



**ANNUAL FINANCIAL STATEMENTS
AT 31st DECEMBER 2019**

HUMAN TECHNOPOLE FOUNDATION

Legal Headquarters and Offices: Via Cristina Belgioioso, snc - 20157 MILANO (MI)

Endowment Fund: Euro 77.230.557

Tax Code 97821360159

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RIA Grant Thornton S.p.A.

TABLE OF CONTENTS

Management Report	pag. 6
Balance Sheet	pag. 18
Income Statement	pag. 21
Cash Flow Statement	pag. 24
Explanatory Notes	pag. 27
Part A – Accounting Policies	pag. 28
Part B – Information on Balance Sheet - ASSETS	pag. 35
Part B – Information on Balance Sheet – LIABILITIES & EQUITY	pag. 40
Part C – Information on Income Statement	pag. 45
Part D – Other Information	pag. 47

MANAGEMENT REPORT

The 2019 financial year of the Human Technopole Foundation closed with a profit after tax of Euro 0, after provisions for IRAP taxes of Euro 65.084. Depreciation, amortization and write-downs on tangible and intangible fixed assets amounted to Euro 41.585.

The Financial Statements for the year ended December 31, 2019 have been prepared in accordance with articles 2423 et seq. of the Italian Civil Code, adopting the extended form, although the requirements of article 2435-bis for the abbreviated form are met.

The criteria used in training and evaluation take into account the provisions of national legislation pursuant to Legislative Decree 139/2015, through which Directive 2013/34/EU was implemented.

The Financial Statements are subject to certification both by a board of internal auditors and to voluntary audit by an external audit firm.

THE ACTIVITY CARRIED OUT IN 2019

The activities carried out by Human Technopole in 2019 concerned, in general, the start of scientific and administrative operations, the selection of key figures and the development of the HT campus infrastructure, also outlining the broad programmes to be developed in the near future.

With reference to the Scientific area, the initial development of the Research activity has been outlined and the creation of five Research Centres, which will constitute the first core of HT's scientific activities, is planned: the Centres for Genomics, Computational Biology, Neurogenomics, Structural Biology and the Centre for Analysis, Decisions and Society (CADS), the latter promoted jointly with the Politecnico di Milano.

Underlining the importance of the project carried out by the HT Foundation was the visit of the Prime Minister, Giuseppe Conte, who officially inaugurated the Palazzo Italia headquarters and recalled the strategic importance for Italy of the new research centre in the life sciences.

In line with HT's objective to establish and develop collaborative relationships with the Italian biomedical research community, discussions on possible areas of synergy with numerous universities, research centres, clinical research institutes, scientific societies and research networks were initiated. Some of these interactions led to the conclusion of formal partnerships and/or scientific collaboration agreements with Human Technopole as early as 2019 (e.g. University of Milan and the European School of Molecular Medicine).

Procurement process

With regard to the processes of purchasing goods and services, in order to achieve efficiency and transparency of expenditure, an Agreement has been stipulated with ARIA S.p.A., which qualifies as Central Purchasing and Aggregator of the Lombardy Region.

This allows Human Technopole to use the Sintel platform free of charge for the management of tender procedures and for the Supplier Register.

Moreover, Human Technopole has also, since the first months, utilised the Consip portal, starting to use the electronic marketplace for the selection of suppliers.

Development of the HT Campus infrastructure

With regard to the development of the infrastructure to house the HT campus and as a result of the agreement signed on 12 December 2018 with IIT, the HT Foundation took over the contracts concluded by the Italian Institute of Technology of Genoa (IIT) in the start-up phase of the HT Project in February 2019. These include the Framework Agreement signed on 3 August 2017 between Arexpo and IIT, aimed at regulating the start-up phase of the HT Project within the MIND area.

The settlement provided for in the Framework Agreement concerns the refurbishment and the use by the HT Foundation of some buildings owned by Arexpo, such as "Palazzo Italia", the building "Cardo North West" (now "South Pavilion"), the building "US6" (now "North Pavilion"), and a total plot of land of about 22.000 sqm. on which a future new building will be built ("South Building"), the internal road network, green spaces and technical support areas, such as the MV/LV power plant and the Data Centre.

In September 2019, work on Palazzo Italia was essentially completed and the first talks concerning the possible future purchase and sale or long-term leasing of the same building were started in 2020. These had as a consequence necessary technical and administrative investigations of the building.

Work also progressed on the South and North Pavilions the refurbishment of work was put out to tender and awarded. Both projects are expected to be completed by the end of 2020 or early in 2021.

In May 2019, Arexpo and Fondazione HT signed a Memorandum of Understanding, which included the agreement to entrust Arexpo with the auxiliary commissioning activities for further important Real Estate activities in support of the construction of the Campus:

- The design competition for HT's new Building ("South Building");
- The design and construction of a further 4000 square meters of temporary structures to be used as research laboratories (Incubator Labs);

The design competition for the South Building was announced in May and is ongoing.

The tender for the supply and installation of temporary structures for the construction of the "Incubator Labs" was launched in August 2019 and subsequently awarded in October. The contract was then signed in January 2020.

As part of the same Memorandum of Understanding, Arexpo has in the meantime been awarded the contract and work has started on the preparation of the areas to house these Incubator Labs.

New ERP management system

During the last quarter of 2019, the project to implement the new information management system (ERP) was launched, aimed at supporting the growth of the Human Technopole Foundation in the coming years.

In particular, the management system chosen is "SAP Business ByDesign", whose first implementation phase was completed within the year. The system was launched in January 2020, and currently covers the fundamental operational processes of the passive cycle and administration.

From 2020, the project will be progressively extended to the remaining operational areas, such as human resources, project management, grant management, minor business activities and Business Intelligence.

This project is part of a wider context of initiatives aimed at ensuring efficiency in operational processes, as well as transparency and integrity of management and financial values communicated to the various stakeholders of the Foundation.

HIGHLIGHTS OF 2019 OUTCOMES

The provisions of Article 2428 of the Italian Civil Code, as amended by Legislative Decree no. 32 of 2 February 2007, provides in paragraph 3, letter b), that the report on operations shall include, "to the extent necessary for an understanding of the company's situation and performance of the results of operations, financial and, where appropriate, non-financial performance indicators relevant to the specific activities".

Given the non-profit nature of Human Technopole, it was intended, without prejudice to what is set out in the financial statements and the notes to the financial statements, to illustrate the key figures in the balance sheet, income statement and operating ratios that highlight the results achieved.

The 2019 financial statements, accompanied by this report and the notes to the financial statements, have been voluntarily audited by Ria Grant Thornton S.p.A.

Euro	31/12/2019	31/12/2018
Revenues	5.191.961	275.388
Ebitda	106.595	34.168
Ebit	65.012	34.168
Net result		28.766
Fixed Assets	863.774	
Total Net Equity	332.713.421	28.766
Net Financial Position	79.158.836	6.393.730

It should be noted that, in agreement with the Board of Auditors and the External Auditors, the value of Shareholders' Equity as of December 31, 2019, which amounts to Euro 332.713.421 includes the Foundation's Endowment Fund of Euro 77.230.557 and the Management Fund, which amounts to Euro 255.454.097, inclusive of the Financial Year 2018 Net Profit of euro 28.766 and brings together the annual contributions that Article 1, paragraph 121 of Law 232/2016 assigned to Human Technopole in the period 2017-2019.

The Income Statement

The table below shows the results achieved during the year (in euros), in terms of revenues, EBITDA and profit before taxes.

Euro	31/12/2019	31/12/2018
Revenues	5.191.961	275.388
Ebitda	106.595	34.168
Profit before taxes	65.084	34.260

Main economic figures

The reclassified income statement, compared with the previous year's income statement, is as follows:

Euro	31/12/2019	31/12/2018	Variation
Revenues	5.191.959	275.388	4.916.571
External costs	2.778.429	241.220	2.537.209
Added value	2.413.530	34.168	2.379.362
Labour cost	2.306.935		2.306.935
Gross operating margin	106.595	34.168	72.427
Amortisation, depreciation and other accruals	41.585		41.585
Operating result	65.010	34.168	30.842
Other income	2		2
Financial income and costs	72	92	(20)
Ordinary result	65.084	34.260	30.824
Profit before taxes	65.084	34.260	30.824
Income taxes	65.084	5.494	59.590
Net Result	0	28.766	(28.766)

Balance Sheet

The main balance sheet trends in 2019 have been summarized in the following table, in which the asset and liability items have been appropriately reclassified to show the capital invested, the sources of financing and their determinants.

Euro	31/12/2019	31/12/2018	Variation
Net tangible assets			
Net intangible assets	863.774		863.774
Shareholdings and other financial fixed assets			
Fixed assets	863.774		863.774
Stocks			
Accounts receivable from customers			
Other accounts receivable	254.361.946		254.361.946
Accrued income and prepayments	187.462		187.462
Short-term operating assets	254.549.408		254.549.408
Accounts payable to suppliers	1.342.918	4.880	1.338.038
Advances			
Taxes and social security contributions payable	338.085	47.273	290.812
Other accounts payable	55.771	56.678	(907)
Accrued liabilities and deferred income	38.032	6.256.133	(6.218.101)
Short-term operating liabilities	1.774.806	6.364.964	(4.590.158)
Net working capital	252.774.602	(6.364.964)	259.139.566
Employees' leaving indemnity	83.791		83.791
Tax and social security liabilities (after more than one year)			
Other medium/long-term liabilities			
Medium/long-term liabilities	83.791		83.791
Net invested capital	253.554.585	(6.364.964)	259.919.549
Shareholders' equity	(332.713.421)	(28.766)	(332.684.655)
Medium-long term net position			
Short-term net position	79.158.836	6.393.730	72.765.106
Shareholders' equity and net indebtedness	(253.554.585)	6.364.964	(259.919.549)

Main financial figures

The net financial position at 31/12/2019, is the following:

Euro	31/12/2019	31/12/2018	Variation
Cash at banks	79.160.734	6.393.730	72.767.004
Cash and cash equivalents	194		194
Liquid assets and treasury shares	79.160.928	6.393.730	72.767.198
Financial assets other than fixed assets			
Shareholders' loans (within one year)			
Accounts payable to banks (within one year)	2.092		2.092
Short-term financial accounts payable	2.092		2.092
Net short-term financial position	79.158.836	6.393.730	72.765.106
Medium/long-term net financial position			
Net financial position	79.158.836	6.393.730	72.765.106

A better description of the financial situation is provided in the table below, which shows some balance sheet ratios.

	31/12/2019	31/12/2018
Primary liquidity	187,81	58,75
Secondary liquidity	187,81	58,75
Debt	0,01	3,78
Fixed asset coverage ratio	385,28	

Investments

During the year, investments were made in the following areas:

Euro	Fixed Assets	Purchases for the year
Land and building		
Plant and machinery		1.496
Industrial and commercial equipment		
Other assets		208.579
Work-in-progress and advances		695.284

OTHER INFORMATION

The Foundation has launched a review of internal operating processes, promoting the progressive definition of the regulations governing its activities (regulations and procedures).

Organization, Management and Control Model

At the end of the year the mapping of operational risks related to the Foundation's liability for the offences provided for by Legislative Decree 231/2001 was started.

This activity is preparatory to the adoption, expected for the first half of 2020, of the Organization, Management and Control Model, with the related Code of Ethics of the Foundation, as well as the introduction of a system of delegations and powers.

HT - IIT Convention

On 12 December 2018, HT and IIT signed a Convention, pursuant to art. 11 of the HT Regulation (which provides, inter alia, that the regulation of the relations between HT and IIT with regard to the Human Technopole project shall take place by convention), which ceased to be effective as of 30 June 2019.

The aforementioned Agreement, sent to the Ministry of Economy and Finance on December 19, 2018, together with the reporting by the latter of the use of funds referred to in Article 5 of DL 185/2016, converted with amendments by Law no. 9/2016, was approved by the Presidency of the Council of Ministers through the Prime Ministerial Decree of September 3, 2019 (prot. DICA 21489 of 12.11.2019).

In the first months of 2019 IIT, in fulfilment of the commitments undertaken with the signing of the Convention, provided for the transfer to HT of the contracts stipulated with third parties, as well as the assets, domains and trademarks acquired by IIT in the interest of HT.

These include the Framework Agreement between IIT and Arexpo dated August 3, 2017 and the IIT - Arexpo loan agreement dated December 22, 2017, as well as the Agreement between IIT and Politecnico di Milano for the establishment of a joint research centre called "Centre for Analysis, Decision and Society" dated April 7, 2017.

The residual resources referred to in Article 5, paragraph 2, of Decree Law no. 185 of 25 November 2015, converted, with amendments, by Law no. 9 of 22 January 2016, were transferred from IIT to HT on 27 December 2019 following a decision of the Ministry of Economy and Finance, in accordance with Article 12 of the HT Regulation.

Board of Auditors

The Board of Auditors of HT, composed of three full members and three alternates, appointed among the registered auditors, was constituted by Decree of the President of the Council of Ministers of 3 September 2019, who adopted the proposal of the Minister of Economy and Finance, after designation of the Founders (see art. 19, c.1, of HT Statute).

The Board of Auditors subsequently took office on 29 October 2019, with a delay of about one year with respect to the establishment of the Management Committee.

Pending the appointment of the Board of Auditors and until its inauguration, in order not to suffer an impasse in the performance of its institutional activity, the HT Foundation entrusted an external auditing firm with the examination of the 2019 financial statements and the forecast documents for 2019, as well as the other functions assigned by the Statutes to the Board of Auditors. Since the date of the establishment of the Board of Auditors, the Auditing Firm has maintained exclusively the assignment of voluntary audit of the 2019 financial statements.

Appointment of the Scientific Advisory Board

In view of the fact that the HT Foundation is still going through the start-up phase, which involves the recruitment of Heads of Research Centres and other researchers employed by HT, the research activity cannot be started before 2020 and will gradually grow over the following years, reaching full capacity only with the completion of the implementation phase of the laboratories.

For this reason, the Supervisory Board, in order to ensure the efficiency, effectiveness and cost-effectiveness of the Foundation, decided not to proceed immediately with the appointment of a full Scientific Committee according to the procedures and forms established by the Statutes and the Operating Rules, since the high operating and installation costs and effort would not be consistent with the actual amount of advice required; the Supervisory Board therefore decided to proceed with the appointment of a smaller Scientific Advisory Board.

This body was appointed on 15 November 2019 and is called to carry out, on a temporary basis and, in any case, no later than 1 January 2022, the functions and powers provided for in the Articles of Association for the Scientific Committee, until such time as it is appointed.

This Body has been selected on the basis of about one hundred profiles selected from the world's leading scientists in the field of life sciences, carried out also with the help of a leading head-hunting company. Walter Ricciardi, full professor of general and applied hygiene at the

Catholic University of the Sacred Heart, former president of the Higher Institute of Health and current president of the European Commission's Mission Board for Cancer, was appointed coordinator of this body.

HUMAN RESOURCES AND ORGANIZATION

The number of the employees at the end of 2019 was 28, 16 more than at the end of 2018, net of the initial group of 12 people recruited directly by IIT for the initial development of the project. This first group of employees was hired by the Foundation as of 1 January 2019, all employment contracts with IIT having expired on 31 December 2018.

During 2019, the Company set up its organizational structure in order to ensure a better rationalization and efficiency of process management.

In this regard, some operational policies were implemented. Within the HR area the policy for the management of flexible working hours for staff roles, agile work and the recruitment process were particularly noteworthy.

During the year, the selection of personnel in top management roles of the Organization was continued, both in the area of Scientific Research and in the Operations and Governance area. In fact, the selection processes for the Heads of the Research Centres for Neurogenomics and Structural Biology were completed. The profile for the role of Head of Genomics has also been identified, as well as four senior profiles, i.e. Group Leaders in the areas of Computational Biology, Structural Biology and Neurogenomics, who have begun a collaborative relationship in preparation for the creation of the research centres.

Also within the scientific direction, a reference profile was assumed for the area of Strategy and Scientific Affairs and some PhD fellowships were activated in collaboration with SEMM (European School of Molecular Medicine) and Politecnico di Milano (as part of the DADS - Data Analytics and Decision Science program).

In addition, in the Operations area, the heads of the Legal Affairs, Human Resources, Purchasing and Finance areas were hired and the IT Manager profile has been identified.

Finally, the first individual and group training initiatives of a specialist type or in compliance with legal requirements (compulsory training) were carried out. In this regard, the activities in terms of language training and those in compliance with legal requirements (in the Health, Safety and Environment area) are reported.

EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

As far as infrastructure development is concerned, the re-functionalisation and construction activities started in 2019 continue, preparatory to the currently planned acquisition of Palazzo Italia, South Pavilion, North Pavilion and the land on which the new Foundation Building will be built.

With regard to the latter, on 04 February 2020 and 14 February 2020 respectively, the Management Committee and the Foundation's Supervisory Board approved the purchase of Palazzo Italia and its appurtenances, and consequently the continuation of negotiations with Arexpo with a view to signing the preliminary and final purchase and sale contract, which is expected to be completed during the year.

2020 OUTLOOK

During the year, the Foundation will update its Strategic Plan, further specifying the projects and the scope of the specific activities carried out.

With regard to Personnel, in the first months of 2020 the selection and insertion of new resources in both the Scientific Area and the Support Area (Governance and Operations) continued. This activity is consistent with the growth plan envisaged in the 2020 budget, on the basis of which the Foundation will reach a total of about 200 people by the end of the year.

On the organizational level, the implementation of the regulations and operating procedures required for the proper performance of operational activities continues, as well as the further development of the new ERP integrated management system with the integration of new functionalities.

 **PROPOSAL TO ALLOCATE THE ECONOMIC SURPLUS FOR THE FINANCIAL YEAR**

We thank you for the trust placed in us and invite you to approve the Financial Statements, the Explanatory Notes and this Directors' Report as presented, and we propose to allocate to the Management Fund the Financial year 2018 net result equal to Euros 28.766.

BALANCE SHEET

Assets – values in Euro		31/12/2019	31/12/2018
A) Accounts receivable from shareholders in respect of unpaid share capital			
(of which called up)			
B) Fixed assets			
<i>I. Intangible assets</i>			
<i>II. Tangible assets</i>			
1) Land and buildings			
2) Plant and machinery			
3) Industrial and commercial equipment			
4) Other assets			
5) Work-in-progress and advances			
		1.421	
		167.069	
		695.284	
		863.774	
<i>III. Financial assets</i>			
Total fixed assets		863.774	
C) Current assets			
<i>I. Stock</i>			
1) Raw materials, subsidiary materials and consumables			
2) Work in process and semi-finished products			
3) Work in progress on order			
4) Finished products and goods			
5) Advances			
<i>II. Accounts receivable</i>			
5-bis) Tax credits			
- due within the subsequent year			
- due beyond the subsequent year			
		91.540	
		91.540	
5-ter) Tax assets			
- due within the subsequent year			
- due beyond the subsequent year			
5-quater) Other accounts receivable			
- due within the subsequent year			
- due beyond the subsequent year			
		254.270.406	
		254.270.406	
		254.361.946	
<i>III. Financial assets other than fixed assets</i>			
<i>IV. Cash-in-hand, cash-at-bank and cash equivalents</i>			
1) Bank and postal accounts			
2) Cheques			
3) Cash and cash equivalents			
		79.160.734	6.393.730
		194	
		79.160.928	6.393.730
Total current assets		333.522.874	6.393.730

D) Accrued income and Prepayments		187.462	
Total assets		334.574.110	6.393.730
Liabilities – values in Euro		31/12/2019	31/12/2018
A) Funds			
I. Endowment Fund		77.230.557	
IV. Fund Available for operations		255.454.097	
VII. Other reserves			
Reserve from rounding-offs to whole Euros	1		
		1	
VIII. Cumulative Results of Operation		28.766	
IX. Results of Operation			28.766
			28.766
Total Funds		332.713.421	28.766
B) Provisions for contingent liabilities and charges			
Total provisions for contingent liabilities and charges			
C) Employees' leaving indemnity		83.791	
D) Accounts Payables			
4) Accounts payable to banks			
- due within the subsequent year	2.092		
- due beyond the subsequent year			
		2.092	
7) Accounts payable to suppliers			
- due within the subsequent year	1.342.918		4.880
- due beyond the subsequent year			
		1.342.918	4.880
12) Tax liabilities			
- due within the subsequent year	176.978		32.753
- due beyond the subsequent year			
		176.978	32.753
13) Accounts payable to social security institutions			
- due within the subsequent year	161.107		14.520
- due beyond the subsequent year			
		161.107	14.520
14) Other accounts payable			
- due within the subsequent year	55.771		56.678
- due beyond the subsequent year			
		55.771	56.678
Total accounts payable		1.738.866	108.831
E) Accrued liabilities and deferred income		38.032	6.256.133
Total shareholders' equity and liabilities		334.574.110	6.393.730

INCOME STATEMENT

Profit and loss account – values in Euro		31/12/2019	31/12/2018
A) Revenues			
1)	<i>From sales and services</i>		
2)	<i>Changes in stocks of work in process, semi-finished and finished products</i>		
3)	<i>Changes in work in progress on order</i>		
4)	<i>Capitalised internal work in progress</i>		
5)	<i>Other revenues and proceeds:</i>		
-	others	121.445	1
	- contributions toward operating expenses	5.070.516	275.387
		<u>5.191.961</u>	<u>275.388</u>
	Total revenues	5.191.961	275.388
B) Expenses			
6)	<i>Raw materials, subsidiary materials, consumables and goods</i>	30.599	
7)	<i>Services</i>	2.551.697	241.196
8)	<i>Rent/lease</i>	191.545	
9)	<i>Personnel costs</i>		
a)	salaries and wages	1.727.504	
b)	social contributions	474.768	
c)	employees' leaving indemnity	104.663	
d)	accruals for pension and similar benefits		
e)	other costs		
		<u>2.306.935</u>	
10)	<i>Amortisation, depreciation and value adjustments</i>		
a)	amortisation of intangible assets		
b)	depreciation of tangible assets	29.499	
c)	other value adjustments	12.086	
d)	write-down of accounts receivable recorded among current assets and liquid assets		
		<u>41.585</u>	
11)	<i>Changes in raw materials, subsidiary materials, consumables and goods</i>		
12)	<i>Accruals to provisions for contingent liabilities and charges</i>		
13)	<i>Other accruals</i>		
14)	<i>Miscellaneous running costs</i>	4.588	24
	Total expenses	5.126.949	241.220
	Difference between revenues and expenses(A-B)	65.012	34.168
C) Financial income and costs			
15)	<i>Income from shareholdings:</i>		
16)	<i>Other financial income:</i>		
a)	from accounts receivable recorded among fixed assets		
b)	from securities recorded among fixed assets		

current	c)	from securities recorded among assets		
	d)	other income: - other income		92
				92
				92
		17) Interest and other financial costs:		
		17-bis) Exchange gains and losses		72
		Total financial income and costs		72 92

D) Value adjustments of financial assets

Total value adjustments of financial assets

			65.084	34.260
		Result before taxes (A-B±C±D±E)		
		20) Taxes on the income for the year: current taxes and deferred tax assets and liabilities		
	a)	Current taxes	65.084	5.494
	b)	Taxes of prior years		
	c)	Deferred tax assets and liabilities		
	d)	Income (expense) arising from the adoption of the tax consolidation /fiscal transparency regime		
			65.084	5.494
		21) Results of Operation	0	28.766

CASH – FLOW STATEMENT

Values in Euro	FY 31/12/2019	FY 31/12/2018
A. Cash flow from operating activities (indirect method)		
Profit (loss) for the year		28.766
Income taxes	65.084	5.494
Interest expense (interest income) (Dividends)		(92)
Total capital (gains)/losses from the disposal of assets		
of which tangible assets		
of which intangible assets		
of which financial fixed assets		
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale	65.084	34.168
Adjustments in connection with non-monetary items with no offsetting items in the net working capital		
Accrual to provisions	83.791	
Amortisation/depreciation of fixed assets	29.499	
Write-downs of assets due to permanent value impairment	12.086	
Value adjustments to financial assets and liabilities generated by derivative financial instruments with do not involve a cash flow		
Other adjustments in connection with non-monetary items		
Total adjustments in connection with non-monetary items with no offsetting items in the net working capital	125.376	
2. Cash flow before changes in working capital	190.460	34.168
Changes in working capital		
Decrease/(increase) of inventory		
Increase/(decrease) of accounts receivable from customers		
Increase/(decrease) of accounts payable to suppliers	1.338.038	4.880
Decrease /(Increase) of accrued income and prepayments	(187.462)	
Increase /(decrease) of accrued liabilities and deferred income	(6.218.101)	6.256.133
Other decreases/(increases) in working capital	(254.034.597)	98.457
Total changes in working capital	(259.102.122)	6.359.470
3. Cash flow after changes in working capital	(258.911.662)	6.393.638
Other adjustments		
Interest collected/(paid)		92
(Income taxes paid)	(102.528)	
Dividends collected		
(Use of provisions)		
Other collections/(payments)		
Total other adjustments	(102.528)	92
Cash flow from operating activities (A)	(259.014.190)	6.393.730
B. Cash flow from investing activities		
Tangible assets	(905.359)	
(Investments)	(905.359)	
Realisation price of divestments		
Intangible assets		

(Investments)		
Realisation price of divestments		
Financial fixed assets		
(Investments)		
Realisation price of divestments		
Financial assets not included among fixed assets		
(Investments)		
Realisation price of divestments		
(Acquisition undertakings or business concerns not including cash-in-hand and cash-at-bank)		
Disposal undertakings or business concerns not including cash-in-hand and cash-at-bank		
Cash flow from investing activities (B)	(905.359)	
C. Cash flow from financing activities		
Debt		
Increase (decrease) of short-term bank debt	2.092	
Loans taken out		
Loans repaid		
Equity		
Share capital increase	332.684.655	
(share capital reimbursement)		
Sale (purchase) of treasury shares		
Dividends (and interim dividends) paid		
Cash flow from financing activities (C)	332.686.747	
Cash increase (Decrease) (A ± B ± C)	72.767.198	6.393.730
Exchange differences in cash-at-bank, cash-in-hand and cash equivalents		
Cash at the beginning of the year		
Bank and post office deposits	6.393.730	
Cheques		
Cash-in-hand and cash equivalents		
Total cash-at-bank, cash-in-hand and cash equivalents at the beginning of the year	6.393.730	
Of which are not freely usable		
Cash at the end of the year		
Bank and post office deposits	79.160.734	6.393.730
Cheques		
Cash-in-hand and cash equivalents	194	
Total cash-at-bank, cash-in-hand and cash equivalents at the end of the year	79.160.928	6.393.730
Of which are not freely usable		

EXPLANATORY NOTES

Part A – Accounting Policies

The year ended December 31, 2019 represented the second year of Human Technopole's activity and was characterized, in general, by the start of scientific and administrative activities, the selection of staff for key roles and the development of the HT campus infrastructure, also outlining the programs to be developed in the near future.

These financial statements, submitted for your examination and approval, show a balanced net result for the year 2019.

The table below summarises the contributions received from the Ministry and their use during the past 2 years (values in euro).

Contribution received on October 22, 2018	6.531.520
Endowment Fund received on December 27, 2019	77.140.000
Disbursements from November 1, 2018 to December 31,2018	137.790
Disbursements from January 1 to December 31, 2019	4.372.802
Residual liquidity at December 31, 2019	79.160.928

Significant events during the year

Reference to what has already been highlighted in the Management Report.

Accounting criteria

The Financial Statements for the year ended as at 31st December 2019 were prepared, in compliance with article 2423 and following articles of the Italian Civil Code, by adopting the full format, even though the conditions referred to in art. 2435-bis regarding the preparation in an abridged format were applicable. The preparation and measurement methods adopted take into account the laws and regulations set out in the national legislation, pursuant to Legislative Decree (D.Lgs.) No. 139/2015, through which Directive 2013/34/EU was implemented.

Valuation criteria

The evaluation of the balance sheet items is based on general prudent principles and on an accrual basis, with a view to continuing the activity. Application of the prudent accounting principles entailed the individual measurement of the components of the single entries or items under assets or liabilities, to avoid offsetting losses, which should be recognised, against unrealised profits, which should not be recognised.

The effect of transactions and of the other events was recognised in the accounts and

attributed to the financial year to which such transactions and events referred, and not to the financial year in which the respective cash flows (receipts and payments) occurred, in compliance with the accrual accounting principle.

In accordance the principle of relevance the obligations regarding the recognition, measurement, presentation and information were not complied with when such compliance had negligible effects for the purpose of providing a true and fair representation.

The continuous application of the valuation methods over time represents a necessary condition regarding the comparability of the company's Financial Statements referred to the various financial years.

The items reported in the Financial Statements were recognised and presented taking into account the substance of the transaction or the agreement.

The Financial Statements include the "Balance Sheet", the "Income Statement", the "Cash Flow Statement", the "Explanatory Notes" and are accompanied by the "Management Report".

The "Balance Sheet" is organised by macro classes, in accordance with the presentation criteria based on the order of liquidity, while the groupings and items are broken down by type. The various Balance Sheet items were reported net of the respective adjustment items.

The Memorandum Accounts are no longer reported in the Balance Sheet and are described in these Explanatory Notes.

The "Income Statement" was prepared, in compliance with the presentation layout set out under article 2425 of the Italian Civil Code and represents the financial management position.

The presentation layout is characterised by a structure that reports the costs and revenues of the production carried out, presented in report form, the contents of which reflect the costs ordered by type.

The Income Statement is divided in areas which highlight the following aspects:

Ordinary operations (items A and B), which consist of the typical activities and the extra activities which are characteristic of the Foundation and the corresponding net result which is indicated with the definition: "Difference between value and costs of production";

Financial management (items C and D) that refers to the expenses and income resulting from the financing activities of funds and their temporary investment while awaiting their use in the ordinary operations;

Income taxes (item 20), which are comprised of direct tax (Regional Tax on Production - IRAP)

on the taxable income for the financial year. Income taxes were recorded by taking into account the taxable income attributable to the financial year and based on the applicable tax laws.

The comparison with the previous accounting period is made by indicating in two separate columns the balance for the current year and the balance for the previous year. When analysing the comparative data, it should be considered that the previous year was the first operative year lasting from 16 May 2018 to 31 December 2018.

The **Cash Flow Statement** is part of the Financial Statements. It is represented that the Foundation, in complying with the provisions of OIC 10, has adopted the indirect method.

The **Explanatory Notes** were prepared in order to clarify, complete and analyse the information contained in the Balance Sheet, in the Income Statement and in the Cash Flow Statement, as well as to provide information regarding the valuation methods applied, the movements and changes which occurred in the various asset and liability items.

The Explanatory Notes constitute an integral part of these Financial Statements and provide descriptive and tabular information, with particular reference to the equity, economic and financial aspects of the operating activities

Exceptional cases pursuant to Article 2423, paragraph 5, of the Italian Civil Code

No exceptional circumstances occurred which made it necessary to resort to the exceptions set out in art. 2423, paragraph 5 of the Italian Civil Code.

Valuation criteria applied

The Financial Statements were prepared in accordance with the principles of clarity and transparency and provide a fair and comprehensive overview of the equity, economic and financial transactions performed by the Foundation when engaging in its activities.

The Financial Statements were prepared taking into account, where applicable, the National accounting standards prepared by the OIC (“Organismo Italiano di Contabilità” - Italian Standard Setter for Accounting), the documents issued by the Technical Committee to prepare the Accounting Standards for non-profit organisations and the Guidelines for the Financial Statements for the fiscal year of non-profit organisations.

The items reported in the Financial Statements were measured based on general prudent and accrual accounting principles, with the assumption of a going concern.

Fixed assets*Materials*

Property, plant and equipment were recorded at purchase cost including ancillary charges and non-deductible VAT and adjusted by the corresponding depreciation provisions.

The depreciation rates, charged to the income statement, were calculated based on the expected use, destination and economic-technical duration of the assets, on the basis of the criteria of the residual possibility of use, a criterion that is well represented by the following rates, reduced by half during the first year of implementation of the asset:

Asset Type	% Amortisation
Plant and machinery	10%
Furniture and fittings	12%
Electronic office machines	20%
Mobile phones	20%
Servers	20%

If, regardless of the depreciation already recorded, there is a permanent loss in value, to the asset a write-down applies accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value, adjusted only for depreciation, is reinstated.

Credits

They were shown at their estimated realizable value and without using the amortized cost method, considering that all receivables were due in the short term and therefore the application of the amortized cost method would have had irrelevant effects.

Equity

Shareholders' equity in non-commercial entities is intended, on a long-term basis, to support the acquisition of the necessary production factors of both a current and investment nature, its nature can therefore be defined as a "purpose fund", to be used to achieve the purposes set out in the articles of association.

Payables

Payables were reported at the nominal value considered to represent their settlement value and essentially in compliance with the amortised cost method.

“Amounts owed to suppliers”, include the value of invoices to be received for the services rendered and orders delivered, and not invoiced within year-end.

“Amounts owed to Tax Administration” include the liabilities for the taxes withheld when acting as a withholding agent and the direct taxes for the financial year represented by the Regional Tax on Production (IRAP). The latter is determined in accordance with a realistic estimate of the tax charges to be paid, taking into account the applicable tax legislation.

Amounts due to social security institutions" include the value of social security charges relating to employees and collaborators, accrued but not paid at the closing date of the financial year, including amounts due to supplementary pension funds for those who availed themselves of the option provided for by Law 296 of 27.12.2006 concerning the allocation of severance indemnities as from 01.01.2007.

Other payables" include residual payables, which by their nature do not fall under the previous items, including payables to employees for all liabilities accrued to them, in accordance with current legislation, including the value of holidays and other benefits accrued and not enjoyed at the date of the financial statements.

Accruals and deferrals

They were determined on an accrual basis.

The item "prepaid expenses" includes the costs incurred by the end of the year for the portion pertaining to the following year.

The item "accrued expenses" includes the costs to be incurred after the end of the financial year for the portion pertaining to the financial year.

TFR Fund

It represents the actual debt accrued to employees in accordance with the law and the employment contracts in force, considering all forms of remuneration of an ongoing nature.

The provision corresponded to the total of the individual indemnities accrued in favour of employees at the balance sheet date and was equal to what would have been payable to employees if the employment relationship had terminated on that date. It should be noted that the value included in this item relates to the part of the provision for severance indemnities that most employees have decided to maintain within the company, not availing themselves of the option provided for by Law 296 of 27.12.2006 to pay the portions of severance indemnities accrued from 1.1.2007 to supplementary pension funds.

Income Taxes

Taxes were recorded on an accrual accounting basis and in accordance with current tax regulations.

There were no liabilities for deferred taxes or prepaid tax assets at year-end.

Income and charges

Income and expenses were recognised on an accrual accounting basis, and in accordance with the prudent accounting principle, irrespective of the collection and payment date, also in terms of safeguarding the value of the assets of Human Technopole and with the assumption of a going concern.

Operating grants

The operating grants received, either based on the law or based on contractual provisions, and related to the Foundation's specific activities, were reported on an accrual accounting basis, in accordance with Italian accounting principle No. 1 for non-profit organisations, and based on the costs incurred to which they refer, irrespective of when they were received.

In fact, in this regard, Italian accounting principle No. 1 envisages that "if a correlation between income, however, of a non-remunerative nature is recognised such income may be related to the charges for the year. This correlation constitutes a fundamental corollary of the principle of accrual accounting of the operating events characterising the institutional activities and expresses the need to offset the respective income against the charges for the year, whether certain or presumed." Since reference is made to grants specifically intended for the Foundation's ordinary activity, they are reported in the Income Statement under item A5) Other

revenues and income, where they are indicated separately in the sub-heading "Operating grants".

The costs pertaining to the year were covered by the contribution collected in 2018, and deferred, in the previous year, through the recognition of deferred income for the part related to future expenses. The amount of the initial deferred income was booked to the income statement under "other revenues and income" for a corresponding amount to the costs incurred in the current year and for the excess part booked to the "Management Fund".

The remaining portions of the annual contributions, provided for by art. 1 paragraph 121 of Law 232/2016 in favour of Human Technopole for the period 2017-2019, not collected at the end of the financial year were recorded under receivables from the State for contributions to be received and, as a contra-entry, in the "Management Fund".

Memorandum accounts

The commitments undertaken by the Foundation are set out in the paragraph in the Explanatory Notes to the Financial Statements. In particular, the value of contracts for which there is a revocable commitment to make future disbursements is highlighted.

Part B – Information on Balance Sheet – ASSETS – values in Euro**Fixed assets****Tangible fixed assets**

Balance at December 31, 2019	Balance at December 31, 2018	Variations
863.774		863.774

Movements of tangible fixed assets

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible assets under construction and prepayments	Total tangible fixed assets
Value at the beginning of the year						
Cost						
Revaluations						
Amortisation (Amortisation Fund)						
Write-downs						
Book value						
Changes during the year						
Increases for acquisitions		1.496		208.579	695.284	905.359
Amortisation for the year		75		29.424		29.499
Write-downs made during the year				12.086		12.086
Other variations						
Total changes		1.421		167.069	695.284	863.774
Value year-end						
Cost		1.496		208.580	695.284	905.360
Revaluations						
Amortisation (Amortisation Fund)		75		29.425		29.500
Write-downs				12.086		12.086
Book value		1.421		167.069	695.284	863.774

Tangible fixed assets included assets sold by the Italian Institute of Technology (hereinafter also referred to as IIT) on February 20, 2019 following the signing of the Agreement between

IIT and Human Technopole.

In fact, in order to allow the Human Technopole Foundation to be fully operational for the implementation of the scientific and research project "Human Technopole" referred to in Article 1, paragraph 116, of Law no. 232 of 11 December 2016 and the Decree of the President of the Council of Ministers of 16 September 2016, IIT purchased in the interest of HT assets for an amount equal to Euro 90.557,29, forming part of the Convention stipulated between the two Foundations.

In this context, pursuant to and for the purposes of Article 3.2 of the Convention in question, IIT has transferred the aforesaid assets to HT.

In particular, the increases for the year relating to the item "Other tangible fixed assets" are detailed as follows:

Asset	Acquisitions from IIT	Other acquisitions	Total
Furniture and fittings	2.867	5.559	8.426
Electronic office machines	87.690	111.423	199.113
Mobile phones	-	1.040	1.040
Total	90.557	118.022	208.579

The item "Assets under construction and advances" was recorded for an amount of Euro 695.284 and refers to the ancillary commission carried out by the company Arexpo related to the contest for the design of the new building that will be the future Foundation's headquarters (the so-called South Building) and the contest for the installation and construction of temporary structures (the so-called Incubators) that will host the first laboratories while the construction of the new building will be finished.

Partial write-offs and write-backs during the year

On the basis of the accounting standard OIC 16, and also following a review of the estimates of the useful life of the instrumental properties, a partial write-off of the value of the assets sold by IIT under the Agreement stipulated with HT in 2019 was carried out.

The reduction in value was carried out in order to record the loss in value resulting from the use of the assets by IIT, in the period in which they were in its possession, as these assets were sold at their initial historical purchase cost.

The total amount of write-offs carried out for tangible fixed assets was Euro 12.086.

Current assets**Receivables recorded under current assets**

Balance at Decembr 31,2019	Balance at Decembr 31,2018	Variations
254.361.946		254.361.946

Changes and maturity of receivables included in current assets

	Value at the beginning of the year	Change during the year	Year-end value	Amount due within the financial year	Amount due after the financial year	Of which with a residual maturity of more than 5 years
Tax receivables recorded under current assets		91.540	91.540	91.540		
Receivables from others included in current assets		254.270.406	254.270.406	254.270.406		
Total receivables included in current assets		254.361.946	254.361.946	254.361.946		

The item "Tax receivables" at December 31, 2019 is made up as follows:

Description	Amount
Receivables from employees for withholding tax applied to employees	91.056
Tax credit DL n.66/14	484
Total	91.540

The item "Other receivables" at December 31, 2019, equal to Euro 254.270.406 is made up as follows:

Description	Amount
Receivables from the State for contributions to be disbursed	254.268.480
Others	1.926
Total	254.270.406

The item Receivables from the State amounts to € 254.268.480 and consists of the contributions indicated in Article 1, paragraph 121 of Law no. 232 of 11 December 2016,

relating to the years 2017, 2018 and 2019, for the portion not collected at the end of the year, as summarised in the following table:

Period	Contributions under Law No 232/2016	Contribution paid	Residual contributions
2017	10.000.000	6.531.520	3.468.480
2018	114.300.000	-	114.300.000
2019	136.500.000	-	136.500.000
Total	260.800.000	6.531.520	254.268.480

Breakdown of receivables by geographical area

The breakdown of receivables at December 31, 2019 by geographical area is not applicable, as all these receivables originated in Italy.

Cash and cash equivalents

Balance at December 31, 2019	Balance at December 31, 2018	Variations
79.160.928	6.393.730	72.767.198

It is worthy of mention that euro 500.000 are deposited in a current account opened with IntesaSanPaolo Spa and constitute a pledge in favour of the bank, necessary to issue a guarantee in favour of Arexpo Spa of euro 1.000.000. This guarantee was requested at the time of the transfer of the framework agreement stipulated between IIT and Arexpo spa, which was transferred within the framework of the Agreement stipulated between the Foundation and IIT, previously mentioned in the Management Report.

	Value at the beginning of the year	Change during the year	Year-end value
Bank and post office deposits	6.393.730	72.767.004	79.160.734
Money and other cash on hand		194	194
Total cash and cash equivalents	6.393.730	72.767.198	79.160.928

The balance represents cash and cash equivalents at the end of the year.

Accrued income and prepaid expenses

Balance at December 31, 2019	Balance at December 31, 2018	Variations
187.462		187.462

They consist of income and charges whose accrual is anticipated or postponed with respect to the numerical and/or documentary manifestation, regardless the date of payment or collection of the relative income and charges, linked to two or more financial years and spread over time.

There are no accruals and deferrals, as at December 31, 2019 with a duration exceeding five years.

	Accrued income	Prepayments	Total accrued income and prepaid expenses
Value at the beginning of the year			
Change during the year		187.462	187.462
Year-end value		187.462	187.462

The detailed breakdown of the item is as follows (Article 2427, first paragraph, no. 7 of the Italian Civil Code).

Description	Amount
User licences	9.128
Maintenance costs	4.908
Scholarships - Politecnico di Milano	135.281
Software annual fee	2.734
Software Services	17.3986
Seconded staff University of Milan	18.025
Total	187.462

Part B – Information on Balance Sheet – LIABILITIES & EQUITY – values in Euro**Equity**

Balance at December 31, 2019	Balance at December 31, 2018	Variations
332.713.421	28.766	332.684.655

Changes in shareholders' equity items

	Value at the beginning of the year	Allocation of previous year's result		Other variations			Result for the year	Year-end value
		Attribution of dividends	Other destinations	Increases	Decreases	Reclassifications		
Endowment fund and reserves				77.230.557				77.230.557
Management Fund				255.454.097				255.454.097
Euro rounding reserve			1					1
Economic surplus (deficit) of the previous year			28.766					28.766
Economic surplus (deficit) for the year	28.766		(28,766)					
Total shareholders' equity	28.766		1	332.684.654				332.713.421

As foreseen by Article 1, paragraph 119 of Law no. 232 of 11 December 2016, the Foundation's assets are made up of contributions from the founding ministries and increased by further contributions from the State, as well as resources from public and private entities.

The endowment fund consists of the restricted fund for the start-up of the activities of the Human Technopole scientific project, provided for by art. 5 of Law Decree no. 185 of 25 November 2015, converted, with amendments, into Law no. 9 of 22 January 2016 and initially attributed to the Italian Institute of Technology (IIT) for an original amount of Euro 79.900.000 and transferred, in the form of both financial resources and assets in kind, to Fondazione Human Technopole, for the residual amount of Euro 77.230.557, corresponding to the initial amount, net of expenses incurred for the project by IIT.

As foreseen by Article 6, paragraph 4, of the Foundation By-Laws and Article 3 of the Foundation Regulation, contained in the Prime Minister Decree of 27 February 2018, the endowment fund is unavailable and bound to the pursuit of the statutory purposes.

The Management Fund, at the end of the 2019 financial year, is recorded under Shareholders' Equity of the Foundation for a total amount of Euro 255.454.097 and includes the contributions indicated in Article 1, paragraph 121 of Law no. 232 of 11 December 2016, relating to the years 2017, 2018 and 2019, for the portion not used at the end of the financial year, as shown in the following table:

Period	Contributions under Law No 232/2016	Contributions used		Contributions to use	Of which	
		2018	2019		Grants paid	Contributions to be paid
2017	10.000.000	275.387	5.070.516	4.654.097	1.185.617	3.468.480
2018	114.300.000	-	-	114.300.000	-	114.300.000
2019	136.500.000	-	-	136.500.000	-	136.500.000
Total	260.800.000	275.387	5.070.516	255.454.097	1.185.617	254.268.480

As foreseen by Article 6, paragraph 4, of the Foundation By-Laws and Article 3 of the Foundation Regulation, contained in the Prime Minister Decree of 27 February 2018, the management fund is intended to cover operating expenses.

Employee severance indemnities

Balance at December 31, 2019	Balance at December 31, 2018	Variations
83.791		83.791

	Employee severance indemnities
Value at the beginning of the year	
Changes during the year	
Provision for the year	83.791
Total changes	83.791
Year-end value	83.791

The provision set aside represents the company's actual debt to employees at December 31, 2019.

Debts

Balance at December 31, 2019	Balance at December 31, 2018	Variations
1.738.866	108.831	1.630.035

Changes and maturity of payables

The payables are divided as follows (Article 2427, first paragraph, no. 6 of the Italian Civil Code).

	Value at the beginning of the year	Change during the year	Year-end value	Amount due within the financial year	Amount due after the financial year	Of which with a residual maturity of more than 5 years
Due to banks		2.092	2.092	2.092		
Payables to suppliers	4.880	1.338.038	1.342.918	1.342.918		
Tax payables	32.753	144.225	176.978	176.978		
Payables to social security institutions	14.520	146.587	161.107	161.107		
Other debts	56.678	(907)	55.771	55.771		
Total debts	108.831	1.630.035	1.738.866	1.738.866		

"Payables to suppliers" were registered at nominal value and this item includes, in addition to the value of payables for registered invoices, the amount from invoices to be received for services of the year relating to invoices to be received.

The total of the item "Trade payables" at 31/12/2019 is made up as follows:

Description	Amount
Suppliers of goods and services	938.157
Invoices to receive	404.761
Total	1.342.918

The item "Tax payables" included only certain and determined tax liabilities.

The item tax payables included payables for IRAP (regional business tax) of Euro 65.084 net of advance payments of Euro 5.494 made during the year.

The item "Tax payables" at 31/12/2019 is made up as follows:

Description	Amount
IRAP debt	59.590
Payables due to tax authorities for withholding taxes on employee income	104.896
Payables due to tax authorities for withholdings on self-employment income	4.814
Other tax payables	7.678
Total	176.678

"Payables due to social security institutions" included the amount of social security contributions relating to employees and collaborators, accrued and not paid as at 31 December 2019 for an amount equal to Euro 129.695 and the social security portion of the provisions of Euro 31.412.

"Other payables" included residual payables, which by their nature do not fall under the above items and included payables to Foundation's employees for all liabilities accrued to them. In particular, the amount due for holidays accrued by employees but not taken is Euro 47.702.

Breakdown of payables by geographical area

The breakdown of Payables at by geographical area is shown in the table below (Article 2427, first paragraph, no. 6 of the Italian Civil Code).

Geographical area	Bonds	Convertible Bonds	Payables to shareholders for loans	Due to banks	Payables to other lenders	Advances	Payables to suppliers	Debts represented by debt securities
Italy				2.092			1.336.845	
EU							6.073	
Total				2.092			1.342.918	

Geographical area	Payables to subsidiaries	Payables to associated companies	Payables to parent companies	Payables to companies subject to the control of the parent companies	Tax payables	Payables to social security institutions	Other debts	Debts
Italy					176.978	161.107	55.771	1.732.793
EU								6.073
Total					176.978	161.107	55.771	1.738.866

Payables secured by collateral on owned assets

At the end of the financial year, there were no debts secured by collateral on owned assets (Article 2427, first paragraph, no. 6 of the Italian Civil Code):

Accrued expenses and deferred income

Balance at December 31, 2019	Balance at December 31, 2018	Variations
38.032	6.256.133	(6.218.101)

	Accrued expenses	Deferred income	Total accrued expenses and deferred income
Value at the beginning of the year		6.256.133	6.256.133
Change during the year	38.032	(6.256.133)	(6.218.101)
Year-end value	38.032		38.032

The breakdown of this item is as follows (Article 2427, first paragraph, no. 7 of the Italian Civil Code).

Description	Amount
Scholarships - University of Milan	7.388
Board remunerations	27.233
Board of Auditors remuneration	3.411
Total	38.032

They represent the connection items of the financial year counted on an accrual accounting basis.

The criteria adopted in the valuation and conversion of the values expressed in foreign currency for these items are reported in the first part of these notes.

There are no accruals and deferrals, as at December 31, 2019 with a duration exceeding five years.

Part C – Information on Income Statement - value in Euro**Revenues**

Balance at December 31, 2019	Balance at December 31, 2018	Variations
5.191.961	275.388	4.916.573

Description	December 31, 2019	December 31, 2018	Variations
Other revenues and income	5.191.961	275.388	4.916.573
Total	5.191.961	275.388	4.916.573

The item "Other revenues and income" consisted of the operating grant pursuant to Article 1, paragraph 121 of Law 232/2016.

The amount, equal to Euro 5.191.961, originated from the payment of the grant pursuant to art. 1, paragraph 121, Law no. 232/2016 and was correlated to the corresponding amount of operating costs incurred during the year.

Production costs

Balance at December 31, 2019	Balance at December 31, 2018	Variations
5.126.949	241.220	4.885.729

Description	December 31, 2019	December 31, 2018	Variations
Raw materials, ancillary materials and goods	30.599		30.599
Costs for services	2.551.697	241.196	2.310.501
Use of third parties' assets	191.545		191.545
Wages and salaries	1.727.504		1.727.504
Social charges	474.768		474.768
Severance pay	104.663		104.663
Depreciation of tangible fixed assets	29.499		29.499
Other write-downs of fixed assets	12.086		12.086
Other operating charges	4.588	24	4.564
Total	5.126.949	241.220	4.885.729

Costs for raw materials, ancillary materials, consumables and goods and costs for services

They related to the costs incurred for the procurement of consumables and are a direct consequence of the research activities and structural costs incurred by the HT Foundation.

Personnel costs

This item included all expenses for employees, including improvements in merit, changes in category, contingency steps, the cost of holidays not taken and provisions required by law and collective agreements.

Depreciation of tangible fixed assets

As regards depreciation, it should be noted that it was calculated on the basis of the useful life of the asset and its use during the production phase.

Other write-downs of fixed assets

The write-offs were made in relation to the loss in value resulting from the use of the assets by IIT, in the period in which they were in its possession, as these assets were sold at their initial historical purchase cost.

Other operating charges

The company has not recorded any costs of significant size or incidence under this item.

Financial income and charges

Balance at December 31, 2019	Balance at December 31, 2018	Variations
72	92	(20)

Description	December 31, 2019	December 31, 2018	Variations
Income other than the above		92	(92)
Foreign exchange gains (losses)	72		
Total	72	92	(20)

Foreign exchange gains and losses

The balance of the item Foreign exchange gains, equal to Euro 72, consisted of the difference between the amount of gains, equal to Euro 238, and the amount of losses, equal to Euro 166.

Current, deferred and prepaid income taxes for the year

Balance at December 31, 2019	Balance at December 31, 2018	Variations
65.084	5.494	59.590

Description	Balance at December 31, 2019	Balance at December 31, 2018	Variations
Current taxes:	65.084	5.494	59.590
IRAP	65.084	5.494	59.590
Total	65.084	5.494	59.590

Taxes for the year have been recorded.

Part D – Other Information**Employment data**

Reference is made in full to what has already been provided in the Management Report.

The following table shows the composition of the staff as at 31/12/2019; the staff was hired during 2019, including the core group of people formally hired by IIT in 2018 (12 people). The remaining staff members were included in the Foundation's staff through recruitment advertisements published on the Foundation's website and on important international recruitment sites (Linkedin, Springer Nature, Eurojobsites).

The average number of employees, broken down by category, has undergone the following changes compared to the previous year.

Employee's level	Balance at December 31, 2019	Balance at December 31, 2018	Variations
Managers	10	-	10
Mid-managers	6	-	6
Employees	12	-	12
Workers	-	-	-
Total	28	-	28

In the employment relations, reference has been made, for salary and regulatory aspects, to two National Labour Agreements (hereinafter CCNL): (i) for employees with managerial qualifications, the National Agreement for Industry Managers; (ii) for other qualifications, the National Agreement for Chemicals/Industrial Companies.

	Managers	Mid-managers	Employees	Workers	Other employees	Total Employees
Average number	10	6	12			28

Remuneration, advances and credits granted to directors and statutory auditors and commitments undertaken on their behalf

	Supervisory Board	Management Committee	Board of Auditors
Accrued remuneration (cost in the balance sheet)	374,191	143.177	12,288
Advances			
Credits			
Commitments made on their behalf as a result of guarantees given			

Information on the *fair value* of derivative financial instruments

The Foundation has no derivatives.

Commitments, guarantees and potential liabilities not reported in the balance sheet

In 2019 several commitments that will be completed in the coming years have been taken:

- a contract for Euro 10.858.000 for the purchase of a cryo-microscopy system which will be delivered during the second half of 2020;
- a preliminary design tender for the new Headquarters for Euro 11.501.966;
- a tender for the design and construction of a further 4000 square meters of incubator structures to be used as research laboratories for Euro 15.972.835;
- internal commitments for the setting up of the research laboratories amounting to Euro 14.187.624 whose purchase contracts will be formalized during 2020.

The total of these commitments for investment expenses amounts to Euro 52.520.425. Euro 1.393.778 must be added for contracts signed in 2019 relating to services and operating expenses which will be carried out during 2020. This leads to a total commitment of euro 53.914.203.

In addition, bank guarantees were provided for a total amount of euro 1.021.250 as follows:

AMOUNT	BENEFICIARY	EXPIRING DATE
€ 1.000.000	Arexpo spa	30.07.2029
€ 21.250	Real estate Mozart sas	31.12.2022

Finally, the sum of euro 500.000 deposited in a current account opened with IntesaSanPaolo spa constitutes a cash pledge in favour of the bank itself. This pledge was given when a guarantee of euro 1.000.000 in favour of Arexpo was issued as shown in the table above.

Information on transactions with related parties

(Ref. art. 2427, paragraph 1, sub-section 22-bis) of the Italian Civil Code)

The Foundation has not entered into any transactions with related parties.

Information on agreements which are not reported in the Balance Sheet

(Ref. art. 2427, paragraph 1, sub-section 22-ter) of the Italian Civil Code)

Reference should be made to what has already been provided in the Management Report and to what is described in the preceding paragraphs.

Information on significant events which occurred after the close of the financial year

With reference to infrastructure development, preparatory activities for the acquisition of Palazzo Italia, South Pavilion, US6 and the land on which the new headquarters of the Foundation will be built continue.

With regard to the latter, on 04 February 2020 and 14 February 2020 respectively, the Management Committee and the Supervisory Board of the Foundation approved the purchase of Palazzo Italia and, consequently, the continuation of negotiations with Arexpo aimed at signing the preliminary and final purchase and sale contract, which is expected to be completed by the first half of the year.

Information regarding derivative financial instruments, pursuant to art. 2427-bis of the Italian Civil Code

The Foundation does not have derivative financial instruments.

Information pursuant to Article 1, paragraph 125-bis, of Law No. 124 of 4 August 2017

Pursuant to art. 1, paragraph 125, of Law no. 124 of 4 August 2017, in compliance with the obligation of transparency, during the financial year contribution amounting to euro 77.230.557 were received [EUR seventy-seven million two hundred and thirty thousand five hundred and fifty-seven]. This amount is the residual resources referred to in Article 5, paragraph 2, of Decree Law no. 185 of 25 November 2015, converted, with amendments, by Law no. 9 of 22 January 2016, transferred pursuant to Article 1, paragraph 123, of Law no. 232 of 2016.

These Financial Statements are composed of the Balance Sheet, the Income Statement, the Explanatory Notes and the Cash Flow Statement and provide a truthful and fair representation of the equity and financial position, as well as the economic results of the financial year and correspond to the results of the accounting records.