NEXT Re

Annual Financial Report 2021

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LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dear Shareholders and Stakeholders,

In 2021, your Company confirmed its corporate mission as a listed real estate investment company (SIIQ), consolidating the foundations for positioning itself among the leading operators in the REIT segment at national and European level. With the completion of the take-over bid procedure in February, CPI PG reinvigorated its status as a controlling and reference shareholder and formalised its management and coordination role. In the second half of 2021, CPI PG initiated a process to acquire control over Immofinanz AG, listed on the Vienna Stock Exchange, a process that was completed on 15 February of this year. Immofinanz is an investment company which owns a significant real estate portfolio, mainly for office and retail use, located in the major markets of Central European countries. The success of the transaction has caused CPI PG to be ranked in the top 5 European investment companies in the commercial real estate sector, with consolidated assets in excess of € 20 billion. Today, therefore, our group is on its way to becoming one of the largest players worldwide, and in this sense is applying an internationalisation strategy that hinges on the active local presence of structures and managerial skills of high standing. In this framework and with a view to expansion, at the shareholders' meeting last April, held to approve the financial statements for 2020, you were asked to approve a capital increase of up to € 2 billion, by granting the Board of Directors the authority to implement it, in one or more tranches, depending on market developments, over the next two years. In August 2021, your Company signed a Framework Agreement of significant industrial value with the shareholder CPI PG and the DeA Capital Group. DeA Capital Real Estate Sgr is the number one asset management company in Italy, specialising in real estate alternative investment funds (AIFs), which has a market share of over 22% and manages € 11.7 billion in assets. The essential guidelines of this Agreement move towards the development of the business of your SIIQ which is based, on the one hand, on the commitment of the contracting parties to participate in a capital increase of up to € 1 billion and, on the other hand, on the assumption by Dea Capital Sgr of the role of strategic-management advisor. The combination of these two fronts enhances the capital strength of businesses at the very highest international levels, both with a significant investment presence in the main European countries, together with characteristics of excellence in terms of the quality of their portfolios as well as leased structure and management performance. It is a basket of reputational and material resources that puts the positioning objectives assumed into a very concrete perspective. The advisory mandate to DeA Capital Sgr constitutes an innovative model that is "internally managed with advisory support on certain key management phases", in which the distinctive managerial skills of the company are supported and enhanced by an external party with excellent credentials in terms of market presence and the specialised service offered. This framework of enabling factors includes the project to make your SIIQ grow and render it a leading investment tool in a segment that still sees very broad space for domestic growth, in order to adapt its scale and depth to those of REIT peers in other national contexts, similar in terms of institutional development of the market. These initial months of 2022 have required us to face the sadness of a war at Europe's doorstep, which has come immediately on the heels of the pandemic crisis, and has once again set in motion variables destabilising the macroeconomic backdrop, throwing the primary capital market into paralysing uncertainty. This waiting time can and must be used to start and complete a strengthening process that will allow the company to turn up at the reopening with asset size and profitability dynamics that are highly attractive to primary investors. Your Company has taken an intensely symbolic and significant step in this regard with its name change, approved by the Extraordinary Shareholders' Meeting in November 2021. "NEXT RESIIQ" strives to affirm at the identity level exactly this momentum towards the future, this next phase in which, on the strong foundation it has laid, your Company aims to take on the role of protagonist of the transformative process through which the Italian REIT segment can finally take shape and fly. During 2021, NEXT RE maximised the use of available resources; investments were made to expand the share of ownership of the commercial property in Milan at Via Spadari / Via Torino, acquiring spaces adjacent to the commercial platform already in the portfolio, some already leased and some subject to redevelopment. Your Company closes the 2021 financial statements in profit (€ 0.4 million); investment property rose from € 120.5 million in 2020 to € 138.3 million in 2021; rental income remains constant at approximately € 6 million. EBITDA is negative (€ -1.6 million). The most significant debt component is attributable to financing from the controlling shareholder. The real estate portfolio occupancy rate decreased from 100% in 2020 to 82% in 2021, due to the vacant portions acquired and the final termination of the lease on the Verona hotel, in view of the better economic redevelopment of this asset. The signing of the advisory mandate with Dea Capital Sgr has had the immediate effect of increasing company costs, which are destined to be absorbed within the framework of the asset growth programme, after which it will play favourably in the direction of a preponderance of variable costs over fixed costs, thus conferring flexibility on the income statement in the future. In 2021, your Company maintained the certification of its quality system and consistently worked on processes to constantly and continuously improve its organisational and control mechanisms. In 2021, it was honoured by the European Public Real Estate Association (“EPRA”) with two major international awards for its level of adherence to Best Practices Recommendations (“BPR”). NEXT RE, in particular, received the “EPRA BPR Gold Award” on its 2020 Annual Financial Report and also earned the “Most Improved Award,” given to companies that have extraordinarily improved the compliance of their reporting with BPRs compared to the previous year. EPRA's BPRs represent a European standard in terms of transparency, comparability and relevance of key business performance indicators. EPRA's annual awards are intended to recognise and commend the efforts of the real estate companies that have successfully adopted the above-mentioned guidelines. In 2021, your Company has still continued with the integration of ESG topics within its business model, with the deep conviction that the adherence to recognised environmental, social and corporate governance standards makes it possible to increase the value of its real estate portfolio, improving performance over time and mitigating the risk linked to environmental issues, with the aim of obtaining lasting and tangible benefits in favour of all stakeholders and promoting sustainable economic development. In this context, a training course for employees has been undertaken, aimed at disseminating the main ESG topics and including these principles within internal policies; an internal sustainability policy is being defined, containing the main objectives and procedural actions of the company's ESG strategy. Priority was given to raising the level of practices in the 'green' sphere, within which a process was defined and adopted for analysing and improving the performance of owned properties, obtaining certification in accordance with the “Breeam In Use” sustainability protocol on two assets in the property portfolio. This process is being implemented on other owned assets with the aim of creating a quality portfolio aligned with the most advanced international metrics. Today, NEXT RE is a reliable and functional operating machine, fully aware of the formidable complementarity and coherence that the SIIQ statute assigns to it within the domestic system of real estate investment tools. It is aware that the meagre REIT segment - which distances Italy from its peer countries - naturally limits the full expression of the potential of a real estate market playing out in a unique geographical area in the world, leaving behind exceptional opportunities. Let's overcome this significant challenge together!

With best regards, *The Chairman and Chief Executive Officer*

1. COMPANY PROFILE

Company information and structure

NEXT RE SIIQ S.p.A. (hereinafter also referred to as "**NEXT RE**" or the "**Company**") with registered office in Rome, Via Zara 28, Tax Code and VAT No. 00388570426, REA number RM-1479336, is a real estate investment company with shares listed on the Euronext Milan market ("**EXM**") organised and managed by Borsa Italiana S.p.A.

It should be noted that the current name of the Company was changed by the Extraordinary Shareholders' Meeting of 10 November 2021, which resolved to change the company name from "NOVA RE SIIQ S.p.A." to the current "NEXT RE SIIQ S.p.A." by amending Article 1 of the Articles of Association. The proposed Company rebranding is intended to mark the start of the ambitious growth and development process initiated with the entry of the Company into the CPI Property Group S.A. (hereinafter also "CPI PG") and aimed, through the execution of the recapitalisation transaction referred to in the delegation approved by the Extraordinary Shareholders' Meeting of 26 April 2021 (as described in more detail below), at transforming the Company into the first major "REIT" in the Italian real estate market.

The Company currently manages a portfolio consisting of office, hotel and commercial properties and is focused on asset classes that are aimed to meet the needs of new patterns and styles of real estate use, which reflect the economy and society's characteristics of access, utility and experience. The categories engaged look at Life-cycle Living & Hospitality, Leisure & Wellness, Smart Office Space, Omnichannel Retail & Distribution.

Please recall that previously the Company held a 100% stake in the company Cortese Immobiliare S.r.l. (hereinafter also referred to as "**Cortese Immobiliare**"), operating in the commercial leasing sector and classified as management real estate.

During the year 2021, the merger by incorporation of Cortese Immobiliare into the Company was approved with the aim of achieving an adequate organisational and management structure, ensuring greater efficiency in terms of operating costs. In particular, the aforementioned merger became effective as of 1 October 2021 with the registration at the Rome Companies Register of the merger by incorporation deed, which entailed the cancellation of the value of the Company's shareholding in Cortese Immobiliare, equal to its entire share capital, without assigning shares in lieu pursuant to Article 2504-*ter* of the Italian Civil Code, with the Company taking over the assets of Cortese Immobiliare.

Company offices/positions

Board of Directors

Until the date of the Shareholders’ Meeting of 26 April 2021, the Board of Directors consisted of the following members:

Giancarlo Cremonesi	Chairman
Stefano Cervone	Managing Director
Andrea Maria Azzaro	Independent Director
Gian Marco Committeri	Independent Director
Serena La Torre	Independent Director
Elisabetta Maggini	Director
Luisa Scovazzo	Director

As of 26 April 2021, the Board of Directors consists of the following members:

Giancarlo Cremonesi	Chairman
Stefano Cervone	Managing Director
Daniela Becchini (*)	Independent Director
Giuseppe Colombo	Director
Camilla Giugni	Independent Director
Eleonora Linda Lecchi	Independent Director
Giovanni Naccarato (**)	Director and Vice Chair
Luca Nicodemi (*)	Independent Director
Maria Spilabotte	Independent Director

(*) appointed by the Shareholders’ Meeting of 10 November 2021;
(**) Independent Director until 26 November 2021

Board of Statutory Auditors

Until the date of the Shareholders' Meeting of 26 April 2021, the Board of Statutory Auditors consisted of the following members:

Luigi Mandolesi	Chairman
Anna Rita De Mauro	Statutory Auditor
Giovanni Naccarato	Statutory Auditor
Sergio Mariotti	Alternate Auditor
Barbara Premoli	Alternate Auditor

As of 26 April 2021, the Board of Statutory Auditors consists of the following members:

Luigi Mandolesi	Chairman
Sara Mattiussi	Statutory Auditor
Domenico Livio Trombone	Statutory Auditor
Sergio Mariotti	Alternate Auditor
Barbara Premoli	Alternate Auditor

The manager in charge pursuant to Article 154-bis paragraph 2 TUF (Consolidated Finance Act)

Giovanni Cerrone	Manager in charge until 22 November 2021
Francesca Rossi	Manager in charge as of 22 November 2021

Independent Auditors

The Shareholders' Meeting of 26 April 2021 approved the consensual early termination of the statutory audit assignment conferred to Ria Grant Thornton S.p.A. with reference to the remaining financial years 2021-2025 and appointed EY S.p.A. for the period 2021-2029.

Shareholding structure as at 31 December 2021

Shareholder	Percentage% on capital
CPI Property Group S.A.	77.10%
Dea Capital Partecipazioni S.p.A.	4.99%
Associazione Nazionale di Previdenza ed Assistenza a Favore dei Ragionieri e Periti Commerciali	2.76%
Other Shareholders	14.98%
Treasury shares	0.17%
TOT.	**100.00%**

2. DIRECTORS' REPORT

Financial highlights

The following are the key indicators as at 31 December 2021 compared to 31 December 2020.

On 1 October 2021, the merger by incorporation of the wholly-owned subsidiary Cortese Immobiliare S.r.l. into NEXT RE was finalised, with accounting and tax effects retroactive to 1 January 2021. In view of the fact that as of 31 December 2020, the scope of consolidation included only NEXT RE and Cortese Immobiliare S.r.l., for greater consistency and clarity of presentation, the figures for the year 2021 have been compared below with the values of the 2020 consolidated financial statements. For an analysis of the effects of such merger, reference should also be made to the section entitled "Merger by incorporation of Cortese Immobiliare S.r.l.".

PERFORMANCE		31/12/2021	31/12/2020
Rental income	*Euro/million*	5.9	5.9
Net operating income (NOI)	*Euro/million*	3.3	3.9
Fund from operation (FFO)	*Euro/million*	-2.5	-0.7
EBITDA	*Euro/million*	-1.7	0,3
EBIT (Operating income)	*Euro/million*	2.7	-4.2
Profit/(Loss) for the year	*Euro/million*	0.4	-9.3

ASSET		31/12/2021	31/12/2020
Total assets	*Euro/million*	155.6	155.3
Investment property	*Euro/million*	138.3	120.4
Commercial surface	*m²*	55,526	41,829
Occupancy	*%*	82%	100%
WALT	*years*	4.7	6.2
Portfolio assets	*No.*	7	7

INDEBTEDNESS		31/12/2021	31/12/2020
Shareholders' equity	*Euro/million*	85.5	85.4
EPRA NRV	*Euro/million*	85.5	85.2
Total financial indebtedness	*Euro/million*	61.04	41.79
Net loan to value (NET LTV)	*%*	44%	33%
Loan to value (LTV)	*%*	46%	50%

The main results of the 2021 financial year are shown below:

- the **Net result** for the year 2021 was equal to a profit of € 0.4 million, compared to a loss of € -9.3 million as at 31 December 2020;
- **EBITDA** for the year 2021 is negative and equal to € -1.7 million compared to € 0.3 million in 2020;
- **Shareholders' equity** was € 85.5 million as at 31 December 2021 compared to € 85.4 million as at 31 December 2020;
- **Total financial debt** was € 61.04 million as at 31 December 2021 compared to € 41.79 million as at 31 December 2020;
- the **Net Loan to Value** was 44% at 31 December 2021 compared to 33% at 31 December 2020.

The **Net result** amounted to € 0.4 million and reflects the positive fair value adjustment of Investment property of approximately € 4.8 million and the negative fair value adjustment of Financial assets at fair value of € -0.8 million.

EBITDA of approximately € -1.7 million reflects the significant impact of charges deriving from the settlement agreement with the former tenant, SHG, amounting to approximately € 1 million, and costs relating to share capital increases not finalised of approximately € 0.5 million.

Total financial debt increased compared to 31 December 2020 mainly as a result of the use of cash and cash equivalents for property acquisitions in the first half of the year (€ 12.5 million) and financial outlays relating to the settlement agreement with the former tenant, SHG (€ 2.4 million).

The **Net Loan to Value** is 44% and increased due to the use of Cash and Cash Equivalents as indicated above. The value of Investment Property increased by approximately 15% from 31 December 2020 as a result of investments made in 2021 and the recognition of fair value adjustments.

Please refer to the sections on The Real Estate Portfolio, Analysis of Operating Performance and Analysis of Financial Performance in this Report for further details.

Alternative performance measures

The content of the "alternative performance measures" not established by the international accounting standards adopted by the European Union (IFRS-EU), used in this Report in order to allow for a better assessment of the Company's profit and loss and financial position in accordance with the recommendations of the Guidelines published in October 2015 by ESMA, is provided below. The meaning, content and basis for the calculation of these indicators are outlined below:

Net operating income (NOI): indicates the profitability of the real estate portfolio and corresponds to the item Net rental income in the Financial Statements.

EBITDA: Earnings before value adjustments such as depreciation and amortisation of fixed assets, fair value adjustments of Investment property and Financial assets at fair value, results of financial management and taxes. EBITDA measures the Company's operating performance.

Total financial debt: calculated in accordance with the ESMA Guidelines on financial debt, published on 4 March 2021, which the supervisory authority Consob has asked to be adopted as of 5 May 2021.

Net Loan to Value (Net LTV): Ratio between Payables to banks and other lenders, net of Cash and cash equivalents, and the value of Investment Property. This measures the sustainability of the Company's financial structure.

Loan to value: Ratio between the nominal value of residual debt relating to the loans taken out for the assets in the portfolio and the market value of all the assets in the portfolio (Investment property, measured at fair value, and the market value of the portion of the asset in Rome, Via Zara recorded under Other tangible assets). This indicator measures the sustainability of financial debt related to real estate assets.

Fund from operation (FFO): is calculated as net income/(loss) for the period adjusted for non-cash cost and revenue components and non-recurring income components.

EPRA NRV (NET REINSTATEMENT VALUE): this measure aims to represent the value of net assets over the long term. It represents the repurchase value of the company, assuming the company does not sell real estate. It is calculated starting from the relevant shareholders' equity (as reported in the financial statements according to IFRS principles) excluding certain assets and liabilities that are not expected to arise under normal business conditions, such as the fair value of hedging derivatives; deferred taxes on market valuations of real estate and hedging derivatives.

WALT: index relating to the overall weighted average lease term on the outstanding annual leases of NEXT RE's real estate portfolio as of 31 December 2021. The above index was calculated on the first contractual expiry date of the individual lease contracts in place, not taking into account any early termination options.

Occupancy: ratio between leasable area and leased area of assets in the portfolio.

Relevant events during the year

The main relevant events of the 2021 financial year are shown below.

On **15 January 2021**, the Company signed the final contract for the purchase of the property portions, leased to OVS S.p.A. (hereinafter also "**OVS**"), located on the first and second floors of the property in Milan, Via Spadari 2, adjacent to the units already owned by the Company located on the ground and underground floors, at a price of € 5.7 million plus taxes, duties and closing costs. The signing of the final contract was subject to failure to exercise or a waiver of pre-emption rights by the tenant mentioned above, which was formalised in the meantime.

On **25 January 2021**, the Company signed the final contract for the purchase of the additional property portions, leased to ITX Italia S.r.l. (formerly Zara Italia S.r.l.), located on the second floor of the building located in Milan, at via Spadari 2, adjacent to the units already owned by the Company located on the ground, underground, first and second floors, at a price of € 1.8 million plus taxes, duties and closing costs. In this case too, signing the final contract was subject to the non-exercise or waiver of pre-emption rights in favour of the tenant named above, which waiver was formalised in the meantime.

On **26 January 2021**, following the publication of the final results of the offering made by CPI PG pursuant to and for the purposes of Articles 102, 106 paragraphs 1 and 109 of the Consolidated Finance Act, as a result of the reopening of terms, within the meanings of Article 41, par. 6, of the Consob Regulations adopted by resolution no. 11971 on 14 May 1999, as subsequently amended and extended, a total of 9,348,018 ordinary shares of the Company were contributed, representing approximately 42.44% of the share capital and approximately 85.18% of the ordinary shares of the Company covered by the offering, at a price of € 2.36 per ordinary share and, therefore, for a total value of € 22,061,322.48. Therefore, CPI PG came to hold a total of 20,360,573 ordinary shares of the Company, equal to approximately 92.44% of its share capital.

On **27 January 2021**, the Company approved a loan proposal received from the reference shareholder CPI PG, for an amount of approximately € 54.6 million, intended to cover the costs incurred by the Company for the purposes of early repayment of the mortgage loan agreement signed on 29 December 2017 with UniCredit S.p.A. Signing of the Loan Agreement in question also qualifies as a "Significant Related Party Transaction" under Art. 4, par. 1 (a) of Consob Regulation no. 17221/2010. Therefore, the funding transaction was approved by the Board of Directors with the prior and unanimous consent of the Company's Control, Risk, Appointments, Remuneration and Related Parties Committee, composed entirely of independent directors who are not related to the counterparty. For a more detailed examination of the terms and conditions of the loan transaction, reference should be made to the section "Significant transactions with related parties" in this Report.

On **29 January 2021**, the Company voluntarily repaid the residual balance on the mortgage loan agreement signed on 29 December 2017 with UniCredit S.p.A. in advance, in the amount of € 51.7 thousand including interest accrued at that date. Also on 29 January 2021, the debt relating to the derivative contract to hedge interest rate fluctuations on the mortgage loan referred to above in the amount of € 1.9 million was settled.

On **5 February 2021** the Company formed Fidelio Engineering S.r.l., an engineering company, whose entire share capital it holds, whose scope of business is performing activities in Italy and abroad aimed at redeveloping and refurbishing areas subject to real estate development or existing buildings subject to redevelopment, in order to support CPI PG Group's real estate development and value enhancement initiatives, which have already been launched in Italy, whilst enabling allowing the Company to receive certain revenue streams. At present, Fidelio Engineering S.r.l. is not yet operational.

On **16 February 2021**, following voluntary early repayment of the UniCredit mortgage loan, the bank itself agreed to the total cancellation of the mortgage, the release of factoring arising under lease contracts and the termination of bank account pledges.

On **15 March 2021**, the Board of Directors approved the Annual Financial Report for the year ended on 31 December 2020, containing the following key results for the 2020 financial year: - the Consolidated Profit/(Loss) for the year shows a loss of € 9.3 million as at 31 December 2020 compared to a profit of € 0.4 million as at 31 December 2019; - the Consolidated EBITDA amounts to € 0.3 million, up compared to € 0.1 million in 2019; - the Consolidated Shareholders' Equity amounts to € 85.4 million as at 31 December 2020 compared to € 68.3 million as at 31 December 2019; - Consolidated Net Financial Debt amounted to € 41.8 million as at 31 December 2020 compared to € 63.7 million as at 31 December 2019; - Net Profit/(Loss) for the year showed a loss of € 9.1 million as at 31 December 2020 compared to a profit of € 0.3 million as at 31 December 2019; - Shareholders' Equity amounted to € 85.1 million as at 31 December 2020 compared to € 67.9 million as at 31 December 2019; - Net Loan to Value amounted to 33.1% as at 31 December 2020 compared to 49.20% as at 31 December 2019. The Board of Directors resolved to propose, to the Shareholders' Meeting, carrying forward the loss for the year 2020 in the amount of € 9,147,540.19.

The Board of Directors also resolved to convene an Extraordinary and Ordinary Shareholders' Meeting for 26 April 2021 to pass resolutions, as regards the Extraordinary Shareholders’ Meeting, on: (a) a proposal to revise and update the company's articles of association; and (b) granting the Board of Directors the power to increase share capital by a maximum amount of € 2 billion, including any share premium, to be carried out in one or more tranches, by the date of shareholders' approval of the financial statements as at 31 December 2023 under Article 2443 of the Italian Civil Code, even by excluding option rights under Article 2441(4) and (5) of the Italian Civil Code as regards the Ordinary Shareholders’ Meeting, on: (a) the approval of the financial statements for the year ended 31 December 2020; (b) the approval of the remuneration policy and advisory vote on the second section of the Report on remuneration policy and compensation paid; (c) the renewal of the Board of Directors, subject to determination of the number of Directors, term of office and remuneration; (d) the appointment of the Board of Statutory Auditors for the three-year period 2021-2023 and determination of the related remuneration; (e) the consensual early termination of the remit to Ria Grant Thornton S.p.A. for the remaining financial years 2021-2025 and conferral of a new remit as statutory auditors to the EY S.p.A company for the period 2021-2029, with definition of the related fee; as well as (f) the renewal of the authorisation to purchase and dispose of treasury shares under Articles 2357 and following of the Italian Civil Code, in addition to Article 132 of Law Decree no. 58 of 24 February 1998, subject to revocation of the resolution passed by the Shareholders' Meeting of 15 July 2020 since it has not been used. Lastly, the Board of Directors approved the Report on Corporate Governance and Shareholding Structure for the 2020 financial year drafted pursuant to Article 123-bis of the TUF, the Remuneration Policy and the Report on the remuneration policy and compensation paid pursuant to Article 123-*ter* of the TUF.

On **19 March 2021**, CPI PG sent the Company an updated communication pursuant to Art. 120 of the TUF and Art. 117 of the Issuers' Regulation, based on which it emerged that a sufficient free float had been restored, within the legal terms, to ensure regular trading. Furthermore, as already specified in the Offering Document, CPI Property Group S.A. declared that it intended to take any useful initiative aimed at reducing its shareholding below the threshold of 60% of voting rights in ordinary shareholders' meetings and of profit sharing rights in order to maintain the special status as Società di Investimento Immobiliare Quotata (Listed Real Estate Investment Company - the so-called SIIQ regimen), under Art. 1, paragraphs 119 and following of the 2007 Finance Act.

On **24 March 2021**, with reference to a pre-litigation in the human resources area activated on 4 March 2021, a conciliation report was signed at the trade union, in which the relevant claims and waivers were settled.

On **1 April 2021**, in compliance with the terms of the law, the lists for the renewal of the Board of Directors and the Board of Statutory Auditors were made available to the public at the registered office, on the Company's website and on the authorised storage mechanism 1INFO. The lists were submitted by the majority shareholder CPI PG, which holds a total of 19,180,573 shares, equal to 87.085% of the Company's share capital, and by the minority shareholder Associazione Cassa di Previdenza e Assistenza a favore dei Ragionieri e Periti Commerciali, which holds a total of 606,550 shares, equal to 2.75% of the Company's share capital, and were accompanied by the documentation required by the laws and regulations in force and by Articles 16 and 22 of the Articles of Association.

On **13 April 2021**, the Board of Directors of the Company and the Board of Directors of its wholly-owned subsidiary, Cortese Immobiliare S.r.l., approved the plan for the merger by incorporation of Cortese Immobiliare S.r.l. into the Company, with the objective of achieving an adequate organisational and managerial structure of the Company, ensuring greater efficiency in terms of operating costs. The effect of the merger is to cancel the Company's investment in Cortese Immobiliare, equal to the entire share capital of the latter, without assigning shares in lieu pursuant to Article 2504-*ter* of the Italian Civil Code, with the Company taking over the assets of Cortese Immobiliare.

On **23 April 2021**, the Company's Board of Directors approved the financial data as at 31 March 2021, which contained the following key results: - Net Operating income amounted to € 1.1 million as at 31 March 2021; - Consolidated profit/(loss) for the period was a loss of € -0.5 million as at 31 March 2021; - Consolidated EBITDA was € -0.1 million; - Consolidated Shareholders' Equity amounted to € 84.8 million as at 31 March 2021 compared to € 85.4 million as at 31 December 2020; - Consolidated net financial debt amounted to € 51.1 million as at 31 March 2021 compared to € 41.8 million as at 31 December 2020; - Net Loan to Value amounted to 40% as at 31 March 2021 compared to 33% as at 31 December 2020. The Board of Directors therefore resolved to proceed on a voluntary basis, following the change of control and the Company's entry into the CPI PG Group, with the publication of periodic financial information in addition to the annual and half-year financial reports, starting from the current financial year. The additional periodic financial information as at 31 March and 30 September of each year will be approved by the Board of Directors at meetings to be held within 45 days of the end of the first and third quarter and will be published by means of specific press releases issued in compliance with the applicable laws and regulations. The Board of Directors therefore updated the calendar of corporate events in compliance with the provisions of Art. 2.6.2, paragraph 1, letter B) of the Regulations of Markets organised and managed by Borsa Italiana S.p.A.

On **26 April 2021**, the Extraordinary Shareholders' Meeting of the Company approved (i) the update of the Articles of Association and (ii) granting to the Board of Directors the power to increase he share capital by a maximum amount of € 2 billion, including any share premium, to be carried out in one or more tranches, by the date of shareholders' approval of the financial statements as at 31 December 2023 under Article 2443 of the Italian Civil Code, even by excluding option rights under Article 2441(4) and (5) of the Italian Civil Code, and the consequent amendment of Article 5 of the Articles of Association. Moreover, the Ordinary Shareholders' Meeting (i) unanimously approved the financial statements for the year 2020; (ii) approved the remuneration policy described in the first section of the Report on the remuneration policy and compensation paid drafted by the Board of Directors pursuant to Art. 123-*ter* of the TUF and expressed its favourable opinion on the second section of the Report on the remuneration policy and compensation paid drafted by the Board of Directors pursuant to Art. 123-*ter* of the TUF; (iii) appointed the new Board of Directors, setting the number of its members at seven and the expiry of its term of office on the date of the Shareholders' Meeting convened for the approval of the financial statements as at 31 December 2023; (iv) appointed the new Board of Statutory Auditors, setting the expiry of its term of office on the date of the Shareholders' Meeting convened for the approval of the financial statements as at 31 December 2023; (v) approved the consensual early termination of the legal audit engagement conferred on the company Ria Grant Thornton S.p.A. with reference to the remaining financial years 2021-2025 and assigned the new legal audit engagement to the company EY S.p.A. for the 2021-2029 period; (vi) authorised the Board of Directors to purchase and dispose of treasury shares pursuant to Articles 2357 and following of the Italian Civil Code and Art. 5 of EU Reg. no. 596/2014, Article 132 of Legislative Decree 58/1998 and Article 144-bis of the Regulation adopted with Consob resolution no. 11971/99.

Also on **26 April 2021**, the Board of Directors of the Company confirmed Stefano Cervone as Chief Executive Officer, assigned to the Chair Giancarlo Cremonesi, in addition to the legal representation of the Company, the position of Director in charge of the internal control and risk management system and elected as Vice-Chair the Director Giovanni Naccarato. The Board of Directors then verified the fulfilment of the regulatory and statutory requirements, including those concerning the balance between genders, for the purposes of duly constituting the administrative body; in particular, it assessed the independence requirements envisaged by Articles 147-*ter*, paragraph 4, and 148, paragraph 3, of the TUF, and by Article 2, recommendation no. 7, of the new Corporate Governance Code as well as by Article 16 of the Markets Reg. for the Directors Camilla Giugni, Eleonora Linda Lecchi, Giovanni Naccarato and Maria Spilabotte. The Board also resolved to set up the Related Parties and Investments Committee, comprising Giovanni Naccarato (Chair), Eleonora Linda Lecchi and Maria Spilabotte and the Control, Risks, Appointments and Remuneration Committee comprising Giovanni Naccarato (Chair), Camilla Giugni and Maria Spilabotte. The Board of Statutory Auditors also assessed the existence of the independence requirements provided for in Article 148, paragraph 3, of the TUF and Article 2, recommendation no. 7, of the Corporate Governance Code for its Statutory members. In addition, the Board resolved to adopt the new Corporate Governance Code - January 2020 edition, approving, among other things, the Policy for Managing Dialogue with Shareholders in General.

On **29 April 2021**, with reference to the eviction procedure for arrears promoted by the Company against the tenant SHG Hotel Verona S.r.l., relating to the property for hotel use located in Verona, via Unità d'Italia 346, the compulsory mediation procedure initiated by the parties was concluded with a positive outcome and the related dispute was defined, with the consequent waiver of the continuation of the proceedings pending before the Court of Verona. At this meeting, the Company and the tenant settled their mutual claims and positions in a transactional manner and the Company obtained, in particular, the early return of the property and the payment by the tenant of the outstanding lease fees relating to the period September 2020 to April 2021, recognising, as per practice, an indemnity for the early release of the property; the Company also purchased all the furniture, fittings, equipment and fixtures contained in the Hotel Verona, recognising a contribution for the improvements made to the property and the facilities serving it and for the concessionary charges paid by the tenant to the Municipality of Verona.

On **15 June 2021**, the Board of Directors of the Company, pursuant to the provisions of Art. 2505, paragraph 2 of the Italian Civil code and Art. 19 of the Articles of Association, and the Shareholders' Meeting of the subsidiary Cortese Immobiliare S.r.l. resolved to merge Cortese Immobiliare S.r.l. into the Company, the 30 days required pursuant to Article 2501-*ter* paragraph 4 having elapsed since the registration of the draft merger in the competent Companies Registers. Furthermore, the Board of Directors approved (i) subject to the favourable opinion of the Related Parties and Investments Committee, the new RPT Procedure in order to adapt its content to the regulatory amendments introduced by Consob Resolution no. 21624/2020; (ii) the updated version of the Organisation, Management and Control Model prepared pursuant to Legislative Decree 231/2001.

On **25 June 2021** the Company signed the final agreement for the sale of a further portion, for office use, of the building located in Milan at Via Spadari 2, on the third floor, above the portions already owned by the Company, located on the ground, underground, first and second floors - at a price of € 4.1 million plus taxes, duties and closing costs.

On **5 August 2021**, the Company signed a strategic agreement with DeA Capital Real Estate SGR S.p.A., DeA Capital S.p.A., De Agostini S.p.A. and CPI PG, the Company's controlling shareholder, aimed at defining a potential partnership between the respective Groups (the "**Framework Agreement**"). In particular, the Framework Agreement provides that the parties to the agreement undertake to cooperate in the implementation of a joint project aimed at creating a strategic operating partnership in the Italian real estate market. The transaction qualifies as a "*Significant Related Party Transaction*" pursuant to Art. 4, paragraph 1, letter A) of Consob Regulation no. 17221/2010. For a more detailed analysis of it, reference should be made to the relative section of this Report.

On **14 September 2021**, the Company's Board of Directors unanimously approved the half-year financial report as of 30 June 2021 of the then NEXT RE SIIQ Group with the following results: - the Consolidated net result shows a profit of € 2 million as at 30 June 2021 compared to the loss of € -4.7 million as at 30 June 2020; - the EBITDA for the first half of 2021 amounts to € -1 million compared to € -0.1 million in the first half of 2020; - Consolidated Shareholders' Equity amounted to € 87.1 million as at 30 June 2021 compared to € 85.4 million as at 31 December 2020; - Total Financial Debt amounted to € 59.6 million as at 30 June 2021 compared to € 41.8 million as at 31 December 2020; - Net Loan to Value amounted to 44% as at 30 June 2021 compared to 33% as at 31 December 2020.

On **22 September 2021**, NEXT RE was honoured by the European Public Real Estate Association ("EPRA") with two major international awards for its level of adherence to Best Practices Recommendations ("BPR"). NEXT RE received the "EPRA BPR Gold Award" on its 2020 Annual Financial Report. The company also earned the "Most Improved Award" given to companies that have extraordinarily improved the compliance of their reporting with BPRs compared to the previous year. NEXT RE has improved from the Bronze Award it received for the 2019 Financial Report to the Gold Award for the 2020 Financial Report.

On **23 September 2021**, the sale to DeA Capital Partecipazioni S.p.A., a wholly-owned subsidiary of DeA Capital S.p.A., of a minority stake in the Company of 1,101,255 ordinary shares representing around 4.99% of the Company's share capital was completed at a price of € 3.169 per share, for a total consideration of € 3,489,877.10. Following this sale, the stake held by the seller, the controlling shareholder CPI PG, was reduced to approximately 82.0578% of the Company's share capital.

On **28 September 2021**, the Company's Board of Directors resolved *inter alia* to convene the Shareholders' Meeting for 10 November 2021 on first call and, if necessary, for 12 November 2021 on second call, to pass resolutions: (i) at the extraordinary meeting, with regard to the rebranding proposal by changing the company name and the resulting amendment of Art. 1 of the Articles of Association, and (ii) at the ordinary meeting, with regard to changing the number of members of the Board of Directors to nine, with the resulting appointment of two Directors for the 2021-2023 period and the determination of the relative remuneration as well as the adoption of a plan based on financial instruments pursuant to Art. 114-bis of Legislative Decree no. 58/98.

On **1 October 2021**, the registration of the deed for the merger by incorporation of Cortese Immobiliare was completed at the Companies Register of Rome and, therefore, the Company took over *ipso jure* all rights and obligations of Cortese Immobiliare, continuing in all its relationships, including procedural, existing prior to the merger, in accordance with the provisions of Article 2504-bis of the Civil Code. Notwithstanding the foregoing, the transactions of Cortese Immobiliare have been recognised in the Company's financial statements as of 1 January 2021, with accounting and tax effects pursuant to Art. 172, paragraph 9, of Presidential Decree no. 917 of 22 December 1986 beginning on the same date.

On **12 October 2021**, with reference to the lawsuit brought by Sorgente Group Italia S.r.l., which had challenged the Board of Directors' resolution of 29 October 2020, which approved the share capital increase, as well as the Board of Directors' resolution of 7 October 2020, which accepted the offer of CPI PG, and the Shareholders' resolution of 27 August 2020, by which the Board of Directors had been granted authority to increase the share capital under Article 2443 of the Italian Civil Code, the Judge adjourned the proceedings to the hearing on 20 September 2022 for final judgement.

On **20 October 2021**, Mr. Giovanni Cerrone resigned from his position as Chief Financial Officer and Manager responsible for preparing the company's financial reports, effective 22 November 2021, to begin a new professional experience.

On **22 October 2021**, the Majority Shareholder CPI PG submitted nominations for the appointment of two members of the Company's Board of Directors - one of whom was jointly designated by De Agostini S.p.A. and DeA Capital S.p.A. (which holds, through its subsidiary DeA Capital Partecipazioni S.p.A., an indirect equity investment in NEXT RE of approximately 4.9999%) in execution of the provisions of the Framework Agreement signed on 6 August 2021 and amended on 23 September 2021 and the shareholders' agreements - referred to in the first item on the Agenda of the Ordinary Shareholders' Meeting convened on first call for 10 November 2021.

On **5 November 2021**, the Company's Board of Directors approved the financial data as at 30 September 2021, which contained the following key results: - Net Operating income amounted to € 2.4 million as at 30 September 2021; - Consolidated profit/(loss) for the period was a profit of € 1 million as at 30 September 2021; - Consolidated EBITDA was € -0.9 million as at 30 September 2021; - Consolidated Shareholders' Equity amounted to € 85.8 million as at 30 September 2021 compared to € 85.4 million as at 31 December 2020; - Total consolidated financial debt amounted to € 59.6 million as at 30 September 2021 compared to € 41.8 million as at 31 December 2020; - Net Loan to Value amounted to 44% as at 30 September 2021 compared to 33% as at 31 December 2020.

Also on **5 November 2021**, the Board of Directors also resolved, with the favourable opinion of the Board of Statutory Auditors, to appoint Ms Francesca Rossi as the new Manager responsible for preparing the company's financial reports pursuant to Art. 154-bis of the TUF, effective as of 22 November 2021.

On **10 November 2021**, the Shareholders' Meeting approved (i) in the extraordinary meeting, the change of the company name from NOVA RE SIIQ S.p.A. to NEXT RE SIIQ S.p.A. by amending Art. 1 of the Articles of Association; and (ii) in the ordinary meeting, a change in the number of members of the Board of Directors to nine, with the resulting appointment as new Directors for the 2021-2023 period, i.e. until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2023, of: 1) Daniela Becchini; 2) Luca Nicodemi.

On **10 November 2021**, the Shareholders' Meeting also approved the share-based plan called "Stock Grant Plan 2021-2026" aimed at aligning the interests of the management with those of the Shareholders, favouring an increase in the market value of the shares and the creation of value for all stakeholders over the medium-long term, in implementation of the provisions of the current Remuneration Policy for 2021-2023 approved by the Shareholders' Meeting on 26 April 2021 and in compliance with the provisions of the Framework Agreement and the Asset Advisory Agreement signed between the Company and DeA Capital Real Estate SGR S.p.A., as well as in line with generally accepted international practice and in accordance with the recommendations of the Corporate Governance Code. The Plan provides for the free and personal allocation, in one or more tranches to be implemented within five years from the date of the shareholders' meeting approval, of treasury shares of the Company to the beneficiaries to be identified by the Board of Directors, with the assistance of the Remuneration Committee, from amongst the Directors, managers, other employees, collaborators and consultants of the Company and companies belonging to its Group (including key managers of companies belonging to the DeA Capital Group in execution of the Framework Agreement and the Asset Advisory Agreement), up to a maximum number of treasury shares corresponding to 3% of the Company's existing share capital *pro tempore* at the date of each implementation of the Plan.

On **26 November 2021**, the Board of Directors of the Company assessed the fulfilment (i) of the requirements of integrity pursuant to Article 147-*quinquies* of Legislative Decree no. 58/98 ("TUF") and Ministerial Decree no. 162 of 30 March 2000 and (ii) the independence requirements set out in Articles 147-*ter*, paragraph 4, and 148, paragraph 3, of the TUF, Article 2, recommendation No. 7 of the Corporate Governance Code and Article 16 of Consob Reg. 20249/17 ("Markets Reg.") by Directors Daniela Becchini and Luca Nicodemi appointed by the Shareholders' Meeting on 10 November 2021. Moreover, it appointed Director Giovanni Naccarato as Chief Financial Officer, granting him specific powers in financial matters, as a consequence of which Director Naccarato was qualified as an Executive Director of the Company, without prejudice to compliance with the criteria for the composition of the Board of Directors prescribed by Art. 16 of the Markets Reg.

Also on **26 November 2021**, the Board of Directors resolved to call an Extraordinary Shareholders' Meeting for 27 December 2021 and, if necessary for 28 December 2021 on second call, to approve the proposed mandatory conversion, in a 1:1 ratio, of 11,012,055 unlisted ordinary shares into 11,012,055 category B shares, in order to maintain the special regime of listed real estate investment companies (so-called SIIQ regime), pursuant to Art. 1, paragraphs 119 et seq. of the 2007 Finance Act, as specified in more detail in the following paragraph entitled "Legal and regulatory framework of Listed Real Estate Investment Companies (SIIQ)".

On **15 December 2021**, the Company announced the change in the composition of the share capital following the request for admission to listing of 500 unlisted ordinary shares, with no par value, identified by ISIN code IT0005330516.

On **27 December 2021**, the Extraordinary Shareholders' Meeting unanimously approved the mandatory conversion, in a 1:1 ratio, of 11,012,055 unlisted ordinary shares into 11,012,055 category B shares, without the right to attend or vote at the Company's ordinary shareholders' meeting and with the same right to share in profits as the ordinary shares automatically and proportionately reduced to the extent necessary so that the right to share in profits of each category B shareholder, taking into account any other ordinary shares held, is equal to - and, in any event, not more than - 60% of the rights to share in the profits of the Company. Consequently, the Extraordinary Shareholders' Meeting approved the relevant amendments to the Articles of Association.

On **30 December 2021**, the Company announced the change in the composition of the share capital following the registration of the above-mentioned resolution of the Extraordinary Shareholders' Meeting of 27 December 2021 at the Rome Companies Register. As of that date, the share capital amounted to € 63,264,527.93, represented by 22,025,109 shares with no par value, of which 11,013,054 shares admitted to trading on the Euronext Milan market and 11,012,055 Category B shares, not admitted to trading on the Euronext Milan market, with no right to participate in or vote at the ordinary shareholders' meeting and with a reduced right to share in profits. Category B shares account for 49.998% of NEXT RE's share capital.

There are no further significant events during the year to report.

Events following the reporting period

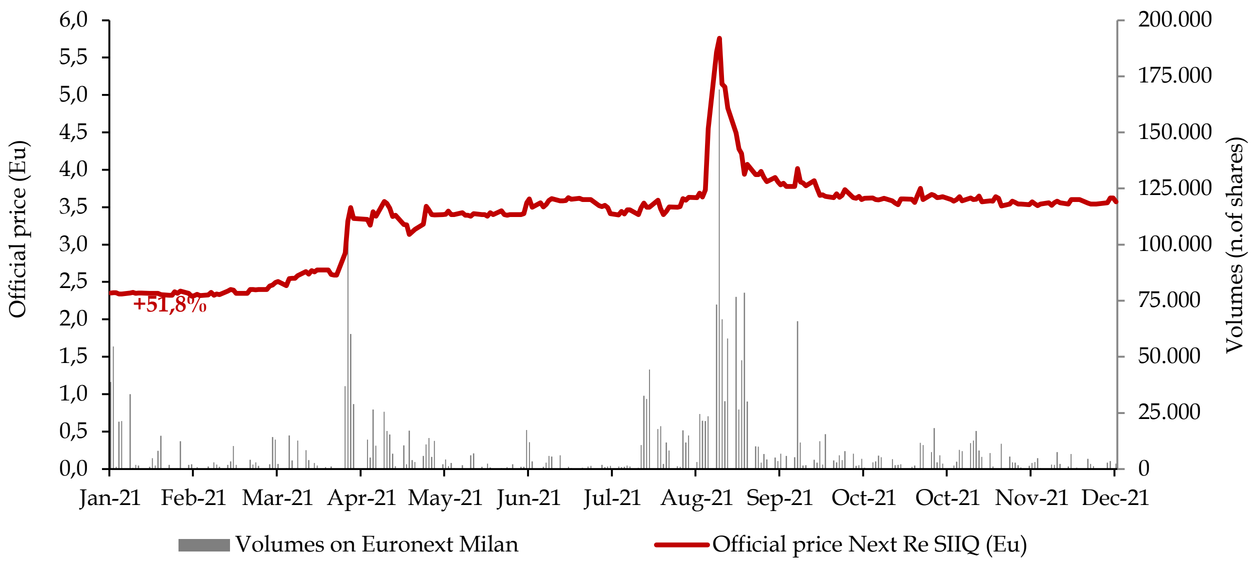
On **7 February 2022**, the Company approved the following preliminary, uncertified 2021 results: - the Preliminary net result for 2021 shows a profit of € 0.5 million compared to the loss of € -9.3 million as at 31 December 2020; - the preliminary EBITDA for 2021 is negative and estimated at € -1.6 million compared to € 0.3 million in 2020; - preliminary Shareholders' Equity is estimated at € 85.5 million as at 31 December 2021 compared to € 85.4 million as at 31 December 2020; - Total preliminary financial debt amounted to € 61.04 million as at 31 December 2021 compared to € 41.8 million as at 31 December 2020; - preliminary Net Loan to Value is estimated at 44% as at 31 December 2021 compared to 33% as at 31 December 2020.

There are no further significant events to report following the year end.

Stock performance

NEXT RE is a company listed on the Euronext Milan market of the Italian Stock Exchange. Its ordinary shares admitted to trading are identified by the ISIN Code IT0005330516 and the Alphanumeric Code NR[1].

The following graph shows the performance of NEXT RE stock over the period 4 January 2021 - 30 December 2021 and the volumes traded on the Euronext Milan in 2021.



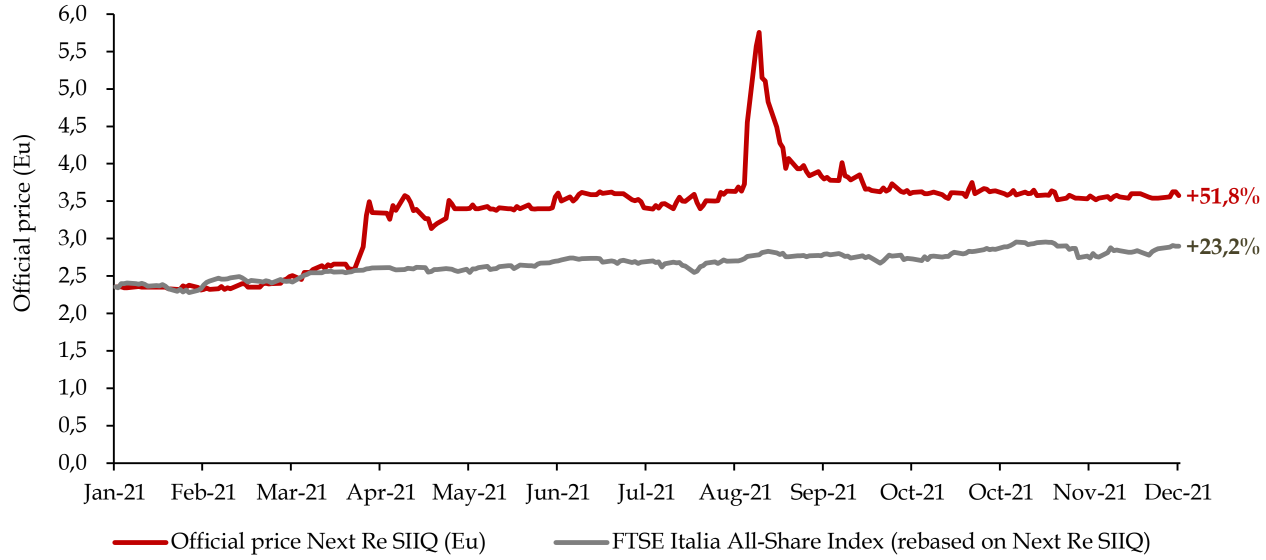
Source: Bloomberg

NEXT RE's share price performance in 2021 was influenced, *inter alia*, by the following elements: (i) the conclusion, on 22 January 2021, following the reopening of the terms, of the mandatory totalitarian takeover bid promoted by CPI Property Group on NEXT RE at a price of € 2.36 per share, (ii) the publication, on 19 February 2021, of the preliminary consolidated results for the year ended 31 December 2020; (iii) the communication to the market, on 19 March 2021, of the restoration by CPI Property Group of a free float sufficient to ensure the regular course of trading following the sale of 1.18 million listed ordinary shares at a weighted average price of approximately € 2.59 per share, (iv) the subsequent sale by CPI Property Group, between 29 March 2021 and 31 March 2021, of a further 6,000 listed ordinary shares at a weighted average price of between € 2.700 and € 3.463 per share, (v) the approval, on 26 April 2021, by the Extraordinary Shareholders' Meeting of the granting to the Company's Board of Directors of a proxy to increase the share capital by a maximum amount of € 2 billion by the date of the shareholders' approval of the financial statements for the year ending 31 December 2023, (vi) the signing, on 5 August 2021, of the Framework Agreement between NEXT RE and the DeA Capital group, which defined the initiation of the strategic partnership between the two groups in the real estate sector and included the disposal, completed on 23 September 2021, of 1,101,255 shares by CPI Property Group in favour of DeA Capital Partecipazioni S.p.A. at

[1] The Company's share capital, as set forth in the related notice of change dated 30 December 2021, consists of 22,025,109 shares, of which: (i) 11,013,054 listed ordinary shares (ISIN IT0005330516); (ii) 11,012,055 category B shares, without the right to attend or vote at the Company's ordinary shareholders' meeting and with the same right to share in profits as the ordinary shares automatically and proportionately reduced to the extent necessary so that the right to share in profits of each category B shareholder, taking into account any other ordinary shares held, is equal to - and, in any event, not more than - 60% of the rights to share in the profits of the Company.

a price of € 3.169 per share and (vii) the publication, on 24 September 2021, of the half-year financial report as at 30 June 2021.

In 2021 the total volumes traded on the Euronext Milan amounted to approximately 2.34 million listed ordinary shares for a total value of approximately € 8.84 million, corresponding to a volume weighted average price on the Euronext Milan of approximately € 3.78 per share. Average daily volumes during 2021 were approximately 9,142 shares, with a high of 169,161 shares traded on 10 August 2021.



Source: Bloomberg

In 2021, the NEXT RE share price performance (+51.8%) was significantly higher than the FTSE Italia All-Share index (+23.2%).

We report below the data recorded during the 4 January 2021 - 30 December 2021 period (inclusive).

		Date
Maximum official price (Eu)	5.758	10/08/2021
Minimum official price (Eu)	2.313	02/02/2021
Last official price (Eu)	3.573	30/12/2021
No. of listed ordinary shares[1]	10,974,849	30/12/2021
Capitalisation of listed ordinary shares[1] (Eu)	39,213,135	30/12/2021
Free float percentage of listed ordinary shares[2.3] (%)	35.44%	27/12/2021[3]

Notes: 1) 11,013,054 listed ordinary shares, net of 38,205 treasury shares. Please recall that, as shown above, the share capital also includes 11,012,555 unlisted category B shares; 2) Calculated excluding the equity investments of CPI Property Group (5,971,020 listed ordinary shares) and DeA Capital Partecipazioni S.p.A. (1,101,255 listed ordinary shares) in the Company's listed ordinary share capital; 3) Date of the last extraordinary shareholders' meeting of the Company.

For further information on NEXT RE share performance and for company updates please visit the corporate website www.nextresiiq.it and, more specifically, the Investors section.

The economic context and the real estate market

Macroeconomic framework and real estate market

During 2021, with the start and rapid progress of the vaccination campaign, there was a slowdown in the COVID-19 epidemic and a return to a "near normal" situation, although the effect was partially mitigated by the increase in infections at year-end. Data released by the European Commission in November 2021 show that the European Union economy is recovering from the pandemic recession faster than expected. The gradual and desired easing of limitations and restrictions, the contribution of the NRRP ("Next Generation EU" Recovery Fund), as well as other economic stimulus measures implemented by governments, point to a positive general macroeconomic outlook, particularly with reference to the real estate and construction markets. The pandemic has certainly accelerated the trend of Real Estate to change, both because of increased attention to ESG (Environmental, Social and Governance) issues and the inevitable impact that the post-pandemic will have on human habits and the future use of real estate.

Real estate market trends in Italy

The continuation of the COVID-19 pandemic throughout 2021 continued to have effects of slowing the housing market growth that had started in the years leading up to 2020. For several asset classes, the effects were even negative.

A significant negative trend continued to be recorded for those asset classes directly affected by the impact of the restrictions applied on the free movement and travel of people, namely those relating to the hotel and retail sector, with the exception of the luxury segment of hotels currently on the radar of international investors, especially those intending to undertake development projects with post-pandemic time horizons for implementation.

There was substantial stability for the office and residential sectors, pending an understanding of what impacts the post-pandemic scenario will have on human habits and future property use.

On the other hand, (i) the healthcare sector continued to show positive signs and (ii) the logistics and technological infrastructure sectors continued to show great capacity for growth, closely linked to the digitalisation process accelerated by the pandemic.

The volume of investments in Italy in 2021 stood at around € 10 billion, with significant growth in volumes in the second half of 2021 compared to H1 (a trend likely related to greater investor confidence towards the end of 2021 linked to the results of the vaccination campaign), an H1 which recorded a significant reduction in investments compared to the same period of the previous year (in which the effects of the pandemic began to be recorded starting in March 2020 and in which many transactions structured starting at the end of 2019 were in any case concluded). In terms of asset classes, logistics was confirmed as the leading sector in 2021, reaching transactions of around € 3 billion.

In terms of returns, investor attitudes were divided between caution and the search for higher returns, thus widening the spread between prime and secondary destinations, asset classes considered safer and less stable. There was a slight contraction in returns in prime sectors and locations; however, the logistics sector, which recorded prime yields of almost 4%, posted excellent results.

Investor and industry sentiment for 2022 is positive and it is possible to hope for a continuation of the growth trend that began in the second half of 2021.

Office sector trends

The second half of 2021 saw a slow recovery in the physical presence of personnel in workplaces; however, smart working and social distancing have greatly impacted the usability of office space in cities. Although there has been a slight contraction in investments, the services industry nevertheless appears to be maintaining dynamism, particularly in the trophy asset and core asset segments and in prime locations. It is therefore confirmed that offices are and will continue to be attractive for investments, both domestic and international, although later it will be necessary to re-evaluate the inevitable impact that the post-pandemic scenario will have on human habits and the future use of office buildings.

Commercial sector trends

The commercial sector has been one of those most affected by the effects of the COVID-19 pandemic: the restrictions applied to the free movement and travel of people and, above all, the opening of businesses, have continued to generate significant negative effects on the economic results of commercial activities and, consequently, on the ability to pay and sustain rents. Therefore, also during 2021, (i) numerous rent reduction agreements were signed, granted by landlords to their tenants to help them overcome the negative economic and financial effects related to the pandemic, (ii) several litigation or pre-litigation situations were recorded where landlord and tenant were unable (or unwilling) to reach a mutually satisfactory agreement.
The commercial sector has therefore undergone - again in 2021 - a further abrupt reduction in the interest of investors, both domestic and international, who have preferred to adopt an attitude of cautious waiting in order to be able to later re-evaluate the inevitable impact that the post-pandemic situation will have on the sector, especially in connection with the important growth and effects of e-commerce. Against this trend, interest in the high street shopping sector continued and grew, especially in major Italian cities and particularly in the luxury, fashion and restaurant sectors.

Hotel sector trends

The hotel sector has been one of those most affected by the effects of the COVID-19 pandemic: the restrictions applied to the free movement and travel of people and, above all, the opening of hotel facilities have continued to generate significant negative effects on the economic results of operators and, as a result, on their ability and possibilities to pay and sustain rents. Therefore, also during 2021, (i) numerous rent reduction agreements were signed, granted by landlords to their tenants to help them overcome the negative economic and financial effects related to the pandemic, (ii) several litigation or pre-litigation situations were recorded where landlord and tenant were unable (or unwilling) to reach a mutually satisfactory agreement.
During 2021, there was a strong growth in supply, especially of low-to-medium range hotels, with an inevitable reduction in prices. The luxury segment of hotels currently on the radar of international investors, especially those intending to undertake development projects with post-pandemic time horizons for implementation, went against the trend.
Despite the negative impacts of the pandemic on the sector recorded in 2020 and 2021, its prospects for recovery/growth in the immediate future remain strong, given (i) the desirable government manoeuvres to support the sector and (ii) the expected upswing in travel by individuals.
A further effect of the pandemic has been to increase the gap in investor interest between refurbished/redeveloped/standard structures and those to be worked on which, in order to regain market interest, will have to either experience a price reduction or be subject to preventive redevelopment work.

The market of Milan, Rome and other major Italian cities

The real estate market in the city of Milan seems to have resisted well against the repercussions of the pandemic, recording sales and launching new real estate projects even in 2020 and 2021, continuing to attract capital and confirming the positive trend of constant growth recorded over the last 5-7 years.

The desired reignition of the City of Rome's real estate market experienced a major slowdown in 2020 and 2021 related to the COVID-19 pandemic. In spite of everything, growing investor interest in Italy’s capital and the positive sentiment of sector investors and operators with respect to the relaunch of the real estate market in Rome as early as 2022 remain confirmed.

The real estate market in the other main Italian cities registered, in general, a slight contraction due above all to the cautious attitudes and expectations of investors linked to the pandemic and the uncertainty regarding its effects in the short-medium term on secondary real estate markets, often driven by the tourist-hotel sector, one of the most impacted. The logistics sector also bucked the trend in these cities.

Real estate portfolio

As at 31 December 2021 NEXT RE's portfolio consisted of 7 assets, including 3 for commercial use, 3 primarily for office use and 1 for hotel use, with a total market value as at 31 December 2021 of € 140.25 million, of which € 138.3 million was classified under Investment property and € 1.95 million – € 1.8 million net of depreciation – was classified under Other tangible assets in the Financial Statements.

The properties are located in Milan (3), Verona (1), Rome (2) and Bari (1). The total gross area of the portfolio is of 55,526 sqm, while the commercial area is of 29,535 sqm.
In relation to the size of the real estate portfolio, it should be noted that during 2021, NEXT RE recalculated the areas of all assets. Therefore, any differences with respect to the 2020 Annual Financial Report are due to such recalculation as well as the new acquisitions carried out in 2021 and described in more detail below.

In the first half of 2021, NEXT RE purchased additional portions of the Via Spadari 2 complex in Milan, in particular:

- the first floor and a portion of the second floor (leased to OVS), which - together with the portion relating to the underground and ground floor already owned by the company since 31 December 2020, leased to the same tenant under a different contract - constitute the "Spadari Commercial Portion";
- a further portion of the second floor (leased to ITX Italia S.r.l.) and the third floor of the property (currently vacant and being renovated), all for office use, which make up the "Spadari Management Office Portion";

As at 31 December 2021, all properties in the Company's portfolio were fully leased/used with the exception of:

- the property at Via Unità d'Italia 346, Verona, for which the lease agreement with the tenant, Salute Hotel Group, was terminated in the first half of 2021 and the commercial repositioning/redevelopment process, which is still underway, was launched in the second half of 2021;
- the office portion of the third floor of the property in Milan, Via Spadari 2, currently being renovated.

Again in terms of occupancy and use of the real estate portfolio, it should be noted that:

- effective as of 1 October 2020, NEXT RE directly uses a portion of the property in Rome at Via Zara 22/32. The portions used by NEXT RE are: the offices on the first floor, four parking spaces and a warehouse in the basement, the areas of which are hereinafter referred to as "Zara Accessory Portion". The remaining areas of the property are: "Zara Investment Portion" with respect to areas leased to third parties - "Zara Common and Non-Leasable Portion" with respect to the remaining common areas. The property in Rome at Via Zara 22/32 is therefore now completely used and occupied, but partially leased.
- effective as of 1 October 2021, the lease agreement with the Guardia di Finanza for the building in Rome at Via Vinicio Cortese, expired; pending the definition of negotiations for a possible new lease agreement, the tenant continues to use the building, paying the related occupancy indemnity to NEXT RE.

There are therefore 6 tenants/users of the properties in the portfolio - net of NEXT RE: OVS, Ministry of Justice, Guardia di Finanza, Embassy of Canada, Dico S.p.A. and ITX Italia S.r.l.

The following table provides a breakdown of the real estate portfolio held by NEXT RE.

Property Number	City	Address	Intended use	Gross area (sqm)	Commercial area (sqm)	Tenants	Market value 31/12/2021
1A	Milan	Via Spadari, 2	Commercial	2,858	2,014	OVS S.p.A.	50,900
1B	Milan	Via Spadari, 2	Management offices	285	267	ITX Italia S.r.l.	
1C	Milan	Via Spadari, 2	Management offices	600	542	vacant (under renovation)	7,000
1D	Milan	Via Spadari, 2	Non-leasable areas	152	-	n.a.	
2	Milan	Via Cuneo 2	Commercial	6,395	3,327	OVS S.p.A.	25,550
3	Milan	Corso San Gottardo 29/31	Commercial	4,928	2,620	OVS S.p.A.	15,600
4A	Rome	Via Zara 22/32	Commercial	523	492	Dico S.p.A.	
4B	Rome	Via Zara 22/32	Management offices (Invest	3,113	2,189	Embassy of Canada	12,950
4C	Rome	Via Zara 22/32	Non-leasable areas	946	-	n.a.	
4D	Rome	Via Zara 22/32	Management offices (Acces	476	388	NEXT RE SIIQ	1,950
5	Bari	Viale Saverio Dioguardi, 1	Management offices	19,118	10,485	Ministry of Justice	15,050
6	Rome	Via Vinicio Cortese, 143	Management offices/Archiv	4,580	2,496	Guardia di Finanza (Finance	5,150
7	Verona	Via Unità d'Italia, 346	Hotel	11,552	4,715	*vacant*	6,100

Key events in 2021 relating to NEXT RE's real estate portfolio

Similar to what happened in 2020, again during 2021 the management and performance of the real estate portfolio of the company NEXT RE were affected by the health emergency related to the COVID-19 pandemic (which began in the early months of the year 2020 and is still ongoing), which particularly affected properties for commercial and tourist/retail use. In the first half of 2021, new acquisitions were made in any event and the asset management activities detailed below were implemented on a property-by-property basis.

Milan – Via Spadari, 2

As already highlighted, in the first half of 2021 NEXT RE increased its investment position in the Milan Via Spadari 2 property through the acquisition:

- on 15 January 2021, of the property portion - first floor and part of the second floor - intended for commercial use and leased to OVS;
- on 25 January 2021 of the property portion - part of the second floor - intended for office use and leased to ITX Italia S.r.l.;
- on 25 June 2021, of the property portion - third floor - intended for office use and currently vacant as it is being renovated.

For the commercial portion of the property in question, given the continuation of the COVID-19 emergency situation, supplementary agreements were defined during 2021 under which the owner supported the tenant OVS in managing the negative economic and financial effects of the pandemic.
These agreements provided for a number of different agreements to supplement the existing contracts, from an economic point of view:

- waiver by NEXT RE of the fee for the months of January 2021 and October 2021 for the contract relating to the property portion of ground and underground floors;
- waiver by the NEXT RE predecessors and by NEXT RE (to the extent of its jurisdiction given the purchase of 15 January 2021) of the fee for the month of January 2021 for the contract relating to the first and second (part) floor portion of the property and the waiver by NEXT RE of the fee relating to the month of October 2021;

On the other hand, in relation to the COVID-19 pandemic, an agreement was signed in 2021 for a one-off reduction in the annual 2021 rent for the contract relating to the office portion of the second floor (part) leased to ITX Italia S.r.l.

During 2021, NEXT RE also launched a major investment program on the property in question relating to (i) the renovation of the office areas on the third floor started in the second half of 2021 and to be completed by the end of the first half of 2022 and (ii) the upgrading of the common areas of the property - facades, reception, vertical connections - approved by the condominium assembly at the end of 2021 with the aim of starting works in the first half of 2022 to be completed, barring unforeseen events, by the end of the year.

Milan – Via Cuneo, 2

For the property in question, given the continuation of the COVID-19 emergency situation, supplementary agreements were defined during 2021 under which the owner supported the tenant OVS in managing the negative economic and financial effects of the pandemic.
These agreements, in addition to a number of other agreements to supplement the existing contract between the parties, provided from a financial point of view, for NEXT RE to waive the fee for the months of January and October 2021.

During 2021, the tenant OVS started a program of redeveloping the property’s facades, authorised insofar as it is responsible by NEXT RE, to complete the interventions already carried out inside the store in previous months.

Milan – Corso San Gottardo, 29/31

For the property in question, no particular support was provided by NEXT RE to the tenant OVS relating to the COVID-19 emergency situation as the lease agreement in place already provides for an important contribution from the owner for the relaunch of the store with a significant rent reduction in the first 7 years of the contract. In the context of all of the foregoing, in 2021 a number of supplementary commercial agreements to the lease agreement for the property were instead defined, again with the aim of relaunching the store, which provided for (i) an extension of the lease agreement with a new duration of 9 + 6 years, (ii) reduced rent also for the eighth and ninth years and (iii) the postponement by three years of the tenant's first right of withdrawal.

Also for this property, during 2021 the tenant OVS started a program of redeveloping the property’s facades, authorised insofar as it is responsible by NEXT RE, to complete the interventions already carried out inside the store in previous months.

Rome – Via Zara 22/32

During 2021, NEXT RE, in order to take into account the changed economic and market conditions also related to the continuation of the COVID-19 emergency situation, redefined the contractual position of the commercial portion of the property by terminating the lease agreement in place with the tenant Dico S.p.A. and, at the same time, signing a new contract with the same tenant under conditions consistent with the current market scenario and providing for the tenant’s commitment to upgrading the internal areas of the store.

With regard to the other areas of the building, during 2021 - given the relative intended use - (i) the lease agreement with the Canadian Embassy and (ii) the business use of some areas by NEXT RE, continued without any particular critical elements related to the COVID-19 emergency situation.

The property underwent a major redevelopment in 2019/2020 so only targeted, low-cost work to complete the general renovation was done during 2021.

Bari – Viale Saverio Dioguardi, 1

As far as the building is concerned, during 2021 - given its intended use - the lease agreement with the Ministry of Justice continued without any particular critical elements linked to the COVID-19 emergency situation.

The property underwent a major redevelopment in 2018/2019 so only targeted, low-cost work to complete the general renovation was done during 2021.

Rome - Via Vinicio Cortese 143

As far as the building is concerned, during 2021 - given its intended use - the lease agreement with the Guardia di Finanza continued without any particular critical elements linked to the COVID-19 emergency situation. Without prejudice to the negotiations, initiated in 2020 and still ongoing between the parties, for the definition of a new lease agreement, it should be noted that the current lease expired on 30 September 2021 and that currently, as previously noted, the Guardia di Finanza continues to rent/use the property by paying an occupancy indemnity.

During 2021, NEXT RE carried out targeted area redevelopment/renovations on the property. As part of the ongoing negotiations with the Guardia di Finanza, NEXT RE has confirmed its willingness to carry out - ideally during 2022 - any work to adapt the property to the needs of the tenant if a new contract is signed.

Verona – Via Unità d'Italia, 346

As is well known, the tourist-retail sector was one of the hardest hit by the COVID-19 pandemic, so for the property in question during 2020 NEXT RE entered into agreements with the tenant Salute Hotel Group to try to support it in relation to the economic and financial losses related to the pandemic. However, the tenant was unable to comply with these agreements and, as part of an ongoing process of litigation between the parties between the end of 2020 and the beginning of 2021, a tenant buyout transaction was finalised in April 2021 (which included, among other agreements, the purchase by NEXT RE of the hotel's furnishings and equipment to enable a prompt initiation of operations by a possible future tenant). Therefore, the process of commercial repositioning of the property was started in May 2021 - also with the support of a specialised advisor - with the aim of identifying a new hotel operator to whom the property will be rented, also after targeted redevelopment works by and at the expense of NEXT RE. As part of this process, which is still under way, various expressions of interest were received from important operators in the sector, for a possible lease of the property and, in one case, also for the possible acquisition of the asset.

Events subsequent to 31 December 2021 relating to the real estate portfolio

In the first few months of 2022, the repositioning/redevelopment of the properties in Verona - Via Unità d'Italia and Rome - Via Vinicio Cortese continued. For the property in Verona, discussions/negotiations continued with parties interested in a possible lease/acquisition of the asset; for the property in Rome, a lease proposal was formalised by NEXT RE to the Guardia di Finanza.

Summary of the real estate portfolio as at 31 December 2021

The table below summarises the main characteristics of the real estate portfolio owned by the company NEXT RE. The average gross yield has been calculated on the annual rents outstanding as at 31 December 2021, established in accordance with the information provided later in this section.

Real estate portfolio	Market value 31/12/2021 (A)	Lease fees as at 31/12/2021 (B)	Gross average yield 31/12/2021 (B/A)	Gross area (sqm)	Leasable area (sqm)	Leased area (sqm)	Vacant area (sqm)	Occupancy rate
Milan, Via Spadari 2 (Commercial)	50,900	1,815	3.57%	2,858	2,014	2,014	0	100%
Milan, Via Spadari 2 (Management offices)	7,000	93	1.34%	1,037	809	267	541	33%
Milan, Via Cuneo 2	25,550	1,218	4.77%	6,395	3,327	3,327	0	100%
Milan, Corso San Gottardo 29/31	15,600	519	3.33%	4,928	2,620	2,620	0	100%
Rome, Via Zara 22/32 (Investment)	12,950	643	4.96%	4,582	2,681	2,681	0	100%
Rome, Via Zara 28 (Accessory)	1,950	n.a.	n.a.	476	388	388	0	100%
Bari, Viale Saverio Dioguardi 1	15,050	963	6.40%	19,118	10,485	10,485	0	100%
Rome, Via Vinicio Cortese 147	5,150	586	11.38%	4,580	2,496	2,496	0	100%
Verona, Via Unità d'Italia 346	6,100	0	0.00%	11,552	4,715	0	4,715	0%
TOTAL	**140,250**	**5,837**	**4.16%**	**55,526**	**29,535**	**24,278**	**5,256**	**82%**

The table above includes the market value of the Zara Accessory Portion, classified - net of the relative depreciation - under Other tangible assets in the Financial Statements.

Main real estate indicators

Market value of the real estate portfolio

As at 31 December 2021 NEXT RE owns a real estate portfolio of 7 assets with a total value of € 140.25 million. Compared to 31 December 2020, the value of the real estate portfolio owned had a gross increase of € 17.9 million mainly due to the change in the perimeter given by the new acquisitions occurred during the first half of 2021 (which implied an investment by NEXT RE of € 11.6 million net of taxes and other closing costs).

Specifically, the change in the total value of the portfolio between 31 December 2020 and 31 December 2021 of € 17.9 million is attributable to the following components (rounded to one decimal place):

- new investments of € 11.6 million (64.8% of total change)
- closing costs € 0.8 million (4.7% of total change)
- capitalised costs of € 0.7 million (3.9% of total change)
- fair value adjustment of € 4.8 million (26.8% of total change)

An analysis of the changes in the values for each asset is provided in the notes to the financial statements.

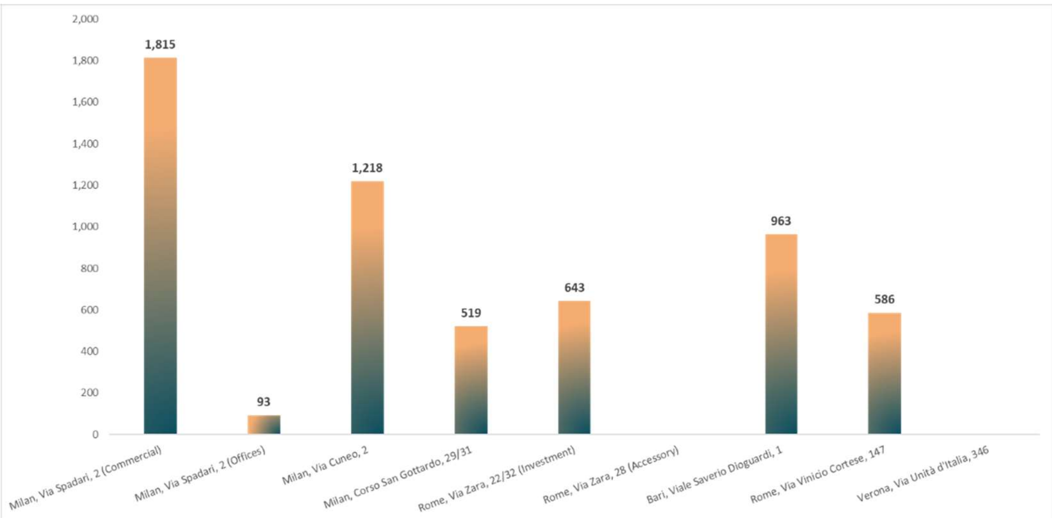
The following chart and table, here below, show the changes in the market value of the real estate portfolio, owned by NEXT RE, between 31 December 2020 and 31 December 2021.

Real estate portfolio	Market value 31/12/2020	New investments 2021	Closing costs	Capitalised costs	Delta fair value	Market value 31/12/2021
Milan, Via Spadari 2 (Commercial)	40,500	5,700	547	-	4,153	50,900
Milan, Via Spadari 2 (Management offices)	n.a.	5,900	294	96	710	7,000
Milan, Via Cuneo 2	25,150	-	-	-	400	25,550
Milan, Corso San Gottardo 29/31	15,200	-	-	-	400	15,600
Rome, Via Zara 22/32 (Investment)	12,700	-	-	8	242	12,950
Rome, Via Zara 28 (Accessory)	1,900	-	-	-	50	1,950
Bari, Viale Saverio Dioguardi 1	14,900	-	-	-	150	15,050
Rome, Via Vinicio Cortese 147	5,400	-	-	-	- 250	5,150
Verona, Via Unità d'Italia 346	6,600	-	-	550	- 1,050	6,100
TOTAL	**122,350**	**11,600**	**841**	**654**	**4,805**	**140,250**

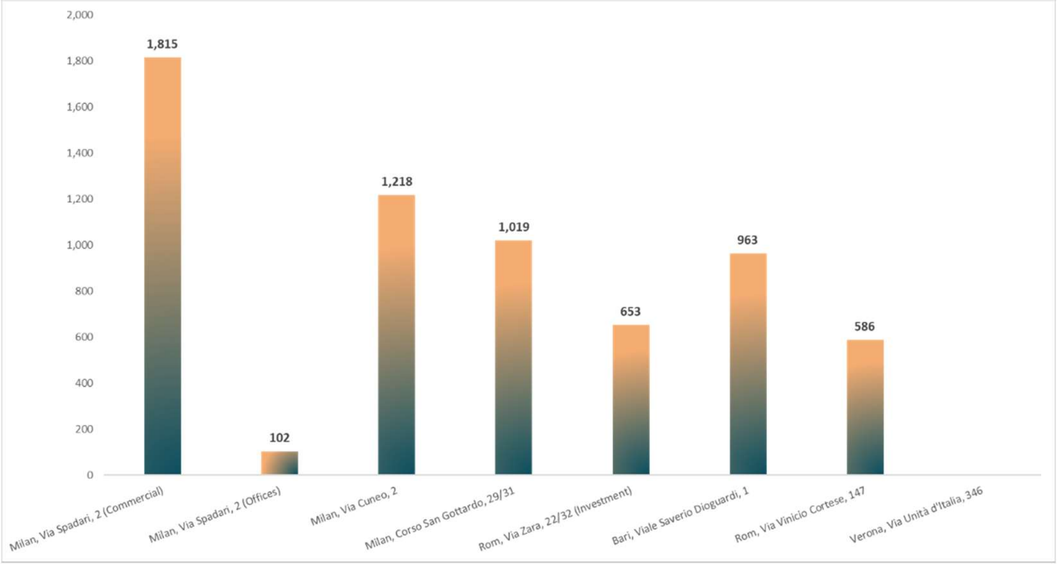
Value of outstanding annual lease payments and stabilised annual lease payments as at 31 December 2021

Existing yearly rents shall mean the annual leases in effect on the date of reference.
Stabilised yearly lease fees are effective lease fees under various contracts (thus taking into account the maximum value of the fee contractually envisaged on the basis of any step-up) known and contracted at the reference date. The rents indicated do not include the market rents for vacant property units and do not include uncertain items such as the ISTAT adjustment and any variable component of the fee. Only for the property in Rome, Via Vinicio Cortese, was the last rent paid before expiry of the contract, on the basis of which the occupancy indemnity is still paid by the tenant, was considered.

The value of *existing yearly rents* as at 31 December 2021 is € 5,837 distributed among the various properties as shown in the following chart.



The value of *stabilised yearly rents* is equal to € 6,356 as shown in the chart below.



Net rental income for the year 2021

The net rental income attributable to the 2021 financial year resulting from the Profit and loss account is:

Description	31/12/2021 (€ thousands)
Rental income	5,983
Net real estate costs	(2,656)
Net rental income	**3,327**

With respect to what was previously stated in the tables relating to lease fees, it must be noted that:

- the item Net rental income also includes revenue from charge-backs to tenants;
- revenues relating to the property in Milan, Via Spadari and the property in Milan, Via Cuneo are recorded, on the other hand, net of the annual portion of the capex contribution paid to the tenant in 2018 and 2020 and net of temporary rent reductions granted to the tenant for the applicable period;
- rental income is recognised in the income statement on a straight-line basis.

Property data by intended use

Prevalent intended use	Leasable area (sqm)	Leased area (sqm)	Market value 31/12/2021 (A)	% value of total portfolio	Lease fees as at 31/12/2021 (B)	Gross average yield 31/12/2021 (B/A)	Occupancy rate
Commercial	7,961	7,961	92,050	65.63%	3,552	3.86%	100%
Management offices (Inves	16,471	15,929	40,150	28.63%	2,285	5.69%	97%
Management offices (Acce	388	388	1,950	1.39%	n.a.	n.a.	100%
Hotel	4,715	-	6,100	4.35%	0	0	0%
	29,535	**24,278**	**140,250**	**100%**	**5,837**	**4.16%**	**82%**

The following table summarises the main information relating to NEXT RE's real estate portfolio, broken down according to the main intended use of the individual properties (only for the Rome, Via Zara property was the main intended use of the office building which also included the residual commercial portion of the ground floor considered).

The movements in 2021 in the book value of the portfolio by intended use are shown in the table below; also in this case, the book value of the item Investment property in the financial statements does not include the value of the portion for business use of the property in Rome, Via Zara, amounting to € 1,950 thousand.

(€ thousands)	Commercial	Management offices	Hotel	Total Portfolio
Real estate assets as at 1 January 2021	**80,850**	**33,000**	**6,600**	**120,450**
Purchases	5,700	5,900	0	11,600
Capitalised costs	547	398	550	1,495
Reclassifications	0	0	0	0
Balance prior to the valuation of real estate assets	**87,097**	**39,298**	**7,150**	**133,545**
Net write-ups/(write-downs) for the year	4,953	852	(1,050)	4,755
Balance as at 31 December 2021	**92,050**	**40,150**	**6,100**	**138,300**

Duration of lease contracts (WALT)

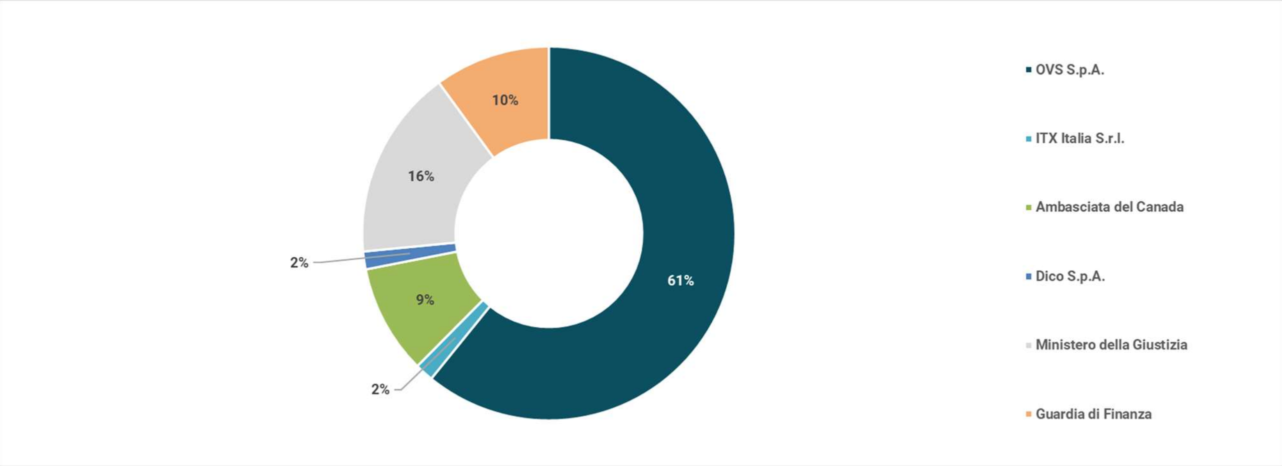
The index relating to the overall weighted average lease term (WALT) on annual leases of NEXT RE's real estate portfolio owned as at 31 December 2021 is equal to 4.7 years. The above index was calculated on the first contractual expiry date of the individual lease contracts in place, not taking into account any early termination options.

CITY	PROPERTY	TENANT	WALT on lease fees as at 31/12/2020	WALT on lease fees as at 31/12/2021
Milan	Via Spadari 2 - Management offices	ITX Italia S.r.l.	n.a.	1.8
	Via Spadari 2 - Commercial	OVS S.p.A.	7.0	6.0
	Via Spadari 2 - Commercial (P1 and P2)		n.a.	6.0
	Via Cuneo 2		7.0	6.0
	Corso San Gottardo 29/31		5.5	6.5
Rome	Via Zara 22/30	Embassy of Canada	5.1	4.1
		DICO S.p.A.	5.0	5.3
	Via Vinicio Cortese 147	Guardia di Finanza (Finance Police)	0.8	0.0
Bari	Viale Saverio Dioguardi, 1	Ministry of Justice	4.0	3.0
Verona	Via Unità D'Italia, 346	SHG (until April 2021)	16.4	0.0
WALT ON EFFECTIVE LEASE FEES REAL ESTATE PORTFOLIO			**6.2**	**4.7**

Tenants

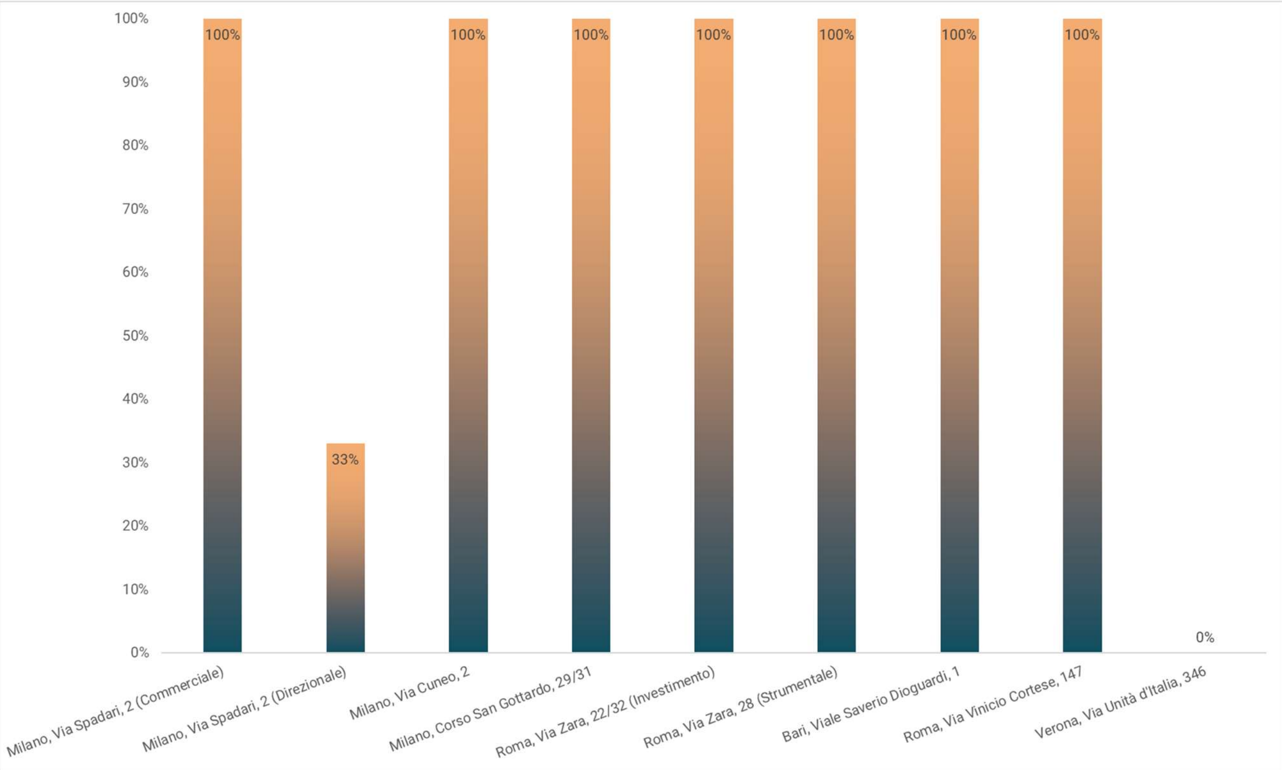
NEXT RE's real estate portfolio is leased to/used by, as of 31 December 2021, 6 (six) different tenants/users (net of NEXT RE for the accessory portion): OVS S.p.A., Ministry of Justice, Guardia di Finanza, Embassy of Canada, Dico S.p.A. and ITX Italia S.r.l.

The following graph shows the analysis of the concentration by individual tenant based on the annual rents in place as of 31 December 2021 (for the property in Rome Via Cortese the occupation indemnity paid by the Guardia di Finanza was considered).



Occupancy rate

The occupancy rate of NEXT RE's real estate portfolio as of 31 December 2021 was 82%, slightly down from the figure as of 31 December 2020, due to (i) the release by the tenant of the property located in Verona, Via Unità D'Italia, 346 and (ii) the acquisition of the vacant portion of the property for office use located in Milan, Via Spadari 2.

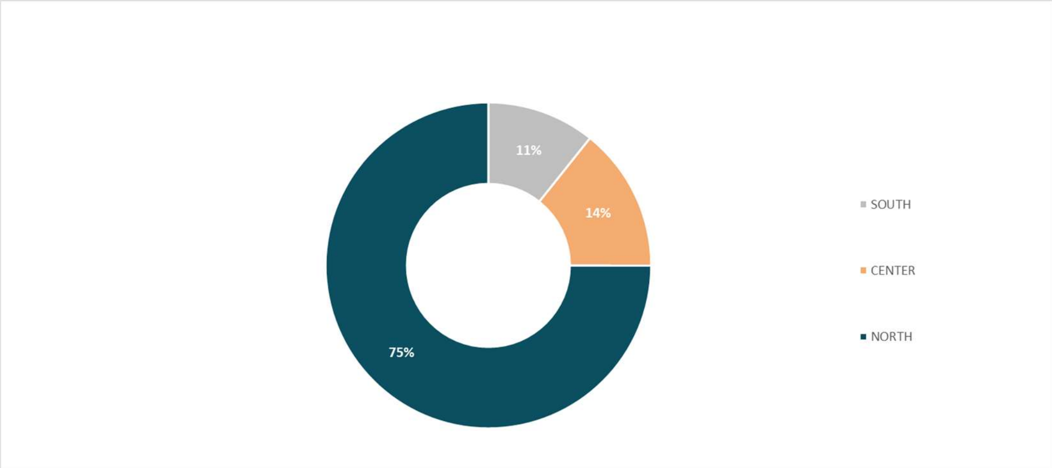


Geographical allocation

As at 31 December 2021, NEXT RE's real estate portfolio is distributed across 4 (four) different cities: Milan, Rome, Bari and Verona.

The following graph shows the geographical allocation analysis (NORTH - CENTRE - SOUTH) of the portfolio based on the *market values of the properties* as at 31 December 2021.

Geographical allocation of properties on the market value as at 31 December 2021



For further information on real estate assets, please refer to the in-depth description provided in the Notes to the financial statements *Note 1*. *Investment property*.

Merger by incorporation of Cortese Immobiliare S.r.l.

As mentioned above, on 15 June 2021, the Board of Directors of NEXT RE approved, pursuant to Article 2505, paragraph 2 of the Italian Civil Code, the plan for the merger by incorporation into NEXT RE of Cortese Immobiliare S.r.l., a single member company. The merger became effective with respect to third parties as of 1 October 2021. The transactions of the merged company Cortese Immobiliare S.r.l. have been recorded in the financial statements of the incorporating company NEXT RE with effect from 1 January 2021, and with the same start date for tax purposes.

In order to facilitate comments on profit and loss and financial position trends during the current year, the accounting backdating of Cortese Immobiliare's costs and revenues and asset values for the previous year has been represented in the reconciliation tables below; these tables show the detailed economic and financial effects, including intercompany items, as if the merger had become effective on 1 January 2020. Moreover, the pro-forma figures do not reflect prospective data as they have been prepared so as to represent exclusively the effects of the merger. In view of the different purposes of the pro-forma data compared to the data from the historical financial statements of the two companies, they should be read and interpreted separately as there is no accounting connection between them.

Reconciliation statement of Profit/(Loss) for the year

	31/12/2021	31/12/2020	Cortese Immobiliare *reporting package* 2020	Eliminations	NEXT RE SIIQ S.p.A. Year 2020 pro-forma
Rental income	5,983,752	5,391,986	585,917	0	5,977,903
Costs relating to property assets	(2,656,323)	(1,899,888)	(127,144)	0	(2,027,032)
Net rental income	**3,327,429**	**3,492,098**	**458,773**	**0**	**3,950,871**
Personnel costs	(1,754,572)	(1,738,863)	0	0	(1,738,863)
Wages and salaries	*(1,115,834)*	*(1,104,348)*	*0*	*0*	*(1,104,348)*
Social contribution	*(482,640)*	*(298,897)*	*0*	*0*	*(298,897)*
Severance indemnity fund (TFR)	*(94,401)*	*(96,845)*	*0*	*0*	*(96,845)*
Other personnel costs	*(61,697)*	*(238,772)*	*0*	*0*	*(238,772)*
Overhead costs	(2,663,487)	(1,605,743)	(41,014)	0	(1,646,757)
Amortisation, depreciation and write-downs of fixed asse	(382,891)	(160,264)	0	0	(160,264)
Total operating costs	**(4,800,950)**	**(3,504,870)**	**(41,014)**	**0**	**(3,545,884)**
Other revenues and income	104,655	20,046	30,039	0	50,085
Other costs and expenses	(701,310)	(310,035)	(7,980)	0	(318,014)
Total other revenues and income/other costs and expens	**(596,655)**	**(289,989)**	**22,059**	**0**	**(267,930)**
Positive fair value of investment property	6,055,430	140,709	0	0	140,709
Negative fair value of investment property	(1,300,000)	(3,089,521)	(1,350,000)	0	(4,439,521)
Positive /(negative) fair value of investment properties	**4,755,430**	**(2,948,812)**	**(1,350,000)**	**0**	**(4,298,812)**
Operating income	**2,685,254**	**(3,251,572)**	**(910,183)**	**0**	**(4,161,755)**
Fair value adjustment of financial assets	(808,260)	(1,855,000)	0	0	(1,855,000)
Financial income	17,208	164,466	2	(3,075)	161,393
Financial expenses	(1,471,381)	(4,699,014)	(32,844)	705,745	(4,026,113)
Pre-tax result	**422,821**	**(9,641,120)**	**(943,024)**	**702,670**	**(9,881,475)**
Taxes	4,515	493,580	67,409	0	560,990
Profit/(Loss) for the year	**427,336**	**(9,147,540)**	**(875,615)**	**702,670**	**(9,320,485)**

Reconciliation statement of the Statement of Financial Position

	31/12/2021	31/12/2020	Cortese Immobiliare *reporting package* 2020	Eliminations	NEXT RE SIIQ S.p.A. Year 2020 pro-forma
ASSETS					
Non-current assets					
Investment property	138,300,000	115,050,000	5,400,000	0	120,450,000
Other tangible fixed assets	2,176,845	1,948,236	0	0	1,948,236
Rights of use	8,343	65,331	0	0	65,331
Intangible assets	85,768	112,218	0	0	112,218
Shares held in subsidiaries	10,000	2,901,000	0	(2,901,000)	0
Deferred tax assets	854,166	859,099	0	0	859,099
Other non-current assets	1,075,397	1,290,476	0	0	1,290,476
Total non-current assets	**142,510,519**	**122,226,361**	**5,400,000**	**(2,901,000)**	**124,725,361**
Current assets					
Financial assets at fair value	3,378,210	3,186,000	0	0	3,186,000
Receivables and other current assets	2,842,205	2,412,213	369,183	(565,079)	2,216,317
Cash and cash equivalents	6,836,541	24,903,181	19,440	0	24,922,620
Total current assets	**13,056,956**	**30,501,394**	**388,623**	**(565,079)**	**30,324,937**
TOTAL ASSETS	**155,567,475**	**152,727,755**	**5,788,623**	**(3,466,079)**	**155,050,298**
SHAREHOLDERS' EQUITY					
Share capital	63,264,528	63,264,528	10,000	(10,000)	63,264,528
Share premium reserve	22,931,342	22,931,342	0	0	22,931,342
Other reserves	11,684,316	11,753,268	3,666,040	(3,666,040)	11,753,268
Other items of the comprehensive income statement	(23,767)	(17,327)	0	0	(17,327)
Profits/(Losses) carried forward	(12,785,179)	(3,637,639)	100,635	72,370	(3,464,634)
Profit/(Loss) for the period	427,336	(9,147,540)	(875,615)	702,670	(9,320,485)
TOTAL SHAREHOLDERS' EQUITY	**85,498,576**	**85,146,632**	**2,901,060**	**(2,901,000)**	**85,146,692**
LIABILITIES					
Non-current liabilities					
Employee benefits	189,302	248,578	0	0	248,578
Payables to banks and other lenders	66,699,986	9,992,449	1,608,600	0	11,601,050
Trade payables and other non-current payables	165,341	0	313,170	0	313,170
Total non-current liabilities	**67,054,629**	**10,241,027**	**1,921,770**	**0**	**12,162,798**
Current liabilities					
Payables to banks and other lenders	1,171,829	52,912,956	693,300	(415,751)	53,190,506
Liabilities from financial derivatives	0	1,916,491	0	0	1,916,491
Trade payables and other payables	1,842,441	2,510,649	272,493	(149,328)	2,633,813
Total current liabilities	**3,014,270**	**57,340,096**	**965,794**	**(565,079)**	**57,740,809**
TOTAL LIABILITIES	**70,068,899**	**67,581,123**	**2,887,564**	**(565,079)**	**69,903,606**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**155,567,475**	**152,727,755**	**5,788,624**	**(3,466,079)**	**155,050,298**

Economic performance analysis

A management reclassification of the operating results is provided below in order to facilitate a better understanding of how the operating results were determined for the year.

(Values in € thousands)

Item	2021	2020	2020 Pro-forma
Rental income	5,983	5,392	5,978
Costs relating to property assets	(2,656)	(1,900)	(2,027)
Net Operating Income	**3,327**	**3,492**	**3,951**
Other revenues and income	105	20	50
Personnel costs	(1,755)	(1,739)	(1,739)
Overhead costs	(2,663)	(1,606)	(1,647)
Other costs and expenses	(701)	(310)	(318)
EBITDA	**(1,687)**	**(143)**	**297**
Amortisation and write-downs	(383)	(160)	(160)
Fair value adjustment of property investments	4,755	(2,949)	(4,299)
EBIT	**2,685**	**(3,252)**	**(4,162)**
Fair value adjustment of financial instruments	(808)	(1,855)	(1,855)
Financial income/(expenses)	(1,454)	(4,535)	(3,865)
EBT (Earnings Before Taxes)	**423**	**(9,641)**	**(9,882)**
Taxes	4	494	561
Operating results for the period	**427**	**(9,148)**	**(9,320)**

Net Operating Income: The real estate management margin amounted to € 3,327 thousand and decreased compared to that achieved in the same period of 2020 by approximately € 624 thousand. The results of property management are mainly affected by i) the effects of an increase in net rental income of € 100 thousand relating to the property in Milan, Via Spadari following the acquisition of additional spaces leased to OVS and Zara, ii) the lower impact of the one-off reductions in rent granted to tenants in light of the Covid-19 epidemic emergency for € 648 thousand, iii) the effects deriving from the settlement with the tenant of the Verona Hotel for € 971 thousand, iv) lower rental income deriving from the Verona property as it has been vacant since May 2021 for € 225 thousand and v) additional real estate costs for utilities, maintenance and facility services for € 134 thousand.

General costs, amounting to € 2,663 thousand (€ 1,647 thousand as at 31 December 2020) reflect i) higher legal consultancy costs of € 411 thousand incurred mainly in relation to disputes, amendments to the Articles of Association and advice on non-routine matters, ii) the asset advisory fee relating to the last four months of 2021 to Dea Capital SGR of € 251 thousand, iii) higher communication and media relations costs of € 114 thousand, iv) savings of € 95 thousand in relation to common costs recharged following the transfer of the registered office to the owned property at Via Zara in Rome.

The item **Other costs and expenses** includes aborted costs of € 499 thousand incurred in relation to share capital increase transactions not finalised and refer to legal consultancy, real estate technical consultancy for due diligence, notary costs and real estate appraisal costs.

Amortisation, depreciation and write-downs: this item includes, among other things, i) depreciation of € 63 thousand and write-downs of € 201 thousand relating to the item Furniture and Fittings for the Verona asset and ii) the depreciation of the portion of the Rome, Via Zara asset used for business purposes by NEXT RE for € 58 thousand.

The **fair value adjustment of financial assets** includes the value adjustment of the financial asset consisting of a bond underwritten by NEXT RE, issued by the Luxembourg-registered Historic & Trophy Building Fund -

HTBF, € Sub-Fund (HTBF€ Fund) and temporary liquidity investments. The fair value adjustment recognised as at 31 December 2021 is € 808 thousand.

The **Fair value adjustment of investment property** is positive as at 31 December 2021 for € 4,755 thousand. The value of the real estate portfolio increased compared to 31 December 2020 mainly due to the positive effects of the acquisitions made in the first half of 2021 of additional real estate units in the Milan - Via Spadari complex.

Net financial income/(expense): the improved result of this item benefits from the better contractual conditions applied with reference to the loans granted by CPI PG compared to the mortgage loans outstanding as at 31 December 2020. In 2020, charges were also recorded on derivative financial instruments, used to hedge the risk of interest rate fluctuations on the UniCredit loan, for € 1,745 thousand.

The **net result** for the year ended 31 December 2021 was a positive € 427 thousand; the result for the year ended 31 December 2020, a negative € 9,320 thousand, significantly reflected the impacts that the COVID-19 pandemic had on the Company's financial statements both with respect to Net Operating income, primarily in relation to temporary rent reductions granted to certain tenants, and with respect to EBIT following the recognition of significant negative fair value adjustments to financial assets and investment property.

Balance sheet analysis

The following tables show the Company's total financial debt as of 31 December 2021.

(Values in € thousands)

Item		31/12/2021	31/12/2020	31/12/2020 pro-forma
A.	Fixed capital	140,581	120,077	122,576
B.	Financial instruments	3,378	3,186	3,186
C.	Net working capital	1,000	(98)	(418)
D=A.+B.+C.	**Invested capital**	**144,959**	**123,164**	**125,344**
E.	**Shareholders' equity**	**(85,499)**	**(85,147)**	**(85,371)**
F.	**Other non-current assets and liabilities**	**1,575**	**1,901**	**1,588**
G.	Long-term payables to banks and other lenders	(66,700)	(9,992)	(11,601)
H.	Long-term financial derivative liabilities	0	0	0
I.	Short-term payables to banks and other lenders	(1,172)	(52,913)	(53,191)
J.	Short-term financial derivative liabilities	0	(1,916)	(1,916)
K.	Securities held for trading	0	0	0
L.	Available cash and cash equivalents	6,837	24,903	24,923
M.=G.+H.+I.+J.+K.+L.	**Total financial debt**	**(61,035)**	**(39,919)**	**(41,785)**
N.=E.+F.+M.	**Sources of financing**	**(144,959)**	**(123,164)**	**(125,344)**

COMPOSITION OF ITEMS:

A. Fixed capital: includes real estate investments, intangible assets and other tangible assets and investments;

B. Financial instruments include investments in bonds and mutual funds, other financial assets measured at fair value and derivative assets;

C. Net working capital: this includes trade receivables and payables and other current assets and liabilities;

F. Other non-current assets and liabilities: these include other non-current assets, employee benefits and assets and liabilities relating to deferred and pre-paid tax assets and liabilities and non-current tax payables;

I. Total Financial Debt: is determined as required by Consob in Attention Notice no. 5/21 with evidence of the method of representation indicated in the Guidelines on disclosure requirements pursuant to EU Regulation 2017/1129 (so-called Prospectus Regulation) published by ESMA as further specified below.

The net working capital was positive equal to € 1,000 thousand.

Shareholders' equity, including the profit for the period of € 427 thousand, amounted to € 85,499 thousand.

The balance of Other net non-current assets and liabilities amounted to € 1,575 thousand and refers to i) assets for capex contribution disbursed in favour of the tenant OVS for the properties in Milan, Via Spadari and Via Cuneo for € 1,075 thousand, ii) deferred tax assets for € 854 thousand, iii) the current value of the Company's commitment to employees for severance indemnity for € 189 thousand and iv) other non-current tax liabilities for € 165 thousand.

The following tables show the Total Financial Debt of the Company as at 31 December 2021 and 31 December 2020, as required by Consob in Attention Notice no. 5/21 with evidence of the method of representation indicated in the Guidelines on disclosure requirements under EU Regulation 2017/1129 (so-called Prospectus Regulation) published by ESMA. As of 5 May 2021, the Guidelines update the previous CESR Recommendations (including references in Communication no. DEM/6064293 of 28-7-2006 on net financial position).

In this respect, the ESMA Guidelines provide for the following main changes to the debt statement:

a. reference is no longer made to Net financial position, but to Total financial debt;

b. non-current financial debt also includes trade and other non-current payables, i.e. payables that are not remunerated but have a significant implicit or explicit financing component;

c. as part of current financial debt, the current portion of non-current financial debt should be shown separately.

(Values in € thousands)		31/12/2021	31/12/2020	31/12/2020 pro-forma
A.	Cash and cash equivalents	3,837	24,903	24,923
B.	Cash equivalents	3,000	0	0
C.	Other current financial assets	0	0	0
D.	**Liquidity**	**6,837**	**24,903**	**24,923**
E.	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	0	0	0
F.	Current portion of the non-current financial payable	(1,172)	(54,829)	(55,107)
G.= (E+F)	**Current financial debt**	**(1,172)**	**(54,829)**	**(55,107)**
H.= (G-D)	**Net current financial debt**	**5,665**	**(29,926)**	**(30,184)**
I.	Non-current financial debt (excluding current portion and debt instruments)	(66,700)	(9,992)	(11,601)
J.	Debt instruments	0	0	0
K.	Trade payables and other non-current payables	0	0	0
L.=(I+J+K)	**Non-current financial debt**	**(66,700)**	**(9,992)**	**(11,601)**
H+L	**Total financial debt**	**(61,035)**	**(39,918)**	**(41,785)**

Total financial debt increased compared to 31 December 2020 mainly as a result of the use of cash and cash equivalents for property acquisitions in the first half of the year (€ 12.5 million) and financial outlays relating to the settlement agreement with the former tenant, SHG (€ 2.4 million). The item Cash equivalents includes deposit accounts with guaranteed yield with a maintenance obligation until 2 March 2022. The current portion of non-current financial debt as at 31 December 2020 included the short-term debt on the UniCredit and

Imprebanca loans repaid during the first half of 2021 through two credit facility agreements provided by CPI PG for a total of € 58 million maturing in 2026.

Transactions with related parties

Information on transactions with related parties is provided below.

SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

(i) on 27 January 2021, the Company approved a shareholder loan proposal received from the reference shareholder CPI PG, for an amount approximately equal to € 54.6 million (the “Loan”), intended to cover the costs incurred for purposes of early repayment of the mortgage loan agreement signed on 29 December 2017 with UniCredit S.p.A. The Loan, granted by the shareholder in a single tranche, has a term of five years and bears fixed nominal interest at a rate of 2.1% per annum. As CPI PG is a related party insofar as it controls the Company pursuant to Art. 93 of Italian Legislative Decree no. 58/1998 and exercises management and coordination of the latter pursuant to Art. 2497 et seq. of the Italian Civil Code, the signing of the loan agreement qualifies as a “Significant Transaction with a Related Party” pursuant to Art. 4, paragraph 1, letter a) of Consob Regulation no. 17221/2010. Therefore, the transaction was approved by the Board of Directors with the prior and unanimous favourable opinion of the Committee of Independent Directors, composed entirely of Directors who are not related to the counterparty, and the information document required pursuant to Article 5 of Consob Regulation no. 17221/2010 as amended and Article 7 of the RPT Procedure of NEXT RE, including the opinion of the Committee of Independent Directors, to which reference should be made, was published on 3 February 2021;

(ii) on 5 August 2021, the Company approved the transaction involving the signing of the framework agreement (“Framework Agreement”) and related annexes with the controlling shareholder CPI PG, DeA Capital Real Estate SGR S.p.A. (“DeA Capital RE”), DeA Capital S.p.A. and De Agostini S.p.A. The Framework Agreement provides that the parties mentioned undertake to cooperate on a joint project aimed at creating a strategic operating partnership in the Italian real estate market (the “Joint Project”), including through the assignment to DeA Capital RE of the role of advisor for the provision of certain asset advisory services to the Company. In particular, by entering into the Framework Agreement, the parties intend to govern the terms, conditions and methods of implementation of the Joint Project on the basis of the milestones indicated below:

- *Asset Advisory Agreement*: the central element of the Joint Project is the appointment of DeA Capital RE as advisor to the Company for the provision of certain services by signing the Asset Advisory Agreement;

- acquisition of a minority stake in NEXT RE: subject to execution of the Asset Advisory Agreement between DeA Capital RE and the Company, DeA Capital Partecipazioni S.p.A. acquired a minority stake of 4.99% of the Company's share capital, in accordance with the terms of the Share Purchase Agreement;

- definition of NEXT RE's New Strategic Plan: the Joint Project is based on a new strategic plan of the Company (the “New Strategic Plan”), to be developed on the basis of the strategic guidelines attached to the Framework Agreement, which sets forth, *inter alia*, the following key points: (A) the main terms of the share capital increase to be approved by the Company and the relative co-investment of the parties; (B) the Company's new investment strategy (including risk profile, asset allocation, geographic allocation, loan-to-value, investment size and return target); (C) the rebranding and joint efforts of the parties in developing the Company's business; (D) the new corporate structure of NEXT RE;

- Additional investment: for the purposes of implementing the Joint Project and subject to certain conditions being met, CPI PG and one or more DeA Group companies have undertaken to subscribe and pay a portion of the share capital increase to be approved by the Company’s board of directors under the power granted, pursuant to Article 2443 of the Italian Civil Code, by the Extraordinary Shareholders' Meeting on 26 April 2021, to increase the share capital by a maximum amount of € 2 billion/00, including any share premium, to be executed also in divisible form, in one or more tranches, by the date of approval by the Shareholders' Meeting of the financial statements for the year ending 31 December 2023, excluding option rights pursuant to Article 2441(4) and (5) of the Italian Civil Code.

In view of the involvement of the controlling shareholder CPI PG, the above transaction was classified as a major transaction in application of the value index set out in para. 1.1., letter a) of Annex 3 of Consob Regulation no. 17221/2010 as amended. ("RPT Regulation"). Therefore, the Company's Board of Directors resolved to approve the transaction, subject to the favourable opinion of the Related Parties and Investments Committee. Moreover, on 6 August 2021, the information document required pursuant to Art. 5 of Consob Regulation no. 17221/2010 as amended and Art. 7 of the RPT Procedure was published, to which the Opinion of the RPT Committee and the Fairness Opinion prepared, to support the Committee's assessments, by the independent expert Arthur De Little S.p.A. Financial Services Group, which should be referred to for the details, are attached;

(iii) on 23 September 2021, the Company approved, subject to the favourable opinion of the Related Parties and Investments Committee and in compliance with the procedure prescribed by current legislation and company regulations on major related-party transactions, an agreement amending the Framework Agreement signed on 5 August 2021 to govern the entry onto the Company's board of a Director designated jointly by De Agostini S.p.A. and DeA Capital, providing that this appointment could take place - in addition to by co-option, by 30 September 2021, following the resignation of a member of the Company's board of directors (a method already provided for in the Framework Agreement) - also, alternatively, by means of a specific resolution of the Shareholders' Meeting, to be passed by 15 November 2021, to increase the number of members of the Company's Board of Directors from 7 to 9 and simultaneously appoint two new Directors (one of whom - as mentioned above - is appointed jointly by De Agostini S.p.A. and DeA Capital).

Therefore, on 29 September 2021, the Addendum was published to the Information Document relating to a major transaction with related parties published on 6 August 2021, prepared pursuant to Art. 5 of Consob Regulation 17221/10 as amended and Art. 7 of the RPT Procedure of the Company, to which reference should be made.

TRANSACTIONS AND RELATION WITH RELATED PARTIES OF LESSER IMPORTANCE

(i) On 3 March 2021, the Board of Directors approved, subject to the favourable opinion issued by the Independent Committee, the criteria and procedures for allocating the centralised common costs referable to the year 2020 relating to the property formerly the Company's registered office, located in Rome via del Tritone 132, which the Company held under a sub-lease contract signed with Tiberia S.r.l., a company previously a related party of NEXT RE, as it belongs to the Sorgente group.

It should be noted that on 30 September 2020, the Company terminated said sub-lease contract.

Since the beginning of 2020, in view of the transfer of the Company's headquarters to the current registered office in via Zara, 28, NEXT RE started a gradual process of detachment from the centralised services, which were partly directly managed by the user (printers, fixed telephony, data line); therefore, during that year, there was a hybrid management situation for these costs. In particular, 24% of the total costs attributable to the property were estimated as the cost driver for passing on the common costs to the company, determined on the basis of the ratio of the total area of the property of 2,799 sqm and the leased areas pertaining to NEXT RE of 672 sqm.

In light of this, common costs have been determined relating to the centralised common services provided, managed and accounted for by Tiberia (in some cases with the support of Sorgente REM S.p.A., which is also a related party as it belongs to the Sorgente Group) charged-back according to the cost driver determined above, for a total amount of € 503,595, of which the portion of NEXT RE is € 87,763.

In addition to these costs, NEXT RE was also charged € 7,239 for services (such as utilities, secretarial services, printers and photocopiers, car and motorcycle parking spaces, and operation and maintenance) which, being managed centrally according to a shared services logic, were allocated, depending on the case and the nature of the cost, accurately, based on the number of users, using the criterion of average heads.

Therefore, the total costs accrued in the period 1 January - 30 September 2020, the period in which the sub-lease contract ceased to apply, for the centralised services relating to the property formerly the Company's registered office, managed by Tiberia S.r.l with the support of Sorgente REM S.p.A. amounted to a total of € 95,002.

Since this is a Minor RPT - which does not fall within the exclusion hypotheses provided for in Article 9 of the NEXT RE RPT Procedure, as it is for an amount greater than € 50,000, pursuant to the NEXT RE RPT Procedure - the resolution in question was reserved for the competence of the Board of Directors after the Independent Committee had issued a reasoned favourable opinion, concerning the Company's interest in carrying out the transaction, as well as the convenience and substantial correctness of the related conditions.

(ii) On 13 April 2021, the Board of Directors of the Company and the Board of Directors of the subsidiary Cortese Immobiliare approved the plan for the merger by incorporation of Cortese Immobiliare into the Company (the "**Merger**"), with the objective of achieving an adequate organisational and managerial structure of the Company, ensuring greater efficiency in terms of operating costs.

The Merger was then approved, as the 30 days required pursuant to Art. 2501-*ter* paragraph 4 from the registration of the merger plan in the competent Companies Registers had elapsed, for the Company, by the Board of Directors on 15 June 2021, pursuant to the provisions of Art. 2505, paragraph 2 of the Italian Civil Code and Art. 19 of the Articles of Association, while for Cortese Immobiliare, by the Shareholders' Meeting, also on 15 June 2021.

The simplifications pursuant to Art. 2505 of the Italian Civil Code were applied to the merger. Moreover, as this was a merger by incorporation of a company wholly owned by the incorporating company, the latter did not increase its share capital and, therefore, there were no changes to the Company's Articles of Association or any impact on the composition of the shareholding structure. The effect of the merger is to cancel the Company's investment in Cortese Immobiliare, equal to the entire share capital of the latter, without assigning shares in lieu pursuant to Article 2504-*ter* of the Italian Civil Code, with the Company taking over the assets of Cortese Immobiliare.

The actual effects of the merger began, in accordance with the law, from the last of the registrations of the merger deed with the Companies Register, which took place on 1 October 2021, it being understood that the transactions of Cortese Immobiliare are recognised in the financial statements of NEXT RE as of 1 January 2021, which is also the start date of the accounting and tax effects referred to in Art. 172, paragraph 9, of Presidential Decree no. 917 of 22 December 1986.

The transaction is considered a "transaction between related parties", pursuant to Consob Regulation 17221/2010 as amended and the RPT Procedure adopted by the Company, since Cortese Immobiliare is a wholly owned subsidiary. The transaction, of minor importance on the basis of the ratios established by the RPT Regulation, is however exempt from the application of the RPT Procedure, pursuant to Art. 9.1 letter f) thereof, since it was carried out by the Company with its own subsidiary in which there are no significant interests of its other related parties.

(iii) On 20 May 2021, the Board of Directors of the Company, subject to the favourable opinion of the Related Parties and Investments Committee, approved a shareholder loan transaction by the reference shareholder CPI PG for an amount of € 3,365,518.77, intended to cover the costs of early repayment of the loan contract signed on 28 June 2019 with Imprebanca S.p.A.

The shareholder loan, granted by the shareholder in a single tranche, has a term of five years and bears fixed nominal interest at a rate of 2.1% per annum. Both the repayment of the loan and the payment of interest will take place in a single instalment at maturity, unless repayment is made early. There are no ancillary costs or guarantees made by NEXT RE.

The signing of the loan contract was qualified as a Minor RPT in consideration of the provisions of Article 4, paragraph 1, letter a) of the RPT Regulation, based on the countervalue index referred to in paragraph I.1 letter a) of Annex 3 of the Consob RPT Regulation, which is less than 5%.

Therefore, the transaction in question was reserved for the competence of the Board of Directors, which resolved only after the issue of a reasoned, non-binding opinion by the Related Parties and Investments Committee, concerning the Company's interest in carrying out the transaction, as well as the appropriateness and substantial correctness of the related conditions.

The Committee promptly received a complete, adequate and timely flow of information on the proposed transaction and the related contractual documentation and, at the outcome of the meeting held on 20 May

2021, expressed its favourable opinion on the completion of the transaction, considering it to be of interest to the Company, as it is based on valid economic and strategic reasons, which are independent of the exercise of management and coordination by CPI PG. In particular, the Committee considered that the overall conditions of the shareholder loan were better not only than those envisaged for the Imprebanca loan, but also than those that would currently be available on the market. In this regard, the Company had given a mandate to a leading advisor in the sector, Narciso Capital, to carry out a survey of the main banks operating in Italy in order to compare the contractual conditions that certain financial institutions would be willing to grant to NEXT RE for loans with similar values and characteristics to those of the shareholder loan offered by CPI PG. From this survey it emerged that, without prejudice to certain limitations that mainly concern the need to assign a rating to NEXT RE, a central element in the assessment of the economic conditions of a loan, the institutions surveyed proposed annual interest rates applicable to loans with the above characteristics in a range between 3.25% and 5.25%.

The Related Parties and Investments Committee has noted a number of benefits of taking out the shareholder loan compared to the Imprebanca loan, which are summarised below:

- more advantageous repayment terms, given that the entire principal would be repaid at the contractual maturity date, unlike the Imprebanca loan, which provided for the repayment of an annual principal amount of approximately € 300,000.00 and the payment of a bullet repayment instalment of € 1,020,000, with an obvious positive impact deriving from the reduction in cash flows to service the debt;
- the all-in interest rate on the shareholder loan is 2.1% and is more advantageous than the rate on the Imprebanca loan, which is based on the one-month Euribor plus a spread of 3.50%, reducing financial costs by an estimated € 40,000.00 per year;
- mechanism of full capitalisation of interest, which will be paid in a single instalment at the expiry of the shareholder loan, with a further differential financial positive impact of approximately € 110,000 per year;
- absence of guarantees, real or otherwise, borne by NEXT RE in the shareholder loan, with obvious positive repercussions on the Company's risk profile.

On the basis of the above considerations, the Committee expressed its favourable opinion and, subsequently, the Board of Directors unanimously approved the transaction.

Legal and regulatory framework of Listed Real Estate Investment Companies (SIIQ)

The special regime for Listed Real Estate Investment Companies ("**SIIQ**") introduced and governed by Article 1, paragraphs 119-141-*bis* of Italian Law no. 296/2006 (hereinafter also **"Law no. 296/2006"**) and subsequent amendments, as well as by the provisions contained in the implementing regulation of the Italian Ministry of Economy and Finance no. 174/2007 (hereinafter also the "**Decree**"), entails exemption from taxation for IRES purposes and proportionally from IRAP ("**Special Regime**") of business income deriving, among other, from real estate leasing activities (the so-called exempt management). On the other hand, the profit deriving from any other activities carried out by the SIIQ is subject to ordinary IRES (corporate income tax) and IRAP (regional business tax) taxation (ordinary management).

The regulation of the special regime has been amended as a result of Italian Decree Law no. 133/2014, the "Unblock Italy" decree (hereinafter also known as "**Italian Decree Law no. 133/2014**" and, along with Italian Law no. 296/2006 and the Decree, the "**SIIQ Legislation**"), in force since 13 September 2014 and converted with amendments by Italian Law no. 164 of 11 November 2014. More recently, Art. 1, paragraph 718 of Italian Law no. 234 of 30 December 2021 ("2022 Budget Law") amended, effective as of 1 January 2022, Art. 1, paragraph 125 of Italian Law no. 296/2006 (relating to the extension of the Special Regime to subsidiaries, referred to below in the paragraph "*Requirements of the Special Regime for SIIQs*").

Requirements of the Special Regime for SIIQs

The requirements for access to the Special Regime required by the SIIQ Legislation can be summarised as follows:

(i) **Subjective requirements**

The Special Regime is available to companies that:

a. are established as joint-stock companies listed in regulated markets in Italy or in EU or EEA member states included on the "White list" referred to in Ministerial Decree of 4 September 1996;
b. mainly carry out real estate leasing activities.

The provisions of Art. 1, paragraph 125 of Italian Law no. 296/2006, as amended by Art. 1, paragraph 718 of the 2022 Budget Law, establish that the Special Regime may be extended, in the presence of a joint option, to joint stock companies, limited partnerships and limited liability companies, provided that the relative share capital is not less than that specified in Art. 2327 of the Italian Civil Code (€ 50,000), which are unlisted, resident in Italy, also primarily engaged in real estate leasing activities, as defined in paragraph 121 of Article 1 of Italian Law no. 296/2006, in which, alternatively:

1) a SIIQ or SIINQ (Unlisted Real Estate Investment Company) holds more than 50% of the voting rights at the ordinary shareholders' meeting and 50% of the profit sharing rights; or

2) at least one SIIQ or SIINQ and one or more other SIIQs or SIINQs or real estate FIAs (alternative investment funds) referred to in Art. 12 of M.D. no. 30 of 5 March 2015, whose assets are at least 80% invested in real estate for lease purposes or in investments in SIIQs or SIINQs or other real estate AIFs that invest in the same assets or rights in the same proportions, jointly hold 100% of the investment in its share capital, as well as voting rights in the ordinary meeting and profit sharing rights, provided that the SIIQ or SIINQ or the investing SIIQs or SIINQs hold at least 50% of the voting rights in the ordinary shareholders' meeting and profit sharing rights.

Since 2009 the Special Regime has also been extended to Italian permanent establishments - which mainly carry out real estate lease activities - of companies resident in EU or EEA member states included on the above-mentioned "White list".

(ii) **Statutory Requirements**

The Articles of Association of the SIIQ must necessarily contain certain provisions and in particular:

a. rules in terms of investments;
b. limits to risk concentration on investments and counterparties;
c. maximum leverage limit, individual and at group level.

(iii) **Shareholding Structure Requirements**

Paragraph 119 of Italian Law 296/06 also sets the following requirements:

a. Control requirement: no shareholder may hold, directly or indirectly, more than 60% of the voting rights at the ordinary shareholders' meeting and more than 60% of the rights to participate in the profits of the SIIQ;
b. Free float requirement: for this requirement to be met, at least 25% of the shares must be held by Shareholders who, at the time the option is exercised, do not directly or indirectly own more than 2% of the voting rights at the Ordinary Shareholders' Meeting or more than 2% of the rights to participate in profits (not required for companies already listed).

(iv) **Objective requirements**

Application of the Special Regime is subject to the condition that the companies concerned "*mainly carry out real estate lease activities*" (Art. 1, par. 121, Italian Law 296/2006 and Art. 1 of the Decree). This prevalence must be verified on the basis of two indices:

a. *Asset test*: real estate properties intended for lease, investments in other SIIQs or SIINQs, investments in real estate funds and in qualified real estate SICAFs must represent at least equal to 80% of the assets;

b. *Profit test*: during each year, income from lease activities, income from SIIQs or SIINQs, income from real estate funds and qualified real estate SICAFs, capital gains realised on properties intended for lease, must represent at least 80% of the positive components of the income statement.

Failure to comply with one of the prevailing conditions (asset test or profit test) for three consecutive years results in the definitive termination of the Special Regime and the application of the ordinary rules as from the second of the years considered. Failure to comply with both prevalence parameters for even just one tax period will result in the automatic forfeiture of the SIIQ Special Regime with effect from the same period.

(v) Additional provisions

a. Companies that opt for the Special Regime have the obligation, in each financial year, to distribute to shareholders (i) at least 70% of the net profit deriving from real estate leasing activities, from the ownership of investments in SIIQ/SIINQ and in SICAF and qualified real estate funds (as resulting from the Income Statement of the relevant annual financial statements), if the total profit for the year available for distribution is equal to or higher than the exempt operating income, or (ii) at least 70% of the total profit for the year available for distribution, if this is lower than the profit deriving from the leasing activity and from the ownership of equity investments in SIIQ, SIINQ and qualified real estate funds or SICAF (so-called exempt management).

b. Furthermore, there is the obligation to distribute, in the two financial years following the year of realisation, 50% of the income deriving from net capital gains realised on real estate properties intended for lease and on investments in SIIQ, SIINQ and qualified real estate funds or SICAF.

Failure to distribute the portion of exempt management profit subject to the mandatory distribution described above will result in the forfeiture of the special SIIQ scheme with immediate effect.

Causes of immediate termination of the Special Regime

Companies must meet the requirements set forth in paragraph 119 of Italian Law 296/06 within the first period of effectiveness of the SIIQ regime and for its entire duration. If one of the above-mentioned requirements - with the exception of the free float requirement - is no longer met, the SIIQ regime will be terminated with effect from the same tax period.

In particular, the following constitute grounds for immediate termination of the SIIQ special regime:

(i) the revocation of the admission to the listing of shares in regulated markets (it being understood that the mere temporary suspension of shares from trading does not constitute a cause for termination),

(ii) non-compliance with the shareholding requirement, which requires no shareholder to directly or indirectly hold more than 60% of the voting rights at the Ordinary Shareholders' Meeting and more than 60% of the rights to share in profits; however, where the 60% shareholding requirement is exceeded as a result of extraordinary corporate transactions or transactions in the capital market, the special regime is suspended until the shareholding requirement is re-established (Italian Inland Revenue Circular no. 32/E/2015, in para. 2 "*Requirements and procedures for access to the regime*" states, moreover, that "*where the control requirement ...is exceeded for a limited period of time, it will be deemed as having been met, without interruption, for the entire tax period. It is understood that this requirement must be met at the end of the tax period considered...*").

The Company's exercise of the option and maintenance of the SIIQ regime for the tax period ending 31 December 2021.

The Company exercised the option to access the Special Regime on 7 September 2016, with effect from the tax period beginning on 1 January 2017, and has met all the requirements deemed necessary for the application of the tax benefits provided by the special legislation on SIIQ (including the so-called control requirement) by the end of the 2017 financial year: consequently, the Special Regime takes effect from the first tax period for which the option is exercised (1 January 2017). Accordingly, in the same manner in which the option was exercised (7 September 2016), Agenzia delle Entrate (the Italian Inland Revenue Agency) was notified (17 January 2018) of the integration of participatory requirements which were not in their possession at the time of exercising the option.

With regard to the above, it should be borne in mind that more recently, as indicated in the section of this Report entitled “*Relevant events during the year*”, following the takeover bid launched by the controlling shareholder CPI PG, the latter held more than 60% of ordinary shares. Specifically, as of 26 November 2021, CPI PG held, in total, a 77.1078% interest in the Company's subscribed capital, represented by 16,983,075 shares with voting right, of which 11,012,055 shares not admitted to trading (the “**Unlisted Shares**”), equal to all the unlisted shares of the Company, and 5,971,020 ordinary shares admitted to trading on the Euronext Milan market (equal to 54.22% of the total listed shares), resulting in failure to meet the control requirement.

In order to once again meet the control requirement and continue to apply the Special Regime by 31 December 2021, on 26 November 2021 the Board of Directors convened the Extraordinary Shareholders' Meeting for 27 December 2021, submitting to it the proposal for the mandatory conversion, in a 1:1 ratio, of 11,012,055 unlisted ordinary shares into 11,012,055 category B shares, without the right to attend or vote at the Company's ordinary shareholders' meeting and with the same right to share in profits as the ordinary shares, which will be automatically and proportionately reduced to the extent necessary so that the right to share in profits of each category B shareholder, taking into account any other ordinary shares held, is equal to - and, in any event, not more than - 60% of the rights to share in the profits of the Company.

On 27 December 2021, the Extraordinary Shareholders' Meeting unanimously approved such mandatory conversion, as a result of which CPI PG came to hold a total stake equal to 77.1078% of the Company's subscribed share capital, represented by (i) 5,971,020 ordinary shares with voting rights admitted to trading on the *EXM* market - equal to 54.22% of the share capital with voting rights at the ordinary shareholders' meeting of the Company - and (ii) 11,012,055 Category B shares, with the characteristics described above.

In light of the foregoing, as of 31 December 2021, the Company has met and maintained the participation requirements to remain in the Special Regime (including the “control” requirement).

Further information in this regard is presented in the relative Explanatory Note, entitled “*Information on the Special Regime for Listed Investment Companies - SIIQs*” in the financial statements as at 31 December 2021.

Risk management

MAIN RISKS AND UNCERTAINTIES TO WHICH NEXT RE IS EXPOSED

During the year relating to the year 2021 NEXT RE faced a number of risks, identified as financial, operational, strategic and compliance risks. In order to control, prevent and minimise these risks, the company uses the international principles of Enterprise Risk Management (ERM), a risk management technique that tends to safeguard NEXT RE, through the use of tools of various kinds, from the possible materialisation of these risks. In accordance with the principles of the Corporate Governance Code for Listed Companies, the Board of Directors: (i) appointed the Director in charge of the Internal Audit System and (ii) set up the “Control, Risks, Remuneration and Related Parties Committee” (also known as the “Control and Risks Committee”). The Committee is made up of “*Independent*” Directors who monitor the identification process of the main corporate risks, according to which the risk factors for the Issuer are identified, including all risks that may be relevant for the sustainability of the company's activities in the medium/long term. The Internal Control and Risk Management System is a *set of rules, procedures and organisational structures* whose purpose is to *monitor* compliance with corporate strategies, the effectiveness and efficiency of corporate processes, compliance with laws and regulations, and compliance with the Company's Articles of Association, standards and procedures. This System must aim to facilitate the *identification, measurement, management and* adequate *monitoring* of the risks assumed by the Issuer and the degree of its exposure to risk factors, taking into account the possible correlations between the various risk factors, the significant probability that the risk will occur, the impact of the risk on the company's operations and, finally, the extent of the risk as a whole. Basically, it must make it possible to deal with the various types of risk to which the company is exposed over time, such as operational, market, liquidity, credit, settlement, legal and reputational risks, etc., in a reasonably timely manner.

1. FINANCIAL RISKS

The activities carried out by the Company expose it to a series of financial risks: *market risks, credit risks and liquidity risks*.

1.1 Market risks

Real estate investments are measured at fair value and changes in fair value are recognised in the profit or loss for the period; therefore, fluctuations in the real estate market, arising from adverse changes in macroeconomic variables, may affect the Company's results. Market risk is the risk of losses related to fluctuations in the prices of properties in the portfolio. This risk also includes the effects of the rate of vacancy of properties (the so-called Vacancy Risk).

Market risk thus includes Price Risk, which can be identified as the risk of depreciation of a financial instrument or portfolio as a result of unfavourable market trends. As NEXT RE is a company that operates within the real estate market, it is therefore subject to the aforementioned risk. Risks related to price fluctuations are also monitored with the support of independent experts. The real estate portfolio is mainly made up of high-quality, diversified properties in large urban centres, particularly Milan and Rome, cities whose real estate markets are less volatile than those of secondary cities. In terms of vacancy risk, the Company favours long-term lease contracts and implements an active asset management process aimed at understanding the needs of tenants and maximising their degree of satisfaction.

1.2 Interest rate risk

The risk of losses deriving from the financing of operations, in particular, consists of the increase in financial expenses deriving from the rise in interest rates. Fixed-rate intercompany loans mitigate the Company's exposure to the risk of interest rate fluctuations.

1.3 Credit risk

Credit risk or counterparty insolvency risk arises from the loss that the Issuer may incur as a result of the inability of a contractual counterparty to fulfil its obligations, in particular that of meeting its payment obligations. In this regard, it must be noted that the Company's investment strategy favours counterparties with a high credit rating. It is considered that the write-downs already made are representative of the actual risk of non-collectability. With reference to bank deposits and assets for derivative instruments, it must be noted that the Company operates on a continuous and lasting basis with counterparties of primary standing, with an acceptable credit rating, thereby limiting the relevant credit risk.

1.4 Liquidity risk

Liquidity risk is the risk that the Issuer will have difficulty in meeting future obligations associated with financial and commercial liabilities to the extent and within the maturity dates set.

The Company has cash on hand as at 31 December 2021 for € 6,837 thousand and financial debt for € 67,872 thousand, of which € 1,172 thousand within the next year.

2. OPERATIONAL RISKS

This is the risk of incurring in losses from inadequate or failed internal processes, human resources and internal systems or from external events.

2.1 Tenants risk

This risk is mitigated by the provisions of the company's Articles of Association, so the company cannot generate: (i) directly and indirectly, lease fees from the same tenant or from tenants belonging to the same group, to an extent exceeding 2/3 of the total leases of the Company; the 30% limit stated above does not apply if the Company's real estate assets are leased to tenants belonging to a group of national or international importance.

2.2 Reputational Risk

Reputation has been evaluated as a form of trust in respect of the future and, consequently, reputational risk is considered as the loss of this trust, a loss generated as a result of a series of negative choices or operational errors. It then results in a loss of Trust or Credibility of the company by customers, shareholders, investors and counterparties.

The Company mitigates this risk with an adequate organisational structure and with actions deemed useful for improving company communication through procedures suitable for regulating relations with stakeholders and investors.

2.3 Climate change risk

The climate change risk associated with the Company's business translates into the risk that assets will not meet certain characteristics - required by new regulations, increased operating costs or ever-increasing stakeholder expectations - and lose value in terms of both rent and fair value.

The Company recognises that the transition to a low-carbon, more sustainable and resource-efficient circular economy, in line with the United Nations Sustainable Development Goals, is a critical step in ensuring the long-term competitiveness of the European Union and global economy. The company has begun a process of adapting its operating and organisational structure with the aim of introducing principles and criteria in its operational management and investment processes aimed at overseeing and monitoring ESG risks.

During 2021, a process of integrating ESG issues into its business model was launched, as part of which a careful analysis of its assets is underway, aimed at identifying potential interventions to reduce their environmental impact. As of the date of this report, in line with the sustainability path that has been process, certification in accordance with the BREEAM In Use protocol has been obtained for two assets in the real estate portfolio.

3. STRATEGIC RISKS

Strategic risk is the actual or potential risk of an impact on revenues or capital resulting from poor business decisions related to choices of strategic objectives of the company, business strategies and resources used to achieve strategic goals.

The Company mitigates this risk by implementing a process of strategic planning and investment analysis and assessment, in line with the Business Plan.

4. COMPLIANCE AND LEGAL RISK

Compliance risk is the risk of incurring judicial or administrative sanctions, financial losses or reputational damage as a result of breaches of self-regulation rules or laws, regulations or supervisory authority orders.

Legal risk is the risk of loss or impairment of portfolio assets due to inadequate or incorrect contracts or legal documents, or those containing clauses that prove to be significantly onerous. This risk is understood as a manifestation of operational risk that makes it necessary to diagnose the cause of the loss or impairment in the portfolio.

This section includes the risks related to Liability pursuant to Italian Legislative Decree no. 231/01, sanctions related to breaching the regulations for listed companies, liability pursuant to Italian Law 262/05 and finally the risk of maintaining the requirements of the SIIQ regime.

- *Liability pursuant to Italian Legislative Decree 231/01*: the Company has adopted an Organisational Model pursuant to Italian Legislative Decree 231/01 as more fully described in the section "Organisational Model and Code of Ethics" relating to Compliance with Italian Legislative Decree no. 231/2001.

- *Penalties for breaches of the regulations governing listed companies*: the Company ensures constant monitoring of compliance with the regulatory provisions that apply to it as a listed company, with specific reference to the rules on market abuse (Reg. EU 596/2014 and its implementing European and national provisions including Italian Legislative Decree no. 107 of 10 August 2018), to the regulations on transactions with related parties pursuant to Consob Reg. 17221/10 and the disclosure obligations prescribed by Italian Legislative Decree no. 58/98 and Consob Reg. 11971/99. It is also planned to constantly monitor the evolution of legislation and market regulations and the possible effects on the Company's obligations.
- *Liabilities pursuant to Law 262/05*: application of penalties related to the liabilities of the Manager responsible for drafting the company's financial reports.

The measures adopted to monitor risk exposure and mitigate its impact are described below. In compliance with this law, the Company has adopted an administrative-accounting control system connected with financial reporting, suitable for providing adequate certainty regarding the true and fair representation of the economic, equity and financial information produced, through appropriate administrative-accounting procedures, for drafting the annual financial statements, the half-year financial statements and financial reporting in general. The operational activities of implementation and audit are referred to the internal structure that operates according to the guidelines and under the supervision of the Manager in charge appointed by the Board of Directors in accordance with the law.

Maintenance of SIIQ regime requirements

The maintenance of SIIQ status is subject to the compliance with the subjective, shareholding, objective and statutory requirements provided for by the relevant legislation. NEXT RE is exposed to the risk that some of the aforementioned requirements may no longer be met and, as a result, it will lose its SIIQ status. The occurrence of this circumstance would result in the loss of the tax benefits related to this regime, in particular the exemption of rental income from income tax; in addition, NEXT RE would not be required to distribute dividends under the terms of the SIIQ legislation.

The Company ensures constant monitoring of compliance with tax regulations and verifies that the income and equity requirements provided for by the SIIQ regime are maintained. The controls adopted for the purpose of monitoring risk exposure and mitigating its impact are as follows: the assessments made on the tax model adopted are examined with the support of selected specialist professionals and the Administrative Department, which monitor regulatory developments and accounting processes. Specifically, separate accounts must be kept for taxable and exempt management. The Management monitors, on a half-yearly basis and in advance in the case of extraordinary operations, asset tests and profit tests as well as profiles relating to the composition of the shareholding structure and the relevant control structure in order to monitor and comply with the requirements established by the regulations.

With regard to compliance with the above-mentioned requirements, it should be noted that, as already mentioned in the previous paragraph of this Report entitled “*Legal and regulatory framework of Listed Real Estate Investment Companies (SIIQ)*”, with regard to the tax period ending on 31 December 2021, following the takeover bid launched by the controlling shareholder CPI PG, the latter held a percentage of ordinary shares higher than 60%. Specifically, as of 26 November 2021, CPI PG held, in total, a 77.1078% interest in the Company's subscribed capital, represented by 16,983,075 shares with voting right, of which 11,012,055 unlisted Shares, equal to all the unlisted shares of the Company, and 5,971,020 ordinary shares admitted to trading on the Euronext Milan market (equal to 54.22% of the total listed shares), resulting in failure to meet the control requirement.

In order to once again meet the control requirement and continue to apply the Special Regime by 31 December 2021, on 26 November 2021 the Board of Directors convened the Extraordinary Shareholders' Meeting for 27 December 2021, submitting to it the proposal for the mandatory conversion, in a 1:1 ratio, of 11,012,055 unlisted ordinary shares into 11,012,055 category B shares, without the right to attend or vote at the Company's ordinary shareholders' meeting and with the same right to share in profits as the ordinary shares, which will be automatically and proportionately reduced to the extent necessary so that the right to share in profits of each category B shareholder, taking into account any other ordinary shares held, is equal to - and, in any event, not more than - 60% of the rights to share in the profits of the Company.

On 27 December 2021, the Extraordinary Shareholders' Meeting unanimously approved such mandatory conversion, as a result of which CPI PG came to hold a total stake equal to 77.1078% of the Company's subscribed share capital, represented by (i) 5,971,020 ordinary shares with voting rights admitted to trading on the *EXM* market - equal to 54.22% of the share capital with voting rights at the ordinary shareholders' meeting of the Company - and (ii) 11,012,055 Category B shares, with the characteristics described above.

In light of the foregoing, as of 31 December 2021, the Company has therefore met and maintained the participation requirements to remain in the Special Regime (including the "control" requirement).

Article 1, paragraph 119, of the 2007 Finance Act, indeed provides that the SIIQ special regime is applicable to resident listed joint stock companies provided that: (i) no shareholder owns, directly or indirectly, more than 60% of the voting rights at the ordinary shareholders' meeting and more than 60% of the rights to participate in profits (so-called control requirement), and that (ii) at least 25% of the shares are held by shareholders who do not own, directly or indirectly, more than 2% of the voting rights at the ordinary shareholders' meeting and more than 2% of the rights to participate in profits at the time of the option (so-called free float requirement). The second-to-last sentence of paragraph 119 also states that the free float requirement does not apply to companies that are already listed and, in the last sentence, that "*where the 60% shareholding requirement is exceeded as a result of extraordinary corporate transactions or transactions in the capital market, the special regime is suspended until the shareholding requirement is re-established within the limits imposed by this regulation*".

On this point, Agenzia delle Entrate (Italian Inland Revenue, Circular no. 32/E of 17 September 2015) clarified that:

- "*In the event that this requirement is exceeded for a limited period of time, it will be deemed as having been met, without interruption, for the entire tax period. It is understood that this requirement must be met at the end of the tax period*";
- the reason for this derogation of the free float requirement in the case of companies already listed is that in such cases the requirement in question was necessarily fulfilled at the time of listing.

Please note in any case that in the event of losing the bonus tax benefits provided by the special SIIQ regime with reference to exempt management, the tax base itself would be attributed to a tax treatment already provided for by taxable management and therefore subject to personal taxation with the typical IRES and IRAP tax regime dictated by Italian tax legislation for resident companies.

In addition to the above, it is noted that, as of 31 December 2021, all the Objective Requirements, both the capital and income requirements, have been met. In fact, with regard to the Asset Test, the value of real estate owned and used for lease purposes is greater than 80% of the total value of assets and, with regard to the Profit Test, the amount of revenues deriving from the lease of real estate owned or other real estate rights is greater than 80% of the positive components of the income statement. For purposes of verifying the conditions of prevalence, data resulting from the financial statements of each year is relevant and therefore for the year 2021 the check was carried out on the basis of data updated as at 31 December 2021.

With regard to the individual Statutory Requirements, the following must be noted. The Articles of Association, under Article 4, states the following:

(1) Rules in terms of investments

"The Company does not invest in a single real estate property having unitary urban and functional characteristics: (i) directly, in excess of 2/3 of the total value of its real estate assets; and (ii) directly and/or through subsidiaries, real estate funds and other real estate investment vehicles, in an amount greater than 2/3 of the total value of the real estate assets of the group it belongs to. In this regard, it must be noted that, in the case of development plans that are subject to a single urban planning design, those portions of the property that are subject to individual and functionally autonomous building permits or that are equipped with sufficient works so as to guarantee connection to public services cease to have unitary urban and functional features";

(2) Limits on the concentration of investment and counterparty risks

"The Company cannot generate: (i) directly, lease payments, from a single tenant or from tenants belonging to the same group, in excess of 2/3 of the Company's total lease payments; and (ii) directly and through subsidiaries, real estate funds and other real estate investment vehicles, lease fees, coming from the same tenant or tenants belonging to the same group, in an amount greater than 2/3 of the total lease fees of the Group". The above mentioned limit does not apply if the Company's real estate is leased to any tenant(s) belonging to a group of national or international relevance.

(3) Maximum financial leverage level

The Company can assume: (i) directly, financial indebtedness (including financial payables to subsidiaries and the parent company), net of cash and cash equivalents and financial receivables from the parent company, for a total nominal value not exceeding 70% of the sum of the total value of its real estate assets, the carrying amount of the investments in subsidiaries and the nominal value of the financial receivables from subsidiaries; and (ii) directly and through subsidiaries, real estate funds and other real estate investment vehicles, consolidated financial indebtedness (including payables to the parent company), net of cash and cash equivalents and financial receivables from the parent company, for a total nominal value not exceeding 70% of the total value of the Group's real estate assets. The aforesaid limits may be exceeded under exceptional circumstances or, in any case, not dependent on the will of the Company. Unless the Shareholders and/or the Company are otherwise interested, the overrun shall not extend beyond 24 months.

The rules on investments in real estate, risk concentration limits and leverage provided for in points (1), (2) and (3) above shall apply for as long as the Company retains the status of a SIIQ. Once the qualification of SIIQ ceases to exist, with the consequent definitive termination of the special regime for listed real estate investment companies in the cases envisaged by the laws and regulations applicable from time to time, these rules will cease to have effect.

However, it is confirmed that the limits set out in points (1), (2) and (3) above have not been exceeded.

Corporate Governance

Information on the corporate governance system of NEXT RE can be found in the Corporate Governance Report for the year 2021, approved by the Board of Directors on 15 March 2022 also - among other things - for the approval of the draft Financial Statements as at 31 December 2021. The Report provides a description of the corporate governance system adopted by the Company and the specific procedures for adherence to the Corporate Governance Code, in compliance with the obligations set forth in Article 123-bis of the TUF.

The Report - to which reference must be made - is published in accordance with the procedures provided for by the laws and regulations in force and is available at the Company's registered office, on the Company's website at www.nextresiiq.it, as well as on the authorised distribution and storage mechanism 1Info at the following URL www.1info.it.

BODIES

Board of Directors

Until 26 April 2021, the Board of Directors - appointed by the Shareholders' Meeting on 15 July 2020 - consisted of seven members, three of whom were independent, namely Giancarlo Cremonesi as Chairman, Stefano Cervone, Andrea Maria Azzaro, Gian Marco Committeri, Serena La Torre, Elisabetta Maggini and Luisa Scovazzo, in office until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2020.

This was the composition of the administrative body based on the lists submitted by the Shareholders: (i) Sorgente SGR - Fondo Tintoretto - Akroterion Sub-Fund, Fondo Tiziano - San Nicola Sub-Fund, Fondo Donatello - Tulipano and Puglia Due Sub-Funds, and (ii) Associazione Cassa Nazionale di Previdenza e Assistenza a favore dei Ragionieri e Periti Commerciali (the National Welfare and Assistance Fund for Accountants and Commercial Experts).

Following the appointment by the shareholders’ meeting, the Board of Directors had resolved: (i) to identify Giancarlo Cremonesi, Chairman of the Board of Directors, as the Director in charge of the internal control and risk management system; (ii) to appoint Stefano Cervone as the Company's Managing Director; (iii) to ascertain that the requirements of independence were met as envisaged by Articles 147-ter, paragraph 4, and 148, paragraph 3, of the TUF, by Article 3 of the Corporate Governance Code and by Article 16 of the Market Regulations for Directors Andrea Maria Azzaro, Gianmarco Committeri and Serena La Torre.

The Board of Directors in office as at the date of this Report consists of nine members, five of whom are independent, who will remain in office until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2023.

In particular, the new Board of Directors was appointed by the Shareholders' Meeting of 26 April 2021, which determined that it would have seven members, i.e.: (i) Giancarlo Cremonesi, as Chairman; (ii) Stefano Cervone; (iii) Giuseppe Colombo; (iv) Giovanni Naccarato; (v) Maria Spilabotte; (vi) Camilla Giugni; (vii) Eleonora Linda Lecchi.

Such Directors were drawn from the list submitted by the majority shareholder CPI PG, which obtained favourable votes equal to approximately 96.93% of the share capital present and voting, with the exception of the Director Eleonora Linda Lecchi, taken from the list submitted by the minority shareholder Associazione Cassa Nazionale di Previdenza e Assistenza a favore dei Ragionieri e Periti Commerciali (National Welfare and Assistance Fund for Accountants and Commercial Experts), which received favourable votes equal to approximately 3.06% of the share capital present and voting.

The newly appointed Board of Directors, which met in turn on 26 April 2021, resolved: (i) to identify Giancarlo Cremonesi, Chairman of the Board of Directors, as the Director in charge of the internal control and risk management system; (ii) to appoint Stefano Cervone as Managing Director of the Company; (iii) to appoint Giovanni Naccarato as Vice-Chair of the Board; (iv) to deem regulatory and statutory requirements met by its members, also with regard to the balance between genders; in particular, it assessed that the independence requirements set out in Art. 147-*ter*, paragraph 4, and 148, paragraph 3 of the TUF, Art. 2, recommendation no. 7 of the Corporate Governance Code, as well as Art. 16 of the Markets Reg. were fulfilled for the Directors Camilla Giugni, Eleonora Linda Lecchi, Giovanni Naccarato and Maria Spilabotte.

Subsequently, on 10 November 2021, the Company's Shareholders' Meeting approved increasing the number of members of the Board of Directors to nine, with the resulting appointment of two new directors, setting the end of their term of office at the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2023.

The two new directors, Daniela Becchini and Luca Nicodemi, were appointed on the basis of the nominations submitted by the majority shareholder CPI PG, which received favourable votes equal to 100% of the share capital present and voting. In particular, Luca Nicodemi was appointed jointly by De Agostini S.p.A. and DeA Capital S.p.A. in execution of the provisions of the Framework Agreement signed on 5 August 2021, as amended on 23 September 2021, and the related shareholder agreements.

The Board of Directors, thus expanded, met on 26 November 2021 and assessed the fulfilment (i) of the requirements of integrity pursuant to Art. 147-*quinquies* of the TUF and Ministerial Decree no. 162 of 30 March 2000 and (ii) the independence requirements set out in Articles 147-*ter*, paragraph 4, and 148, paragraph 3, of the TUF, Article 2, recommendation No. 7 of the Corporate Governance Code and Article 16 of the Markets Reg. by such new directors. On the same date, the Board of Directors granted Director Giovanni Naccarato some powers on financial matters, as a consequence of which he became an executive director of the Company.

This is without prejudice to compliance with the criteria for the composition of the Board of Directors prescribed by Art. 16 of the Markets Reg.

Board of Statutory Auditors

Until 26 April 2021, the Company's Board of Statutory Auditors consisted of: Luigi Mandolesi, Chairman; Giovanni Naccarato, Statutory Auditor; Anna Rita De Mauro, Statutory Auditor; Sergio Mariotti, Alternate Auditor; Barbara Premoli, Alternate Auditor, appointed by the Shareholders' Meeting of 12 September 2018, for the 2018-2020 three-year period, and therefore until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2020.

The Shareholders' Meeting of 26 April 2021 appointed the new Board of Statutory Auditors, whose term of office will come to an end as of the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2023, in the persons of: (i) Luigi Mandolesi, Chairman; (ii) Domenico Livio Trombone, Statutory Auditor; (iii) Sara Mattiussi, Statutory Auditor; (iv) Giuliana Maria Converti, Alternate Auditor; (v) Sergio Mariotti, Alternate Auditor.

Such members of the Board of Statutory Auditors were drawn from the list submitted by the majority shareholder CPI PG, which obtained favourable votes equal to approximately 96.93% of the share capital present and voting, with the exception of the Statutory Auditors Luigi Mandolesi and Sergio Mariotti, taken from the list submitted by the minority shareholder Associazione Cassa Nazionale di Previdenza e Assistenza a favore dei Ragionieri e Periti Commerciali (National Welfare and Assistance Fund for Accountants and Commercial Experts), which received favourable votes equal to approximately 3.06% of the share capital present and voting.

The Board of Statutory Auditors, which met following the Shareholders' Meeting of 26 April 2021, positively assessed the suitability of its members and the adequate composition of the body, with reference, among other things, to meeting the requirements of professionalism, competence, integrity and independence required by the regulations, as well as the independence requirements set out in the Corporate Governance Code.

The above-mentioned composition of the Board of Statutory Auditors has not changed as of the date of approval of this Report.

Independent Auditors

The Shareholders' Meeting of 28 April 2017 had appointed Ria Grant Thornton S.p.A. to audit the accounts until the approval of the financial statements for the year ended 31 December 2025.

On 26 April 2021, having acknowledged the observations made by Ria Grant Thornton S.p.A. regarding the consensual early termination of the assignment in place for the legal audit of the accounts and the favourable opinion and reasoned recommendation of the Board of Statutory Auditors, the Shareholders' Meeting approved the consensual early termination of the above-mentioned statutory audit assignment conferred to Ria Grant Thornton S.p.A. with reference to the remaining financial years 2021-2025 and appointed EY S.p.A. for the period 2021-2029.

Remuneration report

Pursuant to Art. 84-*quater*, paragraph 1, of the Issuers' Regulation, implementing Art. 123-*ter* of the TUF, the "Remuneration Report" is published in accordance with the procedures provided for by the laws and regulations in force and is available at the registered office, on the Company's website and on the authorised distribution and storage mechanism 1Info.

Organisational model & Code of Ethics

It is recalled that, on 20 December 2018, the Board of Directors resolved to approve and adopt the new Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 (hereinafter also referred to as the "**Organisational Model**") consisting of the following documents: (i) Organisation, Management and Control Model - General Part and Special Part; (ii) Annex A - Legislative Decree 231, of 8 June 2001; (iii) Annex B - List of Liable Offences; (iv) Mapping of risks pursuant to Italian Legislative Decree no. 231/2001; (v) Company organisation chart; (vi) Code of Ethics; (vii) Regulation of the Supervisory Body.

Lastly, on 15 June 2021, the Board of Directors approved an update to the Organisational Model in order to incorporate the regulatory amendments that have taken place on the subject and, in particular, both the General Part and the Special Part of the Organisational Model have been updated with the extension of the list of predicate offences envisaged by Legislative Decree 231/2001, with particular reference to the regulatory amendments introduced by Legislative Decree no. 75 of 14 July 2020 "Implementation of EU Directive 2017/1371 on the fight against fraud affecting the financial interests of the EU by means of criminal law".

The changes made to the Organisational Model were previously reviewed and approved by the Supervisory Body pursuant to Italian Legislative Decree 231/2001 that was newly appointed.

Equity investments held by directors and members of the board of statutory auditors

As at 31 December 2021, the Chair of the Board of Directors, Giancarlo Cremonesi, held 0.0015% of the share capital with 335 shares.

The remaining members of the Board of Directors and the Board of Statutory Auditors do not hold shares in the share capital of NEXT RE, either directly or indirectly through subsidiaries, trust companies or third parties.

Other information on the management

Personnel and organisational structure

As at 31 December 2021, the workforce consisted of 7 employees, including 4 executives, including the Chief Executive Officer and General Manager Stefano Cervone, the Head of Real Estate Claudio Carserà and the Manager responsible for drafting the company's financial reports, pursuant to and for the purposes of Articles 154-*bis* of the TUF and 21-*bis* of the Articles of Association, Ms Francesca Rossi.

Research and development activities

The Company did not engage in any research and development activities during 2021.

Treasury shares and/or shares of parent companies

As at 31 December 2021, the Company directly held a total of 38,205 treasury shares equal to 0.17% of the share capital.

Relationships with subsidiaries, associates, parent companies and companies subject to the control of parent companies

With reference to the type of transactions between Group companies and transactions with related parties, reference must be made to *Annex 1 - Transactions with related parties* of the notes to the Financial statements.

Secondary offices

Pursuant to the provision set forth in Article 19, paragraph 2, of the Company's Articles of Association, by resolution of the Board of Directors dated 20 December 2021, filed with the Rome Companies Register on 23 December 2021, the Company established a local unit at the property in Milan, Via Spadari no. 2.

Personal data processing according to Italian Legislative Decree no. 196/2003

The Company processes personal data in compliance with the provisions of EU Regulation 679/2016 and Italian Legislative Decree no. 196 of 2003, as amended.

The Company, as data controller, undertakes to protect the confidentiality and rights of data subjects and, in accordance with the principles dictated by the aforementioned regulations, the processing of data provided is based on the principles of correctness, lawfulness and transparency.

Certification pursuant to Article 2.6.2, paragraph 9 of the Markets Regulation organised and managed by Borsa Italiana S.p.A.

The Board of Directors of NEXT RE certifies meeting the conditions set forth in Article 16 of the Rules adopted by Consob resolution no. 20249 of 28 December 2017 on markets (formerly Article 37 of Consob Regulation no. 16191/2007).

Option to opt-out (OPT-OUT) from the obligation to publish a disclosure document in the event of significant transactions

Pursuant to Article 3 of Consob Resolution no. 18079 of 20 January 2012, notice is hereby given that the Company avails itself of the exemption provided for by Articles 70, paragraph 8, and 71, paragraph 1-*bis*, of Consob Reg. no. 11971/99 as amended.

Definition of SME

With reference to the definition of a SME, as per Article 1, paragraph 1, letter w-*quater.1*) of the TUF, it is noted that on the date of these financial statements, the Company falls within this definition as it has a turnover of less than € 300 million and a market capitalisation of less than € 500 million.

Disclosure of non-financial information

The Company does not exceed the thresholds envisaged by Article 2 of Italian Legislative Decree no. 254 of 30 December 2016 and therefore the disclosure of non-financial information was not drafted.

Certifications

On 7 August 2019, the Company achieved the ISO 9001:2015 certification, effective from 25 July 2019; this was confirmed on 30 June 2021.

Update on the impact of COVID-19

As in 2020, having acknowledged the profound sector difficulties generated by the so-called lockdown period, NEXT RE has decided to pursue an attitude of maximum cooperation in respect of its tenants, with the aim of providing its own contribution to the affected supply chains and to limit the negative impacts on existing leases. The activities of discussion and dialogue with the tenant OVS had led to the signing of specific agreements with the main tenants, concerning the Company's waiver of a part of the lease fees equal to approximately 23% of the total amount of fees for the year 2020 (the so-called "free rent").

As described above, for properties for commercial use, given the continuation of the COVID-19 emergency situation, during 2021, supplementary agreements were signed with which the property supported the tenants in managing the negative economic and financial effects of the pandemic by waiving the fees for the months of January 2021 and October 2021.

On the other hand, with reference to the property used as a hotel, it should be noted that during 2020, the same was the subject of various agreements with the tenant aimed at supporting it in relation to the economic and financial losses connected with the pandemic. However, the tenant was unable to comply with these agreements and, following the eviction procedure for default promoted by the Company, on 29 April 2021, the mandatory mediation procedure initiated by the parties was successfully concluded and the related dispute underway was settled, with the consequent waiver of the continuation of the proceedings pending before the Court of Verona. At this meeting, NEXT RE and SHG settled their mutual claims and positions in a transactional manner and NEXT RE achieved, in particular, the early return of the property and the payment by SHG of the outstanding lease fees relating to the period September 2020 to April 2021, recognising, as per practice, an indemnity for the early release of the property; NEXT RE also purchased all the furniture, fittings, equipment and fixtures contained in the Hotel Verona, recognising a contribution for the improvements made to the property and the facilities serving it and for the concessionary charges paid by SHG to the Municipality of Verona.

With reference to the impact of the COVID-19 pandemic on the income statement for 2021, it should be noted that rental income takes into account a negative impact of € 183 thousand relating to the release, for the share pertaining to the year, of the temporary fee reductions granted to the tenants OVS and SHG Hotel Verona, of which € 54 thousand refer entirely to the total release of the SHG Hotel Verona concession following the termination of the contract.

With reference, instead, to future impacts, it must be noted that the decrease in lease payments granted to the client OVS will have a negative impact for a total of € 976 thousand due to the IFRS 16 accounting treatment which provides for the linearisation of these effects over the contractual duration.

As regards potential scenarios of financial tension, there are no critical issues since the Company, following the refinancing received from the parent company CPI PG, has adequate cash available to service operations.

As indicated in the 2020 Financial Report, in light of the contextual elements and the uncertainty regarding the evolution of the pandemic and the relevant regulatory measures, in order to mitigate the potential effects on revenue items and/or relevant collections deriving from a deferment or decrease of lease fees that could have resulted from the negotiations with the tenants, the Company deemed it appropriate to avail itself of the benefits provided until 30 September 2020 by the provisions contained in Article 56 of Italian Decree Law no. 18/2020, the so-called "Cura Italia" and request suspension of payment of instalments on outstanding leasing and mortgage loans. It must be noted that the above benefits have been extended until 31 December 2021 following the extension that took place with the approval of the Budget Law of 30 December 2020 and Decreto Legge Sostegni (Support Decree Law) bis of 25 May 2021.

On 25 September 2020 the Company obtained a bank loan for an amount of € 2 million, guaranteed by Mediocredito Centrale, issued by the Banca Centro Lazio institute as part of the Liquidity Decree converted by Law no. 40 of 5 June 2020.

When filing its SC 2021 tax return (2020 income), the Company filed an application with Italian Inland Revenue for access to the Support-bis Decree - Equalisation grant. In December 2021 this request was accepted and the Company received the above-mentioned contribution of € 55 thousand.

Foreseeable performance trend

During 2021, NEXT RE consolidated its status and mission as an SIIQ. The controlling shareholder CPI Property Group S.A. ("**CPI PG**") completed a mandatory take-over bid procedure as a result of which it strengthened its position as controlling and reference shareholder, formalising a management and coordination role. The Shareholders' Meeting, which met on 26 April, 10 November and 27 December 2021, resolved, among other things, to: a) delegate the Board of Directors to implement a share capital increase of up to € 2 billion by the deadline for approval of the 2023 financial statements; b) expand the administrative body from 7 to 9 members; c) change the company name from Nova Re SIIQ S.p.A. to NEXT RE SIIQ S.p.A, in order to mark a stronger projection towards a future of development; d) amend the Articles of Association in order to make the shareholding schemes more flexible, also with a view to preserving the special statutory and tax regime of "Listed Real Estate Investment Company (SIIQ)" through the mandatory conversion of 11,012,055 unlisted ordinary shares into 11,012,055 category B shares with no right to participate in or vote at the Company's Ordinary Shareholders' Meeting and with the same right to share in the profits of the ordinary shares, automatically and proportionately reduced to the extent necessary so that the right to share in the profits of each shareholder holding category B shares, taking into account any other ordinary shares held, is equal to - and, in any event, not greater than - 60% of the rights to share in the profits of the Company.
Having said that, preliminary activity is under way to define the optimal method for implementing the delegation to increase the share capital approved by the Extraordinary Shareholders' Meeting of 26 April 2021, which must necessarily take into account, in its concrete schedule for execution, the changed geopolitical, macroeconomic and financial scenario following the outbreak of the conflict between Russia and Ukraine, which is shifting from day to day the level and the pace of market fundamentals. These circumstances, the future dynamics of which are currently unpredictable, are leading to an ongoing review of the planning effort.
It should also be noted that the Framework Agreement signed between CPI PG and several Dea Capital Group companies envisages, in its various operational aspects, the involvement of the parties in the planning of the recapitalisation of Next Re, with the strategic objective of positioning Next Re among the leading players in the real estate sector in Italy.
On a more strictly operational level, the Asset Advisory Agreement with Dea Capital Sgr has entered a functional phase, which has helped to gradually raise the operating capacity of processes, and is waiting to find a suitable economic basis in the planned business expansion.
Real estate portfolio management remains focused on maximising economic utilisation, aiming to build long-term relationships with tenants of high standing, with a constant commitment to improving the quality and sustainability of individual assets and the portfolio as a whole. In this sense, a joint activity is being carried out with a primary agency in the search for potential hotel managers/buyers of the Verona hotel property owned by the Company, which is striving to best leverage the relative investment position.
Lastly, as already mentioned in the section on "Relevant events during the year", the Company formed Fidelio Engineering S.r.l., an engineering company, whose scope of business is performing activities in Italy and abroad aimed at redeveloping and refurbishing areas subject to real estate development or existing buildings subject to redevelopment, in order to support CPI PG Group's real estate development and value enhancement initiatives, which have already been launched in Italy, whilst enabling allowing the Company to receive certain revenue streams. At the date of this Report, Fidelio Engineering is not yet operational, but the Company expects to start operations by the end of the current year.

Proposed allocation of operating results for the period

The financial statements of NEXT RE SIIQ S.p.A., as at 31 December 2021, show a profit of € 427,336.25.

The Shareholders' Meeting is asked to approve the following proposed resolution:

"The Shareholders' Meeting,

- having noted the financial statements as at 31 December 2021, which show a profit for the year of € 427,336.25;
- having acknowledged the Board of Directors' Report on Operations and the applicable provisions of law;
- having acknowledged the Report of the Board of Statutory Auditors and the Report of the Independent Auditors;

resolves

- to approve the financial statements for the year ended on 31 December 2021 and the Board of Directors' Report on Operations;
- to allocate the profit for the year, amounting to € 427,336.25, as follows:
  - € 21,336.81 to the legal reserve
  - € 405,969.44 to the fair value reserve.

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EPRA performance indicator

This section of the financial report presents some performance indicators calculated in accordance with the best practices defined by EPRA (European Public Real Estate) and reported in the EPRA Best Practices Recommendations guide. In particular:

EPRA Earnings: is an indicator of the company's operating performance and represents the income generated net of fair value adjustments, gains and losses from property disposals and other limited items that do not represent the company's core business.

NET ASSET VALUE METRICS: these are the main performance indicators that provide stakeholders with information on the fair value of the company's assets and liabilities and are calculated by adjusting the Shareholders' Equity as reported in the financial statements in accordance with IFRS principles by certain items, excluding certain assets and liabilities that are not expected to arise under normal business conditions over the long term.

In October 2019, EPRA, through its Best Practices Recommendations, introduced three new Net asset Value metrics: ***EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets Value (NTA)*** *and* ***EPRA Net Disposal Value (NDV)*** which replace the previous metrics: **EPRA NAV**[2] and **EPRA NNNAV**[3]**.** The new metrics express the net asset value to stakeholders, assuming different reference contexts.

NET REINSTATEMENT VALUE (NRV): this indicator aims to represent the value of net assets over the long term. It represents the repurchase value of the company, assuming the company does not sell real estate. It is calculated starting from the relevant shareholders' equity (as reported in the financial statements according to IFRS principles) excluding certain assets and liabilities that are not expected to arise under normal business conditions, such as the Fair Value of hedging derivatives; deferred taxes on market valuations of real estate and hedging derivatives.

NET TANGIBLE ASSETS (NTA): the assumption underlying the calculation of indicator ratio is that the company buys and sells real estate, which impacts the company's deferred tax liability. It represents a scenario where some properties could be subject to sale. As at 31 December 2021 the Company has no properties held for sale for this reason deferred taxes coincide with those excluded in the calculation of NRV.

In contrast to the NRV, the value of goodwill and intangible assets included in the balance sheet are also excluded from shareholders' equity attributable to the Company.

NET DISPOSAL VALUE (NDV): represents the value for stakeholders in a scenario in which the company is sold, where deferred taxes, financial instruments and other adjustments are calculated to the maximum extent of their liability net of the relevant tax effect. In this sale scenario, shareholders' equity is adjusted to take into account the fair value of the financial debt.

EPRA Cost Ratios: these are indicators which aim to make the company's significant structural and operating costs more comparable. They are calculated as the percentage of operating costs and overheads, net of management fees and other limited items that do not represent the company's business, of gross rental income. EPRA Cost Ratios are twofold: gross and net of direct costs of Vacancies.

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[2] **EPRA Net Asset Value (NAV)**: represented the Fair Value of net assets considering a long-term time horizon and business continuity; it is calculated starting from the relevant shareholders' equity (as reported in the financial statements according to IFRS principles) excluding certain assets and liabilities that are not expected to arise under normal business conditions, such as the Fair Value of hedging derivatives or deferred taxes on market valuations of real estate and hedging derivatives.

[3] **EPRA Triple Net Asset Value (NNNAV)**: represented the value of the relevant equity by including in the calculation the Fair Value of the main equity components that are not included in the EPRA NAV, such as (i) hedging financial instruments, (ii) financial debt and (iii) deferred taxes.

EPRA Net Initial Yield (NIY): is a performance indicator and expresses the ratio of annualised end-of-period rental income (including variable and temporary revenues), net of unrecoverable operating costs, to the market value of Real Estate Assets, net of properties under development.

EPRA topped-up NIY: this is a performance measurement indicator obtained by adjusting EPRA Net Initial Yield with annualised end-of-period rental income (including variable and temporary revenues) and when fully operational, i.e. excluding any temporary incentives (such as fee reductions and step-ups).

EPRA Vacancy Rate: this measures the vacancy rate of the portfolio as the ratio of the assumed market fee (ERV) of unoccupied premises to the ERV of the entire portfolio.

Below is a summary table showing the main performance indicators obtained from the application of EPRA Best Practices Recommendations compared with the results of the previous year. On 1 October 2021, the merger by incorporation of the wholly-owned subsidiary Cortese Immobiliare S.r.l. into NEXT RE was finalised, with accounting and tax effects retroactive to 1 January 2021. In view of the fact that as of 31 December 2020, the scope of consolidation included only NEXT RE and Cortese Immobiliare S.r.l., for greater consistency and clarity of presentation, the figures for the year 2021 have been compared with the values of the 2020 consolidated financial statements.

	31/12/2021		31/12/2020		Δ Y-Y	Δ Y-Y (%)
	€ mln	€ per share	€ mln	€ per share		
EPRA Earning	(3.5)	(0.2)	(1.7)	(0.1)	(1.7)	100%
EPRA NRV	85.5	3.9	85.2	3.9	0.3	0%
EPRA NTA	85.4	3.9	85.1	3.9	0.3	0%
EPRA NDV	86.7	3.9	85.2	3.9	1.5	2%
	%		%			
EPRA Net Initial Yield	3.2%		4.0%		-0.8%	
EPRA "Topped-up" Net Initial Yield	3.5%		4.4%		-0.9%	
EPRA vacancy rate	9.3%		0.0%		9.3%	
EPRA Cost Ratio (including direct vacancy costs)	**129.7%**		**83.7%**		44.5%	
EPRA Cost Ratio (excluding direct vacancy costs)	124.9%		83.7%		39.7%	

The table below shows the calculation of Epra Earnings and Epra Earnings per share:

	EPRA Earnings (Euro/000)	31/12/2021	31/12/2020
	Earnings per IFRS income statement	**427**	**(9.320)**
	Adjustments to calculate EPRA Earnings, exclude:		
(i)	Changes in value of investment properties, development properties held for investment and other interests	4,755	(4,299)
(ii)	Profits or losses on disposal of investment properties, development properties held for investment and other interests		
(iii)	Profits or losses on sales of trading properties including impairment charges in respect of trading properties		
(iv)	Tax on profits or losses on disposals		
(v)	Negative goodwill / goodwill impairment		
(vi)	Changes in fair value of financial instruments and associated close-out costs	(837)	(3,486)
(vii)	Acquisition costs on share deals and non-controlling joint venture interests		
(viii)	Deferred tax in respect of EPRA adjustments	0	167
(ix)	Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)		
(x)	Non-controlling interests in respect of the above		
	EPRA Earnings	**(3,491)**	**(1,702)**
	Basic number of shares	*22,025,109*	*22,025,109*
	EPRA Earnings per Share (EPS)	**(0.2)**	**(0.1)**

The EPRA Earnings indicator is calculated by adjusting the net result by non-monetary items (write-downs, adjustment of the fair value of real estate and financial instruments recorded in the profit and loss account, any write-downs and write-ups of goodwill), by non-recurring items (capital gains and losses deriving from the sale of real estate, profits from trading activities with relevant current taxes, costs relating to the early closure of loans), by deferred taxes relating to the fair value of real estate and financial instruments recorded in the profit and loss account and by the adjustments themselves stated above pertaining to third parties.

As at 31 December 2021 this indicator is negative and it decreased compared to last year mainly due to i) the effects of the settlement agreement entered into with the tenant SHG Hotel Verona S.r.l. on 29 April 2021, whereby the Company achieved, in particular, the early return of the property and the payment by SHG of the outstanding lease fees relating to the period September 2020 to April 2021, recognising, as per practice, an indemnity for the early release of the property; ii) the temporary reduction in rent granted to the tenant O.V.S. S.p.A. in the months of July 2020, March 2021 and October 2021 as a result of the COVID-19 health emergency; iii) legal consultancy expenses incurred mainly in relation to litigation, amendments to the Articles of

Association and advice on non-routine matters; iii) aborted costs incurred in relation to share capital increase transactions not finalised iv) asset advisory fees relating to the last four months of 2021 to the advisor Dea Capital RE SGR.

The following table shows the EPRA NAV indicators that are compared to those measured at 31 December 2020.

	EPRA NRV		EPRA NTA		EPRA NDV	
EPRA Net Asset Value Metrics (Euro/000)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
IFRS Equity attributable to shareholders	**85,499**	**85,371**	**85,499**	**85,371**	**85,499**	**85,371**
Include / Exclude:						
i) Hybrid instruments						
Diluted NAV	**85,499**	**85,371**	**85,499**	**85,371**	**85,499**	**85,371**
Include*:						
ii.a) Revaluation of IP (if IAS 40 cost option is used)						
ii.b) Revaluation of IPUC (if IAS 40 cost option is used)						
ii.c) Revaluation of other non-current investments						
iii) Revaluation of tenant leases held as finance leases						
iv) Revaluation of trading properties						
Diluted NAV at Fair Value	**85,499**	**85,371**	**85,499**	**85,371**	**85,499**	**85,371**
Exclude:						
v) Deferred tax in relation to fair value gains of IP[5]	0	(123)	0	(123)		
vi) Fair value of financial instruments						
vii) Goodwill as a result of deferred tax						
viii.a) Goodwill as per the IFRS balance sheet						
viii.b) Intangibles as per the IFRS balance sheet			(86)	(112)		
Include:						
ix) Fair value of fixed interest rate debt					1,178	(196)
x) Revaluation of intangibles to fair value						
xi) Real estate transfer tax						
NAV	**85,499**	**85,248**	**85,413**	**85,136**	**86,676**	**85,175**
Fully diluted number of shares	22,025,109	22,025,109	22,025,109	22,025,109	22,025,109	22,025,109
NAV per share	**3.9**	**3.9**	**3.9**	**3.9**	**3.9**	**3.9**

The NRV/NAV increased slightly compared to 31 December 2020 mainly due to the change in shareholders' equity which increased following the estimated net result of € 427 thousand; for the same reason, the NTA also increased compared to the result for the same period of the previous year. The difference from the NRV relates to the exclusion of intangible assets included in the balance sheet.

The NDV increased compared to the previous year by around 1.8%. This change, in addition to that stated above, reflects the positive effect of the measurement at fair value of financial debt, determined by discounting the flows at a rate consisting of the base rate inferred from the forward rate structure, and the market spread.

The EPRA Net Initial Yield (NIY) and the EPRA topped-up NIY are shown below:

EPRA NIY and 'topped-up' NIY (EURO/000)		31/12/2021	31/12/2020
Investment property – wholly owned		138,300	120,450
Investment property – share of JVs/Funds			
Trading property (including share of JVs)			
Less: developments			
Completed property portfolio		**138,300**	**120,450**
Allowance for estimated purchasers' costs			
Gross up completed property portfolio valuation	**B**	**138,300**	**120,450**
Annualised cash passing rental income		5,764	5,892
Property outgoings		(1,383)	(1,067)
Annualised net rents	**A**	**4,381**	**4,825**
Add: notional rent expiration of rent free periods or other lease incentives		506	500
Topped-up net annualised rent	**C**	**4,887**	**5,325**
EPRA NIY	**A/B**	**3.2%**	**4.0%**
EPRA "topped-up" NIY	**C/B**	**3.5%**	**4.4%**

the NIY is obtained by comparing annualised end-of-period rental income (including variable and temporary revenues), net of stranded operating expenses, with the market value of real estate assets, net of properties under development. Annualised rental income includes all adjustments that the company is contractually entitled to consider at the end of each financial year (indexing and other changes). Real Estate to be considered for NIY purposes includes: (i) wholly owned properties; (ii) any properties held in joint ventures; and (iii) properties held for trading purposes. Excludes property under development and land (investment property under development).

EPRA Topped-up NIY is a performance measurement indicator obtained by adjusting EPRA Net Initial Yield with annualised end of period rental income (including variable and temporary income) and when fully operational, i.e. excluding any temporary incentives (such as lease reductions and step ups).
The reduction in the ratios is essentially due to *i)* the increase in the overall value of the real estate portfolio of € 17.9 million due to new investments (partly relating to spaces to be leased and therefore not yet generating income) as well as the fair value adjustment and ii) the reduction in annualised rental income following the settlement agreement with the tenant SHG Hotel Verona.
The EPRA vacancy rate as at 31 December 2021 was 9.3% (zero as at 31 December 2020) as a result of the acquisition of some vacant spaces in the property in Milan, Via Spadari 2 and the early release by the tenant of the Verona Hotel.

EPRA Vacancy Rate		31/12/2021	31/12/2020
Canoni stimati sugli spazi sfitti	A	730	-
Canoni stimati sul portafoglio complessivo	B	7,817	7,124
EPRA Vacancy Rate	**A/B**	**9.3%**	**0.0%**

The following table shows the calculation of the Epra Cost Ratios:

	EPRA Cost Ratios (Euro/000)		31/12/2021	31/12/2020
	Include:			
(i)	Administrative/operating expense line per IFRS income statement		7,369	4,897
(ii)	Net service charge costs/fees			
(iii)	Management fees less actual/estimated profit element			
(iv)	Other operating income/recharges intended to cover overhead expenses less any related profits			
(v)	Share of Joint Ventures expenses			
	Exclude (if part of the above):			
(vi)	Investment property depreciation			
(vii)	Ground rent costs			
(viii)	Service charge costs recovered through rents but not separately invoiced			
	EPRA Costs (including direct vacancy costs)	A	7,369	4,897
(ix)	Direct vacancy costs		275	
	EPRA Costs (excluding direct vacancy costs)	B	7,094	4,897
(x)	**Gross Rental Income less ground rents – per IFRS**		5,682	5,852
(xi)	Less: service fee and service charge costs components of Gross Rental Income (if relevant)			
(xii)	Add: share of Joint Ventures (Gross Rental Income less ground rents)			
	Gross Rental Income	C	5,682	5,852
	EPRA Cost Ratio (including direct vacancy costs)	A/C	129.7%	83.7%
	EPRA Cost Ratio (excluding direct vacancy costs)	B/C	124.9%	83.7%

The EPRA Cost Ratio shows an increase from 83.7% last year to 129.7% (124.9%, excluding vacancy costs) as at 31 December 2021, mainly as a result of the aforementioned settlement agreement entered into with the tenant SHG Hotel Verona S.r.l. on 29 April 2021, whereby the Company achieved, in particular, the early return of the property and the payment by SHG of the outstanding lease fees relating to the period September 2020 to April 2021, recognising, as per practice, an indemnity for the early release of the property.

As at 31 December 2021, there were no capitalised operating expenses on the value of property.

More information on investment property

In accordance with EPRA Best Practices Recommendations updated as at October 2019, the capital expenditure investments made in the last two financial years are shown:

CapEx - EUR/000	31/12/2021	31/12/2020
Acquisitions	12,441	-
Development	-	-
Investment properties	654	958
Incremental lettable space	96	-
No incremental lettable space	8	308
Tenant incentives		650
Other material non-allocated types of expenditure	550	
Capitalised interest (if applicable)	-	-
Total CapEx	**13,095**	**958**
Conversion from accrual to cash basis	(46)	
Total CapEx on cash basis	**13,049**	**958**

The new acquisitions occurred during the first half of 2021 and relate to portions of the Milan, Via Spadari property for 12,441 including transaction costs.

The item Costs incurred to increase leasable areas includes capitalised costs of € 96 thousand incurred in relation to new office portions of the Via Spadari property in Milan for the definition of the redevelopment project and for strip-out activities amounting to € 96 thousand.

The Company also incurred costs relating to the Via Zara, Rome asset amounting to € 8 thousand, included in the category No increase in leasable areas.

Other types of unallocated expenses include the purchase of plants and improvements to the Via Unità d'Italia, Verona property as part of the settlement agreement with the former tenant, SHG Hotel Verona, amounting to € 550 thousand.

3. FINANCIAL STATEMENTS OF NEXT RE SIIQ S.P.A.

Financial statements of NEXT RE

The financial statements are drawn up in euro units.

Statement of financial position

	Note	31/12/2021	of which with related parties	31/12/2020*	of which with related parties
ASSETS					
Non-current assets					
Investment property	1	138,300,000	0	115,050,000	0
Other tangible fixed assets	2	2,176,845	0	1,948,236	0
Rights of use	3	8,343	0	65,331	0
Intangible assets	4	85,768	0	112,218	0
Shares held in subsidiaries	5	10,000	10,000	2,901,000	2,901,000
Deferred tax assets	6	854,166	0	859,099	0
Other non-current assets	7	1,075,397	0	1,290,476	0
Total non-current assets		**142,510,519**	**10,000**	**122,226,361**	**2,901,000**
Current assets					
Financial assets at fair value	8	3,378,210	0	3,186,000	3,186,000
Receivables and other current assets	9	2,842,205	0	2,412,213	565,079
Cash and cash equivalents	10	6,836,541	0	24,903,181	0
Total current assets		**13,056,956**	**0**	**30,501,394**	**3,751,079**
TOTAL ASSETS		**155,567,475**	**10,000**	**152,727,755**	**6,652,079**
SHAREHOLDERS' EQUITY					
Share capital		63,264,528	0	63,264,528	0
Share premium reserve		22,931,342	0	22,931,342	0
Other reserves		11,684,316	0	11,753,268	0
Other items of the comprehensive income statement		(23,767)	0	(17,327)	0
Profits/(Losses) carried forward		(12,785,179)	0	(3,637,639)	0
Profit/(Loss) for the period		427,336	0	(9,147,540)	0
TOTAL SHAREHOLDERS' EQUITY	**11**	**85,498,576**	**0**	**85,146,632**	**0**
LIABILITIES					
Non-current liabilities					
Employee benefits	12	189,302	0	248,578	0
Payables to banks and other lenders	13	66,699,986	59,028,273	9,992,449	0
Trade payables and other non-current payables	14	165,341	0	0	0
Total non-current liabilities		**67,054,629**	**59,028,273**	**10,241,027**	**0**
Current liabilities					
Payables to banks and other lenders	13	1,171,829	0	52,912,956	0
Liabilities from financial derivatives	15	0	0	1,916,491	0
Trade payables and other payables	14	1,842,441	336,411	2,510,649	266,471
Total current liabilities		**3,014,270**	**336,411**	**57,340,096**	**266,471**
TOTAL LIABILITIES		**70,068,899**	**59,364,684**	**67,581,123**	**266,471**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**155,567,475**	**59,364,684**	**152,727,755**	**266,471**

** Compared to the financial statements as at 31 December 2020, certain changes have been made to the format in order to improve the presentation of the financial statements*

Statement of profit/loss for the year

	Note	31/12/2021	of which with related parties	31/12/2020*	of which with related parties
Rental income	16	5,983,752	0	5,391,986	0
Costs relating to property assets	17	(2,656,323)	0	(1,899,888)	(72,372)
Net rental income		**3,327,429**	**0**	**3,492,098**	**(72,372)**
Personnel costs		(1,754,572)	0	(1,738,863)	0
Wages and salaries		(1,115,834)	0	(1,104,348)	0
Social contribution		(482,640)	0	(298,897)	0
Severance indemnity fund (TFR)		(94,401)	0	(96,845)	0
Other personnel costs		(61,697)	0	(238,772)	0
Overhead costs		(2,663,487)	(746,456)	(1,605,743)	(586,909)
Amortisation, depreciation and write-downs of fixed assets		(382,891)	0	(160,264)	(97,981)
Total operating costs	**18**	**(4,800,950)**	**(746,456)**	**(3,504,870)**	**(684,890)**
Other revenues and income	19	104,655	0	20,046	0
Other costs and expenses	20	(701,310)	0	(310,035)	(13,792)
Total other revenues and income/other costs and expenses		**(596,655)**	**0**	**(289,989)**	**(13,792)**
Positive fair value of investment properties		6,055,430	0	140,709	0
Negative fair value of investment properties		(1,300,000)	0	(3,089,521)	0
Positive/(negative) fair value of investment properties	**21**	**4,755,430**	**0**	**(2,948,812)**	**0**
Operating income		**2,685,254**	**(746,456)**	**(3,251,572)**	**(771,054)**
Fair value adjustment of financial assets	22	(808,260)	0	(1,855,000)	(1,855,000)
Financial income	23	17,208	0	164,466	41,293
Financial expenses	23	(1,471,381)	(1,056,938)	(4,699,014)	(856,029)
Profit before taxes		**422,821**	**(1,803,394)**	**(9,641,120)**	**(3,440,791)**
Taxes	24	4,515	0	493,580	0
Profit/(Loss) for the year		**427,336**	**(1,803,394)**	**(9,147,540)**	**(3,440,791)**

** Compared to the financial statements as at 31 December 2020, certain changes have been made to the format in order to improve the presentation of the financial*

Statement of other comprehensive income

	31/12/2021	31/12/2020
Profit/(Loss) for the year	**427,336**	**(9,147,540)**
Change in cash flow hedge reserve	0	1,418,268
Actuarial gains/(losses)**	(6,440)	800
Total other items of the comprehensive income statement	**(6,440)**	**1,419,068**
Total comprehensive profit/(loss)	**420,897**	**(7,728,472)**

**items not reclassifiable to the income statement*

Statement of changes in shareholders' equity

Description	Share capital	Share premium reserve	Fair value reserve	Legal reserve	Other reserves	Other items of the comprehensive income statement	Profits (losses) carried forward	Profit (Loss) for the year	Total
Balance as at 31/12/2019	**37,274,898**	**22,931,342**	**7,850,416**	**7,107,340**	**(3,601,214)**	**(18,127)**	**(3,905,454)**	**304,208**	**67,943,410**
Allocation of 2019 result	0	0	288,997	15,210	0	0	0	(304,208)	0
Capital increase	25,989,630	0	0	0	0	0	0	0	25,989,630
Capital increase costs	0	0	0	0	(1,270,491)	0	0	0	(1,270,491)
Share-based payments reserve	0	0	0	0	212,557	0	0	0	212,557
Cancellation of performance share plan	0	0	0	0	(267,815)	0	267,815	0	0
Other items of comprehensive income	0	0	0	0	1,418,268	800	0	0	1,419,068
Result for the period	0	0	0	0	0	0	0	(9,147,540)	(9,147,540)
Total comprehensive profit/loss	*0*	*0*	*0*	*0*	*1,418,268*	*800*	*0*	*(9,147,540)*	*(7,728,472)*
Balance as at 31/12/2020	**63,264,528**	**22,931,342**	**8,139,414**	**7,122,550**	**(3,508,695)**	**(17,327)**	**(3,637,639)**	**(9,147,540)**	**85,146,632**
Allocation of 2020 result	0	0	0	0	0	0	(9,147,540)	9,147,540	0
Capital increase costs	0	0	0	0	(68,953)	0	0	0	(68,953)
Other items of comprehensive income	0	0	0	0	0	(6,440)	0	0	(6,440)
Result for the period	0	0	0	0	0	0	0	427,336	427,336
Total comprehensive profit/loss	*0*	*0*	*0*	*0*	*0*	*(6,440)*	*0*	*427,336*	*420,897*
Balance as at 31/12/2021	**63,264,528**	**22,931,342**	**8,139,414**	**7,122,550**	**(3,577,648)**	**(23,767)**	**(12,785,179)**	**427,336**	**85,498,576**

Cash-flow statement

	31/12/2021	of which with related parties	31/12/2020*	of which with related parties
Profit before taxes	**422,821**	**(1,803,394)**	**(9,641,120)**	**(3,440,791)**
Adjustments:				
Amortisation, depreciation and write-downs of fixed assets	382,891	0	160,264	97,981
Positive/(negative) fair value of investment properties	(4,755,430)	0	2,948,812	0
Fair value adjustment of financial instruments	808,260	0	1,855,000	1,855,000
Financial income	(17,208)	0	(164,466)	(41,293)
Financial expenses	1,471,381	1,056,938	4,699,014	856,029
Financial expenses paid	(270,132)	0	(209,223)	(6,210)
Financial income collected	9,342	0	161,391	0
Fair value Performance Share Plan	0	0	212,557	0
Allocations for severance indemnities	94,401	0	96,845	0
Allocation to/(Release of) the provision for bad debts	(185,252)	0	188,018	0
Cash flow generated by operations	**(2,038,926)**	**(746,456)**	**307,093**	**(679,283)**
Taxes (net of deferred taxes)	0	0	0	0
Cash flow generated by operations net of taxes	**(2,038,926)**	**(746,456)**	**307,093**	**(679,283)**
Other assets/other liabilities	**(1,477,881)**	**65,746**	**(2,523,273)**	**(383,608)**
Change in trade receivables	*(81,750)*	*0*	*19,674*	*0*
Change in trade payables	*113,885*	*65,746*	*(1,667,961)*	*(97,102)*
Change in other current assets	*(661,144)*	*0*	*(1,061,958)*	*(286,506)*
Change in other current liabilities	*(924,136)*	*0*	*963,689*	*0*
Change in other non-current assets	*220,012*	*0*	*(840,083)*	*0*
Change in tax receivables	*(292,260)*	*0*	*(21,964)*	*0*
Change in tax payables	*307,385*	*0*	*(9,425)*	*0*
Change in severance indemnity fund (TFR)	*(159,873)*	*0*	*94,755*	*0*
Cash flow before investments and financing	**(3,516,807)**	**(680,710)**	**(2,216,180)**	**(1,062,891)**
Investments and divestments	**(14,628,280)**	**(10,000)**	**377,750**	**0**
(Increase)/decrease in intangible assets	*0*	*0*	*(55,346)*	*0*
(Increase)/decrease in capital goods and other assets	*(568,980)*	*0*	*(241,130)*	*0*
(Increase)/decrease in properties	*(13,049,300)*	*0*	*(117,841)*	*0*
(Increase)/decrease in financial instruments	*(1,000,000)*	*0*	*792,067*	*0*
(Increase)/decrease in equity investments and securities	*(10,000)*	*(10,000)*	*0*	*0*
Financial assets	**59,007**	**57,971,334**	**26,266,338**	**25,920,840**
Other changes in equity	*(68,952)*	*0*	*(1,270,492)*	*0*
Share capital increase	*0*	*0*	*25,989,630*	*25,989,630*
Increase in financial payables	*57,971,334*	*57,971,334*	*1,868,000*	*0*
Decrease in financial payables	*(57,843,375)*	*0*	*(320,800)*	*(68,790)*
Cash and cash equivalents generated during the year	**(18,086,080)**	**57,280,624**	**24,427,908**	**24,857,949**
Initial cash and cash equivalents	**24,903,181**		**475,273**	
Cash and cash equivalents from merger	**19,440**		**0**	
Final cash and cash equivalents* **	**6,836,541**		**24,903,181**	

* Compared to the Financial Statements as at 31 December 2020, certain changes have been made to the format in order to improve the presentation of the financial statements

***This item includes interest-bearing restricted current account deposits maturing on 2 March 2022 and amounting to € 3,000 thousand

Profit (loss) per share

	31/12/2021	31/12/2020
Profit/(Loss) for the period	427,336	(9,147,540)
Weighted average number of ordinary shares outstanding	21,986,904	12,779,686
Basic earning (loss) per share	**0.0194**	**(0.7158)**

	31/12/2021	31/12/2020
Profit/(Loss) for the period	427,336	(9,147,540)
Weighted average number of ordinary shares outstanding	21,986,904	12,779,686
Diluted earning (loss) per share	**0.0194**	**(0.7158)**

The weighted average number of ordinary shares outstanding does not include the 38,105 treasury shares held.

There is no difference between diluted and basic earnings per share.

The change in the composition of the share capital on 30 December 2021, which took place following the resolution of the Extraordinary Shareholders' Meeting of 27 December 2021 concerning the mandatory conversion of 11,012,055 unlisted ordinary shares, without par value, identified by ISIN code IT0005424715, into 11,012,055 category B shares, without the right to participate in and vote at the Company's ordinary shareholders' meeting and granting a limited right to participate in profits, did not have any significant effect on the calculation of the Earnings/(Loss) per share shown above.

Notes to the financial statements

FORM AND CONTENTS OF THE FINANCIAL STATEMENTS

NEXT RE's financial statements as at 31 December 2021 have been drafted in accordance with International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (OJEU).

The Board of Directors on 15 March 2022 authorised the publication of these financial statements. The financial statements are audited by EY S.p.A. pursuant to Article 14 of Italian Legislative Decree no. 39 of 27 January 2010 and Article 10 of Regulation (EU) no. 537/2014 based on engagement granted by the Shareholders' Meeting of 26 April 2021, and awarded pursuant to Italian Legislative Decree no. 39 of 27 January 2010, for a term of nine financial years (2021-2029).

In compliance with the provisions of Article 5, paragraph 2, of Legislative Decree no. 38 of 28 February 2005, the financial statements are prepared using the euro as the functional currency. The amounts in the financial statements are shown in euro. The rounding of figures contained in the notes to the financial statements is carried out in such a way as to ensure consistency with the amounts shown in the statement of financial position and the statement of profit/(loss) for the year. The notes to the financial statements are drawn up in euro ‘000, unless otherwise stated.

PRINCIPLES OF NEW APPLICATION

In preparing these financial statements, the accounting standards and valuation criteria applied are consistent with those used for the 2020 financial statements, except for the adoption of new standards and amendments effective 1 January 2021.

During the year a number of amendments to IFRS were adopted, including those relating to IFRS 9 and IFRS 7 concerning the “Interest Rate Benchmark Reform - Phase 2”, aimed at introducing support for companies in the application of IFRS when there are changes in contractual cash flows or hedging relationships caused by the interest rate benchmark reform. No significant impacts were identified from the implementation of these changes. The Company has not proceeded with early adoption of any new standards, interpretations or amendments issued but not yet effective.

FORMAT OF THE FINANCIAL STATEMENTS ADOPTED BY THE COMPANY

The financial statements and relevant disclosures have been drafted in accordance with IAS 1.

The financial statements have been drafted on a going concern basis. In fact, in light of the recent capital increase subscribed by CPI PG and the significant events described in the Directors’ Report, the Directors have assessed that there are no uncertainties regarding the Company's ability to operate as a going concern.

The Financial Statements as at 31 December 2021 consist of the following primary schedules:

- Statement of financial position, which is presented by showing current and non-current assets and current and non-current liabilities separately, with a description in the notes for each item of assets and liabilities of the amounts that are expected to be settled or recovered within and no later than 12 months following the reporting date;
- Statement of profit or loss for the year, showing separately the Costs relating to real estate assets that contribute to “Net rental income” and other costs classified by nature;
- Statement of other comprehensive income;
- Statement of changes in shareholders’ equity;
- Cash flow statement, drafted using the indirect method.

The financial statements have been prepared under the historical cost principle, except for investment property, financial instruments and assets, derivative financial instruments and non-cash distribution liabilities, which are carried at fair value.

The financial statements include the Notes to the financial statements, which contain a list of relevant accounting policies and other explanatory information.

It should be noted that compared to what has already been published in the financial statements as at 31 December 2020, certain changes have been made to the financial statements in order to improve their presentation and accounting.

MERGER OF CORTESE IMMOBILIARE S.R.L.

On 15 June 2021, the Board of Directors of NEXT RE approved, pursuant to Article 2505, paragraph 2 of the Italian Civil Code, the plan to merge Cortese Immobiliare S.r.l., a single-member company, into NEXT RE. The merger became effective with respect to third parties as of 1 October 2021. The transactions of the merged company Cortese Immobiliare S.r.l. have been recorded in the financial statements of the incorporating company NEXT RE with effect from 1 January 2021, and with the same start date for tax purposes.

The merger by incorporation of a wholly owned company is a transaction excluded from the scope of application of IFRS 3 Business combinations, since it does not entail the acquisition of control of the other participating company by one of the companies involved in the combination. The approach adopted for these transactions places importance on the fact that the companies involved in the transaction belong to the same Group and on the cost incurred by that Group for the original acquisition of the merged company. This approach is also in line with the ASSIREVI Preliminary Guidelines document on OPI 2 revised - accounting treatment of mergers in the financial statements - which requires the maintenance of a principle of continuity of values in the absence of an acquisition with an effective economic exchange with third parties. A merger with the nature of a restructuring results in the convergence of the consolidated financial statements of the acquiring company at the merger date with the separate financial statements of the acquiring company after the merger, thus implementing a “legal consolidation”.

Moreover, the merger of wholly-owned subsidiaries, which entails the transition from indirect to direct control and the continuity of values with respect to the consolidated financial statements, entails the backdating for accounting purposes of the effects of the merger also with reference to the costs and revenues of the merged company from the beginning of the financial year. For an analysis of the effects of the merger on the balance sheet and income statement balances as at 31 December 2020, please refer to the section “Merger by incorporation of Cortese Immobiliare S.r.l.” in the Directors' Report.

The shareholders' equity as at 1 January 2021 of Cortese Immobiliare S.r.l. was € 2,901 thousand and the value of the equity investment held by NEXT RE in Cortese Immobiliare S.r.l. was € 2,901 thousand; therefore, no surplus/deficit emerged from the merger.

In view of the backdating of the effects of the merger to 1 January 2021, a restatement of the data for the year 2020 was prepared as if the merger transactions had been carried out starting from the comparative year, presented in the Directors' Report in the section “Merger by incorporation of Cortese Immobiliare S.r.l.”. The restated 2020 figures do not replace the previous year's figures approved by the Shareholders' Meeting, but rather allow the reader to make a uniform comparison with the current year's figures.

VALUATION CRITERIA AND ACCOUNTING PRINCIPLES

The main measurement policies and accounting principles are set out below.

Investment property

Investment property is real estate that is owned in order to collect rent and/or to seek the appreciation of invested capital and not to be used in production, in the supply of goods, in the provision of services or in the administration of the company.

Investment property is initially recognised at cost including accessory acquisition costs and, consistently with the provisions of IAS 40, is subsequently measured at fair value, recognising the effects deriving from changes in the fair value of the investment property in the income statement during the financial year in which they occur.

The costs of subsequent work are only capitalised, increasing the carrying amount of the investment property, when it is likely that the work will yield future economic benefits and the related costs may be measured reliably. Other maintenance and repair costs are expensed to the income statement when incurred.

Investment property is derecognised when it is sold or when the investment becomes permanently unfit for use and future economic benefits are not expected to flow from its sale. Any gains or losses on the retirement or disposal of investment property are recognised in the income statement in the year in which the asset is retired or disposed of.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

In particular, when measuring the fair value of investment property, in accordance with IFRS 13 the Company must ensure that the fair value reflects, *inter alia*, the current revenues based on rent and on other reasonable and sustainable assumptions that market participants would use in determining the price of the investment property under current conditions.

Pursuant to IFRS 13, the measurement of a non-financial asset at fair value considers the ability of a market participant to generate economic benefits by using the asset for its highest and best use or by selling it to another market participant that would use it for its highest and best use.

According to IFRS 13, an entity must use measurement techniques suited to the circumstances and for which sufficient data is available to assess fair value, while maximising the use of the relevant observable inputs and minimising the use of non-observable inputs. Fair value is measured on the basis of transactions observable in an active market, adjusted, where necessary, on the basis of the specific characteristics of each investment property. If this information is not available, when determining fair value for the measurement of investment property the Company uses the discounted cash flow method (for a variable period in reference to the duration of the contracts in place) associated with the future net income on the rental of the property and assuming the sale of the property at the end of the period.

Investment property is measured on a half-yearly basis by external independent appraisers with adequate, recognised professional qualifications and recent experience with the lease and the characteristics of the properties being measured. See the section “Use of estimates and assumptions” below for further details.

Leased properties held for the purpose of earning lease payments and/or for capital appreciation are classified as investment property and measured at fair value.

With reference to climate change, the Company has started a process of integrating ESG issues within its business model, as part of which a careful analysis of its assets is under way, aimed at identifying potential measures to reduce their environmental impact. The methods for determining fair value are aligned with the requirements of the standards, as well as with best practices, and already reflect all the considerations made by market participants.

Tangible fixed assets

Tangible fixed assets are recorded at purchase cost, net of accumulated depreciation, grants related to assets and any impairment losses.

Maintenance and repair costs are charged to the income statement of the year in which they are incurred, with the exception of those of an incremental nature, which are capitalised on the value of the assets concerned and depreciated in relation to the residual possibility of use of the latter.

Gains or losses on the sale of fixed assets are recognised under the income statement.

Buildings used for the business are depreciated at a rate of 3.33% and considering a useful life of 30 years.

Verona furniture and fittings are depreciated at rates of 10% to 25%. The useful life, following verification of the recoverable amount carried out at 31 December 2021, was considered to be 3 years.

Leases - Rights of use and financial liabilities

At the time of initial recognition of an agreement, the right of use and the debt are measured by discounting future rentals, throughout the duration of the lease, also taking into account the possibility of renewing the lease agreements or terminating them early, only in cases where the exercise of these options is deemed reasonably certain. In order to calculate the current value of the liability under the lease, the Company established an incremental borrowing rate comparable to the interest rate at which the tenant would finance itself through a contract with similar terms and guarantees in order to obtain an asset with a value similar to the right of use in a similar economic environment.

Liabilities deriving from the lease are classified under the item Financial payables to banks and other lenders in the statement of financial position with a distinction between current and non-current portion.

The above does not apply to short-term and/or low-value leases.

Intangible assets

An intangible asset is recognised only if it is identifiable, controllable, and can be expected to generate future economic benefits and its cost can be measured reliably.

Intangible assets with a finite useful life are recognised at purchase or production cost, including incidental expenses and the relevant depreciation, calculated on a straight-line basis over the assets' remaining useful life and in accordance with IAS 38.

Amortisation is recognised from the moment the asset is available for use or is capable of operating in accordance with the Company's understanding and ceases on the date on which the asset is classified as held for sale or is derecognised.

Purchased software licenses are recorded on the basis of the costs incurred for the purchase and start-up of the specific software, net of amortisation and accumulated impairment losses. These costs are amortised over the assets' useful life. Costs associated with the development or maintenance of computer programmes are recognised as an expense when incurred. Computer software development costs recognised as assets are amortised over the estimated useful life.

Shares held in subsidiaries

Subsidiaries are companies in which NEXT RE has the independent power to exercise control over the management of the company and to obtain the benefits of its activities. Control is presumed to exist when the Company holds, directly and indirectly, the majority of the voting rights exercisable in an ordinary shareholders' meeting, including any potential voting rights deriving from convertible instruments. Investments in subsidiaries are recorded at cost, adjusted for impairment losses determined by applying the impairment test.

If the reasons that led to the recognition of losses cease to apply, the value of the investments is reinstated.

Financial assets

Classification of financial assets

On the date of initial recognition, financial assets are classified as financial assets at amortised cost, at fair value through other comprehensive income and at fair value through the income statement, based on both the business model adopted by the Company and the contractual cash flow characteristics of the instrument.

For this purpose, the test of whether the instrument generates cash flows representing solely payments of principal and interest (i.e. SPPI) is referred to as the “SPPI test” and is performed at the level of the individual instrument. The Company's business model for managing financial assets relates to the way in which the Company manages its financial assets in order to generate cash flows. The business model determines whether cash flows will come from collecting cash under the agreement, selling financial assets, or both.

Below is a description of the main features of the above assets.

1. Financial assets held for collection (Category 1)

Financial assets falling into this category are held with the aim of collecting their cash flows and the cash flows are representative of the passage of time and the repayment of capital. Assets in this category are valued at amortised cost and are recorded under Receivables and other assets.

2. Financial assets held for collection and sale (Category 2)

Financial assets in this category are held for the purpose of collecting cash flows or being sold and these flows are representative of the passage of time and the repayment of principal.

Assets included in this category are recorded in the balance sheet at fair value, while in the income statement they are recorded using the amortised cost criterion and the changes in fair value are recorded in the Other comprehensive income statement components, with a reversal to the income statement at the time of their disposal and/or write-down.

3. Financial assets held for a purpose other than the above (Category 3)

Financial assets that do not fall into one of the two previous categories belong to Category 3. These financial assets are measured at fair value through profit or loss and are recorded under Financial assets at fair value.

Temporary investments of liquidity in UCITS, mutual fund units, derivatives and any instruments whose cash flows do not represent the mere passing of time and repayment of capital are measured at fair value with a balancing entry in the income statement.

Trade and other receivables are held until collection in accordance with contractual maturities and an analysis of the characteristics of the contractual cash flows concluded that they meet the criteria for measurement at amortised cost in accordance with IFRS 9.

Impairment of financial assets

IFRS 9 requires the Company to recognise expected credit losses on all items such as loans and trade receivables deriving from lease activities, using either a 12-month period or the entire contractual life of the instrument as a reference. The Company applies the simplified approach by recording any expected losses on all trade receivables on the basis of their residual contractual duration.

Hedge accounting

Derivative financial instruments

Derivative financial instruments are recorded at fair value with a balancing entry in the income statement. The Company evaluates from time to time the application of the so-called Hedge Accounting, verifying compliance with the requirements of IFRS 9.

Classification

Outstanding forward currency transactions and derivative instruments are classified as follows:

- derivatives that qualify as hedges in accordance with IFRS 9: this category includes transactions executed to hedge any oscillation of cash flows (*Cash Flow Hedge* - CFH) on interest rates;
- derivative instruments that do not qualify as hedges pursuant to IFRS 9, which meet the requirements of the company's credit risk management policies.

Liabilities for derivative instruments are classified between the current and non-current portions based on expected cash flows.

Fair value hierarchy according to IFRS 13

The Company determines fair value in accordance with IFRS 13 whenever such a measurement criterion is required by international accounting standards.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the so-called “exit-price”).

The fair value of assets and liabilities is classified in a fair value hierarchy with three different levels, defined as follows, based on the inputs and valuation techniques used to measure fair value:

- Level 1: determination of fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes instruments relating to temporary investments of liquidity in UCITS, mutual funds, SICAVs and portfolios of mutual funds with which the Company operates through managers in active markets;
- Level 2: determination of fair value based on inputs other than the quoted prices included in “Level 1” but which are directly or indirectly observable;
- Level 3: determination of fair value based on valuation models whose inputs are not based on observable market data (unobservable inputs). As at 31 December 2021, the fair value of investment property and of the debenture loan recorded under “Financial assets at fair value” are included in this level.

It must be noted that the valuation of financial instruments may involve significant discretionary powers, even though the Company uses, where available, prices quoted in active markets as the best estimate of the fair value of all derivative instruments.

Cash and cash equivalents

Cash and cash equivalents include: cash on hand, demand deposits with banks and other highly liquid short-term investments. Bank overdrafts are reported under loans in current liabilities in the statement of financial position.

Shareholders' equity

The share capital represents the nominal value of payments and contributions made by shareholders. Incremental costs directly attributable to the issue of new shares or options are reported under a special reserve in the shareholders’ equity.

The purchase cost of treasury shares is recorded as a reduction of the shareholders' equity; the effects of any subsequent transactions between shareholders on these shares are also recorded directly under shareholders' equity.

Share-based payments

In the case of share-based payment transactions settled with equity instruments of the Company, the fair value on the grant date of the options granted to employees is recognised under personnel expenses, with a relevant increase in equity under Other reserves, over the period during which the employees obtain the unconditional right to the incentives.

The estimate of the fair value of the options considers all the vesting conditions relating to the market, in terms of relative positioning with respect to the Peer Group (market condition). In addition, in order for the final amount recognised to be based on the number of incentives that will actually vest, the cost is adjusted to reflect both vesting conditions and the achievement of the so-called "non-market" condition. With reference to non-vesting conditions, any differences between the assumptions made at the grant date and the actual ones will have no impact on the financial statements.

Employee benefits

Post-employment benefits (termination benefits or TFR) and other long-term benefits are subject to actuarial valuations to express the present value of the benefit, payable at the end of employment or subsequently, accrued by employees at the balance sheet date.

The cost of expected benefits under the defined benefit plan is determined using the projected unit credit actuarial method.

Write-ups, which include actuarial gains and losses, changes in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets, are recognised immediately in the statement of financial position by debiting or crediting retained earnings through other comprehensive income during the period in which they arise.

Write-ups are not reclassified to the profit and loss account in subsequent years.

Past service cost is recognised in the income statement at the remotest of the following dates:

- the date on which a plan amendment or curtailment occurs;
- the date on which the company recognises the relevant restructuring costs.

Net interest on the net defined benefit liability/asset shall be determined by multiplying the net liability/asset by the discount rate. The Company recognises the following changes in the net defined benefit obligation in cost of sales, administrative expenses and selling and distribution costs in the income statement (by nature):

- service costs, including current and past service costs, gains and losses on non-routine curtailments and settlements;
- net interest income or expense.

Following this method, the liability recorded is representative of the current value of the obligation, net of any plan assets, adjusted for any actuarial losses or gains not accounted for.

Provisions for risks and charges

Provisions for risks and charges are made when the Company must meet a current obligation (legal or implicit) resulting from a past event, an outflow of resources to meet this obligation is likely and it is possible to make a reliable estimate of its amount. When the Company considers that a provision for risks and charges will be partly or fully reimbursed, the indemnity is recorded separately under assets if, and only if, it is practically certain. In such a case, the cost of the provision, if any, is presented in profit or loss less the amount recognised for the indemnity.

If the effect of the value of money over time is significant, the provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the specific risks of the liabilities. When the liability is discounted, the increase in the provision due to the passage of time is recognised as a finance charge.

Contingent assets are not recognised in the financial statements and are disclosed when it is likely that there will be an economic benefit. However, if the realisation of revenue is virtually certain, then the relevant asset is not a contingent asset and its recognition is appropriate.

With reference to climate change, in view of the sector to which it belongs, there are no risks relating to the need to meet new regulatory requirements and obligations. Legislation introduced in response to climate change could result in new obligations that did not previously exist.
Climate change and possible regulatory developments may require us to reconsider this assumption resulting in the need to recognise previously unrecognised liabilities.

Financial liabilities

Borrowings are initially recognised at fair value less transaction costs incurred, and subsequently measured at amortised cost using the effective interest rate method. Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. If the forecasts of cash flows generated by a financial liability are revised/modified, it is necessary to reflect the changes by recalculating the amortised cost of the liability and recording any differences under the income statement.

The Company's financial liabilities include trade and other payables, loans, including financial instruments and derivative financial instruments.

The Company's financial debt is primarily represented by loans to CPI PG, the company that exercises management and coordination activities, and it is reasonably foreseeable that the financial exposure will remain, also in future years, with respect to the Parent Company; therefore, at present, no loans are expected that might contain clauses linking contractual cash flows to the achievement of climate-related objectives or that might influence the way in which the loan is classified and measured.

Revenues

Revenues are recognised to the extent where economic benefits are likely by the Company and the relevant amounts can be reliably estimated, regardless of the collection date. Revenues are measured at the fair value of the consideration received or receivable, taking into account contractually defined payment terms and excluding discounts, allowances and other sales taxes.

The criteria for recognising revenues, broken down by the Company's revenue type, are set out below:

- rental income: these are revenues deriving from the rental of buildings recorded as investment property in accordance with IAS 40 and are recorded on a straight-line basis as provided for by IFRS 16 (paragraph 81), on an accrual basis, based on the existing lease agreements;
- *Revenues from the sale of properties*: revenues from the sale of properties are recognised in the income statement net of costs to sell during the transfer to the buyer of all significant risks and benefits associated with ownership; a transfer which normally takes place on the date of signing the notarial deed.

The contributions paid to customers, so-called capex contribution, for redevelopment works of buildings are used to reduce future rents over the duration of the lease agreement.

Costs

Operating costs and other operating expenses are recognised as components of profit or loss when they are incurred on the basis of the service rendered and when they do not qualify for recognition as assets in the balance sheet.

Financial income and expenses

Financial income and expenses are accounted for on an accruals basis, using (where applicable) the effective interest rate method.

Dividends are recognised when the Shareholders' right to receive payment arises, which normally corresponds to the date of the Shareholders' Meeting that resolves on their distribution.

Current taxes

Current income taxes are calculated on the basis of estimated taxable income. The current tax liability is recorded in the balance sheet net of any tax advances paid.

Tax payables and receivables for current taxes are recognised at the amount expected to be paid/recovered to/from the tax authorities on the basis of the nominal tax rates in force on the balance sheet date, with the exception of those directly attributable to equity, as they relate to adjustments to balance sheet assets and liabilities recognised directly to equity. Other non-income related taxes, such as property and capital taxes, are included under operating expenses.

The Company, as a SIIQ, is subject to a special taxation regime, pursuant to which, among other things, business income deriving from property rental activities is exempt from corporate income tax (IRES) and regional tax on production activities (IRAP) and the portion of statutory profit corresponding to it is subject to taxation by the shareholders when it is distributed in the form of dividends. Taxes are then calculated on the income generated by the non-exempt management.

Deferred taxes

With regard to non-exempt management, pre-paid and deferred taxes are recognised using the global liability allocation method. They are calculated on the temporary differences between the values of assets and liabilities in the financial statements and the corresponding values recognised for tax purposes. Pre-paid tax assets on tax losses that can be carried forward and on deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available, even taking into account the special regime for SIIQs, in respect of which they can be recovered. Deferred tax assets and liabilities are calculated using the tax rates expected to apply when the temporary differences will be realised or settled. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Current and deferred tax assets and liabilities are offset when income taxes are levied by the taxation authority itself, when there is a legal right of set-off and when the time-frames of the expected reversal are consistent.

Profit /loss per share

Profit/loss per share is given by the ratio between the result for the year and the weighted average number of ordinary shares in issue during the year, excluding treasury shares in the portfolio. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming the conversion of all potential ordinary shares with a dilutive effect and taking into account, in the calculation of the number of shares outstanding, the potential dilutive effect of options granted to beneficiaries of stock option plans.

Use of estimates and assumptions

The drafting of the annual financial report requires the Company to make estimates and assumptions that could influence the carrying amounts of certain assets and liabilities, costs and revenues, as well as the disclosure of contingent assets/liabilities on the reporting date.

The drafting of the financial statements and notes required the use of estimates and assumptions in determining certain assets and liabilities. The subsequent results that will derive from the occurrence of events may therefore differ from these estimates. The estimates and assumptions considered are reviewed on a continuous basis and the effects of any changes are immediately recognised in the financial statements.

Estimates are used to determine the fair value of investment property, financial instruments and derivative financial instruments. Estimates and assumptions are based on data reflecting the current state of available knowledge and the support of independent experts and advisors has been relied upon for most of these assessments.

Property valuations are carried out twice a year, on 30 June and 31 December using appraisals drafted by independent experts of recognised professionalism and integrity.

In fact, real estate appraisal assignments are only given to experts who undertake to operate with independence, integrity and objectivity.

The Board of Directors of NEXT RE SIIQ S.p.A. on 25 June 2019, in compliance with the Company's Independent Experts procedure, appointed the company Axia RE (Business Unit of RINA Prime Value Services S.p.A.) as independent expert for a three-year assignment to carry out a six-monthly valuation of the assets of the former NEXT RE Group, including the properties owned and the economic capital at the time of the subsidiary Cortese Immobiliare S.r.l, for a fee of € 9,000 for the first valuation as at 30 June 2019 and € 4,500 for each of the subsequent valuations on a constant basis.

In addition to following the recommendations of the supervisory authorities and the various best practices of the sector, NEXT RE has adopted a specific company procedure which, on the basis of current legislation, establishes, among other, the rules for selecting and appointing independent experts, providing (as specified above) that only persons who meet pre-established professional, independence and integrity requirements can be appointed.

Valuations by the Independent Expert are carried out for each property using valuation criteria compatible with the provisions of IFRS 13 and explained below:

- Comparative (or Market) Method: it is based on the comparison between the Property and other comparable assets, recently bought and sold and/or leased or currently offered on the same market or on competitive markets.
- Income method: it takes into consideration two different methodological approaches.
  - ✓ *Direct Capitalisation*: is based on capitalising, at a rate deducted from the real estate market, the future net income generated by the properties;
  - ✓ II. Discounted Cash-Flow (DCF) method, based:
    - a) On calculating, over a period of n. years, future net income from the lease of the property;
    - b) On calculating the property’s Market Value by capitalising in perpetuity, at the end of such period, the net income;
    - c) Discounting up to the date of the net income (cash flow) valuation.

The above methods shall be applied individually to each property or combined with each other, depending on the specificities of the property. Valuations are carried out on the basis of the maximum and best use of the properties subject to valuation, taking into account, among all the technically possible, legally permissible and financially feasible uses only those potentially capable of conferring the maximum value on the properties themselves. The maximum and best use is determined on the basis of specific considerations according to the type / location / urban characteristics of the property subject to valuation and the reference real estate market.

In determining capitalisation and discount rates used in the valuation of individual properties, account is taken of:

- the type of tenant currently occupying the property or responsible for compliance with the leasing obligations and possible future occupants of vacant properties, as well as the general perception by the market of their creditworthiness;
- the sharing of insurance and maintenance responsibilities between landlord and tenant;
- the property’s residual economic life.

Operating procedures for the periodic valuation of properties are governed by a specific internal procedure that regulates all activities of the process: from the selection and appointment of experts, documentation that is sent to them, valuation methods, survey of the properties subject to valuation, operating rules and coordination with the experts, to monitoring the whole process.

Information and data used for the purpose of valuations include, among others:

- information supplied to the experts by NEXT RE, such as current lease payments, terms and conditions of existing leases, property taxes, costs related to property management, including any envisaged incremental costs (capital expenditure);
- assumptions made directly by the experts (typically linked to the reference market, such as the discount rate, the capitalisation rate, the inflation curve, etc.). The definition of the above evaluation elements is based on their professional opinion, taking into account a careful observation of the reference market.

The information forwarded to the experts, the assumptions and the evaluation models used by them are reviewed by the relevant Departments who are responsible for the organisation, coordination of valuation activities, as well as their monitoring and verification.

With reference to the sensitivity of fair value measurements to changes in the main unobservable inputs, it must be noted that there would be reductions in the fair value under the following assumptions:

- decreases in current lease levels and/or estimated annual fees per sqm;
- an increase in discount rates and / or capitalisation rate;
- the emergence of unforeseen incremental expenses on the properties;
- for properties on which future incremental expenses are expected (capex), an increase in the estimate of such expenses, and/or an extension of the timing thereof;
- problems with collecting payments from current tenants.

Conversely, opposing changes in the above phenomena would result in an increase in fair value.

The fair value of financial instruments is calculated on the basis of prices directly observable on the market, where available, or, for financial instruments with restricted circulation, using specific valuation techniques (mainly based on present value) that maximise observable market inputs.

In the rare circumstances where this is not possible, the inputs are also estimated with the methodological support of external advisers, taking into account the characteristics of the instruments being valued. Changes in the assumptions made in estimating the input data could affect the fair value recognised in the financial statements for these instruments.

In view of its sector, it is estimated that the climate risk will not have a significant impact on the use of accounting standards and the use of estimates and assumptions. Furthermore, at present it is believed that climate change will not result in a material adjustment within the next fiscal year.

Segment reporting

The Management views the Company as a single segment. NEXT RE currently manages a portfolio of office and commercial properties of various sizes but the management process together with the risks incurred remains the same for all types of properties. In addition, the information reviewed by the Board of Directors shows only the values of the real estate portfolio broken down by property and between executive and commercial use, while the economic values are analysed by property. Considering the reporting structure used, the resource allocation process and the Company's activities, Management therefore identifies only one segment (i.e. NEXT RE).

INFORMATION ON THE SPECIAL REGIME OF LISTED REAL ESTATE INVESTMENT COMPANIES - SIIQ

The special regime for Listed Real Estate Investment Companies (SIIQ) introduced and governed by Italian Law no. 296/2006 (hereinafter also Law no. 296/2006) and subsequent amendments, as well as by the provisions contained in the implementing regulation of the Italian Ministry of Economy and Finance no. 174/2007 (hereinafter also the Decree), entails exemption from taxation for IRES purposes and proportionally from IRAP (special regime) of business income deriving, among other things, from real estate leasing activities (the so-called exempt management).

The regulation of the special regime has been amended as a result of Italian Decree Law no. 133/2014 (hereinafter also known as Italian Legislative Decree no. 133/2014), in force since 13 September 2014 and converted by Italian Law no. 164 of 11 November 2014.

For the purposes of applying the Special Regime, the net profit deriving from exempt management is destined to be taxed by the shareholders, as a consequence of its distribution. The distribution must compulsorily be resolved (under the penalty of forfeiture of the special scheme) upon approval of the financial statements for the year during which the exempt profit was formed. In particular, the special regime involves the obligation, in each financial year, to distribute to shareholders (i) at least 70% of the net profit deriving from real estate leasing activities, from the ownership of investments in SIIQ / SIINQ and in Sicaf and qualified real estate funds so-called “exempt management” (as resulting from the Income Statement of the relevant annual financial statements), if the total profit for the year available for distribution is equal to or higher than the exempt operating income, or (ii) at least 70% of the total profit available for distribution, if this is less than the net profit of exempt management. The obligation to distribute the above amount relates to the net profit of the income statement deriving from exempt management available, according to statutory rules, for distribution to shareholders (Art. 7 of the “decree”).

With Decree Law No. 133/2014, a further mandatory distribution of profits was envisaged, which is complementary to the pre-existing one, and which consists of the obligation to distribute, in the subsequent two years to the year of realisation, 50% of the proceeds corresponding to the net capital gains realised that originate from the sale of properties destined for leasing, of investments in SIIQ / SIINQ and in SICAF and qualified real estate funds.

NEXT RE exercised its option to enter into this special regime, on 7 September 2016, effective for the tax period beginning on 1 January 2017.

NEXT RE, taking into account the change in the share capital notified to the market on 21 December 2017, has announced that the total shareholding held as at 31 December 2017 (directly and indirectly) by the Controlling Shareholder Sorgente SGR S.p.A. is less than 60% of the Company's share capital. Accordingly, in the same manner in which the option was exercised (7 September 2016), Agenzia delle Entrate (the Italian Inland Revenue Agency) was notified (17 January 2018) of the integration of participatory requirements which were not in their possession at the time of exercising the option.

Having satisfied all the necessary requirements for the application of the tax benefits provided by the special SIIQ regulations (including the so-called “control” requirement), in accordance with the provisions of the Company's Business Plan, the Special SIIQ Regime took effect from 1 January 2017.

INFORMATION ON COMPLIANCE WITH STATUTORY REQUIREMENTS (Art.3, paragraph 2. Italian Ministerial Decree no. 174 of 7 July 2007)

With regard to the Statutory Requirements of NEXT RE SIIQ S.p.A., Art. 4 of the Articles of Association provides:

(1) Rules in terms of investments

The Company does not invest in a single real estate property having unitary urban and functional characteristics: (i) directly, in excess of 2/3 of the total value of its real estate assets; and (ii) directly and/or through subsidiaries, real estate funds and other real estate investment vehicles, in an amount greater than 2/3 of the total value of the real estate assets of the group it belongs to. In this regard, it must be noted that, in the case of development plans that are subject to a single urban planning design, those portions of the property that are subject to individual and functionally autonomous building permits or that are equipped with sufficient works so as to guarantee connection to public services cease to have unitary urban and functional features.

(2) Limits on the concentration of investment and counterparty risks

The Company cannot generate: (i) directly, lease payments, from a single tenant or from tenants belonging to the same group, in excess of 2/3 of the Company's total lease payments; and (ii) directly and through subsidiaries, real estate funds and other real estate investment vehicles, rents, coming from the same tenant or tenants belonging to the same group, in an amount greater than 2/3 of the total lease payments of the Group. The above mentioned limit does not apply if the Company's real estate is leased to any tenant(s) belonging to a group of national or international relevance.

(3) Maximum financial leverage level

The Company can assume: (i) directly, financial indebtedness (including financial payables to subsidiaries and the parent company), net of cash and cash equivalents and financial receivables from the parent company, for a total nominal value not exceeding 70% of the sum of the total value of its real estate assets, the carrying amount of the investments in subsidiaries and the nominal value of the financial receivables from subsidiaries; and (ii) directly and through subsidiaries, real estate funds and other real estate investment vehicles, consolidated financial indebtedness (including payables to the parent company), net of cash and cash equivalents and financial receivables from the parent company, for a total nominal value not exceeding 70% of the total value of the Group's real estate assets.

The aforesaid limits may be exceeded under exceptional circumstances or, in any case, not dependent on the will of the Company. Unless the Shareholders and/or the Company are otherwise interested, the overrun shall not extend beyond 24 months. The rules on investments in real estate, risk concentration limits and leverage provided for in points (1), (2) and (3) above shall apply for as long as the Company retains the status of a SIIQ. Once the qualification of SIIQ ceases to exist, with the consequent definitive termination of the special regime for listed real estate investment companies in the cases envisaged by the laws and regulations applicable from time to time, these rules will cease to have effect.

However, it is confirmed that the limits set out in points (1), (2) and (3) above have not been exceeded by NEXT RE SIIQ S.p.A.

INFORMATION ON COMPLIANCE WITH THE REQUIREMENTS FOR PERMANENCE IN THE SPECIAL SYSTEM

(1) Objective requirements

As envisaged by Art. 1, par. 121, of Italian Law no. 296/2006, the SIIQ must carry out mainly real estate leasing activities. This activity is considered to be prevalent if the real estate held as property or other rights in rem assigned to the lease, the investments in SIIQ / SIINQ and in real estate Funds (or SICAF) represent at least 80% of the assets (capital requirements) and if, in each financial year, the revenues deriving therefrom represent at least 80% of the positive components of the income statement (economic parameter). Failure to comply for three consecutive periods with one of the two requirements indicated above determines the definitive ending of the special regime from the second of the three financial years. Failure to comply with both requirements, with reference to the same year, determines the definitive ending of the special regime starting from the year in relation to which the condition of disqualification is realised.

The results of the calculation of the aforementioned parameters are shown below, both of which have been complied with for 2021, based on the balance sheet and income statement figures shown in the Financial Statements of NEXT RE as at 31 December 2021.

Capital requirements

		31/12/2021	31/12/2020
NEXT RE SIIQ S.p.A. - Capital requirements			
Value of properties intended for lease	(A)	138,300	115,050
Investment in SIINQ and in qualified real estate funds	(B)	0	0
Numerator total	**(C)=(A)+(B)**	**138,300**	**115,050**
Total of balance sheet assets	(D)	155,567	152,728
Elements excluded from the denominator of the relationship:		0	0
Carrying amount of SIIQ registered office		(1,838)	0
Cash and cash equivalents		(6,837)	(24,903)
Loans to Group companies		0	(415)
Trade receivables		(405)	(323)
Deferred tax assets		(854)	(859)
Tax credits (including VAT)		(816)	(520)
Pre-paid expenses		(77)	(89)
Total adjustments	(E)	(10,827)	(27,109)
Denominator total: **adjusted balance sheet assets**	**(F)=(D)+(E)**	**144,740**	**125,619**
Capital requirements	(C)/(F)	95.55%	91.59%

Capital requirements, as shown in the table above, are given by the ratio between:

- the numerator, totalling € 138,300 thousand, which includes the carrying amount of properties to be leased. This amount corresponds to the book value of "Investment property";
- the denominator, amounting in total to € 144,740 thousand, which includes total assets (€ 155,567 thousand) adjusted to exclude, in application of the criteria as set forth in Article 6 of Italian Ministerial Decree no. 174/2007: i) the value of cash and cash equivalents (€ 6,837 thousand); ii) the value of trade receivables arising both from exempt management and, as clarified by Italian Inland Revenue circular no. 8/E of 2008, from taxable operations (€ 405 thousand); iii) the value of tax receivables (€ 816 thousand); iv) deferrals (€ 77 thousand); v) deferred tax assets (€ 854 thousand).

Revenue parameter

€ '000		31/12/2021	31/12/2020
NEXT RE SIIQ S.p.A. - Revenue parameter			
Rental fees and similar revenues	(A)	5,681	5,266
"Realised" gains on property sales	(B)	0	0
Dividends from SIIQ / SIINQ, SICAF and qualified real estate funds	(C)	0	0
Numerator total	**(D)=(A)+(B)+(C)**	**5,681**	**5,266**
Total positive economic components	(E)	12,178	6,299
Elements excluded from the denominator of the relationship:			
Write-ups of properties		(6,055)	(141)
Revenue from charge-backs of costs		(106)	(115)
Revenue from cost adjustments or related to hedging instruments		0	(61)
Contingent assets, fund releases and other reinstatements		(298)	(357)
Deferred tax assets and interest on tax credits		0	(369)
Total adjustments	(F)	(6,459)	(843)
Denominator total: adjusted positive economic components	**(G)=(E)+(F)**	**5,718**	**5,456**
Revenue parameter	(D)/(G)	99.35%	96.51%

The revenue parameter, as shown in the table above, is given by the ratio between:

- the numerator, amounting to a total of € 5,681 thousand, refers to revenues from rents on properties used for this activity (investment property). It must be noted that the aforementioned amount of revenues from property rentals includes revenues similar to rents, such as indemnities from tenants (but not also revenues from the charge-back of costs to tenants
- the denominator is equal to a total of € 5,718 thousand. This amount corresponds to the total amount of the positive components of the Income Statement (€ 12,178 thousand), adjusted in order to exclude the write-ups of properties recorded during the financial year in application of the fair value model for the valuation of the property portfolio (€ 6,055 thousand). Moreover, in order not to affect the relationship with other elements that are not directly related to the exempt management, or with taxable management and whose inclusion in the denominator of the relationship could alter the result of the verification of the criterion of capital prevalence, the following are excluded: i) income representing charge-backs of costs such as, mainly, those relating to charge-backs of costs to tenants of leased properties (also excluded from the numerator of the revenue parameter) for € 106 thousand; ii) contingent assets and releases of provisions for € 298 thousand.

With reference instead to the distribution obligations envisaged by Art. 1, paragraph 123 and 123-bis, of Italian Law no. 296/2006, it must be noted that the financial statements for the 2021 financial year closed with a positive net result of € 427 thousand (given by positive results from exempt management of € 1,423 thousand and negative results from taxable management of € 995 thousand). It should also be pointed out that, as established by Art. 7 of the Decree and also clarified by the Inland Revenue Circular no. 8/E of 2008, the net profit from the income statement of exempt management subject to statutory restrictions and as such not distributable (e.g. the profit that must be allocated to reserves pursuant to Articles 2430 and 2431 of the Italian Civil Code and pursuant to Art. 6 of Legislative Decree no. 38 of 28 February 2005) is not available for distribution. Therefore, pursuant to applicable regulations, given the composition of the company's shareholders' equity and the related obligations to replenish the reserves (in particular, Art. 2430 of the Italian Civil Code and Art. 6 of Legislative Decree no. 38/2005) with reference to the result for the year 2021, no obligation arose to distribute the profit from exempt management.

Finally, in 2021 the conditions for any compulsory distribution were not met, in relation to the additional distribution obligation set out in Art. 1, paragraph 123-bis of Law no. 296/2006.

(2) Subjective requirements

NEXT RE SIIQ S.p.A., which draws up the financial statements in application of international accounting standards, complies with the subjective requirements provided for by the relevant legislation for the permanence in the special regime, being a company: i) set up as a joint-stock company; ii) resident for tax purposes in Italy; iii) whose shares are traded on the Borsa Italiana.

It is also confirmed that in 2021 no extraordinary transactions took place which affected the requirements for permanence in the special regime.

(3) Requirements relating to the holding structure

According to the information held by the Company, as at 31 December 2021 there are no shareholders who hold directly or indirectly, pursuant to Art. 1, par. 119, of Italian Law no. 296/2006 and amended by Italian Law no. 164/2014, more than 60% of the voting rights in the ordinary shareholders' meeting and more than 60% of the rights to participate in profits. As already mentioned above, in the previous paragraph of this Report entitled "*Legal and regulatory framework of Listed Real Estate Investment Companies (SIIQ)*", with regard to the tax period ending on 31 December 2021, following the takeover bid launched by the controlling shareholder CPI PG, the latter held a percentage of ordinary shares higher than 60%.

Specifically, as of 26 November 2021, CPI PG held, in total, a 77.1078% interest in the Company's subscribed capital, represented by 16,983,075 shares with voting right, of which 11,012,055 shares not admitted to trading (the "**Unlisted Shares**"), equal to all the unlisted shares of the Company, and 5,971,020 ordinary shares admitted to trading on the Euronext Milan market (equal to 54.22% of the total listed shares), resulting in failure to meet the control requirement.

In order to once again meet the control requirement and continue to apply the Special Regime by 31 December 2021, on 26 November 2021 the Board of Directors convened the Extraordinary Shareholders' Meeting for 27 December 2021, submitting to it the proposal for the mandatory conversion, in a 1:1 ratio, of 11,012,055 unlisted ordinary shares into 11,012,055 category B shares, without the right to attend or vote at the Company's ordinary shareholders' meeting and with the same right to share in profits as the ordinary shares, which will be automatically and proportionately reduced to the extent necessary so that the right to share in profits of each category B shareholder, taking into account any other ordinary shares held, is equal to - and, in any event, not more than - 60% of the rights to share in the profits of the Company.

On 27 December 2021, the Extraordinary Shareholders' Meeting unanimously approved such mandatory conversion, as a result of which CPI PG came to hold a total stake equal to 77.1078% of the Company's subscribed share capital, represented by (i) 5,971,020 ordinary shares with voting rights admitted to trading on the *EXM* market - equal to 54.22% of the share capital with voting rights at the ordinary shareholders' meeting of the Company - and (ii) 11,012,055 Category B shares, with the characteristics described above.

In light of the foregoing, as of 31 December 2021, the Company has therefore met and maintained the participation requirements to remain in the Special Regime (including the "control" requirement).

Breakdown of economic components into exempt management and taxable management and relevant distribution criteria

The following table shows the profit and loss account as at 31 December 2021 broken down into exempt management and taxable management (data in € '000).

	Total (A)	Exempt management (B)	Taxable management (A)-(B)
Revenues from sales and services	5,984	5,984	0
Other revenues	104	49	55
Gross revenues	**6,088**	**6,033**	**55**
Cost for raw materials and services	(4,948)	(4,740)	(208)
Staff costs	(1,754)	(1,743)	(11)
Other operating expenses	(992)	(992)	0
Operating costs	(7,694)	(7,475)	(219)
Gross operating profit	**(1,606)**	**(1,442)**	**(165)**
Value adjustments	**4,369**	**4,373**	**(4)**
Operating profit	**2,763**	**2,932**	**(168)**
Financial income	17	4	13
Financial expenses	(2,357)	(1,516)	(841)
Income before taxes	**423**	**1,420**	**(997)**

The results reported in the previous table relating to the two management types, derive from the separation of the economic components of the year 2021 as resulting from the separate accounting adopted by the Company for these components. Separate accounting has, in fact, the purpose of identifying the operating results of the tax-exempt and taxable activity through: i) the attribution to each of the two management types of the economic components specifically attributable to them; ii) the attribution to each of the two management types, according to a reasonable pro rata percentage, of the "common" economic components (insofar as they are not specifically related to one of the two management types).

In particular, it must be noted that, for the purposes of allocating these "common" components to exempt (or taxable) management, NEXT RE has adopted the revenue parameter as more accurately calculated and expressed in the percentage (99.35%) shown in the table above in the section on the "revenue parameter", as this is considered the most suitable percentage parameter for making the above allocation, as - after stripping out the economic components that do not relate to any activities carried out - it effectively expresses the percentage incidence of rental activities with respect to all activities carried out by the Company.

It is also specified that for income deriving from exempt management, the specific regulation envisaged by Art. 1, paragraphs 119 et seq., of Italian Law no. 296/2006 and the relevant implementing decree applies, while for income deriving from taxable management, the ordinary taxation rules for IRES and IRAP purposes have been applied.

Comments to the Notes to the financial statements

ASSETS

Note 1. Investment property

	31/12/2021	31/12/2020
Investment property	138,300	115,050
Investment property	**138,300**	**115,050**

Changes during the year in the item Investment property are shown below.

	Buildings
Net carrying amount as at 31/12/2020	**115,050**
Contribution from merger	5,400
Increases	13,095
Reclassifications	-
Write-ups (write-downs)	4,755
Net carrying amount as at 31/12/2021	**138,300**

The Real Estate Portfolio directly held by NEXT RE recorded a total valuation of € 138,300 thousand as at 31 December 2021.

The table below describes the changes in the values of each property that occurred during 2021.

Property	31/12/2020	Contribution from merger	Increases	Carrying amount before adjustment	Market value	Adjustment to market value	31/12/2021
Milan, Via Spadari	40,500	-	12,537	53,037	57,900	4,863	57,900
Milan, Via Cuneo	25,150	-	-	25,150	25,550	400	25,550
Milan, C.S. Gottardo	15,200	-	-	15,200	15,600	400	15,600
Rome, Via Zara	12,700	-	8	12,708	12,950	242	12,950
Rome, Via Vinicio Cortese	-	5,400	-	5,400	5,150	(250)	5,150
Bari, V. Dioguardi	14,900	-	-	14,900	15,050	150	15,050
Verona, Via Unità d'Italia	6,600	-	550	7,150	6,100	(1,050)	6,100
	115,050	**5,400**	**13,095**	**133,545**	**138,300**	**4,755**	**138,300**

Compared to 31 December 2020, the value of the real estate portfolio, aside from the effects deriving from the merger by incorporation of Cortese Immobiliare S.r.l., amounting to € 5,400 thousand, had a gross increase of € 17,850 thousand mainly due to the change in the scope due to new acquisitions during the first half of 2021 (which entailed a total investment by NEXT RE of € 12,441 thousand with reference to the property in Milan, Via Spadari and € 550 thousand with reference to the property in Verona, Via Unità d'Italia). The item increases also includes capitalised costs amounting to € 104 thousand that were primarily incurred with reference to the new office portions of the property in Milan, Via Spadari, for the definition of the redevelopment project and for strip-out activities for € 96 thousand.

The item write-ups (write-downs) refers to the adjustments made during the period to the value of properties to adjust them to their fair value, in accordance with the provisions of the relevant accounting standards. In particular, as shown in the table above, investment property was written down by € 1,300 thousand and written up by € 6,055 thousand, with a net positive impact of € 4,755 thousand.

The fair value adjustment incorporates the results of the market value appraisals on the properties drafted by the independent expert, in compliance with the RICS Valuation - Professional Standards, which incorporate the

IVS (International Valuation Standards), and in accordance with applicable regulations and recommendations of the regulators.
As required by IFRS 13, a disclosure of the fair value hierarchy is provided below.
The fair value hierarchy classifies the inputs of valuation techniques used to establish the fair value based on three levels. In particular:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable, directly or indirectly, for the asset or liability. If the asset or liability has a specified (contractual) duration, a Level 2 input must be observable for substantially the entire duration of the asset or liability;
- Level 3 inputs are unobservable inputs for the asset or liability.

Company's real estate portfolio has been valued using Level 3 fair value models, as the directly/indirectly non-market observable inputs used in the valuation models predominate over the market observable inputs.

The following table shows NEXT RE's real estate portfolio broken down by legal form type of the property, measured at fair value as at 31 December 2021:

Property	Legal nature	Accounting criteria	Last appraisal date	Significant inputs not observable on the market (level 3) Euro/000
Milan, Via Spadari	Full ownership	IAS 40, fair value	31/12/2021	57,900
Milan, Via Cuneo	Full ownership	IAS 40, fair value	31/12/2021	25,550
Milan, C.S. Gottardo	Full ownership	IAS 40, fair value	31/12/2021	15,600
Rome, Via Zara	Full ownership	IAS 40, fair value	31/12/2021	12,950
Rome, Via Vinicio Cortese	Full ownership	IAS 40, fair value	31/12/2021	5,150
Bari, V. Dioguardi	Property Leasing	IAS 40, fair value	31/12/2021	15,050
Verona, Via Unità d'Italia	Full ownership	IAS 40, fair value	31/12/2021	6,100
				138,300

Unobservable inputs considered most significant by NEXT RE are the discount rate, the Gross Cap Out rate and the ERV (estimated rental value by square metre), as changes in them significantly affect the fair value. The inflation rate was assumed to be 2%.

The following table shows unobservable inputs used for each asset as at 31 December 2021:

Property	Legal nature	Method	Discount rate	Gross Cap Rate	ERV €/sqm/y
Milan, Via Spadari	Full ownership	Income (DCF)	5.2% for retail portion and 4.6% for office portion	4.05% for retail portion and 4.30% for office portion	1,400 per retail portion and 420 for office portion
Milan, Via Cuneo	Full ownership	Income (DCF)	5.80%	4.90%	400
Milan, C.S. Gottardo	Full ownership	Income (DCF)	6%	5.40%	345
Rome, Via Zara	Full ownership	Income (DCF)	5.70%	5.60%	276
Rome, Via Vinicio Cortese	Full ownership	Income (DCF)	6.69%	7.60%	190
Bari, V. Dioguardi	Property Leasing	Income (DCF)	6.00%	7.40%	110
Verona, Via Unità d'Italia	Full ownership	Income (DCF)	6.65%	6.40%	106

To confirm the soundness of the valuation process, a sensitivity analysis was carried out with the support of the independent expert on the value of the real estate portfolio in relation to changes in the ERV and the Gross Cap rate. Specifically, the fluctuation in the value of the Company's real estate portfolio was determined by varying the ERV of individual properties by +/- 5% and the Gross Cap rate by +/- 0.25 bps. The fluctuation recorded was included in a range of +/- 7% of the value of the real estate portfolio.

Finally, the following table shows the value of the Company's real estate portfolio, the residual debt relating to outstanding loans referring to the assets, the Net Asset Value (indicated on a voluntary basis and calculated as the ratio between the nominal residual debt of the loans and the fair value of the assets), and the real estate Loan to value indicator calculated as the ratio between the residual debt of the loans referring to the assets and the related fair values as at 31 December 2021.

Property	Legal nature	Lending counterparty	Values as at 31 December 2021	Remaining debt as at 31 December 2021*	Net asset value Euro	Loan to Value	Maturity	Duration (years)
Milan, Via Spadari	Full ownership	CPI PG S.A.	57,900	22,687	35,213	39%	27/01/2026	4.1
Milan, Via Cuneo	Full ownership	CPI PG S.A.	25,550	14,481	11,069	57%	27/01/2026	4.1
Milan, C.S. Gottardo	Full ownership	CPI PG S.A.	15,600	10,861	4,739	70%	27/01/2026	4.1
Rome, Via Zara**	Full ownership	CPI PG S.A.	14,900	6,577	8,323	44%	27/01/2026	4.1
Rome, Via Vinicio Cortese	Full ownership	Intesa San Paolo	5,150	1,203	3,315	36%	05/12/2025	3.9
		Intesa San Paolo		632			01/07/2025	3.4
Bari, V. Dioguardi	Property Leasing	Unicredit Leasing	15,050	5,163	9,887	34%	10/01/2024	2
Verona, Via Unità d'Italia	Full ownership	CPI PG S.A.	6,100	3,366	2,734	55%	14/05/2026	4.4
			140,250	**64,970**	**75,280**	**46%**		

*nominal values of debt

**includes the value of the portion of Via Zara 28 used for the Company's registered and operational office

It must be noted that debt maturities shown above incorporate the extensions of the latter below the moratorium under Article 56 of Italian Decree Law no. 18 of 17 March 2020, converted, with amendments, by Italian Law no. 27 of 24 April 2020 following the extension - pursuant to Article 1, paragraph 248, of Italian Law no. 178 of 30 December 2020 (Balance sheet forecast for the 2021 financial year and multi-annual budget for the 2021-2023 three-year period) - of the suspension of payments.

Note 2. Other tangible fixed assets

	31/12/2021	31/12/2020
Instrumental building	1,838	1,895
Verona Hotel furniture and fittings	280	0
Other assets	59	53
Other tangible fixed assets	**2,177**	**1,948**

The main changes during the year were as follows:

	Instrumental building	Other assets	Verona Hotel furniture and fittings	Total
Net carrying amount as at 01/01/2021	1,895	53	-	1,948
Increases	-	20	544	564
Decreases	-	(1)	-	(1)
Depreciation and write-downs	(58)	(13)	(264)	(335)
Final balance as at 31/12/2021	1,838	59	280	2,177
Historical cost	1,909	80	544	2,533
Accumulated depreciation	(71)	(21)	(63)	(155)
Depreciation of furniture and fittings	-	-	(201)	(201)
Net carrying amount	**1,838**	**59**	**280**	**2,177**

The balance of the item at 31 December 2021 is € 2,177 thousand. This item includes: i) the value, net of accumulated depreciation, of the portion used in the business of the property in Rome, Via Zara 28 (registered

office of NEXT RE), amounting to € 1,838 thousand, ii) the value of the furniture and fittings contained in the property in Verona acquired as part of the early termination of the existing lease agreement with SHG and the early return of the property, amounting to € 280 thousand, and iii) other tangible fixed assets amounting to € 59 thousand.
This item increased mainly as a result of the acquisition, for € 544 thousand, of all the furniture, fittings, equipment and fixtures contained in the property in Verona. As at 31 December 2021, in order to align the book value with the recoverable amount, on the basis of estimates made by management with the support of the independent expert, a write-down of € 201 thousand was made on the item Furniture and fittings of the property in Verona.

The company has no commitments to purchase new fixed assets.

Note 3. Rights of use

	31/12/2021	31/12/2020
Rights of use	8	65
Rights of use	**8**	**65**

	Rights of use
Net carrying amount as at 01/01/2021	65
Increases	-
Decreases	(35)
Amortisation and write-downs	(22)
Net carrying amount as at 31/12/2021	**8**

As of 1 January 2021, this item includes the value of the rights of use with reference to the leasing agreements on two company cars. As of 4 August 2021, notice was given of the early termination of the lease agreement for a company car; this entailed the release of the right of use for € 35 thousand.

Note 4. Intangible assets

	31/12/2021	31/12/2020
Capitalised concession software	0	0
REF - BC Software	86	112
Intangible assets	**86**	**112**

The item mainly includes the asset with a defined useful life related to the costs incurred in relation to the project for implementing the accounting and management systems Business Central and RefTree, which entered into operation at the beginning of the second half of 2020. The main changes during the year were as follows:

	Other software	REF - BC Software	Total
Net carrying amount as at 01/01/2021	2	110	112
Amortisation and write-downs	(2)	(24)	(26)
Increases	-	-	-
Reclassifications	-	-	-
Net carrying amount as at 31/12/2021	-	86	86
Balance as at 31/12/2021			
Historical cost	10	122	132
Accumulated amortisation	(10)	(36)	(46)
Net carrying amount as at 31/12/2021	**-**	**86**	**86**

Note 5. Shares held in subsidiaries

	31/12/2021	31/12/2020
Fidelio Engineering S.r.l.	10	-
Cortese Immobiliare S.r.l.	-	2,901
Net carrying amount as at 31/12/2021	**10**	**2,901**

Shares held in subsidiaries amounted to € 10 thousand and referred entirely to the investee Fidelio Engineering S.r.l., which was incorporated during the year. As at the date of these financial statements, the company was not operational. The company is not included in the scope of consolidation as at 31 December 2021 as it is not significant.

The main changes during the year were as follows:

	Equity interests	Total
Net carrying amount as at 01/01/2021	2,901	2,901
Increases	10	10
Decreases	(2,901)	(2,901)
Net write-ups/ (write-downs) / value restatements	-	-
Net carrying amount as at 31/12/2021	**10**	**10**

Following the merger by incorporation of Cortese Immobiliare S.r.l. into NEXT RE, the transactions of the merged company, Cortese Immobiliare S.r.l., have been recorded in the financial statements of the incorporating company NEXT RE. The shareholders' equity as at 1 January 2021 of Cortese Immobiliare S.r.l. was € 2,901 thousand and the value of the equity investment held by NEXT RE in Cortese Immobiliare S.r.l. was € 2,901 thousand; therefore, no surplus/deficit emerged from the merger.

Note 6. Deferred tax assets

The item includes deferred tax assets of € 854 thousand accrued in the 2018- 2020 three-year period and which will be recovered in subsequent years against taxable income from non-exempt management. In particular, without prejudice to the prevalence of the exempt management imposed by the SIIQ regime, it is believed that taxable management will contribute to the use of deferred tax assets with the entry into operation and the start of the new three-year tax consolidation period, scheduled for the end of the 2022 financial year, of Fidelio Engineering S.r.l. incorporated in 2021 with the corporate purpose of carrying out and developing activities in Italy and abroad aimed at the redevelopment and enhancement of areas subject to real estate development or existing buildings subject to redevelopment.

Note 7. Other non-current assets

The table below summarises the status of Other non-current assets as at 31 December 2021 and 31 December 2020.

	31/12/2021	31/12/2020
Capex contribution Milan, Via Spadari	611	733
Capex contribution Milan, Via Cuneo	464	557
Other non-current assets	**1,075**	**1,290**

The item as at 31 December 2021 amounted to € 1,075 thousand and mainly refers to:

- the long-term portion of the capex contribution disbursed to the customer OVS in 2018 for the property in Milan, Via Spadari for € 611 thousand;
- the long-term classified portion of the capex contribution disbursed to the customer OVS in the second half of 2020 for the property in Milan, Via Cuneo for € 464 thousand.

The above contributions paid to customers for redevelopment works of properties are used to reduce future fees over the duration of the contract.

Note 8. Financial assets at fair value

	31/12/2021	31/12/2020
HTBF Euro Sub-Fund Bond	2,381	3,186
Other financial investments	997	-
Financial assets at fair value	**3,378**	**3,186**

This item includes financial assets measured at fair value with a balancing entry in the income statement; the balancing entry for the fair value adjustment is included under item 22. Fair value adjustment of financial assets.

	Bonds	UCITS	Other	Total
Net carrying amount as at 01/01/2021	3,186	-	-	3,186
Increases	-	1,000	-	1,000
Decreases	-	-	-	-
Reclassifications	-	-	-	-
Fair value adjustment	(805)	(3)	-	(808)
Net carrying amount as at 31/12/2021	**2,381**	**997**	**-**	**3,378**

The item includes the fair value of € 2,381 thousand referred to the debenture loan subscribed by NEXT RE, following approval by NEXT RE's Board of Directors on 19 October 2017, issued by the Luxembourg-law fund Historic & Trophy Building Fund - HTBF € Sub-Fund (Fund HTBF-€) managed by the Luxembourg-law company Main Source S.A.

As part of the negotiations to subscribe to the bond issue, NEXT RE acquired specific guarantees for the transaction.

Specifically, on 13 October 2017, NEXT RE and Main Source S.A. signed a letter of commitment along with the bond regulations containing, among other, the provision that, at any time following the subscription of the bonds, and upon simple written request, NEXT RE could request the HTBF-€ Fund to purchase all or even part of the bonds subscribed (the "Put Option"), resulting in the HTBF-€ Fund's obligation to: (i) repurchase, no later than the 30th day following receipt of this request, the bonds subscribed by the Company; and (ii) proceed (again within the aforementioned essential period of 30 days) to pay the price, equal to the nominal value of the bonds NEXT RE intends to sell, plus the accrued interest up to the effective date of the sale.

In addition, on 19 October 2017, Sorgente SGR S.p.A. in A.S. ("Sorgente SGR"), formerly the company that managed the funds that held the controlling interest in NEXT RE, not in its own right but in its capacity as manager of the Fund - the sole shareholder of the HTBF-€ Fund - called Donatello - Italian Real Estate AIF, Tulipano Sub-Fund, issued, in favour of NEXT RE, an autonomous guarantee on first demand, with which it irrevocably and unconditionally undertook - if the HTBF-€ Fund had not provided, 30 days from the exercise of the Put Option, to pay the repurchase price of the bonds and the relevant yield in favour of the Company - to pay NEXT RE, upon simple written request and without any need for proof or justification, without exceptions, all sums that NEXT RE would have requested, up to the amount invested, equal to € 6 million, increased by the yield as defined in the letter of commitment.

Specific highlights from the second half of 2019 financial year and the first few months of the 2020 financial year are shown below:

- as at 31 December 2019, the accrued coupon as at 31 December 2019 has not been paid to NEXT RE;
- on 16 January 2020, NEXT RE received, as also published on the website of the Luxembourg Stock Exchange, the notice with the aim of suspending trading in the share due to an event of default;
- NEXT RE, following the above event of default exercised, on 31 January 2020, the additional right (Put Option) requesting the HTBF-€ Fund to pay, within and no later than the 30th day from receipt of the relevant notice, the price equal to the nominal value of all bonds subscribed by the Company, increased by the accrued interest until the effective date of the sale;
- the Company, on 9 March 2020 - in view of the expiry of the thirty days period from the Put Option exercise where no action has been taken and in consideration of the failed settlement of the nominal value of all bonds subscribed by the Company (€ 6 million), increased by the Yield - enforced the autonomous guarantee on first request issued in favour of the Company on 19 October 2017 by Sorgente SGR, not in its own right, but in its capacity as manager, in the name and on behalf of the Fund named Donatello - Italian Real Estate AIF, Tulipano Sub-Fund with which it undertook, as aforesaid, irrevocably and unconditionally - if the HTBF-€ Fund had not provided, 30 days from the exercise of the Put Option, to pay the repurchase price of the bonds and the relevant yield in favour of the Company - to pay the Company, upon simple written request and without any need for proof or justification, without exceptions, all sums that Company itself would have requested, up to the amount of € 6,000,000.00, increased by the yield;
- The Company, in the above mentioned notice, by enforcing the guarantee in question, asked Sorgente SGR S.p.A. to pay the amount of the nominal value of the debentures subscribed (€ 6 million), plus the accrued interest, by and no later than 17 March 2020;
- on 24 March 2020, NEXT RE asked Sorgente SGR to confirm its intention to honour the guarantee, the time-frames and details of how the guarantee would be honoured and evidence, including documentary evidence, of its capital and financial capacity to honour the guarantee;
- on 8 April 2020, Sorgente SGR, in response, and raising doubts about the validity of the repurchase agreement/put option between NEXT RE and Main Source S.A., inferred in particular that: "in this regard, it must be pointed out that the entity that, as a last resort, assumed the risk of default of the REIF HTBF Euro in respect of the obligation to pay the repurchase price of the securities subscribed by you is Sorgente Group Italia S.p.A., as you are aware, an entity referable to Prof. Valter Mainetti as well as the manager itself of the REIF HTBF Euro, Main Source S.A.",
- it was also announced that: "Sorgente Group Italia S.p.a., in fact, has assumed a commitment entirely mirroring that which you enforced with regard to the Fondo Donatello - Tulipano Sub-Fund, by means of a second guarantee on the Sub-Fund for the same amount of € 6 million plus the yield accrued in the event of your Company's enforcement. It goes without saying that the undersigned, in its aforementioned capacity, in a precise and timely manner enforced the second guarantee of Sorgente Group Italia S.p.a. on 11 March 2020, following your initiative."
- On 16 April 2020, NEXT RE then sent an additional letter of acknowledgement, in which it:
    - acknowledges that Sorgente SGR does not have the requested information as it would not have been possible for Sorgente SGR to finalise the directors' reports updated as at 31 December 2019 and disclose the NAV of Fondo Donatello - Tulipano Sub-Fund;
    - requests for the most up-to-date documentation relating to the Fondo Donatello - Tulipano Sub-Fund to be sent and requests confirmation that as of 30 June 2018, the reference date of the last periodic statement submitted to NEXT RE, there have been no changes in the amount of assets;

- points out that the relationships between Sorgente Group Italia S.r.l. ("Sorgente Group") and Sorgente SGR are not known to NEXT RE and are not legally relevant for NEXT RE and fully rejects the objections raised by Sorgente Group.
- on 27 April 2020, NEXT RE sent a further notice to Main Source S.A. requesting the strengthening of its capital guarantees, through the acquisition of certain collateral;
- on 1 July 2020, NEXT RE filed an appeal with the Court of Milan for an injunction against Sorgente SGR, as manager of the Fund "Donatello - Italian Real Estate AIF, Tulipano Sub-Fund", to obtain payment of a total of € 6,152,500, plus default interest.
- NEXT RE has appointed Studio GLG & Partners to recover the amount invested in the debenture loan issue in question.

The most recent developments have concerned:

- with reference to actions taken against Main Source: (i) on 27 July 2020, the sending of a formal notice to Main Source, with an injunction to pay the amounts due; (ii) on 11 September 2020, the communication to the Luxembourg Supervisory Authority (Commission de Surveillance du Secteur Financier - CSSF), to inform it of the commencement of all appropriate legal actions to protect its legal rights; (iii) on 19 November 2020, the so-called "Commercial procedure before the District Court", by notification of the deed of "Assignation devant le Tribunal d'arrondissement de et à Luxembourg", the first formal deed of the aforementioned judicial procedure; (iv) on 4 December 2020, the first hearing in which the Court assigned the case to the relevant section; (v) on 7 December 2020, the Judge announced that the next hearing had been set for 15 June 2021, then postponed to 29 June 2021; (vi) in the meantime, the liquidation procedure was started at the same Judicial Office, with the aim of obtaining the liquidation of the French assets belonging to the HTBF-€ Fund, managed by Main Source, and, for this purpose, on 12 January 2021, the Luxembourg Supervisory Authority appointed the judicial liquidator; (vii) due to time, NEXT RE promptly filed the declaration of claim, declaring to be creditor of Main Source and, currently, the liquidator expects to start the process of selling the assets consisting of 2 companies owning as many properties located in Provence, and 2 management companies originally set up for the purpose of managing said properties; (viii) taking into account the progress of the liquidation procedure of the Debtor Fund and the relative recognition of the credit, the so-called "Commercial procedure before the District Court" was no longer necessary in the context of safeguarding the interests of NEXT RE and was extinguished;
- with reference to actions taken against Sorgente SGR it must be noted that: (i) on 16 October 2020, Sorgente SGR was served with the injunction for an amount of € 6,125.5 thousand; (ii) on 25 November 2020, Sorgente SGR served the summons in opposition to the injunction, with the simultaneous request for counter-guarantee and summons of the third party (Sorgente Group) and counter-claim; (iii) on 10 February 2021 - in the first hearing of the opposition proceedings - the Judge granted provisional enforceability of the injunction no. 12670/2020 pursuant to Article 648 of the Italian Civil Procedure Code, assigning the parties time limits for filing the briefs pursuant to Article 183, paragraph 6 of the CPC and adjourning the case for discussion of the preliminary motions to the hearing on 24 June 2021; (iv) NEXT RE duly presented its further defence by filing the briefs pursuant to Article 183, paragraph 6 of the Code of Civil Procedure, on 12 March, 12 April and 3 May 2021, respectively, and at the hearing on 24 June 2021, the judge adjourned the proceedings to the hearing on 16 December 2021 for final judgement, which was officially postponed to 22 December 2021, during which the Judge issued, pursuant to Art. 281 *sexies* of the Italian Civil Procedure Code, ruling no. 10763/21, published on the same date, confirming the challenged injunction no. 12670/2020 and ordering Sorgente SGR to pay the expenses for the litigation; (v) ruling no. 10763 of 22 December 2021, published on the same date, was appealed by Castello SGR S.p.A., the transferee of the Sorgente SGR business unit, by writ of summons on appeal of 26 January 2022, served to NEXT RE on the same date, with a paper-based hearing scheduled for 6 May 2022, before the Milan Court of Appeal. Said appeal has been entered on the General Register of the Court of Appeal of Milan under no. 306/2022; (vi) NEXT RE, therefore, by virtue of provisionally enforceable injunction no. 12670/2020, has initiated all the actions necessary for the active management of the receivable, lodged with the Rome and Belluno courts and listed below: (1) deed of seizure at third parties pursuant to Article 543 CPC, of 23 February 2021, with proceedings registered in the general register of securities executions of the Court of Rome (hereinafter, "seizure I at third parties", regarding liquidity on current accounts and other assets held by the AMC custodian bank); (2) deed of seizure at third parties pursuant to Article 543 CPC, of 27 April 2021, with proceedings registered in the general register of securities executions of the

Court of Rome (subsequently, “seizure II at third parties”, regarding receivables claimed by Fondo Donatello - Tulipano sub-fund from some debtors); (3) deed of seizure of shares of company investments (owned by Sorgente SGR) pursuant to Article 2471 Civil Code of 27 April 2021, with proceedings registered in the general register of securities executions of the Court of Rome (hereinafter, “Share Seizure”); (4) deed of seizure of real estate pursuant to Article 555 et seq. of the Code of Civil Procedure of 29 March 2021, with proceedings registered in the general register of real estate executions of the Court of Belluno (hereinafter, “Real Estate Seizure”); (5) deed of seizure at third parties pursuant to Article 543 CPC, of 6 September 2021, with proceedings registered in the general register of securities executions of the Court of Rome (subsequently “seizure III at third parties”, regarding receivables claimed by Fondo Donatello - Tulipano sub-fund from Sorgente Group);

- with specific reference to recourse actions taken against Sorgente SGR, it is be noted that: (i) in the context of the Seizure I at third parties, on 24 March 2021, the third party submitted a positive declaration pursuant to Article 547 CPC. The third-party declaration hearing took place on 25 November 2021, followed by the Judge's issuance of the related assignment order on 3 December 2021; amounts of € 5,242.50, collected by NEXT RE on 17 February 2022; (ii) as part of the Seizure II at third parties, two positive quantity declarations were received. However, further quantity declarations are expected, while some lenders have sent negative communications. The third party declaration hearing has been scheduled for 22 April 2022; (iii) with regard to the Share Seizure relating to the investments of 2 companies, NEXT RE filed a petition for sale on 18 June 2021 and consequently the judge appointed a judicial custodian and administrator in place of the debtor with a ruling dated 22 June 2021 and set the first hearing for the parties to appear on 6 October 2021, during which the court-appointed expert, Mr Teodorico Citerni of Siena, was sworn in, who as a result prepared the calendar of expert investigations within the terms assigned by the judge; the next hearing was scheduled for 15 June 2022; (iv) with regard to the Real Estate Seizure, NEXT RE was able to seize 1 property in the Municipality of Cortina d'Ampezzo (BL). NEXT RE filed the relative sale petition on 17 May 2021; the Judge, by measure of 30 November 2021, appointed a judicial custodian and expert appraiser of the seized assets; the next hearing is scheduled for 17 May 2022; (v) finally, in the context of Seizure III at third parties, a statement was received from Sorgente Group, in which it declared that it had no debts to Sorgente SGR. NEXT RE therefore filed a counter-guarantee and letters of enforcement of the autonomous guarantee on first demand transmitted by Sorgente SGR to Sorgente Group, contrary to what was stated by the third party. The third party declaration hearing is scheduled for 30 March 2022;
- with reference to lawsuits in which NEXT RE acts as defendant, it should be noted that: Sorgente SGR has served a writ of summons on Sorgente Group and NEXT RE, called to appear before the Court of Rome at the hearing of 10 July 2021, regarding the same subject matter as that examined by the Court of Milan in the proceedings opposing injunction no. 12670/2020. On 12 May 2021 the judge adjourned the first hearing pursuant to Article 165 bis, paragraph 5 of the Code of Civil Procedure, to 15 September 2021 and, as a result, NEXT RE filed its appearance on 26 July 2021. At the first hearing held on 15 September 2021, the Judge granted the parties the terms provided by Art. 183, paragraph 6, of the Code of Civil Procedure and adjourned the hearing until 24 March 2022. NEXT RE, in compliance with the procedural deadlines granted by the judge, filed the relevant briefs pursuant to Article 183, paragraph 6, nos. 1-3, of the Code of Civil Procedure.

By notice dated 12 January 2021, the CSSF informed that the Luxembourg Court on 7 January 2021 ordered the judicial liquidation of HTBF and appointed the Liquidator in charge of the procedure.

In October 2021, the judicial liquidator of the HTBF Fund disclosed that it had received an offer for the sale of the two properties owned by the companies Mirambeau SAS and Codignat SAS.

It is stressed that NEXT RE Management has continuously and constantly worked to request documentation regarding the financial position and results of operations of the HTBF-€ Fund and regarding the assets held by the Fund itself, and of recognition and analysis of documentation received.

Specifically, in the activities of obtaining documentation related to the HTBF-€ Fund and in establishing certain assumptions for the valuation process of the financial instruments, NEXT RE Management made significant use of the notices received from Main Source S.A.

Main Source, S.A., in a first step, sent to NEXT RE the financial statements of the HTBF-€ Fund as at 31 December 2017, audited by the Independent Auditors PKF on 5 March 2020, the valuations of the corporate holdings and real estate assets held by the HTBF-€ Fund performed by Duff & Phelps as at 31 December 2018 and other updated accounting data as at 30 June 2018 and 31 December 2018, confirming, as a basic assumption, that the assets of the HTBF-€ Fund have not, since 1 January 2018, undergone any changes, as it has not made any new releases of guarantees with respect to what was already in place, nor has it made any divestments and/or capital repayments to the shareholders.

In January 2021, Main Source made available a draft of the financial statements of HTBF - € sub-fund as at 31 December 2018 and a draft, dated 8 January 2021, of the PKF Audit & Conseil's report on the audit of those financial statements. The above 2018 draft financial statements contain information on subsequent events that have occurred until the end of the 2020 financial year.

In addition, also in January 2021, the Company appointed Patrigest S.p.A. to draft a desktop market opinion on two receptive assets located in France included in the assets of the HTBF-€ Fund.

In continuity with the approach adopted as at 31 December 2020, the estimate of the fair value of the bond was carried out using a combination of two valuation approaches: the first typically used for the valuation of impaired financial assets ("Non Performing Loans"), which envisages that the fair value of a non-performing loan can be estimated by using a Recovery Rate identified on the basis of a benchmark analysis in consideration of the duration elapsed from the maturity of the loan until its assignment; the second valuation method, that of the Judicial Market Value, which quantifies the exit price of the bond in relation to the value of the forced sale of the assets included in the Fund's assets and is consistent with the specific actions to recover its credit position initiated and carried out, including in court, during 2020 and 2021 by the Company.

In the valuation methods adopted, the fair value of the bonds is calculated:

- in the first method by applying to the nominal value of the loan a recovery rate identified on the basis of a benchmark analysis taking into account the duration from the maturity of the loan to its assignment and the nominal value of the loan. In order to estimate the Recovery Rate value, the price of disposal of bad debts as a percentage of their nominal value recorded on average in Italy for 2017-2019 the period was taken into account, as reported in the document "Notes on Financial Stability and Supervision" issued by the Bank of Italy in December 2020. Specifically, the average recovery rate for receivables backed by collateral and past due for a compressed period between 0 and 2 years recorded in 2017 was considered, as in that year the sale of some receivables backed by prestigious properties was carried out; this recovery rate, therefore, was considered more in line with the characteristics of the receivable under review.

- in the second method as the current value of the sales price of assets held by the fund and pledged as collateral, considered pro-rata for the percentage of ownership to the total liabilities of the debtor company. The fair value of the bonds is therefore estimated as equal to the Judicial Market Value (JMV). Compared to what was done in the 31 December 2020 and 30 June 2021 valuations, an adjustment in approach has been made with respect to this methodology. In particular, given the offer received by the judicial liquidator of HTBF for the acquisition of real estate assets and therefore the changed context, it was no longer considered necessary to consider the auction of all the assets as an enforcement process; on the contrary, it was considered that the liquidation process will take place through the sale of each individual asset to third parties.

For both methods, the valuation process was based on assumptions of parameters found in the market, selected and attributed with a prudential approach.

From the application of the methodologies described above, the fair value of the receivable from the HTBF-€ Fund, having a nominal value equal to € 6,000 thousand, has been identified in a range between € 1,034 thousand and € 3,666 thousand.

In addition to the above and in order to corroborate the valuation process undertaken and the results deriving from it, it should be noted that in the meantime the company, as previously mentioned, has initiated all the necessary actions for the active management of credit, lodged with the courts of Rome and Belluno, with deeds of seizure at third parties, seizure of shares and real estate seizure against Sorgente S.G.R. in a.s. in the name and on behalf of the Italian real estate AIF called Donatello - Tulipano Sub-fund, which issued the additional guarantee in favour of NEXT RE; the total value of the assets seized is significantly higher than the nominal value of the bond instrument invested in the HTBF-€ Fund and subscribed by NEXT RE.

The fair value as at 31 December 2021, in light of the above, was determined to be € 2,381 thousand.

On the other hand, with reference to the valuation of the Additional Right, in view of the Main Source's failure to respond to NEXT RE's exercise of its put option in January 2020, for purposes of drafting the financial statements as at 31 December 2021, the fair value of the derivative instrument was estimated to be zero, in line with previous years.

Finally, with reference to the additional guarantee issued by Sorgente SGR in the name and on behalf of Fondo Donatello - Tulipano Sub-Fund, for purposes of drafting the Financial Statements as at 31 December 2021, consistently with the approach followed in previous years, it did not recognise any asset in the financial statements as set forth in the guidelines of IAS 37 for contingent assets, which require that such rights not be valued until the positive outcome of the claim advanced is certain. This approach introduces an additional factor of prudence, in estimating the position, implicit in IAS 37.

The item Financial assets at fair value also includes the value as at 31 December 2021 of investments of temporary surplus cash subscribed in May 2021 by the Company for € 1,000 thousand, in mutual fund units (funds of UCITS, units of UCITS or portfolios of units of UCITS) managed by leading qualified asset managers. The above financial assets have been valued on the basis of the market price as at 31 December 2021 of € 997 thousand.

Note 9. Receivables and other current assets

This item includes financial assets measured at amortised cost comprising trade receivables, tax receivables and other receivables as detailed below.

	31/12/2021	31/12/2020
Receivables from tenants	655	743
Receivables from subsidiaries	-	13
Receivables from other related parties	-	3
Provision for bad debts	(251)	(436)
Net customer receivables	**404**	**323**
Deferred costs for concessions to COVID-19 customers	976	689
Tax receivables	812	520
Financial receivables from the subsidiary	-	415
Capex contribution - current portion	215	215
Receivables from the subsidiary for the tax consolidation	-	132
Accruals and deferrals	414	92
Deferred asset purchase costs	-	23
Security deposits	1	1
Other receivables	20	2
Total	**2,842**	**2,412**

Net customer receivables

Net customer receivables showed a balance of € 404 thousand (€ 323 thousand as at 31 December 2020) and consisted mainly of:

- receivables from tenants of owned properties for € 655 thousand; the amount includes receivables for invoices and credit notes to be issued for € 306 thousand;
- receivables arising from previous ownership completely written off for € 248 thousand;
- residual receivables from Sorgente SGR Fondo Tiziano - San Nicola Sub-Fund for € 2 thousand and residual receivables from Sorgente SGR Fondo Donatello - Tulipano Sub-Fund for € 0.5 thousand; these receivables were written off.

With reference to the provision to cover losses, changes for the period are shown below.

	Provision for bad debts
Balance as at 01/01/2021	(436)
Provisions	-
Releases	185
Use	-
Balance as at 31/12/2021	**(251)**

The provision for bad debts decreased from 31 December 2020 as a result of the release of the provision related to receivables from the former tenant SHG. As anticipated, negotiation activities with the tenant resulted in the signing of a settlement agreement on 28 April 2021, through which the Company and SHG settled their mutual claims and positions. Specifically, NEXT RE achieved the early termination of the existing lease contract with SHG and the early return of the Property as well as the payment by SHG of the outstanding lease fees relating to the period September 2020 to April 2021, recognising, as per practice, an indemnity for the early release of the Property.

The Company reasonably expects that unimpaired receivables will be collected within twelve months, as to date there are no expected losses due to non-collectability or other causes of non-realisation of tenant receivables.

Deferred costs for concessions to COVID-19 customers

The item refers to the temporary reductions granted to the customer OVS with reference to lease fees covered by specific agreements signed in July 2020, March 2021 and August 2021. The above temporary fee reductions will be charged on a straight-line basis over the life of the lease contracts as a reduction in revenue. The temporary fee reduction granted in 2020 to the tenant SHG was reclassified as a reduction in revenue in 2021 for € 54 thousand following the early termination of the lease contract.

Tax receivables

	31/12/2021	31/12/2020
Receivables from Revenue for VAT	754	476
Receivables from Revenue for taxes	38	31
Other tax receivables	20	13
Current tax receivables	**812**	**520**

Tax receivables show a balance of € 812 thousand (€ 520 thousand as at 31 December 2020) and consist mainly of:

- receivable from the tax authorities resulting from the VAT settlement for the month of December 2021 for € 754 thousand (€ 476 thousand as at 31 December 2020);
- IRAP and IRES receivables for € 38 thousand;
- tax receivables due to others for € 20 thousand.

Financial receivables from the subsidiary

The item, amounting to € 415 thousand as at 31 December 2020, referred to the interest-bearing loan granted to the subsidiary Cortese Immobiliare S.r.l. in various tranches during the year 2020. Following the merger by incorporation of Cortese Immobiliare into NEXT RE, as a result of elimination entries, the item Financial receivables from the subsidiary shows a balance of € 0 as at 31 December 2021.

Capex contribution - current portion

The item refers to the portion within the next financial year of the capex contribution disbursed in 2018 to the customer OVS for the property in Milan, Via Spadari and for the property in Milan, Via Cuneo disbursed during the second half of 2020. The above amount refers to the portion that will be deducted from rental income over the next 12 months.

Accruals and deferrals

Accruals and deferrals of € 414 thousand (€ 92 thousand as at 31 December 2020) mainly relate to the cost of insurance for € 45 thousand and the linearisation of lease contracts for € 333 thousand.

Note 10. Cash and cash equivalents

	31/12/2021	31/12/2020
Bank and postal deposits	3,837	24,431
Time deposit	3,000	-
Restricted current accounts	-	472
Cash and cash in hand	-	-
Total	**6,837**	**24,903**

Cash and cash equivalents amounted to a total of € 6,837 thousand (€ 24,903 thousand as at 31 December 2020) and are mainly represented by bank and postal deposits and time deposits for € 3,000 thousand with a guaranteed yield of 0.28% and restricted until 2 March 2022. The balance as at 31 December 2020 included cash from the share capital increase subscribed by CPI Property Group in November 2020.

SHAREHOLDERS' EQUITY

Note 11. Shareholders' Equity

The share capital, fully subscribed and paid up, amounted to € 63,265 thousand as at 31 December 2021 and consisted of 22,025,109 ordinary shares, with no par value, of which 11,012,055 category B shares, with no right to participate in and vote at the Company's ordinary shareholders' meeting and with a limited right to participate in profits, and not admitted to trading on EURONEXT Milan. The Company holds 38,205 treasury shares.

On 2 November 2020, CPI Property Group S.A. subscribed 11,012,555 new ordinary shares of the company with a cash payment of € 25,989,629.80.

The loss for the year 2020 has been carried forward.

The item Other comprehensive income was negative and amounted to € 24 thousand; it is related to the effects of the actuarial valuation of the employee severance indemnity (TFR) in accordance with IAS 19.

The schedule pursuant to Article 2427, number 7-bis of the Italian Civil Code is provided below.

Description	31/12/2021	Possibility of use	Available amount	Dividends	Summary of the uses made in the previous three years	
					for loss coverage	others
Share capital	63,265					
Capital reserves:						
Share premium reserve	22,931	C	22,931			(13,963)
Profit reserves:						
Legal reserve	7,123	B				
Fair value reserve	8,139					
Reserve for loss coverage		B				
Other reserves:						
Capital increase costs	(3,429)					
Negative reserve for treasury share purchases	(149)					
Other items of the comprehensive income statement	(24)					
Profit/(Loss) carryforward	**(12,785)**					
Profit (loss) for the period	**427**					
Total	**85,498**			-	-	(13,963)
Non distributable amount			5,530			
Residual distributable amount			17,401			

(*) A: for capital increase, B: to cover losses, C: for distribution to shareholders

LIABILITIES

Note 12. Employee benefits

The table below summarises the status of employee benefits as at 31 December 2021.

	31/12/2021	31/12/2020
Employee benefits	189	249
Total Employee benefits	**189**	**249**

Changes in the item Employee benefits

	31/12/2021	31/12/2020
Initial balance as at 01/01/2021	249	154
Actuarial gains or losses	7	(1)
Use	(159)	-
Provisions	93	94
Financial expense IAS 19	(1)	2
Final balance as at 31/12/2021	**189**	**249**

The closing balance, amounting to € 189 thousand as at 31 December 2021 (€ 249 thousand as at 31 December 2020), reflects the current value of the Company's commitment to employees for severance pay, calculated on the basis of current legislative provisions and collective employment agreements and the underlying actuarial dynamics.

Uses during the year refer to the payment of severance indemnities to terminated employees for € 68 thousand and the advance granted to several employees following a specific request for € 91 thousand.

The service cost is classified in the income statement as € 93 thousand (€ 94 thousand as at 31 December 2020) in personnel costs, € 1 thousand (€ 2 thousand as at 31 December 2020) in interest cost classified under financial expenses and € 7 thousand (€ 1 thousand as profit as at 31 December 2020) in actuarial losses classified under other comprehensive income as required by IAS 19.

The demographic and financial assumptions used are set out below:

DEMOGRAPHIC ASSUMPTIONS	EMPLOYEES
Likelihood of death	RG48 mortality tables
Likelihood of disability	INPS tables broken down by age and gender
Likelihood of retirement	100% when AGO requirements are met
Likelihood of receiving, at the beginning of the year, an advance on the severance indemnity set aside equal to 70%	3%
Likelihood of resignation	5%

FINANCIAL ASSUMPTIONS	31/12/2021
Annual discount rate	0.98%
Annual inflation rate	1.75%
Annual rate of increase in severance indemnity (TFR)	2.81%
Annual rate of salary increase	3.00%

The Severance Indemnity Fund (TFR) is part of the defined benefit plans.

Specifically, it must be noted that:

- the annual discount rate used to calculate the current value of the obligation was inferred, consistently with paragraph 83 of IAS 19, by the Iboxx Corporate AA Index with duration 10+ recognised on the measurement date;
- the annual rate of increase of the employee severance indemnity as provided for by Article 2120 of the Italian Civil Code is equal to 75% of inflation plus 1.5 percentage points;
- The annual rate of salary increase applied exclusively for Companies with an average of fewer than 50 employees during 2006 was calculated based on the information provided by the Company's Managers.

As at 31 December 2021, the Company's workforce consisted of 7 employees. Below are the point-in-time and average employee numbers as at 31 December 2021 and 31 December 2020, broken down by category:

Breakdown by qualification	31/12/2021	31/12/2020
Executives	4	3
Middle managers	1	5
Employees	2	3
Total	**7**	**11**

Breakdown by period average	31/12/2021	31/12/2020
Executives	3	3
Middle managers	2	5
Employees	3	3
Total	**8**	**11**

Note 13. Payables to banks and other lenders

	31/12/2021	31/12/2020
Non-current		
Mortgages and loans	61,890	4,967
Borrowings from other financing entities	4,810	5,025
Total Payables to banks and other lenders (non-current)	**66,700**	**9,992**
Current		
Mortgages and loans	819	52,708
Borrowings from other financing entities	353	205
Payables for advances on invoices	-	-
Total Payables to banks and other lenders (current)	**1,172**	**52,913**
Total	**67,872**	**62,905**

The following table summarises the terms and conditions of the main mortgages and bank loans outstanding on the reporting date.

Bank	Original amount	Residual debt as at 31/12/2021 Nominal values	Residual debt as at 31/12/2021 Carrying amount at amortised cost	Of which within one year	Of which beyond one year	Guarantees	Additional guarantees and clauses
CPI PG	54,606	54,606	55,622	-	55,622		
CPI PG	3,366	3,366	3,406	-	3,406		
Banca Centro Lazio	2,000	1,907	1,818	348	1,470		
Intesa San Paolo S.p.A.*	3,900	-	1,215	302	914	Second-degree mortgage	Channelling of lease fees
Intesa San Paolo S.p.A.*	2,100	-	638	160	478	Second-degree mortgage	Channelling of lease fees
	65,972	**59,879**	**62,699**	**810**	**61,890**		

*Payables to the Intesa SanPaolo bank were added to the Company's accounts following the merger by incorporation of the former subsidiary Cortese Immbiliare S.r.l.

The item Payables to banks and other lenders takes in due account the extensions granted by banks that have been reflected in the amortised cost of payables, where applicable, and in the classification of the latter as current and non-current.

Please recall that as at 31 December 2020, there was i) a mortgage loan outstanding with UniCredit, which was repaid in full in advance and voluntarily on 29 January 2021 and ii) a mortgage loan with Imprebanca, which was also repaid in May 2021.

The item Payables to other lenders mainly refers for a total of € 5,163 thousand (current portion € 353 thousand) to the payable to Unicredit Leasing for the lease contract relative to the property located in Bari, viale Saverio Dioguardi.

Pursuant to IAS 7 Cash Flow Statement, the table below shows the changes that occurred in liabilities arising from financing. The table reconciles the cash flows shown in the Cash Flow Statement with the total changes recorded during the period in balance sheet items that make up Total financial debt. The table also includes changes in liabilities for derivative financial instruments analysed in item 14 below. Liabilities from financial derivatives.

			Non-monetary flows			
	31/12/2020	Cash flow	Changes in fair value	Contribution from merger	Other changes	31/12/2021
Payables to banks and other lenders (non-current)	9,992	54,690	0	1,609	409	66,700
Payables to banks and other lenders (current)	52,913	(52,646)	0	278	627	1,172
Non-current financial derivative liabilities	0	0	0	0	0	0
Current financial derivative liabilities	1,916	(1,916)	0	0	0	0
Net liabilities from financing activities	**64,821**	**128**	**0**	**1,887**	**1,036**	**67,872**
Available cash and cash equivalents	(24,903)	18,086	0	(19)	0	(6,837)
Total financial debt	**39,918**	**18,214**	**0**	**1,868**	**1,036**	**61,035**

Pursuant to IFRS 7, the table below provides a maturity analysis of derivative liabilities:

Liabilities	Carrying amount	within 1 year	1-2 years	2-5 years	beyond 5 years
Payables to banks and other lenders	67,872	1,172	1,559	65,141	-

For information on financial indebtedness in accordance with the requirements of the CONSOB Communication of 28 July 2006 and in compliance with ESMA Recommendation no. 32-382-1138 of 2021, please see the section *Analysis of financial performance and financial debt* included in the Directors' Report.

Note 14. Liabilities from financial derivatives

	31/12/2021	31/12/2020
Non-current		
Non-current portion of mark to market IRS Unicredit	-	-
Non-current financial derivative liabilities	-	-
Current		
Non-current portion of mark to market IRS Unicredit	-	1,916
Current financial derivative liabilities	-	1,916
Liabilities from financial derivatives	**-**	**1,916**

Derivative liabilities as at 31 December 2020 represented the mark to market of the derivative contract to hedge against the risk of interest rate fluctuations on the Unicredit loan, entered into on 29 January 2018. As already mentioned above, on 29 January 2021, the Company repaid the mortgage loan contract with Unicredit in advance and voluntarily; on the same date, the company also terminated the derivative contract hedging the cash flows of the loan for an amount of € 1,926 thousand. The difference between the mark-to-market amount as at 31 December 2020 and the amount paid was recognised in Financial expenses as an income component realised in 2021.

Note 15. Trade payables and other payables

The table below summarises the situation of trade and other payables as at 31 December 2021.

	31/12/2021	31/12/2020
Non-Current		
Tax payables	165	-
Total trade payables and other non-current payables	**165**	**-**
Current		
Trade payables to third parties	886	842
Trade payables to related parties	336	266
Other payables	223	191
Tax payables	224	82
Payables to national insurance agencies	116	60
Accrued expenses and deferred liabilities	57	1,070
Total trade payables and other current payables	**1,842**	**2,511**

Trade payables to third parties

The item trade payables to third parties shows a balance of € 886 thousand (€ 842 thousand as at 31 December 2020). The increase is mainly attributable to the recognition of payables for invoices to be received for legal, notary and technical consultancy services relating primarily to activities as part of the planned capital increase transaction currently under way.

Trade payables to related parties

This item includes payables due to Dea Capital SGR for asset advisory fees of € 251 thousand, as well as € 85 thousand relating to amounts due to professional directors and statutory auditors.

Other payables

	31/12/2021	31/12/2020
Due to employees	118	98
Other payables	99	85
Payables due to the Supervisory Board	6	8
Total Other Payables	**223**	**191**

Other Payables amounted to € 223 thousand as at 31 December 2021, compared to a balance of € 191 thousand as at 31 December 2020, and consisted mainly of:

- payables to personnel for € 118 thousand relating to expense accounts, accrued holidays, leaves of absence and additional monthly payments accrued as at 31 December 2021;
- other payables, amounting to € 99 thousand (€ 85 thousand as at 31 December 2020);
- payables to members of the supervisory body were instead equal to € 6 thousand.

Tax payables

	31/12/2021	31/12/2020
Non-current tax payables	165	-
Current tax payables	224	82
Total Tax payables	**389**	**82**

Non-current tax payables show a balance of € 165 thousand (€ 0 thousand as at 31 December 2020) and were posted following the merger by incorporation of Cortese Immobiliare. The item refers to taxes relating to previous years and amounts payable after twelve months due to the instalment plan currently being implemented with Italian Inland Revenue.

Current tax payables show a balance of € 224 thousand (€ 82 thousand as at 31 December 2020) and mainly refer to:

- withholding taxes on employee and self-employed income paid in January 2022 for € 195 thousand;
- the current portion of payables for irregularity notice instalments of the merged company Cortese Immobiliare for € 24 thousand.

Payables to national insurance agencies

	31/12/2021	31/12/2020
Payables to INPS	113	54
Payables to INAIL	2	2
Various social security institutions	1	4
Total payables to national insurance agencies	**116**	**60**

Payables to national insurance agencies amounted to € 116 thousand (€ 60 thousand as at 31 December 2020) and mainly relate to contributions for the December 2021 payroll paid in January 2022.

Risks and commitments

The risks to which the Company is exposed and the relevant mitigations are explained in detail in the section on risk management in the Directors' Report.

With regard to the loan contracts that the Company has in place with Intesa Sanpaolo, a mortgage was issued on the property in Rome, Via Cortese, for an original value of € 16 million; it must be noted that the residual debt as at 31 December 2021 is equal to € 1,851 thousand and the market value of the property is € 5,150 thousand.

It must be noted that on 16 February 2021, following the voluntary early repayment of the UniCredit mortgage loan, the institution itself agreed to the total cancellation of the mortgage, the release of factoring arising under lease agreements and the termination of bank account pledges.

With regard to the mortgage loan with the counterparty Imprebanca S.p.A., it should be noted that, following the early repayment of the same on 21 May 2021, on 21 June 2021 the related guarantees (first-degree mortgage on the property in Verona covered by the loan and assignment of receivables arising from the lease contract) were also cancelled by the lender.

The Company does not have any loan contracts that provide for covenants.

Provisions and contingent liabilities and assets

The Company did not recognise any provisions for risk in the financial statements as at 31 December 2021 related to the likelihood of using resources to settle obligations.

The Company continues to manage the lawsuit brought by Sorgente Group Italia S.r.l., which challenged the Board of Directors' resolution of 29 October 2020, which approved the share capital increase, as well as the Board of Directors' resolution of 7 October 2020, which accepted the offer of CPI Property Group S.A., and the Shareholders' resolution of 27 August 2020, by which the Board of Directors had been granted authority to increase the share capital under Art. 2443 of the Italian Civil Code. The Company's legal advisors believe that the risk of losing in relation to this demand for compensation is only merely possible.

As anticipated in note 8. Financial assets at fair value, Sorgente SGR has served a writ of summons on Sorgente Group and NEXT RE, called to appear before the Court of Rome at the hearing of 10 July 2021, regarding the same subject matter as that examined by the Court of Milan in the proceedings opposing injunction no. 12670/2020. NEXT RE entered an appearance by filing a statement of appearance and a response on 26 July 2021, and presented its defence, including in terms of the preliminary investigation, with briefs pursuant to Art. 183, paragraph 6, nos. 1 and 2 of the Code of Civil Procedure, dated 15 January and 14 February 2022, respectively. The next hearing is scheduled for 24 March 2022. With reference to the above litigation, the Company's legal advisors believe that the risk of losing the case is possible.

INCOME STATEMENT

Note 16. Rental income

	31/12/2021	31/12/2020
Property leases	5,682	5,266
Charge-backs to tenants	117	126
Release of the provision for bad debts	185	-
Rental income	**5,984**	**5,392**

The item amounting to € 5,984 thousand as at 31 December 2021 includes rental income and the relevant charge-backs of costs to tenants.

The change in property rental income, compared to 31 December 2020, amounted to € 592 thousand. The increase is mainly due to the rent of the property located in Rome at Via Cortese for € 586 thousand as the property entered the Company's portfolio following the merger by incorporation of Cortese Immobiliare.

As regards the other changes, the following should be noted: i) revenues from the property in Milan, Via Spadari reflect a net increase of approximately € 249 thousand relating mainly to the rent from the new portions acquired in January leased to the tenants OVS and Zara Italia, and the release of the accrued portions of the temporary rent reductions granted to the tenant OVS in July 2020, March 2021 and August 2021; ii) the reduction in revenues relating to the property in Milan, Via Cuneo is attributable to the release of the accrued portions of the temporary rent reductions granted to the tenant OVS in July 2020, March 2021 and August 2021 as well as the release of the accrued portion of the capex contribution paid to the tenant in the second half of 2020; iii) revenues relating to the property in Verona refer to the January-April 2021 period (while in 2020 the revenues recorded referred to the March-December 2020 period) and reduced by € 54 thousand due to the total release of the temporary rent reductions granted in 2020 following the termination of the contract on 29 April 2021, the item also includes the income from the release of the bad debt provision, recorded as at 31 December 2020 for € 185 thousand, following the collection of receivables deriving from the framework agreement signed with the former tenant SHG Hotel Verona.

The breakdown of revenues by property is shown below.

Property	31/12/2021	31/12/2020
Milan, Via Spadari	1,683	1,434
Milan, Via Cuneo	1,031	1,131
Milan, C.so San Gottardo	738	745
Rome, Via Zara	697	743
Bari, Via Dioguardi	963	963
Verona - Via Unità d'Italia	286	376
Rome, Via Cortese	586	-
Total	**5,984**	**5,392**

Note 17. Costs relating to property assets

Costs relating to property assets amounted to € 2,656 thousand as at 31 December 2021 and are represented in the following table by cost type and compared to 31 December 2020.

	31/12/2021	31/12/2020
Expenses from framework agreement with SHG Hotel Verona	1,156	-
IMU	836	633
Maintenance and running costs of premises	232	91
Technical advice	89	29
Real estate consulting	83	61
Surveillance and concierge	62	8
Property, building and facility management costs	46	72
Contract registration taxes	44	68
Utilities	35	20
Legal, notary and professional fees	29	49
Insurance	25	25
Other taxes and duties	12	5
Other expenses	5	46
Recognition of losses on receivables due to COVID-19 concessions	2	608
Allocation to the provision for bad debts	-	185
Costs relating to property assets	**2,656**	**1,900**

The item Expenses from the framework agreement with SHG Hotel includes the costs from the compulsory mediation procedure initiated by the parties following the eviction procedure for arrears promoted by the Company against the tenant SHG Hotel Verona S.r.l., relating to the property for hotel use located in Verona, via Unità d'Italia 346; within the scope of this procedure, the related dispute in progress was defined, with the consequent waiver of the continuation of the proceedings pending before the Court of Verona. At this meeting, NEXT RE and the tenant settled their mutual claims and positions in a transactional manner and NEXT RE obtained, in particular, the early return of the property and the payment by the tenant of the outstanding lease fees relating to the period September 2020 to April 2021, recognising, as per practice, an indemnity for the early release of the property; NEXT RE also purchased all the furniture, fittings, equipment and fixtures contained in the Hotel Verona, recognising a contribution for the improvements made to the property and the facilities serving it and for the concessionary charges paid by the tenant to the Municipality of Verona.

The costs for IMU and registration taxes relate to the taxes applied to the property portfolio; the costs for IMU increased as a result of property acquisitions during the year and the inclusion in the Company's portfolio of the property of Cortese Immobiliare S.r.l., which was merged by incorporation. Property, building and facility management costs relate to the ordinary and administrative management of the properties in the portfolio. Maintenance costs relate to charges incurred for the ordinary and extraordinary management of the buildings, while the item utilities includes expenses for the supply of telephone, electricity, water and gas to the properties. Insurance refers to all risk policies taken out with reference to the properties in the portfolio.

Total direct operating costs associated with the investment property located in Verona, Via Unità d'Italia, vacant as of May 2021, amount to € 1,455 thousand, against rental income of € 286 thousand in the first four months of 2021 (including € 185 thousand relating to the release of the bad debt provision as at 31 December 2020 as anticipated in the previous paragraph).

Note 18. Operating costs

	31/12/2021	31/12/2020
Wages and salaries	1,116	1,104
National insurance charges	483	299
Severance indemnity fund (TFR)	94	97
Other personnel costs	62	239
Sub-total a) Personnel costs	**1,755**	**1,739**
Legal and notary fees	735	306
Directors' fees	409	406
Asset advisory fee	252	-
Communications and marketing costs	229	115
Administrative consulting	165	133
IT and consultancy fees	124	102
Remuneration of professional auditors	91	60
Fees paid to the Statutory Board of Auditors	90	83
Charges and banking fees	81	7
Real estate consulting and independent expert	75	19
Other consultancy and advices	53	25
Financial consultancy	51	41
Other	49	27
Travel, transport and car expenses	46	34
HR Services	36	16
Internal auditor fees	34	26
Management, cleaning and maintenance expenses of premises	32	136
Remuneration of the Supervisory Body	32	22
Insurance	32	15
Sponsorships	17	-
Security	15	4
Utilities	10	17
Technical advice	5	12
Subtotal b) Overheads	**2,663**	**1,606**
Amortisation, depreciation and write-downs of fixed assets	383	160
Total operating costs	**4,801**	**3,505**

This item includes costs related to the Company's normal operations, including:

- personnel costs amounting to € 1,755 thousand (€ 1,739 thousand as at 31 December 2020) are in line with those recorded in 2020 with the exception of the item "Other personnel costs", which in 2020 included € 212 thousand relating to the provision for the cost of the performance share plan, which was cancelled in August 2020, and the item Social contribution, which increased by € 184 thousand mainly in relation to costs incurred to pay outstanding INPS contributions relating to previous years;
- legal and notary fees are primarily incurred in relation to litigation, amendments to the Articles of Association and advice on non-routine matters;
- costs for asset advisory fees accrued to Dea Capital SGR for € 251 thousand in the last four months of 2021 (transaction with related parties);
- Management expenses for premises decreased compared to the previous year in relation to the relocation, as of 1 October 2020, of the Company's registered and operational office to Via Zara 28, which resulted in savings with regard to shared costs charged-back;

- bank commissions increased mainly as a result of the recognition of the costs of early repayment of the Imprebanca mortgage;
- the item Amortisation, depreciation and write-downs includes the amortisation and depreciation for the financial year of intangible assets (€ 26 thousand), rights of use (€ 22 thousand) and other tangible assets for € 335 thousand, of which € 58 thousand relate to the accessory part of the property in Rome, Via Zara, depreciated at a rate of 3%. This item also includes the depreciation for € 63 thousand and the write-down for € 201 thousand of the furniture and fittings of the property in Verona acquired as part of the return of that property by the tenant.

Note 19. Other revenues and income

The table below summarises other revenue and income as at 31 December 2021.

	31/12/2021	31/12/2020
Other revenues and income	105	20
Total Other revenues and income	**105**	**20**

The item mainly includes income of € 55 thousand relating to the contribution from the Support-bis Decree - Equalisation, acknowledged and paid by Inland Revenue in December 2021, following the online submission of a specific application by the Company.

Note 20. Other costs and expenses

	31/12/2021	31/12/2020
Release of costs for failed capital increase operations	499	123
Shareholders' meetings, financial statements, Consob obligations, Stock Exchange	115	82
Membership fees	42	41
Other expenses	45	50
Costs for issuing guarantees	-	14
Total Other costs and charges	**701**	**310**

Other costs and charges include costs incurred for Consob and Borsa Italia contributions and other association obligations and contributions.

The costs released for failed capital increase transactions refer to costs for legal, notarial and technical consultancy, due diligence and property appraisals relating to planned mixed share capital increase transactions, in cash and in kind, for which negotiations with some potential investors, including those at an advanced stage, were eventually broken off.

Note 21. Write-ups /(write-downs) of properties

	31/12/2021	31/12/2020
Write-downs of properties in the portfolio	(1,300)	(3,090)
Write-ups of properties in the portfolio	6,055	141
Total	**4,755**	**(2,949)**

This item includes write-ups and write-downs carried out on the value of investment property in the portfolio on the basis of appraisals drafted by independent experts. See Note 1 for the relevant comments. Investment property.

Note 22. Fair value adjustment of financial assets

	31/12/2021	31/12/2020
Fair value adjustment of financial assets	808	1,855
Fair value adjustment of financial assets	**808**	**1,855**

The item Fair value adjustment of financial instruments amounting to € 808 thousand refers primarily to the fair value adjustment of bonds in the portfolio for a nominal € 6,000 thousand recorded under Financial assets at fair value. Further information is provided in the relative note.

Note 23. Financial income/(expenses)

	31/12/2021	31/12/2020
Income from financial assets at fair value	-	75
Income from lease terminations	-	85
Interest income from subsidiaries	-	3
Interest income on bank accounts	17	1
Financial income	**17**	**164**
Interest on CPI PG loans	(1,057)	-
Interest on financing from banks	(299)	(1,983)
Interest on leases	(98)	(106)
Expenses on derivative contracts for foreign exchange hedging	(10)	(1,745)
Interest expense due on other payables	(7)	(3)
Released financial lease charges	-	(150)
Financial expenses on financial assets at fair value	-	(9)
Write-down of equity investments in subsidiaries	-	(703)
Financial expenses	**(1,471)**	**(4,699)**

The item Financial expenses amounted to € 1,471 thousand (€ 4,699 thousand as at 31 December 2020) and mainly consists of interest payable on loans granted by the parent company CPI PG for € 1,057 thousand and interest on bank loans and leases for € 397 thousand. The item decreased significantly compared to the previous year which included one-off effects relating to the release of the cash flow hedge reserve and the release of the amortised cost in relation to the UniCredit loan and derivative which were later extinguished in January 2021. This loan, together with the loan outstanding as at 31 December 2020 from Imprebanca, were repaid via the granting of two credit facility agreements by CPI PG, the company that exercises management and coordination; these credit lines offer more advantageous conditions than those of the loans that were repaid.

Note 24. Taxes

For income deriving from exempt management, the Company applies the specific regulation envisaged by Art. 1, paragraphs 119 et seq., of Italian Law no. 296/2006 and the relevant implementing decree, while for income deriving from taxable management, the ordinary taxation rules for IRES and IRAP purposes are applied. As at 31 December 2021, non-exempt management recorded a loss.

This item mainly includes contingent assets relating to IRAP (regional tax) for € 7 thousand.

Events subsequent to the reporting date

No events occurred after the balance sheet date that required changes in the values of the latter.

For a description of events after the reporting period, reference must be made to the chapter with the heading Events after the reporting period and Foreseeable performance trend included in the Directors’ Report.

Regarding the conflict between Russia and Ukraine and the repercussions that will inevitably be generated on the global macroeconomic scenario, at the date of this Report it is not believed that this will have any significant impact on the Company's operations, as NEXT RE's portfolio is positioned solely in Italy and the tenants of the assets in the portfolio do not have any risk profiles. Should the conflict expand, both over time and geographically, its development could also significantly affect global prospects for future growth and the financial markets. The Directors believe that the progress and uncertainty of the conflict do not allow for a quantification of the impacts on the 2022 financial year, and they do not exclude that the possible continuation of the situation could slow down the planned shared capital increase operation. The above-mentioned subsequent event did not entail any changes in the Financial Statements as it occurred after the closing date, nor was it considered, in preparing such statements, to be a factor of uncertainty regarding the company's ability to continue to operate as a going concern.

In relation to the development of the Covid-19 pandemic, please refer to the section “Update on the impact of COVID-19 on the 2021 accounts” in the Directors' Report.

Incentive plans

On 10 November 2021, the Shareholders' Meeting approved the share-based plan called “Stock Grant Plan 2021-2026” aimed at aligning the interests of the management with those of the Shareholders, favouring an increase in the market value of the shares and the creation of value for all stakeholders over the medium-long term, in implementation of the provisions of the current Remuneration Policy for 2021-2023 approved by the Shareholders' Meeting on 26 April 2021 and in compliance with the provisions of the Framework Agreement and the Asset Advisory Agreement signed between the Company and DeA Capital Real Estate SGR S.p.A., as well as in line with generally accepted international practice and in accordance with the recommendations of the Corporate Governance Code, which the Company follows. The Plan provides for the free and personal allocation, in one or more tranches to be implemented within five years from the date of the shareholders' meeting approval, of treasury shares of the Company to the beneficiaries to be identified by the Board of Directors, with the assistance of the Remuneration Committee, from amongst the Directors, managers, other employees, collaborators and consultants of the Company and companies belonging to its Group (including key managers of companies belonging to the DeA Capital Group in execution of the Framework Agreement and the Asset Advisory Agreement), up to a maximum number of treasury shares corresponding to 3% of the Company's existing share capital *pro tempore* at the date of each implementation of the Plan. As of the reporting date, the Board of Directors has not yet approved the Regulation implementing this Plan. There was no accounting impact resulting from the foregoing in the Financial Statements as at 31 December 2021.

Management and coordination activities

The Company is subject to management and coordination by CPI Property Group S.A.. Below are the key figures from the last financial statements approved by CPI Property Group S.p.A.

Values in euro

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Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494
Email : centralebilans@statec.etat.lu

RCSL Nr. : B102254 | Matricule : 2004 2214 745

eCDF entry date :

BALANCE SHEET

Financial year from 01/01/2020 **to** 31/12/2020 (in EUR)

CPI PROPERTY GROUP S.A.
40, rue de la Vallée
L-2661 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101	101	102
I. Subscribed capital not called	1103	103	104
II. Subscribed capital called but unpaid	1105	105	106
B. Formation expenses	1107	107	108
C. Fixed assets	1109	109 7.846.621.802,00	110 6.409.098.864,00
I. Intangible assets	1111	111	112
1. Costs of development	1113	113	114
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115	115	116
a) acquired for valuable consideration and need not be shown under C.I.3	1117	117	118
b) created by the undertaking itself	1119	119	120
3. Goodwill, to the extent that it was acquired for valuable consideration	1121	121	122
4. Payments on account and intangible assets under development	1123	123	124
II. Tangible assets	1125	125	126
1. Land and buildings	1127	127	128
2. Plant and machinery	1129	129	130

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RCSL Nr. : B102254	Matricule : 2004 2214 745

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment			
4. Payments on account and tangible assets in the course of construction			
III. Financial assets	Note 3	7.846.621.802,00	6.409.098.864,00
1. Shares in affiliated undertakings	Note 3.1	2.477.264.836,00	2.267.556.514,00
2. Loans to affiliated undertakings	Note 3.2	5.341.629.968,00	4.133.617.350,00
3. Participating interests			
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests			
5. Investments held as fixed assets	Note 3.3	27.656.998,00	7.925.000,00
6. Other loans	Note 3.4	70.000,00	
D. Current assets		598.175.155,00	757.217.127,00
I. Stocks			
1. Raw materials and consumables			
2. Work in progress			
3. Finished goods and goods for resale			
4. Payments on account			
II. Debtors		494.894.138,00	247.164.227,00
1. Trade debtors			
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
2. Amounts owed by affiliated undertakings	Note 4	467.881.763,00	246.563.961,00
a) becoming due and payable within one year	Note 4.1	187.409.979,00	69.185.662,00
b) becoming due and payable after more than one year	Note 4.2	280.471.784,00	177.378.299,00
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests			
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
4. Other debtors		27.012.375,00	600.266,00
a) becoming due and payable within one year	Note 4.3	27.012.375,00	600.266,00
b) becoming due and payable after more than one year			

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RCSL Nr. : B102254	Matricule : 2004 2214 745

		Reference(s)		Current year		Previous year
III. Investments	1189		189		190	2.420,00
1. Shares in affiliated undertakings	1191		191		192	
2. Own shares	1209		209		210	
3. Other investments	1195		195		196	2.420,00
IV. Cash at bank and in hand	1197	Note 4.4	197	103.281.017,00	198	510.050.480,00
E. Prepayments	1199	Note 5	199	88.068.797,00	200	65.953.347,00
TOTAL (ASSETS)			201	8.532.865.754,00	202	7.232.269.338,00

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RCSL Nr. : B102254	Matricule : 2004 2214 745

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves	Note 6	1.594.223.292,00	1.578.088.995,00
I. Subscribed capital		865.171.633,00	865.171.633,00
II. Share premium account		647.906.757,00	647.906.757,00
III. Revaluation reserve			
IV. Reserves		57.141.991,00	56.727.853,00
1. Legal reserve		57.141.991,00	56.727.853,00
2. Reserve for own shares			
3. Reserves provided for by the articles of association			
4. Other reserves, including the fair value reserve			
a) other available reserves			
b) other non available reserves			
V. Profit or loss brought forward		7.868.614,00	
VI. Profit or loss for the financial year		16.134.297,00	8.282.752,00
VII. Interim dividends			
VIII. Capital investment subsidies			
B. Provisions	Note 7	177.167,00	1.000.000,00
1. Provisions for pensions and similar obligations			
2. Provisions for taxation			
3. Other provisions		177.167,00	1.000.000,00
C. Creditors		6.936.570.171,00	5.649.678.822,00
1. Debenture loans		4.750.242.282,00	4.042.792.906,00
a) Convertible loans			
i) becoming due and payable within one year			
ii) becoming due and payable after more than one year			
b) Non convertible loans	Note 8	4.750.242.282,00	4.042.792.906,00
i) becoming due and payable within one year		123.057.360,00	29.946.122,00
ii) becoming due and payable after more than one year		4.627.184.922,00	4.012.846.784,00
2. Amounts owed to credit institutions	Note 9	82.192.885,00	170.960.156,00
a) becoming due and payable within one year		692.885,00	960.156,00
b) becoming due and payable after more than one year		81.500.000,00	170.000.000,00

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RCSL Nr. : B102254	Matricule : 2004 2214 745

		Reference(s)		Current year		Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361		361		362	
a) becoming due and payable within one year	1363		363		364	
b) becoming due and payable after more than one year	1365		365		366	
4. Trade creditors	1367		367	1.543.661,00	368	1.505.694,00
a) becoming due and payable within one year	1369		369	1.543.661,00	370	1.505.694,00
b) becoming due and payable after more than one year	1371		371		372	
5. Bills of exchange payable	1373		373		374	
a) becoming due and payable within one year	1375		375		376	
b) becoming due and payable after more than one year	1377		377		378	
6. Amounts owed to affiliated undertakings	1379	Note 10	379	2.100.990.760,00	380	1.420.116.234,00
a) becoming due and payable within one year	1381	Note 10.1	381	70.723.065,00	382	37.054.889,00
b) becoming due and payable after more than one year	1383	Note 10.2	383	2.030.267.695,00	384	1.383.061.345,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385		385		386	
a) becoming due and payable within one year	1387		387		388	
b) becoming due and payable after more than one year	1389		389		390	
8. Other creditors	1451		451	1.600.583,00	452	14.303.832,00
a) Tax authorities	1393		393		394	548.455,00
b) Social security authorities	1395		395	2.652,00	396	
c) Other creditors	1397		397	1.597.931,00	398	13.755.377,00
i) becoming due and payable within one year	1399	Note 11.1	399	1.597.931,00	400	8.255.377,00
ii) becoming due and payable after more than one year	1401		401		402	5.500.000,00
D. Deferred income	1403	Note 12	403	1.895.124,00	404	3.501.521,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	8.532.865.754,00	406	7.232.269.338,00

Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494
Email : centralebilans@statec.etat.lu

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RCSL Nr. : B102254	Matricule : 2004 2214 745
	eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from 01/01/2020 **to** 31/12/2020 (in EUR)

CPI PROPERTY GROUP S.A.
40, rue de la Vallée
L-2661 Luxembourg

	Reference(s)	Current year	Previous year
1. Net turnover			
2. Variation in stocks of finished goods and in work in progress			
3. Work performed by the undertaking for its own purposes and capitalised			
4. Other operating income	Note 13	1.270.895,00	3.830.632,00
5. Raw materials and consumables and other external expenses	Note 14	-2.927.913,00	-2.389.198,00
a) Raw materials and consumables		-565,00	
b) Other external expenses		-2.927.348,00	-2.389.198,00
6. Staff costs	Note 15	-178.830,00	-181.060,00
a) Wages and salaries		-161.428,00	-171.511,00
b) Social security costs		-17.402,00	-9.549,00
i) relating to pensions			
ii) other social security costs		-17.402,00	-9.549,00
c) Other staff costs			
7. Value adjustments	Note 16	574.887,00	684.343,00
a) in respect of formation expenses and of tangible and intangible fixed assets			
b) in respect of current assets		574.887,00	684.343,00
8. Other operating expenses	Note 17	-935.533,00	-438.801,00

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RCSL Nr. : B102254	Matricule : 2004 2214 745

	Reference(s)	Current year	Previous year
9. Income from participating interests	Note 18	90.171.879,00	40.285.000,00
a) derived from affiliated undertakings		90.171.879,00	40.285.000,00
b) other income from participating interests			
10. Income from other investments and loans forming part of the fixed assets	Note 19	149.533.052,00	106.044.630,00
a) derived from affiliated undertakings	Note 19.1	147.538.052,00	106.044.630,00
b) other income not included under a)	Note 19.2	1.995.000,00	
11. Other interest receivable and similar income	Note 20	73.910.045,00	24.863.011,00
a) derived from affiliated undertakings	Note 20.1	17.203.542,00	723.547,00
b) other interest and similar income	Note 20.2	56.706.503,00	24.139.464,00
12. Share of profit or loss of undertakings accounted for under the equity method			
13. Value adjustments in respect of financial assets and of investments held as current assets	Note 21	-25.917.203,00	-8.077.280,00
14. Interest payable and similar expenses	Note 22	-269.362.167,00	-156.329.910,00
a) concerning affiliated undertakings	Note 22.1	-63.353.769,00	-15.882.116,00
b) other interest and similar expenses	Note 22.2	-206.008.398,00	-140.447.794,00
15. Tax on profit or loss			
16. Profit or loss after taxation		16.139.112,00	8.291.367,00
17. Other taxes not shown under items 1 to 16	Note 23	-4.815,00	-8.615,00
18. Profit or loss for the financial year		16.134.297,00	8.282.752,00

Certification of the Financial Statements

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14TH, 1999 AND SUBSEQUENT AMENDMENTS

1. We, the undersigned, Stefano Cervone, as Chief Executive Officer, and Francesca Rossi, as Manager responsible for the preparation of the corporate accounting documents of NEXT RE SIIQ S.p.A., having also considered the provisions of art, 154-bis, paragraphs 3 and 4, of the Legislative Decree No. 58 of February 24th, 1998, hereby certify:
   - the adequacy in light of the Company's characteristics, and
   - the effective application of the administrative and accounting procedures adopted in preparing the financial statements during the period 1 January – 31 December 2021.

2. We further certify that:

2.1 the Financial Statements:

a) have been prepared in accordance with the international financial reporting standards recognized in the European Union under the EC Regulation 1606/2002 of the European Parliament and of the Council of July 19th, 2002,

b) are consistent with the entries in the accounting books and records,

c) is apt to provide a true and fair representation of the balance sheet, income statement and financial position of the Issuer;

2.2 the report on operations provides a reliable analysis of the developments and results from operations, as well as of the position of the Issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, March 15, 2022

Chief Executive Officer	Manager responsible for the preparation of the corporate accounting documents
Dott. Stefano Cervone	Dott.ssa Francesca Rossi

Annexes

Annex 1 - Transactions with related parties

The following table shows the amount of transactions with related parties.

(Values in euro)

Related party	Equity interests	Payables to banks and other lenders	Trade payables and other payables	Overhead costs	Financial expenses
Fidelio Engineering S.r.l.	10,000	-	-	-	-
CPI Property Group S.A.	-	59,028,273	-	-	1,056,938
Dea Capital Real Estate SGR S.p.A.	-	-	251,785	251,785	
Directors	-	-	27,868	404,189	-
Statutory Auditors	-	-	56,758	90,482	-
	10,000	**59,028,273**	**336,411**	**746,456**	**1,056,938**

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Annex 2 - Auditing Firm Fees

The following table, pursuant to Art. 149-*duodecies* of the Consob Issuers' Regulations, highlights the fees accrued for the 2021 financial year for the statutory audit services for the financial statements of NEXT RE SIIQ S.p.A.

(Values in euro)

Assignment	Authorised	Fees*
Statutory audit of the financial statements of NEXT RE SIIQ S.p.A.	EY S.p.A.	70,000
Audit procedures on reporting package for purpose of consolidation by CPI PG	EY S.p.A.	5,000
Total		**75,000**

*in addition to CONSOB contribution and flat-rate expenses

Report of the Independent Auditors

Next Re SIIQ S.p.A.
(ex Nova Re SIIQ S.p.A.)

Next Re SIIQ S.p.A. financial statements as at December 31, 2021

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

Building a better working world

EY S.p.A.
Via Lombardia, 31
00187 Roma

Tel: +39 06 324751
Fax: +39 06 324755504
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Next Re SIIQ S.p.A. (ex Nova Re SIIQ S.p.A.)

Report on the Audit of the Financial Statements

Opinion

We have audited the] financial statements of Next Re SIIQ S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2021, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of Next Re SIIQ S.p.A. for the year ended 31 December 2020 were audited by Ria Grant Thornton S.p.A. who expressed an unmodified opinion on those statements on 1 April 2021.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

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Key Audit Matter	Audit Response
Valuation of Investment Properties Investment properties as of 31 December 2021 amounted to Euro 138,300 thousand and are stated at fair value in accordance with International Financial Reporting Standards IAS 40 Investment properties, recognizing the effects of changes of fair values in the income statement. Management has estimated the fair value based on the reports prepared by independent experts. The fair value estimate involves the use of fair value models which require forecasting future costs and revenues of each property and the use of assumptions about the occupancy rate of properties, the markets trends of real estate and financial markets, also considering the effects of the current Covid-19 pandemic, as well as the general economic conditions that affect the rent and the reliability of the tenants. We considered that this item represents a key audit matter, due to the relevance of the investment properties stated at fair value and changes in fair value over the accounting periods, as well as the judgment required by Management in assessing the above-mentioned assumptions used in the fair value models. The paragraph "Note 1. Investment properties" of the notes to the financial statements describes the criteria and valuation models of the real estate portfolio.	Our audit procedures in response to this key audit matter included, among others: • the assessment and understanding of the process for determining the value of investment properties adopted by the Company; • the assessment of the company's process related to the selection and use of independent experts appointed in order to prepare a fair value estimate; • the tracing of the amounts used by independent experts with the balance sheet figures; • the assessment and discussion with Management and their independent experts of the key market assumptions used in the valuation process; • the testing of the valuation models adopted by the company. In performing our audit procedures, we also involved our experts in real estate valuation techniques. Lastly, we have reviewed the disclosures provided in the notes to the financial statements

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;
- we have obtained 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 Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' 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 Company'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 financial statements or, if such disclosures are inadequate, to consider this matter in forming 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 Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as

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required by ISA Italia, 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.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Next Re SIIQ S.p.A., in the general meeting held on April 29, 2021, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2021 to 31 December 2029.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Next Re SIIQ S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

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Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Next Re SIIQ S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Next Re SIIQ S.p.A. as at [31 December 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Next Re SIIQ S.p.A. as at 31 December 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Next Re SIIQ S.p.A. as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, March 31, 2022

EY S.p.A.
Signed by: Filippo Maria Aleandri, Auditor

As disclosed by the Directors on page 1, the accompanying financial statements of Next RE SIIQ S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.
This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Report of the Board of Statutory Auditors

To the Shareholders of NEXT RE SIIQ S.p.A. (the “Company” or “NEXT RE”)

Dear Shareholders,

The Board of Statutory Auditors, pursuant to Art. 153 of Legislative Decree No. 58/1998 (hereinafter also known as the “TUF”) and Art. 2429, paragraph 2, of the Civil Code, is called upon to report to the Shareholders’ Meeting, called to approve the financial statements for the year ended on 31 December 2021, on the supervisory activities performed during the year in the fulfilment of its duties, on any omissions or reprehensible facts that may have come to its attention and on the results of the Company's operations.

The Board of Statutory Auditors is also called upon to make any proposals regarding the financial statements and their approval.

Appointment and activities of the board of statutory auditors

The Board of Statutory Auditors in office on the date of this report was appointed at the Shareholders’ Meeting held on 26 April 2021, and will therefore remain in office until the Shareholders’ Meeting called to approve the financial statements as at 31 December 2023; it is made up by the Chairman of the Board of Statutory Auditors, Luigi Mandolesi, and by the Statutory Auditors, Domenico Livio Trombone and Sara Mattiussi.

With reference to the provisions of application under criterion 8.C.1 of the Corporate Governance Code of listed companies approved by the Corporate Governance Committee (the “Corporate Governance Code”) regarding the independence requirements for the members of the Board of Statutory Auditors, no one has, or has recently had, even indirectly, any relationship with the Company or with persons linked to the Company such as to influence their independent opinion. The outcome of the above-mentioned check was reported in the report on Corporate Governance and Ownership Structure (the “Corporate Governance Report”) drawn up pursuant to Art. 123-bis of the TUIF.

Each statutory auditor also complied with the limit on the number of tasks held, as set forth in Art. 148-bis of the TUIF and related implementing regulations (Articles 144-duodecies to 144-quinquiesdecies of Consob Regulation No. 11971/99 (“Issuers' Regulations”), as recalled in the Articles of Association.

Supervisory activities regarding compliance with the law and the Articles of Association, compliance with the principles of sound management, the adequacy of the organisational, administrative and accounting structure adopted by the Company, as well as pursuant to Legislative Decree No. 39/2010 as amended.

The Board of Statutory Auditors carried out its supervisory duties in accordance with the laws and regulations in force, in accordance with the principles of conduct recommended by the Italian National Council of Chartered Accountants and Accounting Experts, complying with the duties set out in Art. 149 of Legislative Decree No. 58/1998 (“TUIF”) and, for the applicable provisions, of the Civil Code in addition to Consob communications on corporate controls and the activities of the Board of Statutory Auditors (specifically, communication No. DEM/1025564 of 6 April 2001 and subsequent communications). In addition, the Board of Statutory Auditors, in the performance of its supervisory duties, took into account the provisions of European Regulation No. 537 of 16 April 2014 (“EU Regulation 537/2014”) and the conduct guidelines contained in the Corporate Governance Code for listed companies.

The Board of Statutory Auditors obtained the information it needed to perform the tasks assigned to it by participating in the meetings of the board of directors and its board committees, through meetings with the main corporate departments - specifically, the control departments and the Supervisory Body - and the company's management, as well as through discussions with the Manager in charge of drafting the company's financial reports and with the Independent Auditors responsible for auditing the annual accounts, EY S.p.A.

The following information is provided in accordance with the provisions of Consob Communication No. DEM 1025564/2001, as amended and supplemented by Communication No. DEM/3021582 of 4 April 2003, and subsequently by Communication No. DEM 6031329 of 7 April 2006.

Special regime for Listed Real Estate Investment Companies (SIIQ)

The Board of Statutory Auditors ensured that the requirements had been met for the special regime for Listed Real Estate Investment Companies (“SIIQ” from its Italian initials) introduced and governed by Law No. 296/2006 (hereinafter also “Law No. 296/2006”) and subsequent amendments, as well as by the provisions contained in the implementing regulation of the Italian Ministry of Economy and Finance No. 174/2007, which allows for exemption from taxation for IRES tax purposes and proportionally from IRAP tax of business income deriving from real estate leasing activities.

The Company exercised the option to access the above-mentioned special regime on 7 September 2016, with effect from the tax period beginning on 1 January 2017. It met all the requirements deemed necessary for the application of the tax benefits provided by the special legislation on SIIQs by the end of the 2017 financial year and notified on 17 January 2018 to *Agenzia delle Entrate* (the Italian Inland Revenue Agency) the integration of participatory requirements which were not in its possession at the time of exercising the option.

In the notes to the financial statements under the heading “Disclosure on the Special Regime for Listed Investment Companies - SIIQs” to the financial statements as at 31 December 2021, the directors acknowledge that as at 31 December 2021, NEXT Re met both objective requirements for remaining in the Special Regime and that all the other requirements deemed necessary for remaining in the Special Regime (including the so-called “control” requirement) also continue to be maintained and met. It must be noted that, as at 31 December 2021, even following the execution of the shareholders' resolution that on 27 December 2021 determined the mandatory conversion, in the ratio 1:1, of 11,012,055 unlisted ordinary shares into 11,012,055 category B shares without the right to attend or vote at the Company's ordinary shareholders' meeting and with the same right to share in profits as the ordinary shares, as per the resolution of the Board of Directors of 26 November 2021, the subjective requirements established by the reference provisions have in any event been met.

As mentioned in the section “Relevant events during the year” of the Directors’ Report, on 26 January 2021, following the publication of the final results of the Take-Over bid made by CPI Property Group S.A. pursuant to and for the purposes of Articles 102, 106 paragraph 1 and 109 of the TUF, CPI Property Group S.A. came to hold a total of 20,360,573 ordinary shares of NEXT Re, equal to approximately 92.44% of the relevant share capital and taking into account the 38,205 treasury shares of NEXT Re (equal to approximately 0.17% of the relevant share capital), pursuant to and for the purposes of Art. 44-bis, paragraph 5, of the Issuers' Regulations, reference must be made to 20,398,778 shares, equal to approximately 92.62% of the share capital.

Consequently, given the failure to comply with the shareholding requirement, which requires that no shareholder owns, directly or indirectly, more than 60% of the voting rights at the Ordinary Shareholders' Meeting and more than 60% of the rights to share in profits, there is cause for being removed from the special SIIQ regime.

In this case, pursuant to the last sentence of paragraph 119 of Law No. 296 of 27 December 2006, where such requirement is exceeded as a result of extraordinary corporate transactions or on the capital market, the special regime in question is temporarily suspended until the aforesaid shareholding requirement is re-established within the limits imposed by the paragraph 119.

Circular No. 32/E of *Agenzia delle Entrate* (the Italian Inland Revenue Agency) dated 17 September 2015 specified that in the event that said requirement is exceeded for a limited period of time, the latter will be deemed as being met, without interruptions, for the entire tax period, provided that said requirement is in any case met at the end of the tax period in question.

In this regard, it should be noted that on 23 September 2021, the sale to DeA Capital Partecipazioni S.p.A., a wholly-owned subsidiary of DeA Capital S.p.A., of a minority stake in the Company of 1,101,255 ordinary shares representing around 4.99% of the Company's share capital was completed at a price of € 3.169 per share, for a total consideration of € 3,489,877.10. Following this sale, the stake held by the seller, the controlling shareholder CPI PG, was reduced to approximately 82.0578% of the Company's share capital.

As already mentioned previously, on 27 December 2021, the Extraordinary Shareholders' Meeting unanimously approved the mandatory conversion, in a 1:1 ratio, of 11,012,055 unlisted ordinary shares into 11,012,055 category B shares, without the right to attend or vote at the Company's ordinary shareholders' meeting and with the same right to share in profits as the ordinary shares automatically and proportionately reduced to the extent necessary, so that the right to share in profits of each category B shareholder, taking into account any other ordinary shares held, is equal to - and, in any event, not more than - 60% of the rights to share in the profits of the Company. The controlling shareholder CPI Property Group S.A. came to hold a total stake equal to 77.1078% of NEXT Re's share capital, represented by 5,971,020 ordinary shares with voting rights admitted to trading on the EXM market, equal to 54.22% of the share capital with voting rights at the ordinary shareholders' meeting of the Company, and 11,012,055 category B shares, with the characteristics described above.

Transactions having a significant impact on the Company's profitability, assets and liabilities or financial position and their compliance with the law and the Articles of Association.

In 2021, the Board of Statutory Auditors monitored compliance with the law and the Articles of Association, receiving from the directors periodic information on the general performance of operations, on the outlook, and on the most significant economic, financial and capital transactions resolved and implemented during the year by the Company and its subsidiary.

The meetings of the Board of Directors were held in accordance with the provisions of the Articles of Association and the laws and regulations that govern its operations and, insofar as the issues within its responsibilities are concerned, it can be reasonably guaranteed that the resolutions adopted complied with the applicable laws and with the Articles of Association. During the above-mentioned meetings, the Directors have provided, on a quarterly basis, in accordance with the procedures established by the Company's corporate governance rules, information on the general performance of operations and on its outlook, on the activities carried out and on the most significant economic and financial transactions of the Company and/or its subsidiary.

In referring to their report for an explanation of the main initiatives undertaken during the year, the Board of Statutory Auditors certifies that, to the best of its knowledge, these were based on principles of sound management and were not manifestly imprudent or risky or such as to compromise the integrity of the company's assets.

Below are the most significant economic, financial and equity transactions carried out by the Company in 2021, given that these transactions are fully described in the Directors' Report, to which reference must be made.

On 26 January 2021, following the publication of the final results of the Take-Over Bid made by CPI Property Group S.A., a total of 9,348,018 ordinary shares of NEXT Re were contributed, representing approximately 42.44% of the Issuers' share capital and approximately 85.18% of NEXT Re's ordinary shares covered by the Take-Over Bid, at a price of € 2.36 per ordinary share and, therefore, for a total value of € 22,061,322.48. Therefore, CPI came to hold a total of 20,360,573 ordinary shares of NEXT RE, equal to approximately 92.44% of its share capital.
In addition, taking into account the 38,205 treasury shares of NEXT Re (equal to about 0.17% of the related share capital), within the meanings and purposes of Art. 44-bis, paragraph 5, of the Issuers' Regulation, reference should be made to 20,398,778 shares, equal to about 92.62% of the share capital: therefore, more than 90% but less than 95% of the share capital of the Issuer.
On 27 January 2021, NEXT Re approved a loan proposal from the controlling shareholder CPI, for an amount of approximately € 54.6 million, intended to cover the costs incurred by NEXT RE for the purposes of early repayment of the mortgage loan agreement signed on 29 December 2017 with UniCredit S.p.A. with a term of five years at an annual fixed rate of 2.1% to be repaid in a lump sum at maturity. The Company therefore voluntarily repaid the residual balance on the mortgage loan agreement signed on 29 December 2017 with UniCredit S.p.A. in advance, in the amount of € 51.7 thousand, including interest accrued at that date and it extinguished the debt relating to the derivative agreement to hedge the risk of interest rate fluctuations on the above-mentioned mortgage loan for an amount of € 1.9 million.
In February 2021, NEXT Re established Fidelio Engineering S.r.l., a wholly owned subsidiary to support the CPI Group's real estate development and enhancement initiatives.
In March 2021, the first hearing was held in the case brought by Sorgente Group Italia S.r.l. concerning the challenge of the resolutions of the Board of Directors of 29 October 2020 and of 7 October 2020 and of the shareholders' meeting resolution of 27 August 2020, in which the judge granted the parties time to file their defence briefs and adjourned the proceedings to the hearing of 12 October 2021.
On 24 March 2021, following a pre-litigation initiated by an employee, NEXT Re signed a union settlement agreement.
On 13 April 2021, the Board of Directors of the Company and the Board of Directors of its wholly-owned subsidiary, Cortese Immobiliare S.r.l., approved the plan for the merger by incorporation of Cortese Immobiliare S.r.l. into the Company, with the aim of achieving an adequate organisational and managerial structure of the Company, ensuring

greater efficiency in terms of operating costs. The effect of the merger is to cancel the Company's investment in Cortese Immobiliare, equal to the entire share capital of the latter, without assigning shares in lieu pursuant to Art. 2504-ter of the Civil Code, with the Company taking over the assets of Cortese Immobiliare.

On 26 April 2021, the Shareholders' Meeting of the Company approved (i) the update of the Articles of Association, as well as (ii) granting to the Board of Directors the power to increase the share capital by a maximum amount of € 2 billion, including any share premium, to be carried out in one or more tranches, by the date of shareholders' approval of the financial statements as at 31 December 2023 under Art. 2443 of the Civil Code, even by excluding option rights under Art. 2441(4) and (5) of the Civil Code, and the consequent amendment of Art. 5 of the Articles of Association.

On 29 April 2021, with reference to the eviction procedure for arrears promoted by the Company against the tenant SHG Hotel Verona S.r.l., relating to the property for hotel use located in Verona, via Unità d'Italia 346, the mandatory mediation procedure initiated by the parties was concluded with a positive outcome and the related dispute was defined, with the consequent waiver of the continuation of the proceedings pending before the Court of Verona. At this meeting, the Company and the tenant settled their mutual claims and positions in a transactional manner and the Company obtained, in particular, the early return of the property and the payment by the tenant of the outstanding lease fees relating to the period from September 2020 to April 2021, recognising, as per practice, an indemnity for the early release of the property; the Company also purchased all the furniture, fittings, equipment and fixtures contained in the Hotel of Verona, recognising a contribution for the improvements made to the property and to the facilities serving it and for the concessionary charges paid by the tenant to the Municipality of Verona.

On 15 June 2021, the Board of Directors of the Company, pursuant to the provisions of Art. 2505, paragraph 2 of the Civil Code and of Art. 19 of the Articles of Association, and the Shareholders' Meeting of the subsidiary Cortese Immobiliare S.r.l. resolved to merge Cortese Immobiliare S.r.l. into the Company, the 30 days required pursuant to Art. 2501-ter paragraph 4 having elapsed since the registration of the draft merger in the competent Companies Registers. Furthermore, the Board of Directors approved (i) subject to the favourable opinion of the Related Parties and Investments Committee, the new RPT Procedure in order to adapt its content to the regulatory amendments introduced by Consob Resolution no. 21624/2020; (ii) the updated version of the Organisation, Management and Control Model prepared pursuant to Legislative Decree 231/2001.

On 25 June 2021, the Company signed the final agreement for the sale of a further portion, for office use, of the building located in Milan at Via Spadari 2, on the third floor, above the portions already owned by the Company, located on the ground, underground, first and second floors - at a price of € 4.1 million plus taxes, duties and closing costs.

On 5 August 2021, the Company signed a strategic agreement with DeA Capital Real Estate SGR S.p.A., DeA Capital S.p.A., De Agostini S.p.A. and CPI PG, the Company's controlling shareholder, aimed at defining a potential partnership between the respective Groups (the "*Framework Agreement*"). In particular, the Framework Agreement provides that the parties to the agreement undertake to cooperate in the implementation of a joint project aimed at creating a strategic operating partnership in the Italian real estate market. The transaction qualifies as a "*Significant Related Party Transaction*" pursuant to Art. 4, paragraph 1, letter A) of Consob Regulation no. 17221/2010. For a more detailed analysis of it, reference should be made to the relative section of this Report.

On 23 September 2021, the sale to DeA Capital Partecipazioni S.p.A., a wholly-owned subsidiary of DeA Capital S.p.A., of a minority stake in the Company of 1,101,255 ordinary shares representing around 4.99% of the Company's share capital was completed at a price of € 3.169 per share, for a total consideration of € 3,489,877.10. Following this sale, the stake held by the seller, the controlling shareholder CPI PG, was reduced to approximately 82.0578% of the Company's share capital.

On 1 October 2021, the registration of the deed for the merger by incorporation of Cortese Immobiliare was completed at the Companies Register of Rome and, therefore, the Company took over *ipso jure* all rights and obligations of Cortese Immobiliare, continuing in all its relationships, including procedural ones, existing prior to the merger, in accordance with the provisions of Art. 2504-bis of the Civil Code. Notwithstanding the foregoing, the transactions of Cortese Immobiliare have been recognised in the Company's financial statements as of 1 January 2021, with accounting and tax effects pursuant to Art. 172, paragraph 9, of Presidential Decree no. 917 of 22 December 1986 beginning on the same date.

On 12 October 2021, with reference to the lawsuit brought by Sorgente Group Italia S.r.l., which had challenged the Board of Directors' resolution of 29 October 2020, which approved the share capital increase, as well as the Board of Directors' resolution of 7 October 2020, which accepted the offer of CPI PG, and the Shareholders' resolution of 27 August 2020, by which the Board of Directors had been granted the authority to increase the share capital under Art. 2443 of the Civil Code, the Judge adjourned the proceedings to the hearing on 20 September 2022 for final judgement.

On 15 December 2021, the Company announced the change in the composition of the share capital following the request for admission to listing of 500 unlisted ordinary shares, with no par value, identified by ISIN code IT0005330516.

On 27 December 2021, the Extraordinary Shareholders' Meeting unanimously approved the mandatory conversion, in a 1:1 ratio, of 11,012,055 unlisted ordinary shares into 11,012,055 category B shares, without the right to attend or vote at the Company's ordinary shareholders' meeting and with the same right to share in profits as the ordinary shares automatically and proportionately reduced to the extent necessary, so that the right to share in profits of each category B shareholder, taking into account any other ordinary shares held, is equal to - and, in any event, not more than - 60% of the rights to share in the profits of the Company. Consequently, the Extraordinary Shareholders' Meeting approved the relevant amendments to the Articles of Association.

On 30 December 2021, the Company announced the change in the composition of the share capital following the registration of the above-mentioned resolution of the Extraordinary Shareholders' Meeting of 27 December 2021 at the Companies Register of Rome. As of that date, the share capital amounted to € 63,264,527.93, represented by 22,025,109 shares with no par value, of which 11,013,054 shares admitted to trading on the Euronext Milan market and 11,012,055 Category B Shares, not admitted to trading on the Euronext Milan market, with no right to share in or vote at the ordinary shareholders' meeting and with a reduced right to share in profits. Category B shares account for 49.998% of NEXT RE's share capital.

With regard to the effects of COVID-19, the Board acknowledges the information provided by the Directors in the "*Update on the impact of COVID-19 on the 2021 accounts*" section of the Directors' Report and, in particular, the impacts of the pandemic on the 2021 income statement. There were no critical issues identified as regards potential scenarios of financial tension, since the Company, following the refinancing received from the parent company CPI PG, has adequate cash available to service operations.

In light of the context and of the uncertainty regarding the evolution of the pandemic, the benefits established until 30 September 2020 by the provisions set forth in Art. 56 of Decree Law no. 18/2020, the "Cura Italia" Decree, have been extended until 31 December 2021 following the extension that took place with the approval of the Budget Law of 30

December 2020 and of the *Decreto Legge Sostegni* (Support Decree Law) bis of 25 May 2021, regarding suspension of payment of instalments on outstanding leasing and mortgage loans.
Lastly, when filing its SC 2021 tax return (2020 income), the Company filed an application with Italian Inland Revenue for access to the Support-bis Decree - Equalisation grant. In December 2021, this request was accepted and the Company received the above-mentioned contribution of € 55 thousand.

Events following the reporting period

After the necessary in-depth analyses of the events that have had a significant impact on the 2021 financial year, with regard to significant events subsequent to the end of the year, the following should be noted.

On 7 February 2022, the Company approved the following preliminary, uncertified 2021 results:
- the preliminary Net result for the year 2021 was equal to a profit of € 0.5 million, compared to a loss of € -9.3 million as at 31 December 2020;
- the preliminary EBITDA for the year 2021 is negative and estimated at € -1.6 million compared to € 0.3 million in 2020;
- the preliminary Shareholders' equity is estimated at € 85.5 million as at 31 December 2021 compared to € 85.4 million as at 31 December 2020;
- the preliminary Total financial debt is estimated at € 61.04 million as at 31 December 2021 compared to € 41.8 million as at 31 December 2020;
- the preliminary *Net Loan to Value* is estimated at 44% as at 31 December 2021 compared to 33% as at 31 December 2020.

With regard to the conflict between Russia and Ukraine and the repercussions that it will inevitably have on the global macroeconomic scenario, the Board of Statutory Auditors acknowledges the information provided by the Directors in the Directors' Report. The Directors do not believe that this will have any significant impact on the Company's operations, as NEXT RE's portfolio is positioned solely in Italy and the tenants of the assets in the portfolio do not have any risk profiles. Should the conflict expand, both over time and geographically, its development could also significantly affect global prospects for future growth and the financial markets. The Directors believe that the progress and the uncertainty of the conflict do not allow for a quantification of the impacts on the 2022 financial year, and they do not exclude that the possible continuation of the situation could slow down the planned shared capital increase operation. The above-mentioned subsequent event did not entail any changes in the Financial Statements, as it occurred after the closing date, nor was it considered, in preparing such statements, to be a factor of uncertainty regarding the company's ability to continue to operate as a going concern.

There are no further significant events to report following the year end.

Atypical and/or unusual transactions, including those between group companies or with related parties

The Board of Statutory Auditors was not aware of any atypical and/or unusual transactions during the 2021 financial year, including those between group companies or with related parties. In this regard, it must be noted that:

- on the basis of the analyses carried out, there were no transactions with Group companies, with third parties or with other related parties that could be considered atypical or unusual;
- the procedures adopted by the company regarding transactions with related parties comply with the principles indicated in Consob Regulation No. 17221 of 12 March 2010, updated with the amendments made by Consob resolution No. 19974 of 27 April 2017;
- intra-group transactions or transactions with related parties did not present critical profiles.

The Board of Statutory Auditors monitored the specific implementation of the rules governing related parties, including through its participation in the independent directors committee ("Committee").

With regard to the Committee, the Board of Statutory Auditors reviewed its composition, in order to verify that its members meet the independence requirements of the TUF and of the Corporate Governance Code. The Board's Independent Directors Committee is composed of Camilla Giugni, Eleonora Linda Lecchi, Giovanni Naccarato, Maria Spilabotte and by the directors newly appointed by the Shareholders' Meeting of 10 November 2021, Daniela Becchini and Luca Nicodemi. It should be noted that after Director Naccarato was granted management powers on financial issues on 26 November 2021, he no longer met the independence requirements, without prejudice to compliance with the criteria for the composition and independence of the Board of Directors prescribed by Art. 16 of the Markets Regulation.

On 26 April 2021, the Company's Board of Directors, in compliance with Principle XI and Recommendation 16 of the Code, which allows the investigative, proposal and advisory departments, in relation to appointments, remuneration and control and risks of the committees envisaged by the CG Code, to be distributed differently or grouped together in a single committee, established two new Board committees composed exclusively of Independent Directors in accordance with the requirements of the applicable regulations, to replace the Independent Directors Committee in place until 26 April 2021:

(i) the Control, Risk, Appointments and Remuneration Committee: Luca Nicodemi (Chairman), Camilla Giugni, Maria Spilabotte;

(ii) the Related Parties and Investments Committee: Daniela Becchini (Chairman), Eleonora Linda Lecchi, Maria Spilabotte.

The Board of Statutory Auditors has analysed the transactions with related parties and/or intragroup transactions, and reports the following:

- intra-group transactions, both of a commercial and financial nature, involving subsidiaries and the parent company, are regulated on an equivalent basis to that prevailing in transactions between independent parties. They are adequately described in the financial statements;
- transactions with other related parties of greater and lesser importance are included in the Directors' Report, which specifies the transactions subject to prior review by the Independent Directors Committee for Transactions with Related Parties;
- with reference to NEXT Re's transactions with related parties, the notes to Annex 1, Transactions with related parties, set out the main balance sheet and profit and loss account balances for the year 2021 arising from transactions with related parties;

- detailed information on the remuneration due for the year 2021 to the members of the administration and control bodies and to the Managers with strategic responsibilities is provided in the remuneration report drafted in accordance with Art. 123-ter of the TUF. Specifically, the Shareholders' Meeting - on 26 April 2021 - approved the new Remuneration Policy of NEXT Re SIIQ S.p.A. for the years 2021-2023 explained in the Report on the remuneration policy drafted by the Board of Directors pursuant to Art. 123-ter of the TUF and in compliance with Principle XVI of the Code;
- in the Directors' Report and in the notes to the financial statements, the directors provide adequate information on intra-group transactions and on transactions with related parties.

With regard to significant Related Party Transactions, the following has to be pointed out:

- on 27 January 2021, the Company approved a shareholder loan proposal received from the reference shareholder CPI PG, for an amount approximately equal to € 54.6 million (the "Loan"), intended to cover the costs incurred for purposes of early repayment of the mortgage loan agreement signed on 29 December 2017 with UniCredit S.p.A. The Loan, granted by the shareholder in a single tranche, has a term of five years and bears fixed nominal interest at a rate of 2.1% per annum. As CPI PG is a related party, since it controls the Company pursuant to Art. 93 of Legislative Decree no. 58/1998 and exercises management and coordination of the latter pursuant to Art. 2497 et seq. of the Civil Code, the signing of the loan agreement qualifies as a "Significant related party transaction" pursuant to Art. 4, paragraph 1, letter a) of Consob Regulation no. 17221/2010. Therefore, the transaction was approved by the Board of Directors with the prior and unanimous favourable opinion of the Independent Directors Committee, composed entirely of Directors who are not related to the counterparty, and the information document required pursuant to Art. 5 of Consob Regulation no. 17221/2010 as amended and to Art. 7 of the RPT Procedure of NEXT RE, including the opinion of the Independent Directors Committee, was published on 3 February 2021;

- on 5 August 2021, the Company approved the transaction involving the signing of the framework agreement ("Framework Agreement") and the related annexes with the controlling shareholder CPI PG, DeA Capital Real Estate SGR S.p.A. ("DeA Capital RE"), DeA Capital S.p.A. and De Agostini S.p.A. The Framework Agreement provides that the parties mentioned undertake to cooperate on a joint project aimed at creating a strategic operating partnership in the Italian real estate market, including through the assignment to DeA Capital RE of the role of advisor for the provision of certain asset advisory services to the Company. In view of the involvement of the controlling shareholder CPI PG, the above-mentioned transaction was classified as a major transaction in application of the value index set out in para. 1.1., letter a) of Annex 3 of Consob Regulation no. 17221/2010 as amended. ("RPT Regulation"). Therefore, the Company's Board of Directors resolved to approve the transaction, subject to the favourable opinion of the Related Parties and Investments Committee. Moreover, on 6 August 2021, the information document required pursuant to Art. 5 of Consob Regulation no. 17221/2010 as amended and to Art. 7 of the RPT Procedure was published, to which the Opinion of the RPT Committee and the Fairness Opinion prepared, to support the Committee's assessments, by the independent expert Arthur De Little S.p.A. Financial Services Group, which should be referred to for the details, are attached;

- on 23 September 2021, the Company approved, subject to the favourable opinion of the Related Parties and Investments Committee and in compliance with the procedure prescribed by current legislation and company regulations on major related-party transactions, an agreement amending the Framework Agreement signed on 5 August 2021 to govern the entry onto the Company's board of a Director designated jointly by De Agostini S.p.A. and DeA Capital, providing that this appointment could take place - as well as by co-option, by 30 September 2021, following the resignation of a member of the Company's Board of Directors (a procedure already provided for in the Framework Agreement) - also, alternatively, by means of a specific resolution of the Shareholders' Meeting, to be passed by 15 November 2021, to increase the number of members of the Company's Board of Directors from 7 to 9 and to simultaneously appoint two new Directors (one of whom - as mentioned above - is appointed jointly by De Agostini S.p.A. and DeA Capital). Therefore, on 29 September 2021, the Addendum was published to the Information Document relating to a major transaction with related parties published on 6 August 2021, prepared pursuant to Art. 5 of Consob Regulation 17221/10 as amended and to Art. 7 of the RPT Procedure of the Company.

With regard to minor Related Party Transactions, the following has to be pointed out:
- on 3 March 2021, the Board of Directors approved, subject to the favourable opinion issued by the Independent Directors Committee, the criteria and procedures for allocating the centralised common costs referable to the year 2020 relating to the property of the former registered office of the Company, located in Rome, via del Tritone 132, which the Company held under a sub-lease agreement signed with Tiberia S.r.l., a company which previously was a related party of NEXT RE, as it belongs to the Sorgente group.
It should be noted that on 30 September 2020, the Company terminated said sub-lease agreement.
Since this is a minor transaction with related parties - which does not fall within the exclusion hypotheses provided for in Art. 9 of the NEXT RE RPT Procedure, as it is for an amount greater than € 50,000, pursuant to the NEXT RE RPT Procedure - the resolution in question was reserved for the competence of the Board of Directors after the Independent Directors Committee had issued a reasoned favourable opinion, concerning the Company's interest in carrying out the transaction, as well as the convenience and substantial correctness of the related conditions.
- on 13 April 2021, the Board of Directors of the Company and the administrative body of the subsidiary Cortese Immobiliare approved the plan for the merger by incorporation of Cortese Immobiliare into the Company (the "**Merger**"), with the aim of achieving an adequate organisational and managerial structure of the Company, ensuring greater efficiency in terms of operating costs.
The Merger was then approved, as the 30 days required pursuant to Art. 2501-*ter* paragraph 4 from the registration of the merger plan in the competent Companies Registers had elapsed, for the Company, by the Board of Directors on 15 June 2021, pursuant to the provisions of Art. 2505, paragraph 2 of the Civil Code and of Art. 19 of the Articles of Association, while for Cortese Immobiliare, by the Shareholders' Meeting, also on 15 June 2021.
The transaction is considered a "transaction between related parties", pursuant to Consob Regulation 17221/2010 as amended and to the RPT Procedure adopted by the Company, since Cortese Immobiliare is a wholly owned subsidiary. The transaction, of minor importance on the basis of the ratios established by the RPT Regulation, is however exempt from the application of the RPT Procedure, pursuant to Art. 9.1 letter f) thereof, since it was carried out by the Company with its own subsidiary in which there are no significant interests of its other related parties.
- on 20 May 2021, the Board of Directors of the Company, subject to the favourable opinion of the Related Parties and Investments Committee, approved a shareholder loan transaction by the reference shareholder CPI PG for an amount of € 3,365,518.77, intended to cover the costs of early repayment of the loan agreement signed on 28 June 2019 with Imprebanca S.p.A.

The signing of the loan agreement was qualified as a Minor transaction with related parties in consideration of the provisions of Art. 4, paragraph 1, letter a) of the RPT Regulation, based on the value index referred to in paragraph l.1 letter a) of Annex 3 of the Consob RPT Regulation, which is less than 5%.

Therefore, the transaction in question was reserved for the competence of the Board of Directors, which resolved only after the issue of a reasoned, non-binding opinion by the Related Parties and Investments Committee, concerning the Company's interest in carrying out the transaction, as well as the appropriateness and substantial correctness of the related conditions.

The Committee promptly received a complete, adequate and timely flow of information on the proposed transaction and on the related contractual documentation and, at the outcome of the meeting held on 20 May 2021, it expressed its favourable opinion on the completion of the transaction, considering it to be of interest to the Company, as it is based on valid economic and strategic reasons, which are independent of the exercise of management and coordination by CPI PG. In particular, the Committee considered that the overall conditions of the shareholder loan were better not only than those envisaged for the Imprebanca loan, but also than those that would currently be available on the market.

Financial reporting process. Observations and proposals on the disclosure requirements in the Report of the Independent Auditors

Pursuant to Art. 19, par. 2, of Legislative Decree No. 39/2010, the Board of Statutory Auditors, in its capacity as “Internal control and statutory audit committee”, monitored the financial reporting process.

The Board of Statutory Auditors verified the existence of adequate regulations and processes to monitor the process of drafting financial information, reviewing in particular the process that allows the Manager in charge of drafting the Company's financial reports (“Manager in charge of Financial Reporting”), appointed pursuant to Law 262/2005, and the Chief Executive Officer of the Company to issue the certifications required by Art. 154-bis of the TUF. The Board of Statutory Auditors, in compliance with the provisions of Art. 150, paragraph 3, of Legislative Decree No. 58/1998 (TUF) met periodically with the Independent Auditors, in order to exchange mutual information. During the meetings, the Board of Statutory Auditors was not informed of any documents or facts deemed reprehensible or irregularities that required the drafting of specific reports pursuant to Art. 155, paragraph 2, of Legislative Decree No. 58/1998 (TUF).

The Board of Statutory Auditors analysed the methodological framework adopted by the Auditor and obtained the necessary information, including information on the audit approach used for the various significant areas of the financial statements, sharing the issues related to business risks, as well as receiving updates on the progress of the audit task and on the main issues that the Independent Auditors are concerned with.

The Board of Statutory Auditors then reviewed the reports drafted by the Independent Auditors, EY S.p.A., which has been appointed to perform the statutory audit for the 2021-2029 financial years.

On 31 March 2022, the Independent Auditors issued their Audit Report, drafted in accordance with Art. 14 of Legislative Decree No. 39/2010 and with Art. 10 of Regulation (EU) No. 537/2014, for the annual financial statements as at 31 December 2021. With regard to opinions and statements, reference must be made to the Reports issued by the Independent Auditors.

Specifically, it must be noted that in the above-mentioned Audit Report on the Financial Statements, the Independent Auditors:

- have issued an opinion according to which the Financial Statements give a true and fair view of the financial position of the Company as at 31 December 2021, of the results of operations and of the cash flows for the year then ended in accordance with the *International Financial Reporting Standards* as adopted by the European Union and with the measures issued in implementation of Art. 9 of Legislative Decree No. 38/2005;
- declared, pursuant to Art. 14, paragraph 2, letter e) of Legislative Decree No. 39/10 and to Art. 123-bis, paragraph 4, of Legislative Decree No. 58/98, to have performed the procedures included in auditing standard (SA Italy) No. 720B, in order to express an opinion on the consistency of the directors' report and on certain specific information contained in the report on corporate governance and ownership structure as set forth in Art. 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of NEXT Re SIIQ as at 31 December 2021 and on their compliance with the law, as well as to have issued a statement on any significant errors.

In its reports, the Auditor did not highlight any issues or requests for information.

The Auditor's reports, issued pursuant to Art. 10 of EU Regulation 537/2014 and to which reference is made, set out the key aspects of the linked audit and the relevant audit procedures applied. The above-mentioned key aspects were analysed in detail and updated during the periodic meetings that the Board of Statutory Auditors held with the Independent Auditors.

The Auditor did not report any events or circumstances identified during the audit that could cast significant doubt about the entity's ability to continue as a going concern, nor did the Auditor report any significant deficiencies in the internal control system for financial reporting and/or in the accounting system or any significant issues concerning actual or suspected non-compliance with laws and regulations or statutory provisions identified during the audit.

With regard to the events after the balance sheet date, the Company stated in the Directors' Report that no events occurred after the balance sheet date that required changes in the values of the latter.

Independence of the independent auditors. Information on whether any additional tasks have been assigned to the independent auditors or to parties related to the independent auditors by an on-going relationship and the relevant costs.

The Board of Statutory Auditors has received the Statutory Auditor's declaration of annual confirmation of independence drafted pursuant to Art. 6, par. 2, letter a) of Regulation (EU) No. 537/2014 and pursuant to paragraph 17 of ISA Italia 260, confirming compliance with the ethical principles set forth in Articles 9 and 9 bis of Legislative Decree No. 39/2010 finding no situations that could compromise the independence of the independent auditors during the period from 1 January 2021 until the date of issue of the statement (31 March 2022).

Annex 2 to the Company's notes to the financial statements shows the fees paid to the Independent Auditors and the schedule, drafted in accordance with Art. 149-duodecies of the Consob Issuers' Regulation, of the fees for the year paid to EY S.p.A.

Taking into account:

- the declaration of independence issued by EY S.p.A. pursuant to Art. 6, par. 2, letter a) of EU Regulation No. 537/2014 and the transparency report produced by the latter and published on its website pursuant to Art. 13 of said Regulation;
- the tasks assigned to it and the companies belonging to its network by NEXT Re SIIQ S.p.A. and the Group companies;

no situations were found that compromised the Auditor's independence.

Information on the possible submission of complaints pursuant to Art. 2408 of the Civil Code and statements

During 2021, no complaints were received pursuant to Art. 2408 of the Civil Code and no statements of any kind were filed.

Information on the existence of opinions issued in accordance with the law during the year

During the 2021 financial year, the following were issued:

- 16 opinions, of which 6 from the Control, Risk, Appointments and Remuneration Committee and 10 from the Related Party Transactions Committee;
- 2 half-yearly reports of the Internal Audit Department, on 14 September 2021 by Mr. De Bellis and on 15 March 2022 by Mr. Dinarelli.

Information of the frequency and number of meetings of the Board of Directors, of the Executive Committee and of the Board of Statutory Auditors.

During the year, the Board of Statutory Auditors took part in:

- 10 meetings of the Board of Directors,
- 11 Board Committee meetings;
- 2 Shareholders' Meetings.

There were 9 meetings of the Board of Statutory Auditors.

Supervision of compliance with the principles of sound management

The board of statutory auditors monitored compliance with the principles of sound management by gathering information from the heads of company departments and through meetings with the independent auditors for the purpose of a mutual exchange of relevant data and information, and in this regard it has no particular observations.

The transactions approved and executed by the Board of Directors appear to comply with the law and with the Articles of Association, are not in conflict with the resolutions approved by the Shareholders' Meeting and are consistent with the principles of sound management.

The Directors’ Report for the 2021 financial year complies with applicable laws and regulations and is consistent with the resolutions adopted by the Board of Directors, with the events in the financial statements for the year and with the significant events occurring after the reporting period. The Half-Yearly Financial Report has been published as required by law and current regulations.

Supervision of the adequacy of the organisational structure and internal control system

The Board of Statutory Auditors has acquired knowledge - by obtaining data and information from the heads of the various corporate departments, including through direct investigations, where necessary - and supervised, to the extent of its competence the adequacy of the Company's organisational structure. It also deemed that it was appropriate in terms of the Company characteristics, as well as in terms of the activities carried out.

The Company’s current Board of Directors consists of 9 (nine) members, 5 (five) of whom are independent, in office until the Meeting called to approve the financial statements for the year as at 31 December 2023. The appointment of the current Board of Directors was resolved by the Shareholders' Meeting to approve the 2020 financial statements on 26 April 2021 in accordance with Art. 16 of the Articles of Association. Specifically, the Shareholders' Meeting of 26 April 2021 appointed as members of this body, Mr. Giancarlo Cremonesi, as Chairman, Mr. Stefano Cervone, Mr. Giuseppe Colombo, Mr. Giovanni Naccarato, Ms. Maria Spilabotte, Ms. Camilla Giugni and Ms. Eleonora Linda Lecchi.

The newly appointed Board of Directors decided: (i) to identify Giancarlo Cremonesi, Chairman of the Board of Directors, as the Director in charge of the internal control and risk management system; (ii) to appoint Stefano Cervone as Managing Director of the Company; (iii) to appoint Giovanni Naccarato as Vice-Chairman of the Board; (iv) to deem the regulatory and statutory requirements met by its members, also with regard to the balance between genders; in particular, it assessed that the independence requirements set out in Art. 147-ter, paragraph 4 and Art.148, paragraph 3 of the TUF, in Art. 2, recommendation no. 7 of the Corporate Governance Code, as well as in Art. 16 of the Markets Regulation were fulfilled by the Directors Camilla Giugni, Eleonora Linda Lecchi, Giovanni Naccarato and Maria Spilabotte.

Subsequently, on 10 November 2021, the Company's Shareholders' Meeting approved increasing the number of members of the Board of Directors to nine, with the resulting appointment of two new directors, Daniela Becchini and Luca Nicodemi, setting the end of their term of office at the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2023.

The Board of Directors, thus expanded, met on 26 November 2021 and assessed the fulfilment (i) of the requirements of integrity pursuant to Art. 147-*quinquies* of the TUF and to Ministerial Decree no. 162 of 30 March 2000 and (ii) of the independence requirements set out in Articles 147-*ter*, paragraph 4, and 148, paragraph 3, of the TUF, in Art. 2, recommendation No. 7 of the Corporate Governance Code and in Art. 16 of the Markets Regulation by such new directors.

With reference to the internal control and risk management system (“SCIGR”, from its Italian initials), the Board of Statutory Auditors refers to the information provided in the Report on Corporate Governance and Ownership Structure on the SCIGR and in the Report on Corporate Risk Factors drafted by the director in charge of the SCIGR, solicitor Giancarlo Cremonesi, on 28 February 2022.

In addition, it must be noted that the administrative Body has implemented various organisational controls that are also useful in terms of strengthening the internal control system.

With regard to risk management, the Board of Statutory Auditors acknowledges that the risk management model is adequate and reliable; however, it reiterates that it must periodically monitor financial risks specifically, also on a long-term basis, periodically updating the assessment of these risks.

The Board of Statutory Auditors has periodically met with the Supervisory Body ("SB"), in order to ascertain the activities carried out by the latter during the 2021 financial year and in the reports on the activities carried out by it no reprehensible facts or specific breaches of the Model itself were highlighted.

In summary, in light of the overall activities carried out by the Board of Statutory Auditors, considering:

- the organisational structure;
- the existing set of procedures;
- the results of audits and assessment activities received by the Board of Statutory Auditors from the *Internal Audit* Department and the Independent Auditors;
- the report on risk factors drafted by the director in charge of the SCIGR pursuant to Art. 5, paragraph 1), letter a) of the SCIGR Guidelines of NEXT Re S.p.A.;
- the information obtained during the participation of the Board of Statutory Auditors in meetings of the Board of Directors and the Board committees;
- the exchange of information with the Statutory Auditor and the 231/2001 Supervisory Body,

the Board of Statutory Auditors did not identify any situations or critical elements that could show that the internal control system is not adequate.

Supervision of the adequacy of the administrative and accounting system and its reliability in representing operating events

The Board of Statutory Auditors obtained knowledge of and monitored, to the extent of its competence, the adequacy of the Company's administrative and accounting structure in correctly representing operating events, by: i) gathering information from the heads of the various departments, from the Independent Auditors and from the Manager in charge of drafting the company's financial reports; ii) participating in the work of the Independent Directors Committee and of the Board Committees; iii) reviewing the results of the activities carried out by the Internal Audit department.

The Board of Statutory Auditors also acknowledged the Certifications, dated 15 March 2022, on the statutory financial statements as at 31 December 2021, pursuant to Art. 154-bis, par. 5 of Legislative Decree No. 58/1998 and to Art. 81-ter of Consob Regulation No. 11971 of 14 May 1999, in which the Chief Executive Officer and the Manager in charge of drafting the company's financial reports certify:

- the adequacy and the effective application of the administrative and accounting procedures referred to in Art. 154-bis, paragraph 3 of the TUIF;
- that the financial statements have been drafted in accordance with the international accounting standards applicable and recognised in the European Community, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- the correspondence of the documents with the results of the books and accounting records;

- the suitability of the documents to provide a truthful and correct representation of the equity, economic and financial situation of the issuer.

The Chief Executive Officer and the Manager in charge of drafting the company's financial reports also certify that the Directors’ Report provides a reliable analysis of the issuer's performance and of the result from operations, as well as of the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Observations on the adequacy of the instructions given by the company to its subsidiaries pursuant to Art. 114, paragraph 2, of Legislative Decree No. 58/1998

The Board of Statutory Auditors has obtained knowledge of and supervised, to the extent of its competence, the instructions given by the Company to its subsidiaries, pursuant to Art. 114, paragraph 2, of the TUIF, which appear to be adequate; it has analysed the suitability of the company organisation and the procedures adopted to regularly provide the Company with the economic and financial data of its subsidiaries.

Observations on any significant aspects that emerged during the meetings held with the auditors pursuant to Art. 150, paragraph 2, of Legislative Decree No. 58/1998

The Independent Auditors, which meet periodically with this Board of Statutory Auditors, in compliance with the provisions of Art. 150, paragraph 3, of Legislative Decree No. 58/1998 (TUF) for the purpose of exchanging mutual information, did not highlight any acts or facts deemed reprehensible and/or irregularities that required the drafting of specific reports pursuant to Art. 155, paragraph 2, of Legislative Decree No. 58/1998 (TUF).

On 31 March 2022, the Independent Auditors issued the Additional Report pursuant to Art. 11 of Regulation (EU) No. 537/2014, of which the Annual Confirmation of Independence is an integral part. The Auditor did not consider issuing any letter of suggestions to the Company's management.

The auditor did not report any events or circumstances identified during the audit that could cast significant doubt on the Company's or the Group's ability to continue as a going concern, nor did it report any significant deficiencies in the internal control system in relation to the financial reporting process and/or accounting system or any significant issues relating to actual or suspected non-compliance with laws and regulations or statutory provisions identified during the audit.

The Report on the audit of the financial statements sets out the key aspects that in the Auditor's professional opinion were most significant during the audit of the financial statements, namely

- the assessment of investment property, measured at fair value in accordance with IAS 40, with write-ups and/or write-downs arising from changes in fair value recognised in the profit and loss account. Fair value assessments of investment properties were carried out by the Company's directors with the support of appraisals drafted by an independent expert. As part of the audit of the Company's financial statements as at 31 December 2021, the Independent Auditors performed the following main activities: i. analysis and understanding of the investment property assessment process adopted by the Company; ii. analysis of the procedures for selecting and using the assessments of the independent experts in charge of estimating fair value; iii. reconciliation of the assessments of independent experts with the financial statement data; iv. critical analysis and discussion with the Company's management and the independent experts of the main market assumptions they considered; v. checking the validity of the assessment models adopted by the company. The independent auditors were also assisted by their own experts in property assessment techniques and they also examined the disclosure provided in the notes to the financial statements.

Company's adherence to the Corporate Governance Code of the Corporate Governance Committee of listed companies

In relation to the provisions of Art. 149, paragraph 1, letter c-bis, of the TUF regarding the supervision by the Board of Statutory Auditors "on the procedures for the specific implementation of the corporate governance procedures laid down in codes of conduct drawn up by the management companies of regulated markets or by trade associations, which the company, by means of public disclosures, declares that it complies with", the Board of Statutory Auditors points out that:

- NEXT Re adheres to the Corporate Governance Code; the Board of Statutory Auditors monitored the specific implementation of the corporate governance procedure provided for therein and in this regard the Corporate Governance Report contains information on the ownership structure, on the adherence to the codes of conduct and on compliance with the consequent commitments, highlighting the choices that the Company has made in applying the principles of corporate governance;
- with regard to what is set forth in point 3.C.5 of the Corporate Governance Code, the Board of Statutory Auditors monitored the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of the Directors, as well as their compliance with the provisions contained in point 3.C.1 thereof. The above-mentioned requirements were deemed to have been met by the Board of Directors on 26 April 2021 with regard to the directors Camilla Giugni, Eleonora Linda Lecchi, Giovanni Naccarato and Maria Spilabotte and were also deemed to have been met by the Board of Directors on 26 November 2021 with regard to the newly appointed directors Daniela Becchini and Luca Nicodemi. It should be noted that after Director Naccarato was granted management powers on financial issues on 26 November 2021, he no longer met the independence requirements, without prejudice to compliance with the criteria for the composition and independence of the Board of Directors prescribed by Art. 16 of the Markets Regulation.
- In relation to the assessment to be carried out pursuant to Art. 15, paragraph 2, of the Corporate Governance Code, it verified whether or not the independence requirements for all the Statutory Auditors had been met, informing the Board of Directors of the outcome of the assessment, which was reported in the Corporate Governance Report.

The Board of Statutory Auditors monitored, pursuant to Art. 149, paragraph 1, letter c-bis of the TUF, the procedures for the concrete implementation of the corporate governance rules set out in the Corporate Governance Code adopted by the Board of Directors. Specifically, with regard to the activities envisaged by the Corporate Governance Code, during the year the Board of Statutory Auditors, in addition to the 9 meetings for which it is responsible, attended the meetings of the Board of Directors and the meetings of the Board committees, as well as the Shareholders' Meetings, attending a total of 23 (twenty-three) meetings, of which ten were of the Board of Directors, eleven of the Board committees and two Shareholders' Meetings.

The Board of Statutory Auditors, to the extent of its competence, in accordance with the provisions of the Corporate Governance Code, verified the content of the Corporate Governance Report drafted in accordance with the instructions contained in the Markets Regulations organised and managed by Borsa Italiana S.p.A. and in the TUF and approved by the Board of Directors on 15 March 2022; the Board of Statutory Auditors, to the extent of its competence, in accordance with the provisions of the Corporate Governance Code, also verified the content of the Remuneration Report drafted by the Directors. With regard to section I of the above-mentioned report, which was expressly approved by the Shareholders' Meeting, it was drafted in compliance with the instructions contained in the Markets Regulation organised and managed by Borsa Italiana S.p.A. and in the TUF.

During the 2021 financial year, the Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of directors.

The assessment was conducted on the basis of the Report on the results of the self-assessment of the Board of Directors and of the Committees of NEXT Re SIIQ S.p.A. drafted following the outcome of the self-assessment process on the composition and functioning of the Board of Directors and of its Independent Directors Committee relating to the 2021 financial year, in accordance with the principles of *best practice* as specifically recommended by the application criterion 1.C.1 g) of the Corporate Governance Code for Listed Companies implemented by the Company with the Framework Resolution of 15 April 2016.

With regard to the assessment of the independence of its members, the Board of Statutory Auditors verified that the relevant requirements provided for by both the TUF and the Corporate Governance Code had been met.

Pursuant to the Corporate Governance Code, the Board of Statutory Auditors was also consulted during the 2021 financial year, also through the Independent Directors and Board Committees, on the following activities:

- appointment of the Head of Internal Audit and establishment of remuneration;
- assessment of the results set out by the Statutory Auditor in its letter of suggestions and report on key issues in the financial statements.

It should be noted that the activities to come into compliance with the new *Corporate Governance Code* approved on 30 January 2020 were initiated in 2021.

Supervisory activities on the statutory audit of the annual and consolidated accounts and observations on any relevant aspects made during the meetings held with the auditors pursuant to Art. 150, paragraph 2, of Legislative Decree No. 58/1998

In accordance with the provisions of Art. 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors, in its capacity as “Internal control and audit committee”, carried out the prescribed supervisory activities on the operations of the Independent Auditors EY S.p.A. (the “Independent Auditors” or “EY”), maintaining with its representatives periodic meetings and exchanges of data and information on the activities carried out, also pursuant to Art. 150 of the TUIF. During these meetings, no facts deemed reprehensible or irregularities were brought to the attention of the Board of Statutory Auditors.

The Board of Statutory Auditors analysed the work performed by the independent auditors and, specifically, the methodological framework, the audit approach and how audits were planned.

The Board also received information regarding the fees invoiced for the statutory audit of the financial statements as at 31 December 2021. The notes to the financial statements contain the information on fees required by Art. 149 *duodecies* of the Issuers' Regulation.

EY issued, on 31 March 2022, its audit report on the financial statements and sent without any comments the "Additional Report" pursuant to Art. 11 of EU Regulation 537/2014 in which it expressed its opinion, confirming that the financial statements give a true and fair view of the Company's financial position as at 31 December 2021, and of its results of operations and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union, as well as with the measures issued in implementation of Art. 9 of Legislative Decree No. 38/2005.

EY also expressed its opinion in accordance with Art. 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and with Art. 123-bis, paragraph 4, of Legislative Decree No. 58/98 on the consistency of the directors' report and of certain specific information contained in the report on corporate governance and ownership structures pursuant to Art. 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of NEXT Re SIIQ S.p.A. as at 31 December 2021 and on the conformity of the latter with the law, declaring that they are consistent with the financial statements of NEXT Re SIIQ S.p.A. as at 31 December 2021 and are drafted in accordance with the law.

Lastly, on 31 March 2022, the Board of Statutory Auditors received from the independent auditors the annual confirmation of independence pursuant to Art. 6, paragraph 2, letter a), of EU Regulation 537/2014 and it analysed the risks relating to the independence of the independent auditors and the measures taken by the independent auditors to limit their occurrence, also taking into account non-audit service tasks as described above. During the year, no critical issues arose with regard to the independence of the Independent Auditors.

On 31 March 2022, the Independent Auditors issued their Additional Report pursuant to Art. 11 of Regulation (EU) No. 537/2014, of which the annual confirmation of Independence is an integral part.

The Auditor did not consider issuing any letter of suggestions to the Company's *management*.

The auditor did not report any events or circumstances identified during the audit that could cast significant doubt on the Company's or the Group's ability to continue as a going concern, nor did it report any significant deficiencies in the internal control system in relation to the financial reporting process and/or accounting system or any significant issues relating to actual or suspected non-compliance with laws and regulations or statutory provisions identified during the audit.

The Report on the audit of the financial statements sets out the key aspects that in the Auditor's professional opinion were most significant during the audit of the separate financial statements: (i) *fair value* (IAS 40) assessment of real estate *assets*.

Observations on any significant aspects that emerged during the meetings held with the auditors pursuant to Art. 150, paragraph 2, of Legislative Decree No. 58/1998.

The Auditor does not express a separate opinion on the above-mentioned key aspects, for which the Auditor's Reports explain in detail the relevant audit procedures, as they were addressed during the audit and in forming an opinion on the financial statements as a whole. The above-mentioned key aspects were analysed in detail and updated during the periodic meetings that the Board of Statutory Auditors held with the Independent Auditors.

The Board of Statutory Auditors recommends that the administrative body carry out periodic monitoring, even on a half-yearly basis, of these areas of the financial statements.

Self-assessment process of the control body

Finally, in accordance with the new Q.1.1 standard. “Self-Assessment of the Board of Statutory Auditors” included in May 2019 under the Rules of Conduct of the Board of Statutory Auditors of Listed Companies issued in April 2018 by the Italian National Council of Chartered Accountants and Accounting Experts, the Board of Statutory Auditors carried out on 26 April 2021, during its appointment, the self-assessment review of its adequacy in terms of powers, operation and composition.

The self-assessment report does not highlight any specific critical issues or areas requiring improvement in terms of operations and conduct.

The results of the self-assessment are forwarded to the Board of Directors, which publishes them in the Corporate Governance Report.

Conclusions on the assessment of supervisory activities carried out, as well as any omissions, reprehensible facts or irregularities found during the latter and information on any proposals to be submitted to the shareholders' meeting pursuant to Art. 153, paragraph 2, of Legislative Decree No. 58/98.

In compliance with Consob provisions, the Board of Statutory Auditors specifies that the activities carried out did not reveal any omissions, reprehensible facts or irregularities or elements of inadequacy of the organisational structure, of the internal audit system or of the administrative and accounting system that are relevant for the purposes of this report.

On the basis of the supervisory activities carried out during the year, the Board of Statutory Auditors, taking into account the content of the report drafted by the Independent Auditors, having acknowledged the certifications issued jointly by the Chief Executive Officer and by the Manager in charge of drafting the company's financial reports, finds no reasons, within its competence, to prevent the approval of the financial statements of NEXT RE SIIQ S.p.A. as at 31 December 2021.

The Board of Statutory Auditors

Luigi Mandolesi (Chairman)

Domenico Livio Trombone (Standing Statutory Auditor)

Sara Mattiussi (Standing Statutory Auditor)

Independent expert report

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To Whom It May Concern

Next Re SIIQ S.p.A.

Via Zara, 28

00189 – Roma

To the attention of Ing. Claudio Carserà

Roma, 31 January 2022

Dear Sirs, in accordance with the assignment you conferred, RINA Prime Value Services SpA, Business Unit AxiA.RE (hereinafter "BU AxiA.RE"), performed the consultancy services relating to the assets in question in order to determine the Market Value as of 31 December 2021.

The valuation carried out by B.U AxiA.RE, according to the operational specifications defined by RICS (Royal Institution of Chartered Surveyors) including the IVS (International Valuation Standards), will be used for a balance sheet check.

Best regards,

Piercarlo Rolando
Amministratore Delegato
RINA Prime Value Services S.p.A.

AxiA.RE è una Business Unit di RINA Prime Value Services S.p.A.
Sede legale: Via Lentasio, 7 - 20122 Milano

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APPRAISAL REPORT

Market Value Determination as of 31 December 2021

regarding the Real Estate Assets belonging to the Next Re SIIQ S.p.A.

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Perimeter of Valuation

The Real Estate Portfolio object of the present Valuation is formed by seven properties located in:

1. Via Spadari 2, Milano (Portion A and B)
2. Corso San Gottardo 29/31, Milano
3. Via Cuneo 2, Milano
4. Via Zara 22/32, Roma
5. Via Vinicio Cortese 147, Roma
6. Viale Saverio Dioguardi 1, Bari
7. Via Unità d'Italia 346, Verona

Main Intended Use

The main intended use of the Portfolio in object is service/tertiary and retail.

Valuation Method Employed

Discounted Cash Flow (DCF)

Date of Drafting of the Present Document

The present report was drafted on **31 January 2022**.

Date of Valuation

The present Valuation is referred to the date of **31 December 2021**.

Market Value (MV)

Based on the analyses carried out for the present Appraisal, and on the assumptions indicated in the present Appraisal Report, the overall Market Value of the Assets forming the Real Estate Portfolio in object is estimated as follows:

€ 140.250.000,00

(€ Onehundredfourtymilliontwohundredfiftythousand,00)

APPRAISAL REPORT

APPRAISAL REPORT

Recipients and Scope of the Valuation

In accordance with the Independent Expert Assignment entrusted by the Client RINA Prime Value Services S.p.A., Business Unit AxiA.RE (hereinafter, the "B.U. AxiA.RE") has conducted the Valuation of the Real Estate Assets in which the Real Estate Investment Portfolio managed by Next Re SIIQ S.p.A. is invested (hereinafter, the "Client"), for the purposes of determining the Market Value (MV) as of the date of 31 December 2021.

The Valuation was conducted on the basis of the following hypotheses:

- Purchase and Sale of each Asset *en-bloc* (asset by asset), in the lease/tenancy situation indicated by the Client.

Compliance with Valuation Standards

The Valuations were drafted in compliance with RICS Professional Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) and including the International Valuation Standard Council (IVSC) standards.

Definitions

The following definitions apply within the scope of the present Appraisal Report:

- Valuation: an opinion of the value of an asset or liability on a stated basis, at a specified date. Unless limitations are agreed in the terms of engagement, this will be provided after an inspection, and any further investigations and enquiries that are deemed appropriate having regard to the nature of the asset and the purpose of the valuation (RICS *Valuation Global Standards*, issued June 2017).

- Real Estate Asset: immovable asset (land, buildings, fixed facilities and external constructions) object of the valuation, with expressed exclusion of any other and different Asset, including movable and intangible Assets.
- Market Value: the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion (RICS *Valuation Global Standards*, issued June 2017).
- Gross Area (expressed in sq. m): measured on the external edge of perimeter walls, at the centre line of the walls bordering with third-party property.
- Net Saleable Area (expressed in sq. m): indicates the gross area, net of utility venues, utilities/aeration/lighting and stairways/lifts.

Data and Material Employed

The property valuation was drafted on the basis of the following information:

1. **Data and documentation pertaining to the Real Estate Assets received from the Client:**
   The valuations performed by RINA Prime Value Services S.p.A., B.U. AxiA.RE, were produced on the basis of the technical documentation made available by the Client, wherefrom we extracted the following data, without any further verification.

   A brief description of the main documentation received from the Client is provided below:
   - (Cadastral/building) plans and tables;
   - Architectural measurements;
   - Cadastral data;
   - Rent roll containing details pertaining to any Lease renewals and/or withdrawals;
   - Lease Contracts/Agreements;
   - Property Tax (IMU – TASI) calculation;
   - Global Insurance expenses pertaining to the Assets;
   - CAPEX forecast;
   - Worksite Interim Reports (both physical and financial).

2. **Site inspections performed on the Real Estate Assets,** conducted by RINA Prime Value Services S.p.A., B.U. AxiA.RE, technical personnel for the acquisition of information necessary for the valuation of the Real Estate Portfolio in object, with specific attention as far as:
   - extrinsic characteristics, location and commercial attractiveness;
   - intrinsic characteristics and building class;
   - state of maintenance or repair.

The following table provides a brief indication of the mode of execution of the site inspections, as agreed-upon with the Client:

ID	Province	Municipality	Address	Date	Type of analysis as of 31.12.2021
01	MI	Milano	Via Spadari 2	June 2021	DESK
02	MI	Milano	Corso San Gottardo 29/31	June 2021	DESK
03	MI	Milano	Via Cuneo 2	Dec. 2021	FULL
04	RM	Roma	Via Zara 22/32	Dec. 2021	FULL
05	RM	Roma	Via Cortese 147	Dec. 2021	FULL
06	BA	Bari	Viale Saverio Dioguardi 1	Dec. 2021	FULL
07	BA	Verona	Via Unità d'Italia 346	June 2021	DESK

3. **Real Estate Market analysis** pertaining to the area where the property is located (urban-development context and main intended uses, asking and sales prices based on building type, rentals, yield rates on leased properties, take-up, quality of the local tenants/investors).

4. **Technical-financial computations, applying the estimate approach deemed most suitable** for the elaboration of the most probable market value of the Assets composing the Real Estate Fund/Trust in object.

Assumptions and Limitations

The valuations conducted by RINA Prime Value Services S.p.A., B.U. AxiA.RE, were drafted on the basis of the assumptions and limiting conditions listed below:

- The Assets have been valued on the basis of the factual, legal and tenancy situation, as defined by the Client as of the date of the present Appraisal;
- The valuation assumed that the Assets comply fully with current Regulations (Building Code, Safety and Fire Prevention codes), with the exception of any instances otherwise expressly indicated by the Client;
- It was assumed that the Highest and Best Use corresponds to the current use of the Assets, with no additional highest & best use analyses being carried out on behalf of the appraiser;
- The Urban Planning analyses, whenever included, are reported in full in the descriptive documents attached to the Valuation sheets;
- The indications deriving from the market analyses conducted are, in our opinion, representative of the market state at the date of the present Appraisal. It is nonetheless impossible to exclude the existence of segments of supply and/or demand characteristic of a part of the activities examined and enough to modify, even to a lesser extent, the reference data within the real estate market analysed;
- The areas assigned with unit values (€/sq. m) or unit rentals (€/sq. m/year) were derived from data made available by the Client. In order to determine the value of the total Real Estate Assets, with regard to the specific functional activities being exercised on the premises, the principle of prudence induced RINA Prime Value Services S.p.A., B.U. AxiA.RE, to applying, wherever necessary, a "weighted saleable" area which considers all the available areas (based on environment and intended use), reduced by the appropriate appreciation or depreciation rates in use on the real estate market of reference;
- The degree of maintenance/repair and conservation of the assets in object of the present analysis was determined combining the data made available by the Client and the experience of the technicians appointed with carrying out the site inspection;

- No verifications were performed regarding the correspondence between the designs/plans provided and the effective conditions of the premises;
- No verifications were performed in relation to either the titles or deeds of ownership or the property's compliance with current administrative, safety, hygiene and environmental Regulations; the existence of the necessary administrative authorizations was taken for granted;
- No structural assessments were carried out;
- No legal, fiscal or financial aspect was considered, with the exception of what is expressly specified in the Appraisal Report and related attachments;
- No soil surveys were performed, nor analyses pertaining to the rights of ownership and exploitation of the gases and minerals present in the subsoil;
- RINA Prime Value Services S.p.A., B.U. AxiA.RE, did not research and analyse any environmental liabilities;
- The valuation model does not include VAT (IVA) and taxation.

Assumptions and Limitations related to COVID-19

- The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy - with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.
- The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.
- For the avoidance of doubt this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

Special Assumptions

No special assumptions have been made in determining the Market Value of the real assets as to what concerns the Covid-19 pandemic.

Composition of the Real Estate Portfolio

The Real Estate Portfolio object of the present Valuation is formed by seven Assets, with mainly service/tertiary and retail intended use, located in Roma, Milano, Bari and Verona.

ID	Province	Municipality	Address	Main intended use	Gross Area (sq. m)
1	MI	Milano	Via Spadari 2	Retail	3.895
2	MI	Milano	Corso S.Gottardo 29/31	Retail	4.928
3	MI	Milano	Via Cuneo 2	Retail	6.395
4	RM	Roma	Via Zara 22/31	Office	5.058
5	RM	Roma	Via Cortese 147	Office	4.580
6	BA	Bari	Via Dioguardi 1	Office	19.118
7	VE	Verona	Via Unità d'Italia 346	Hotel	11.552

Criteria of valuation

RINA Prime Value Services S.p.A., B.U. AxiA.RE, adopts generally accepted methods and principles, referring specifically to the criteria of valuation defined in attachment "Estimate Methods and Financial Variables", as well as the detailed valuation remarks listed in the Individual Assets Descriptive Data Sheets.

Below, a brief indication of the valuation criteria used for each individual property forming the Real Estate Portfolio in object:

ID	Province	Municipality	Address	Main intended use	Valuation criteria
1	MI	Milano	Via Spadari 2	Retail	DCF
2	MI	Milano	Corso S.Gottardo 29/31	Retail	DCF
3	MI	Milano	Via Cuneo 2	Retail	DCF
4	RM	Roma	Via Zara 22	Office	DCF
5	RM	Roma	Via Cortese	Office	DCF
6	BA	Bari	Via Dioguardi	Office	DCF
7	VE	Verona	Via Unità d'Italia 346	Hotel	DCF

Market Value

Based on the analyses conducted and the assumptions and limiting conditions referenced in the present Appraisal Report, the Market Value of the Full Property of the immovable Assets forming the Real Estate Portfolio is estimated, as of the date of **31 December 2021**, as follows:

ID	Province	Municipality	Address	Main intended use	Saleable Area (sq. m)	Market Value (Euro)
1	MI	Milano	Via Spadari 2	Retail	2.823	57.900.000
2	MI	Milano	Corso S.Gottardo 29/31	Retail	2.620	15.600.000
3	MI	Milano	Via Cuneo 2	Retail	3.327	25.550.000
4	RM	Roma	Via Zara 22/32	Office	3.069	14.900.000
5	RM	Roma	Via Cortese 147	Office	2.496	5.150.000
6	BA	Bari	Via Dioguardi 1	Office	10.485	15.050.000
7	VE	Verona	Via Unità d'italia 346	Hotel	4.715	6.100.000
	TOTAL					140.250.000

The indicated Market Value is derived from the sum of the values of individual properties forming the Real Estate Fund in object. No discount / premium derived from the en-bloc commercialization of the assessed properties was considered as part of the assessment, unless expressly specified in the Individual Assets Descriptive Data Sheets.

For more details, please refer to the Individual Assets Descriptive Data Sheets, which form an integral part of the present Appraisal Report.

Project Team

The present Appraisal Report was processed and drafted by:

- Arch. Piercarlo Rolando, MRICS Registered Valuer
  AxiA.RE S.p.A.Chief Executive Officer and natural person appointed with the practical execution of the assignment to RINA Prime Value Services S.p.A.

- Arch. Daniela di Perna
  Director B.U. AxiA.RE - RINA Prime Value Services S.p.A.

- Dott. Raffaele Sannino
  Manager B.U. AxiA.RE - RINA Prime Value Services S.p.A.

- Dott. Daniele Storri
  Analyst B.U. AxiA.RE - RINA Prime Value Services S.p.A.

- Gabetti S.p.A. Studies Centre
  Market Research and Analysis

Data confidentiality

The present Report was drafted and is to be intended as strictly confidential, reserved and drafted for the exclusive benefit of the Client, within the scope of the Assignment. As such, the author declines any responsibility deriving therefrom in regard to any third-parties.

The sharing of the information contained in the present report with third parties is permitted only if provided with a written authorization on behalf of RINA Prime Value Services S.p.A., with the exception of any legal and statutory uses.

Piercarlo Rolando
Amministratore Delegato

Iscritto all'Ordine degli Architetti
della Provincia di Cuneo
al Numero 437

ATTACHMENTS

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RINA Prime Value Services S.p.A. - Business Unit AxiA.RE
Sede legale: Via Lentasio, 7 - 20122 Milano
REA MI-2102185 Registro delle imprese di Milano Monza Brianza Lodi
P.I./CF – 09587170961- Cap. Soc. € 250.000,00 i.v.
info@axiare.it - www.axiare.it - +39 02 36 68 28 96