2019	404	135	0	538	190	0	190	728	23
Balance sheet value as of 31.12.2019									
thereof leased assets	106	16	22	144	253	9	262	406	57
				0			195	195	0
Purchase value									
Value as of 01.01.2018	445	131	38	613	415	21	436	1 049	80
Additions	21	10	17	48	2	5	7	55	1
Reclassifications	19	4	- 23	0	17	- 17	0	0	0
Disposals	- 1	0	- 1	- 3	- 1	0	- 1	- 4	0
Value as of 31.12.2018	484	145	29	658	434	8	442	1 101	81
Accumulated depreciation									
Value as of 01.01.2018	328	122	0	451	153	0	153	604	16
Depreciation	42	9	0	50	19	0	19	69	3
Impairments	1	0	0	1	0	0	0	1	0
Reversed impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Disposals value adjustments	- 1	0	0	- 1	0	0	0	- 1	0
Value as of 31.12.2018	371	131	0	501	172	0	172	673	19
Balance sheet value as of 31.12.2018									
thereof leased assets	114	14	29	157	262	8	271	427	62
				0			205	205	0

Almost all of the buildings that EPFL uses are owned by the Swiss federal government and are therefore not recognised as assets on EPFL's balance sheet but rather on that of the Swiss federal government. EPFL's immovable assets consisted primarily of fixtures and fittings installed by tenants (BCC 3) in buildings owned by the Swiss federal government and rented buildings.

The main purchases of movable assets in 2019 related to high-power computers for EPFL's Scientific IT and Application Support Department (MCHF 4). The School also spent MCHF 7 on immovable assets.

During the year, MCHF 19 of assets under construction were put into service and reclassified accordingly, compared with MCHF 40 in 2018. This reflects the School's substantial investments in property, plant and equipment (including research equipment).

20 Financial assets and loans

MCHF	31.12.2019	31.12.2018	Change absolute
Securities, fixed deposits and investment funds	15	49	- 34
Other financial assets	232	232	0
Loans	0	0	0
Total current financial assets and loans	248	281	- 34
Securities, fixed deposits and investment funds	0	0	0
Other financial assets	7	7	0
Loans	0	0	0
Total non-current financial assets and loans	7	7	0

The decline in securities, fixed deposits and investment funds reflects the sale of securities held in EPFL's portfolio in 2019 (see Note 13).

Other current financial assets consist of EPFL deposits with the Swiss Federal Finance Administration (under a cash management agreement).

Other non-current financial assets include the MCHF 6 stake in CSEM SA that EPFL holds on a fiduciary basis for the ETH Board.

21 Co-financing

MCHF	2019	2018	Change absolute
Purchase value			
As of 01.01.	94	87	7
Additions	0	7	-7
Disposals	0	0	0
As of 31.12.	94	94	0
Accumulated depreciation			
As of 01.01.	22	19	2
Depreciation	2	2	0
Disposals	0	0	0
As of 31.12.	24	22	2
Balance sheet value as of 31.12.	70	72	-2

As a reminder, the growth in co-financing in 2018 was due largely to MCHF 7 in funding received to build a new day-care centre at EPFL.

22 Current liabilities

MCHF	31.12.2019	31.12.2018	Change absolute
Trade payables	20	31	-11
Liabilities to social insurance institutions	12	9	3
Other current liabilities	32	64	-32
Total current liabilities	64	104	-40

The decline in trade payables mainly reflects funds that EPFL still needed to transfer to its research project partners on the HBP; this amount was MCHF 14 at end-2018 and MCHF 0 at end-2019.

Other current liabilities consist primarily of funds to be distributed to research project partners on projects for which EPFL is the leading house; these funds totalled MCHF 21 at 31 December 2019, including MCHF 11 for the HBP (against MCHF 50 at 31 December 2018).

23 Current and non-current financial liabilities

MCHF	31.12.2019	31.12.2018	Change absolute
Finance lease liabilities	9	9	0
Negative replacement values	0	1	-1
Other financial liabilities	6	6	0
Total current financial liabilities	14	15	-1
Finance lease liabilities	260	269	-9
Other financial liabilities	77	73	4
Total non-current financial liabilities	337	342	-5

Negative replacement values relate to currency hedges (forward contracts) that EPFL has in place for projects where revenue is received in EUR or USD.

Finance lease liabilities correspond to the offsetting entry for non-current assets obtained through finance leases.

The increase in other non-current financial liabilities reflects the reclassification from equity of the MCHF 6 stake in CSEM that EPFL holds on a fiduciary basis for the ETH Board (see Note 20 and the consolidated statement of changes in equity), as well as a reduction in the offsetting entry for the usage rights (services in-kind) for the Microcity building and in mortgage liabilities.

Finance lease

MCHF	2019			2018		
	Future minimum leasing payments	Future financial expenses	Present value of future minimum leasing payments	Future minimum leasing payments	Future financial expenses	Present value of future minimum leasing payments
Due within 1 year	16	7	9	16	7	9
Due within 1 to 5 years	63	26	37	63	27	36
Due after more than 5 years	282	59	223	298	65	233
As of 31.12.	361	92	269	376	99	278

Finance leases relate to SQIE and SQNE, which are integrated into the scope of consolidation. The accounting method for finance leases is discussed in Note 3, while Note 4 gives the assumptions used to recognise those leases in the consolidated financial statements. Both finance leases include a clause linking rental payments to the Swiss consumer index. The present value of the minimum lease payments is MCHF 170 for the SQNE lease and MCHF 99 for the SQIE lease.

24 Accrued expenses and deferred income

MCHF	31.12.2019	31.12.2018	Change absolute
Deferred income	26	26	0
Other accrued expenses and deferred income	13	14	-2
Total accrued expenses and deferred income	39	41	-2

25 Provisions

Provisions - summary

MCHF	31.12.2019	31.12.2018	Change absolute
Provisions for untaken leave and overtime	24	25	-1
Other long-term employee benefits (IPSAS 39)	18	17	1
Litigations	1	1	0
Other provisions	0	5	-5
Total provisions	43	48	-4

Other long-term employee benefits

This line item increased due to a change in future jubilee benefits calculated under IPSAS 39, following new actuarial assumptions.

Other provisions

The decline in other provisions is due mainly to a MCHF 5 reversal of provisions set aside in case the European Commission decides that certain project costs are not eligible under EU Framework Programmes.

Provisions – derivation

MCHF	Provisions for untaken leave and overtime	Other long-term employee benefits (IPSAS 39)	Litigations	Other provisions	Total provisions
Value as of 01.01.2019	25	17	1	5	48
Creation (incl. increase)	0	3	0	0	4
Reversal	-1	0	0	-3	-4
Appropriation	0	-2	0	-2	-4
Reclassifications	0	0	0	0	0
Increase in present value	0	0	0	0	0
Value as of 31.12.2019	24	18	1	0	43
of which current	24	0	1	0	26
of which non-current	0	18	0	0	18
Value as of 01.01.2018	25	22	1	4	51
Creation (incl. increase)	0	0	0	2	2
Reversal	0	-3	0	0	-4
Appropriation	0	-2	0	0	-2
Reclassifications	0	0	0	0	0
Increase in present value	0	0	0	0	0
Value as of 31.12.2018	25	17	1	5	48
of which current	25	0	1	5	31
of which non-current	0	17	0	0	17

26 Net defined benefit liabilities

Most employees and pensioners of the institutions of EPFL are insured under the pension scheme the ETH Domain maintains at the collective institution “Swiss Federal Pension Fund Publica” (Publica). There are no other significant pension schemes at the controlled entities, therefore any further statements in the text refer to the pension scheme the ETH Domain maintains at Publica.

However, the existing balance for net defined benefit liabilities as of 31 December 2019 includes obligations under other pension plans amounting to MCHF 4 (past year: MCHF 4).

Legal framework and responsibilities

Legal requirements

Swiss pension plans must be run through a legally separate, trustee-administered pension institution. The law prescribes minimum benefits.

Organisation of the pension scheme

Publica is an independent, state-run institution under public law.

The Board of Directors (Kassenkommission) is Publica's most senior governing body. In addition to management, it is also responsible for the oversight and supervision of Publica's Executive Board. The Board of Directors has 16 members, eight representing the insured employees and eight representing the employers from among all the affiliated pension plans. This means that Publica's most senior governing body is made up of an equal number of employee and employer representatives.

Each pension scheme has its own governing body made up of equal numbers of representatives. Among other things, it is involved in concluding the affiliation contract and decides on the appropriation of any surpluses. Each governing body is made up of nine employer representatives and nine employee representatives from the entities.

Insurance plan

In accordance with IPSAS 39, insurance plans are classified as defined benefit plans.

The pension plan is defined in the terms of the ETH Domain pension scheme applicable to employees and professors, which form part of the affiliation contract with Publica. The pension plan provides benefits in excess of the minimum benefits required by law in the event of disability, death, old age and departure; i.e. it is what is known as an "enveloping" plan (obligatory and extraordinary benefits).

The employer and employee savings contributions are set as a percentage of the insured salary. A risk premium is charged for death and disability insurance. The administrative costs are paid by the employer.

The old-age pension is calculated from the credit balance in the retirement fund at the retirement date multiplied by the conversion rate specified in the terms. Employees have the option of drawing the retirement benefits as a lump sum. There are pension plans for different groups of insured persons. In addition, employees have the option of making additional savings contributions.

The risk benefits are determined depending on the projected savings capital, which attracts interest, and on the conversion rate.

Investment of assets

Investments are made by Publica for all pension schemes (with the same investment profile) collectively.

As Publica's most senior governing body, the Board of Directors bears overall responsibility for asset management. It is responsible for issuing and amending the investment policy and determines the investment strategy. The Investment Committee advises the Board of Directors on investment-related issues and oversees compliance with the investment policy and strategy.

Responsibility for implementing the investment strategy rests with Publica's Asset Management. Asset Management also makes tactical decisions to deviate temporarily from the investment strategy weightings in order to generate added value compared to the existing strategy. Where individual asset classes are built up or reduced over a number of years, a pro rata strategy is calculated so as to enable transactions to be diversified over time.

Risks for the employer

The governing body of the ETH Domain's pension scheme made up of equal numbers of representatives can change the funding system (contributions and future benefits) at any time. The governing body may collect restructuring contributions from the employer if the scheme is underfunded within the meaning of pension law (Article 44 Occupational Pension Ordinance, BVV 2) and if other measures are without success. If these are used to fund benefits in excess of the statutory minimum, the employer must indicate their agreement with this.

The definitive funding ratio in accordance with the Occupational Pensions Act (BVG) was not yet available at the time the annual consolidated financial statements were authorised for issue. The provisional regulatory funding ratio for the ETH Domain's pension scheme at Publica, in accordance with the Occupational Pension Ordinance (BVV 2), was 105.7% at the end of 2019 (2018: 101.8%, definitive). The provisional economic funding ratio for the ETH Domain's pension scheme at Publica was 87.2% at the end of the year (2018: 84.7%, definitive).

Special events

There were no plan amendments, curtailments or settlements to be considered in the current reporting period.

Net defined benefit liabilities

MCHF	31.12.2019	31.12.2018
Present value of defined benefit obligations	- 2 521	- 2 308
Fair value of plan assets	1 890	1 730
Recognised net defined benefit liabilities	- 631	- 579

The MCHF 52 increase in net defined benefit liabilities was mainly due to the reduction in the discount rate (2019: -0.2% / 2018: 0.3%), which was compensated for to a large extent by positive returns on plan assets.

Of the total, MCHF 4 (2018: MCHF 4) of the net defined benefit liabilities relate to pension plans outside the EPFL pension fund at Publica.

Net pension costs

MCHF	2019	2018
Current service cost (employer)	83	85
Past service cost	0	4
Gains (-) / losses (+) from plan settlements	0	0
Interest expense from defined benefit obligations	7	7
Interest income from plan assets	- 5	- 5
Administrative costs (excl. asset management costs)	1	1
Total Net pension costs incl. interest expense recognised in statement of financial performance	87	92

Deposits amounting to MCHF 4 were transferred from the ETH Board to the ETH Domain's pension plan in the year under review. Because EPFL's actuarial calculations factor in only EPFL's portion of these deposits, or MCHF 1, as employer contributions, there is a difference between the calculated pension costs and the net pension costs actually recorded, since the costs cannot be reallocated internally under the accounting method used.

The EPFL net pension costs for the reporting period are MCHF 87 (2018: MCHF 92), of which MCHF 0 (2018: MCHF 1) relate to pension plans outside the ETH Domain's pension plan at Publica.

Net pension costs are down MCHF 5 on the previous year. The MCHF 2 decrease in current service cost can be attributed to the actuarial assumptions adjusted in the previous year (2018 vs. 2017). The past service cost includes the acquisitions made by professors at EPFL and the effects from the adjustment of the technical interest rate and the conversion rate at Publica. Interest expenses from defined benefit obligations and interest income from plan assets remained stable. This is due to the discount rate as of 01.01 (2019: 0.3% vs. 2018 0.3%).

Employer's contributions of MCHF 62 and employees' contributions of MCHF 33 are expected for the coming financial year.

Revaluation recognised in equity

MCHF	31.12.2019	31.12.2018
Actuarial gains (-) and losses (+)		
from change in financial assumptions	170	- 10
from change in demographic assumptions	- 1	- 10
from experience adjustments	13	11
Return on plan assets excl. interest income, gains (-)/losses (+)	- 150	69
Revaluation amount recognised in equity	31	60
Cumulative amount of revaluation recognised in equity, gain (-)/ loss (+)	361	330

The revaluation amount recognised in equity swung from a gain of MCHF 60 in 2018 to a loss of MCHF 31 in 2019. This resulted in a cumulative actuarial loss of MCHF 361 at 31 December 2019 (against a loss of MCHF 330 at 31 December 2018). MCHF 1 of actuarial gains came from pension plans other than the one with Publica (vs. MCHF 1 in 2018).

The actuarial losses from a change in financial assumptions in 2019 resulted from a decline in the discount rate, and were slightly offset by a reduction in salary development. The return on plan assets, which is recognised in equity, was over 9% – higher than expected (and corresponding to a discount rate of 0.3%).

Change in present value of defined benefit obligations

MCHF	2019	2018
Present value of defined benefit obligations as of 01.01.	2 308	2 273
Current service cost (employer)	83	85
Interest expense from defined benefit obligations	7	7
Employee contributions	35	33
Benefits paid in (+) and paid out (-)	- 95	- 84
Past service cost	0	4
Gains (-) / losses (+) from plan settlements	0	0
Actuarial gains (-) / losses (+)	182	- 9
Present value of defined benefit obligations as of 31.12.	2 521	2 308

The weighted average term arising from defined benefit obligations for EPFL is 15.8 years as of 31 December 2019 (2018: 15.0 years).

Change in fair value of plan assets

MCHF	2019	2018
Fair value of plan assets as of 01.01.	1 730	1 782
Interest income from plan assets	5	5
Employer contributions	66	64
Employee contributions	35	33
Benefits paid in (+) and paid out (-)	- 95	- 84
Gains (+) / losses (-) from plan settlements	0	0
Administrative costs (excl. asset management costs)	- 1	- 1
Return on plan assets excl. interest income, gains (+) / losses (-)	150	- 69
Fair value of plan assets as of 31.12.	1 890	1 730

Transition of net defined benefit liabilities

MCHF	2019	2018
Net defined benefit liabilities as of 01.01.	- 579	- 490
Net pension costs incl. interest expense recognised in statement of financial performance	- 87	- 92
Revaluation amount recognised in equity	- 31	- 60
Employer contributions	66	64
Obligations paid directly by the entity	0	0
Net defined benefit liabilities as of 31.12.	- 631	- 579

Major categories of plan assets (in percentage)

%	2019			2018		
	Listed	Not listed	31.12.2019	Listed	Not listed	31.12.2018
Liquidity	5	0	5	3	0	2
Bonds (in CHF) Confederation	6	0	6	7	0	6
Bonds (in CHF) ex. Confederation	12	0	10	13	0	12
Government bonds (in foreign currencies)	29	0	26	28	0	26
Corporate bonds (in foreign currencies)	12	0	11	15	0	14
Mortgages	0	0	0	0	0	0
Shares	30	0	27	31	0	28
Real estate	3	53	8	1	65	7
Commodities	3	0	2	2	0	2
Other	0	47	5	0	35	3
Total plan assets	100	100	100	100	100	100

Publica bears the actuarial and investment risks itself. The investment strategy is defined in such a way that benefits under the policy can be provided at maturity.

There is no known pension plan property used by the employer.

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Principal actuarial assumptions used as at the reporting date (in percentage)

%	2019	2018
Discount rate as of 01.01.	0.30	0.30
Discount rate as of 31.12.	- 0.20	0.30
Expected salary development	0.50	0.50
Expected pension development	0.00	0.00
Interest on retirement savings	0.00	0.30
Life expectancy at age 65 – women (no. of years)	24.65	24.54
Life expectancy at age 65 – men (no. of years)	22.61	22.50

The discount rate is based on the spot interest rates for federal bonds published by the Swiss National Bank on a monthly basis and the expected cash flows of the ETH Domain's pension scheme at Publica in accordance with existing prior-year data. The expected future rate of salary increase is based on reference economic variables.

The rate of pension increase is the rate of pension increase expected for the average remaining term based on the financial position of the pension plan. The generation tables in BVG 2015 are applied for assumptions about life expectancy.

Sensitivity analysis (effect on present value of defined benefit obligations)

MCHF	31.12.2019		31.12.2018	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (change $\pm 0.25\%$)	- 96	103	- 84	89
Expected salary development (change $\pm 0.25\%$)	11	- 11	9	- 9
Expected pension development (change $\pm 0.25\%$)	79	n/a	69	n/a
Interest on retirement savings (change $\pm 0.25\%$)	16	n/a	14	- 14
Life expectancy (change ± 1 year)	86	- 87	74	- 75

The adjustment in defined benefit obligations upon adjustment of the actuarial assumptions is determined in the sensitivity analysis. Only one of the assumptions is adapted at once, while the other parameters remain unchanged.

The discount rate, the interest on retirement savings and the assumptions made on salary and pension development have been increased or lowered by fixed percentage points. The assumptions made on pension development and on the interest on retirement savings have been increased but not lowered for the reporting period, as a reduction of the pension benefit or the interest on retirement savings is not possible.

The sensitivity to life expectancy has been calculated by lowering or increasing life expectancy by a flat-rate factor, as a result of which the life expectancy of most age categories has been increased or reduced by about one year.

27 Dedicated third-party funds

MCHF	31.12.2019	31.12.2018	Change absolute
Swiss National Science Foundation (SNSF)	234	215	19
Swiss Innovation Agency (Innosuisse)	19	24	- 4
EU Framework Programmes for Research and Innovation (FP)	161	173	- 11
Special federal funding of applied research	19	14	5
Industry-oriented research (private sector)	71	91	- 20
Other project-oriented third-party funding	25	23	3
Total dedicated third-party funds	530	539	- 9

Dedicated third-party funds consist of funding to be received for research projects and mandates in progress under non-exchange transactions. The minor fluctuation (of 2%, or MCHF 9) in this line item illustrates how consistently the School is able to obtain research funding.

28 Financial risk management and additional information about financial instruments

General

Financial risk management is embedded in the general risk management of EPFL. It primarily addresses:

- credit risk (default risk),
- liquidity risk, and
- market risk (interest rate, foreign currency and other price risk)

The focus of risk management remains on credit risk. There are guidelines governing the investment of financial resources in order to reduce credit and market risk. The counterparties to a large proportion of the receivables and claims arising from financial assets are of high credit standing and solvency. Risk concentrations only exist in respect of those counterparties, which is why credit risk is regarded as low.

Furthermore, there are receivables and financial assets in foreign currencies which are hedged according to prevailing circumstances in order to minimise the currency risk.

Compliance with and the effectiveness of the guidelines are ensured by the internal control system (ICS).

Credit and default risk

Maximum exposure to credit risk

The maximum exposure to credit risk corresponds to the carrying amounts in the balance sheet. The actual risk is very low due to the fact that the counterparties to a large proportion of the financial assets are the Federal Government and other public-sector institutions.

MCHF	Total	Federal Government	European Commission FP*	SNSF, Innosuisse, OASI social service, Suva	SNB and banks with government guarantee	Postfinance and other banks	Other counterparties
31.12.2019							
Cash and cash equivalents	349	290	0	0	0	58	0
Receivables from non-exchange transactions	436	16	126	193	0	0	100
Receivables from exchange transactions	16	0	0	0	0	0	15
Financial assets and loans	255	232	0	0	0	10	13
Prepaid expenses and accrued income	3	0	0	0	0	0	3
Total	1 058	539	126	193	0	68	131
31.12.2018							
Total previous period	1 081	494	145	180	0	78	184

* The remaining receivables due from the Federal Government (State Secretariat for Education, Research and Innovation SERI) under the bridging programme for Horizon 2020 and the receivables from European universities arising from EU research framework programmes are shown in the column headed European Commission.

Liquidity risk

The EPFL has processes and principles in place which guarantee that adequate liquidity is available to settle current and future obligations. This includes maintaining an adequate reserve of liquidity and tradeable securities.

Contractual maturities of the financial liabilities

MCHF	Total carrying amount	Total contract value	Up to 1 year	1-5 years	More than 5 years
31.12.2019					
Non-derivative financial liabilities					
Current liabilities	64	64	64	0	0
Leasing liabilities	269	361	16	63	282
Financial liabilities	82	82	6	21	56
Accrued expenses and deferred income	13	13	13	0	0
Derivative financial liabilities	0	0	0	0	0
Total	428	520	99	84	338
31.12.2018					
Total previous period	476	574	141	85	349

Financial liabilities arise, most notably, from current operating liabilities and leasing liabilities. Under normal circumstances, expenses and investments are financed with self-generated funds. In some cases, investments are financed through lease agreements. Financial liabilities include liabilities due to the donated right at EPFL (Microcity) which is recorded in the balance sheet. It is treated as a finance lease but does not represent a liquidity risk.

The entities controlled by EPFL may raise funds on the financial market.

All financial liabilities are covered by liquidity and by short-term deposits with the Federal Government. Liquidity risk is low.

Market risk

Interest rate and price risk

Interest rate risk is not hedged. A one percentage point increase or decrease in the interest rate would increase or reduce surplus or deficit by around MCHF 6.

The bonds under the asset management mandates are also taken into account in analysing interest rate risk. The other trading positions (excluding bonds) largely consist of equity funds holding both international and Swiss equities. A 10% decrease in price would reduce surplus or deficit by MCHF 2.

Most of the trading positions exposed to a price risk are 100% held under asset management mandates with Swiss banks.

The EPFL has defined an allocation strategy applied to wealth management mandates. The strategy is reviewed quarterly.

EPFL issued the investment guidelines based on Art. 34c paragraph 2 of the ETH Act (SR 414.110), which came into effect on 1 January 2008. EPFL defined his own investment strategies on this basis. A model is operated for the selection of the relevant portfolio optimised for the investment strategy of the asset management mandate. This model is used to reconcile the risk associated with the assets and the risk capability of EPFL and a value fluctuation reserve is formed accordingly. It ensures that expected minimum yields are achieved. EPFL reviews the defined strategy quarterly.

Foreign currency risk

Most foreign currency receivables are in euros and US dollars; they are hedged using derivative financial instruments according to prevailing circumstances. Most foreign currency risks in asset management mandates are hedged. Net of hedges, a fluctuation in the exchange rate of these two currencies of $\pm 10\%$ would impact on the statement of financial performance as follows.

MCHF	Total	CHF	EUR	USD	Autres
31.12.2019					
Cash and cash equivalents	349	343	4	1	
Receivables from non-exchange transactions	436	307	124	4	1
./. IPSAS 23 receivables with performance obligation component	- 390	- 262	- 123	- 4	- 1
Receivables from exchange transactions	16	15			
Financial assets and loans	255	253	1	1	
Prepaid expenses and accrued income	3	2			
./. Contract volume hedges					
Total	668	658	6	3	1
Current liabilities	64	45	18	1	
Leasing liabilities	269	269			
Financial liabilities	82	82			
Accrued expenses and deferred income	13	12	1	1	
./. Contract volume hedges					
Total	429	408	19	1	
Net currency balance	239	250	- 13	2	1
Sensitivity affecting financial performance $\pm 10\%$			- 1	0	
Closing rate			1.0866	0.9676	
31.12.2018					
Cash and cash equivalents	315	313			1
Receivables from non-exchange transactions	463	302	152	8	1
./. IPSAS 23 receivables with performance obligation component	- 410	- 251	- 151	- 7	- 1
Receivables from exchange transactions	13	12	1		
Financial assets and loans	288	287	1	1	
Prepaid expenses and accrued income	2	2			
./. Contract volume hedges					
Total	671	664	3	2	2
Current liabilities	104	39	64	1	
Leasing liabilities	278	278			
Financial liabilities	80	80			
Accrued expenses and deferred income	14	12	2		
./. Contract volume hedges					
Total	476	409	66	1	
Net currency balance	195	255	- 63	1	2
Sensitivity affecting financial performance $\pm 10\%$			- 6	0	
Closing rate			1.1265	0.9855	

As a reminder, the increase in total assets in euros in 2018 was largely temporary in nature and was related to the HBP. The balance at end-2019 is more representative of EPFL's activities.

Capital management

Managed capital is defined as equity excluding valuation reserves. EPFL seeks to create a solid equity base. This base will enable the implementation of the performance mandate to be guaranteed. Legal regulations prohibit EPFL from raising funds in the capital market.

Estimation of fair value

Because of their short-term maturity, the carrying amount of cash and cash equivalents and the carrying amounts of current loans, fixed deposits, receivables and current liabilities are a reasonable approximation of fair value.

The fair value of non-current receivables from non-exchange transactions and non-current loans is calculated based on the payments falling due in the future, which are discounted at market interest rates.

The fair value of available-for-sale financial assets is based on actual values, provided they can be determined reliably, or reflects their costs.

The fair value of fixed-interest financial liabilities which are not traded publicly is estimated on the basis of payments due in the future and discounted at market interest rates.

The fair value of fixed-interest financial assets and liabilities which are traded publicly is based upon stock market quotations on the reporting date.

The fair value of finance lease liabilities is estimated on the basis of payments falling due in the future, which are discounted at market interest rates.

Classes and categories of financial instruments

MCHF	Loans and receivables	At fair value through surplus or deficit	Available for sale	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value
31.12.2019						
Cash and cash equivalents	349				349	349
Receivables from non-exchange transactions	436				436	436
Receivables from exchange transactions	16				16	16
Financial assets and loans	232	15	7		255	255
Prepaid expenses and accrued income	3				3	3
Financial assets **	1 036	15	7	0	1 059	1 059
Current liabilities				64	64	64
Leasing liabilities				269	269	269
Financial liabilities		0		82	82	82
Accrued expenses and deferred income				13	13	13
Financial liabilities *	0	0	0	428	428	428
31.12.2018						
Financial assets **	1 025	49	7	0	1 081	1 081
Financial liabilities *	0	1	0	475	476	476

* Current liabilities, Leasing liabilities, Financial liabilities, Accrued expenses and deferred income.

** Cash and cash equivalents, Receivables from non-exchange transactions, Receivables from exchange transactions, Financial assets and loans, Prepaid expenses and accrued income.

EPFL does not have any held-to-maturity investments.

Hierarchy levels of the financial instruments measured at the fair value

Financial instruments measured at fair value are required to be disclosed within a three-level valuation hierarchy:

- Level 1 – quoted prices in an active market for identical assets and liabilities.
- Level 2 – valuation techniques where all significant inputs are based on observable market data.
- Level 3 – valuation techniques where significant inputs are not based on observable market data.

Fair value hierarchy

MCHF	Carrying amount / fair value	Level 1	Level 2	Level 3
31.12.2019				
Financial assets	22	16	6	0
Financial liabilities	0	0	0	0
31.12.2018				
Financial assets	55	49	6	0
Financial liabilities	1	0	1	0

Presentation of net surplus or deficit by valuation category

MCHF	Loans and receivables	At fair value through surplus or deficit	Available for sale	Financial liabilities
31.12.2019				
Total net surplus or deficit by category	- 1	3	0	- 8
31.12.2018				
Total net surplus or deficit by category	- 3	- 2	- 1	- 8

Interest expense and changes in fair value have had the biggest impact on net income. Further information can be found in Note 13 Financial result.

29 Contingent liabilities and contingent assets

Contingent liabilities

MCHF	31.12.2019	31.12.2018	Change absolute
Guarantees	0	0	0
Warranties	1	1	0
Litigations	0	0	0
Other	260	265	- 5
Total contingent liabilities	261	266	- 5

The MCHF 1 in warranties relates to a commitment to cover any duties charged by foreign customs offices in cross-border transactions. This warranty does not have a time limit.

The other contingent liabilities concern mainly:

- Campus Biotech Geneva (MCHF 246) – This is a lease agreement between Campus Biotech Geneva Foundation, the University of Geneva and EPFL. The corresponding contingent liability is equal to the solidarity commitment remaining until the lease expires, including refurbishing;
- The possibility that the European Commission deems certain project costs ineligible. The extrapolated maximum liability not already covered by provisions is MCHF 9;
- A joint and several liability for the rent on the Agora building in Lausanne. EPFL could be liable for MCHF 5 if the other two parties on the lease (CHUV and UNIL) default on their obligations.

EPFL also has contingent liabilities of an unspecified amount related to its membership in research consortiums.

Contingent assets

There were no contingent assets at 31 December 2019.

30 Financial commitments

MCHF	31.12.2019	31.12.2018	Change absolute
Financial commitments ≤ 1 year	7	8	-2
Financial commitments from 1 to 5 years	0	0	0
Financial commitments > 5 years	0	0	0
No due date / indefinite	0	0	0
Total financial commitments	7	8	-2

Financial commitments less than one year relate to new orders of over MCHF 0.5 for research equipment. The decrease in these commitments in 2019 is due to MCHF 6 of new orders that were placed during the year, less the MCHF 8 of orders that were paid off in full. EPFL has also committed to covering the following expenses:

- 40% of the costs for the Wyss Center for Bio and Neuroengineering in Geneva.
- Costs for major maintenance and renovation work for the operating equipment and interior of the Microcity building in Neuchatel.

31 Operating lease

MCHF	2019	2018	Change absolute
Due dates			
Due within 1 year	8	6	2
Due within 1 to 5 years	30	23	7
Due after more than 5 years	99	101	-1
Future minimum payments for non-cancellable operating lease as of 31.12.	138	130	8
Leasing expenses			
Minimum lease payments	9	7	2
Payments from subleasing	0	0	0
Leasing payments of current period	9	7	2
Additional details			
Future revenue from sublease (from non-cancellable contracts)	1	0	1

32 Remuneration of key management personnel

MCHF	2019	2018	Change absolute
Directorate (7 FTE)	3	3	0

33 List of the controlled and associated entities (scope of consolidation)

EPFL generally has no rights over the assets of controlled and associated entities. It cannot require that certain funds be transferred or access the entities' resources in any other way.

The scope of consolidation of the ETH Domain includes the following entities.

Controlled entities

	Legal form	Nature of collaboration / business activity	Domicile	Proportion of voting rights 31.12.2019	Proportion of participating share 31.12.2019	Reporting date used
Fondation pour les étudiants de l'EPFL	Foundation	The foundation supports students at EPFL, if their financial circumstances are making it much more difficult for them to complete their degree	Lausanne	60%	100%	31.12.2019
Fondation EPFL Innovation Park	Foundation	The foundation owns and maintains buildings for promising start-ups (technology park)	Ecublens VD	45%	100%	31.12.2019
SQIE Société pour le quartier de l'innovation de l'EPFL	Simple partnership	The simple partnership maintains buildings on a finance leasing basis for larger technology companies	Ecublens VD	100%	100%	31.12.2019
SQNE Société pour le quartier nord de l'EPFL	Simple partnership	The simple partnership maintains various buildings on a finance leasing basis and operates a convention centre, student halls of residences, shops and a hotel	Ecublens VD	80%	100%	31.12.2019

EPFL has a 100% stake in SQNE that consists of a direct 90% stake, an indirect 5% stake through Fondation EPFL Innovation Park (fully consolidated), and an indirect 5% stake through Fondation Les Bois Chamblard, an associated entity that EPFL fully owns. Due to the 100% stake in Fondation Les Bois Chamblard, SQNE is fully consolidated without considering or presenting non-controlling interests.

Associated entities

	Legal form	Nature of collaboration / business activity	Domicile	Proportion of voting rights 31.12.2019	Proportion of participating share 31.12.2019
Fondation Les Bois Chamblard	Foundation	The foundation provides infrastructure for the organisation of workshops and conferences	Buchillon	20 %	100 %
Fondation Campus Biotech Geneva	Foundation	The Biotech Campus is a centre of excellence in biotechnology and in life science research	Geneva	25 %	50 %
Fondation du Centre universitaire protestant de Lausanne	Foundation	The foundation provides accommodation for students from EPFL and from the University of Lausanne	Lausanne	43 %	60 %
Fondation "Institut d'imagerie moléculaire translationnelle IIMT"	Foundation	The foundation contributes to the development of new programs in translational research and technological innovation in the area of molecular imaging	Geneva	50 %	50 %

Entities below materiality thresholds

The Ordinance on Finance and Accounting of the ETH Domain specifies the ownership thresholds to consider when establishing EPFL's scope of consolidation. Under Appendix 2 of the Ordinance, entities that otherwise meet the consolidation criteria but are below the thresholds are not included in the scope of consolidation and must be presented as follows.

	31.12.2019	31.12.2018
Controlled entities		
Quantity	4	4
Total assets (MCHF)	7	7
Associated entities		
Quantity	4	4
Total assets (MCHF)	29	27

34 Events after the reporting date

EPFL's President and EPFL's Vice President for Finances approved these 2018 consolidated financial statements on 24 February 2020. No material events occurred between this date and the balance sheet date that would require an amendment or additional note to these financial statements.



Reg. Nr. 1.20316.939.00125.002

Report of the statutory auditor

to the President of the Swiss Federal Institute of Technology in Lausanne

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Swiss Federal Institute of Technology in Lausanne (EPFL), which comprise the consolidated statement of financial performance 2019, the consolidated balance sheet as of 31 December 2019, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (excluding foreword).

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the EPFL as of 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) and legal requirements and the Accounting Manual for the ETH Domain.

Basis for Opinion

We conducted our audit in accordance with Swiss Law, International Standards on Auditing (ISAs), Swiss Auditing Standards and article 35ater of the Federal Act on the Federal Institutes of Technology (SR 414.110). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent based on the Federal Auditing Act (SR 614.0) and the requirements of the audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the Annual Report

The Executive Board of the EPFL is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. In this context, please refer to the section Report on other legal and regulatory requirements at the end of this report.

Responsibilities of the Executive Board of the EPFL for the consolidated financial statements

The Executive Board of the EPFL is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and the legal requirements (Ordinance on the ETH Domain, SR 414.110.3; Ordinance on the Finance and Accounting of the ETH Domain, SR 414.123; Accounting Manual for the ETH Domain), and for such internal control as the Executive Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Board of the EPFL is responsible for assessing the EPFL's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with Swiss law, ISA's and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the EPFL's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Executive Board of the EPFL's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the EPFL's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the notes to the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the EPFL to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the EPFL to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Executive Board of the EPFL and the Audit Committee of the ETH Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with the Federal Auditing Act and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the ETH Board.

In accordance with Art. 21 par. 2 of the Ordinance on the Finance and Accounting of the ETH Domain, we confirm that no contradictions exist between the personnel reporting in the annual report (management report) and the consolidated financial statements. Likewise, we confirm that no contradictions exist between the financial figures in the annual report (management report) and the consolidated financial statements.

Furthermore, in accordance with Art. 21 par. 2 of the Ordinance on the Finance and Accounting of the ETH Domain, we confirm that risk management has been appropriately conducted according to the instructions of the ETH Board.

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

Berne, 24 February 2020

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