Annual Financial Report

2020

NOVA RE
SIIQ SPA

Annual Financial Report

2020

ANNUAL FINANCIAL REPORT
NOVA RE SIIQ S.P.A.

2020

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Giancarlo Cremonesi
Chairman

LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dear Shareholders and Stakeholders,

2020 was globally, both for the economy and society, a year of "interrupted paths". The perception, at least in the initial stages of the pandemic, was that of an instantaneous paralysis of the system, which we all hoped would be temporary and in respect of which we attempted to predict the time-frames and intensity of the recovery. It soon became clear that the extent of the slowdown and its costs would be measured more accurately by exceeding the forecasts on the side of caution.

Interrupted paths - of schooling, leisure, brick-and-mortar commerce, tourism, manufacturing, logistics supply chains, and much more - have highlighted parallel paths on which pre-existing dynamics of the Coronavirus have undergone a significant acceleration, making the consecutive lock-downs a decisive moment in the already on-going historical process of transformation of the behaviours in the use of physical space. The need for social distancing and isolation in many cases, for alternatives to travel and personal contact have structurally raised the speedometer of remote work, home sales and virtual communications.

Faced with these dynamics, the world of real estate has generated interpretative models and visions on the degree of reversibility of the latter and the scope of innovation that will constitute the determinants of the market as the health emergency fades. At the same time, however, the uncertainty, also linked to the fall in economic fundamentals, the consequent caution and, last but not least, the limiting operating conditions, linked to the measures to contain contagion, led to a general contraction in Italian institutional real estate investment, as well as downward pressure on the values of assets used by the sectors hit by the crisis.

Against this backdrop, for Nova Re, 2020 was a watershed financial year. The balance sheet figures reflect, in terms of income - with a loss of € 9.32 million - we would say almost precisely, the specific effects of the economic situation. The exposure of the investment portfolio for over 70% to retail (3 OVS points in Milan) and hotel sectors has steered property management towards policies of accompanying tenants, who, for certain periods, have been precluded from making economic use of the spaces, adopting a logic of safeguarding long-term relationships with viable operators. The above choice of an "expert opinion consensus" was dictated by considerations of maximum potential protection for the system of value creation to which we belong, in conjunction with a decrease in Gross Domestic Product of over 9%.

The real turning point for Nova Re came with the completion, last October, of the capital increase, following which it became the controlling shareholder of CPI Property Group (CPIPG), a company listed on the Frankfurt Stock Exchange company listed on the Frankfurt Stock Exchange, with a property portfolio of over 10 billion euros in Berlin, Prague, Warsaw and the rest of Europe. The goals of the transaction, stated in the subsequent mandatory take-over bid document by the investor, envisage an ambitious growth trajectory for your company, with the aim of making Nova Re a company, under the SIIQ regime, of a size consistent with its major peers in Europe.

CPI PG's entry into the shareholder base was the extraordinary result of the path to implement the Sailing Fast Business Plan, which was launched at the end of 2019, and whose launch and pivotal timing problematically intersected with the Covid flare-up and subsequent transaction stall. Despite intense difficulties, your Company has shown determination and strength to be able to complete the key stages of the strategic programme. Far from marking the umpteenth interrupted path, management efforts have resulted in attracting significant capital resources from an international investor and in the adherence by the latter to a value proposition recognised under Nova Re's industrial vision, the maintenance of the listing on the Milan Stock Exchange and the recovery of our real estate market.

Nova Re's future prospects are, from now on, supported by the presence of a powerful partner in terms of assets and financial position, with the intention and ability to promote an ambitious expansion project in Italy - and in other countries - in the pursuit of highly competitive levels of reliability and profitability. The assigned roadmap sees the development over a three-year period of a target to enlarge capital bases to over €/bn 1.5.

In addition to highlighting the exceptional nature of the success of the capital increase, in a context of obvious difficulties, we would like to underline that other significant strategic guidelines of the Business Plan did not become deadlocked. In 2020, your Company continued to increase the value of its portfolio, completing the renovation of the building and systems of the property in Rome, in Via Zara, leased, in part, to third parties (Canadian Consulate, Tuodì supermarket) and intended, with regard to part of the office space, for instrumental use, by transferring the registered office thereto.

As a result of the above activities, the real estate portfolio has now reached an occupancy rate of 100%, with long-term stabilisation of the rental agreements. The instrumental use of part of the property in Rome via Zara constituted, among other things, an important part of the plan to improve efficiency and reduce corporate costs, which was carried out at the levels and within the time-frame envisaged in the Business Plan. In the context of the above managerial action to optimise costs, the total elimination of service relationships with related parties must be noted.

The closing of your company's 2020 financial statements shows that all the main performance indicators obtained from the application of the EPRA Best Practices Recommendations, compared with the results of the previous year, in spite of the contingent situation, have improved considerably.

Of further importance, immediately following the closure of the financial year, was the settlement of the debt position with Unicredit Banca. The transaction represented a significant reconfiguration of financing sources: the repayment of the loan and the termination of the relevant IRS derivative contract were achieved by obtaining a shareholder loan of approximately € 55 million from the controlling shareholder CPI PG. The terms of the above mentioned financing resulted in an extension of the duration of the company's liabilities, a release of mortgage guarantees, as well as a considerable containment of the cost of money combined with an easing of the associated financial service.

Actions taken on the portfolio, on the profit and loss account and on finance, in line with the Plan's goals, established a situation of substantial equilibrium, both in terms of attitude and dynamics, of management variables, laying the foundations for a healthy and prudent path of dimensional gradient. In terms of organisational adaptation and development, mention must also be made of the completion, in 2020, of the project to revise and re-engineer internal processes and procedures, accompanied by the consistent implementation of a new IT support system; actions that have increased the overall security and functionality of information flows and operational and control mechanisms.

With a view to progressive strengthening, also leveraging the synergistic potential of the integration into the CPI PG group, we would like to point out, in conclusion, the launch in 2021 of an initiative to adopt an ESG model by your Company; a model that will conform to the advanced standards already present at the controlling shareholder.

With best regards,
The Chairman and Chief Executive Officer

Stefano Cervone
Chief Executive Officer

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COMPANY PROFILE

COMPANY INFORMATION AND STRUCTURE

Nova Re SIIQ S.p.A. (hereinafter also referred to as "Nova Re" or the "Company") with registered office in Rome, Via Zara 28, Tax Code and VAT No. 00388570426, Rome Companies' Register No. 1479336, is a real estate investment company listed on the MTA (from its Italian initials or "Mercato Telematico Azionario") of Borsa Italiana.

The Company currently manages a portfolio consisting of office, hotel and retail 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.

GROUP STRUCTURE

Nova Re Group includes 100% controlled subsidiary Cortese Immobiliare S.r.l.

The Nova Re group (hereinafter also referred to as the "Group") includes the wholly-owned subsidiary Cortese Immobiliare S.r.l. (hereinafter also referred to as "Cortese Immobiliare" or the "Subsidiary").

The Subsidiary operates in the commercial leasing sector and is classified as management real estate. The activities carried out concern the rental of a single building which is owned by it; these activities are exercised by virtue of the lease agreement with the General Command of the Guardia di Finanza, entered into on 24 July 2006, with effect from 1 October 2006, duly registered on 28 November 2006 at the Ufficio delle Entrate (Italian Tax Office) of ROME 5 under no. 960 series 3T.

In particular, the purpose of the lease is a property located in Rome, Via Vinicio Cortese n. 147, consisting of real estate units registered as cat. A/10 and C/2 to be used as archives to meet the needs of the General Command and the Departments of the Guardia di Finanza (the Italian financial police). The annual price agreed for the lease is € 640k, excluding VAT, with a forecast of ISTAT updating. However, as a result of Italian Legislative Decree no. 66/2014 "revision of public expenditure", the amount of the lease was reduced by 15% starting from the fee relating to the 2nd half of 2014, going from € 640k (excluding VAT) to € 544k, in addition to the blocking of the ISTAT update to the year 2011.

COMPANY OFFICES/POSITIONS

Corporate bodies

NOVA RE SIIQ SPA

BOARD OF DIRECTORS (*) (**)

Chairman
Giancarlo Cremonesi

Managing Director
Stefano Cervone

Independent Directors
Andrea Maria Azzaro
Gian Marco Committeri
Serena La Torre

Directors
Elisabetta Maggini
Luisa Scovazzo

THE BOARD OF STATUTORY AUDITORS

Chairman
Luigi Mandolesi

Statutory Auditors
Anna Rita De Mauro
Giovanni Naccarato

Alternate Auditors
Sergio Mariotti
Barbara Premoli

THE MANAGER IN CHARGE PURSUANT TO ART. 154-BIS PAR. 2 TUF (CONSOLIDATED FINANCE ACT)

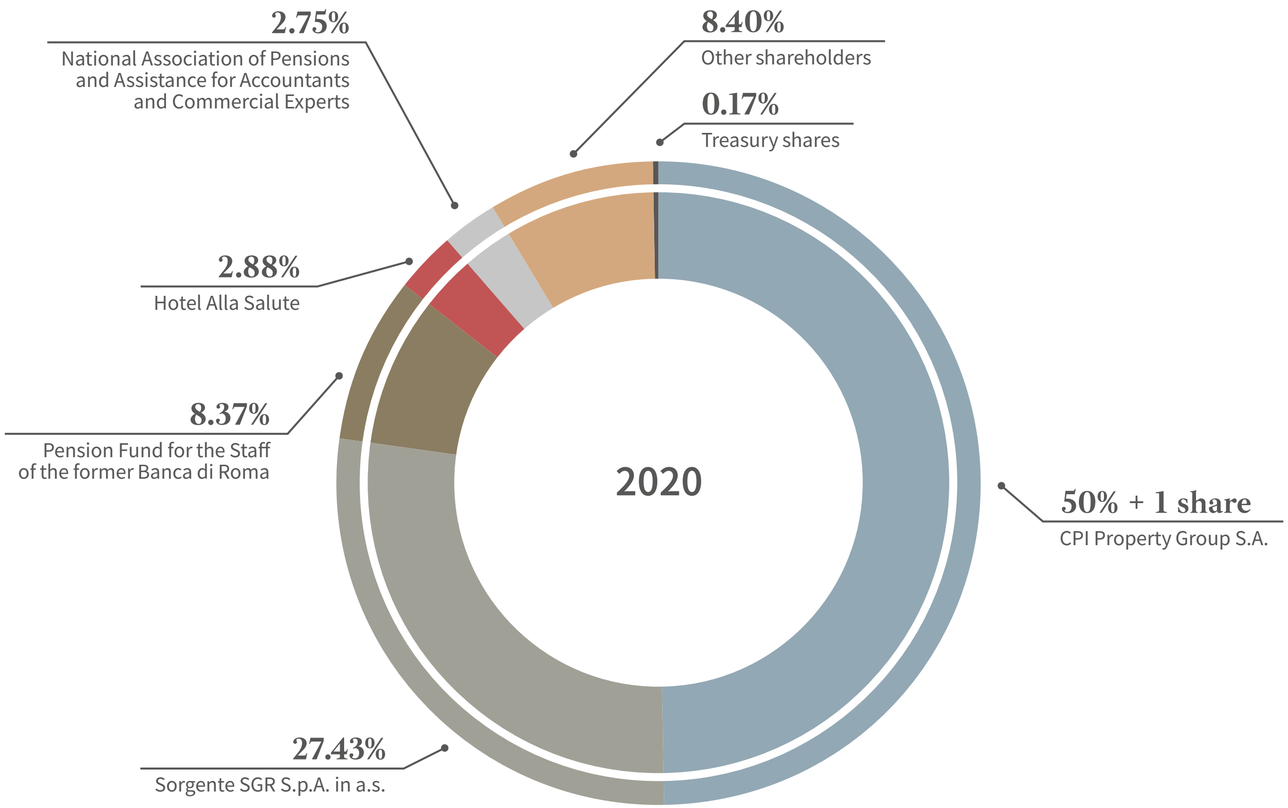
Manager in charge
Giovanni Cerrone

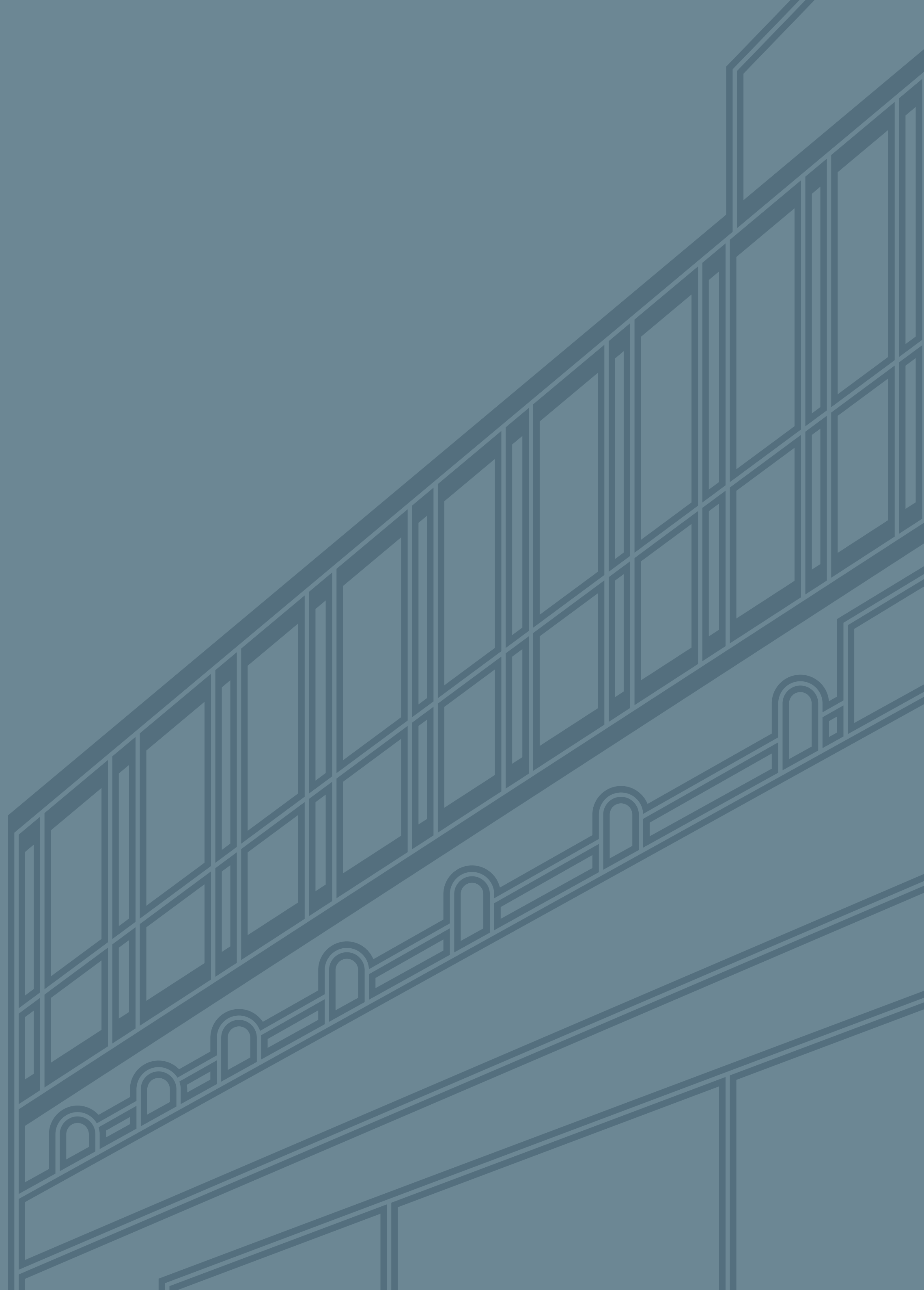
INDEPENDENT AUDITORS

Ria Grant Thornton S.p.A.

(*) appointed by the Shareholders' Meeting of 15 July 2020 and expiring on the date of approval of the Financial Statements for the year ended on 31/12/2020, which is scheduled for 26 April 2021;
(**) the composition of the Board of Directors until 15 July 2020 was as follows: (i) Giancarlo Cremonesi - Chairman; (ii) Stefano Cervone - Managing Director; (iii) Gaetano Caputi - Independent Director; (iv) Claudio Carserà - Director; (v) Gian Marco Committeri - Independent Director; (vi) Serena La Torre - Independent Director; (vii) Elisabetta Maggini - Director; (viii) Giuseppe Pecoraro - Independent Director; (ix) Luisa Scovazzo - Director.

SHAREHOLDING STRUCTURE AS AT 31 DECEMBER 2020





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OCCUPANCY

100%

AS AT 31 DECEMBER 2020

INVESTMENT PROPERTY

€ 120.45

MILLIONS AS AT 31 DECEMBER 2020

DIRECTORS' REPORT

CONSOLIDATED FINANCIAL HIGHLIGHTS

The following are the key indicators as at 31 December 2020 compared to 31 December 2019

PERFORMANCE (EURO/MILLION)	31/12/2020	31/12/2019
Rental income	5.98	5.44
Net Operating income	3.95	4.17
Fund from operation (FFO)	(0.70)	(1.58)
EBITDA	0.30	0.15
EBIT	(6.02)	2.23
Consolidated profit/(loss)	(9.32)	0.37

ASSETS		31/12/2020	31/12/2019
Total assets	*Euro/million*	155.27	136.83
Investment property	*Euro/million*	120.45	126.2*
Gross surface area	*m^2*	41,829	41,829
Occupancy	*%*	100%	99%
WALT	*years*	6.2	6.7
Portfolio assets	*No.*	7	7*

*includes the asset for hotel use located in Verona, which at 31 December 2019, due to the then existing option right held by the seller, was classified under Financial assets at fair value

INDEBTEDNESS		31/12/2020	31/12/2019
Shareholders' equity	*Euro/million*	85.37	68.34
EPRA NAV	*Euro/million*	85.25	69.8
Net financial position	*Euro/million*	41.79	63.68
Net loan to value (NET LTV)	%	33%	49%
Loan to value (LTV)	%	50%	49%

The consolidated profit/(loss) for the 2020 FY was negative and equal to € 9,320k, which significantly reflects the impact of the COVID-19 pandemic on the Group, as shown specifically below.

Rental revenues underwent a net increase of € 542k compared to the previous year mainly in relation to:

1. the existence for the entire 2020 financial year of the contractual rent relating to the property in Bari, Viale Saverio Dioguardi for € 963k while during the 2019 financial year the rent pertaining to the first half of the year was reduced;

2. the reduction in the rent (limited to the first rental period) compared to the first half of 2019 for the property in Milan, Corso San Gottardo following the agreement reached with the counterparty OVS S.p.A. (hereinafter also referred to as "OVS") as part of the redevelopment plan launched by the latter to allow the tenant to make the investments deemed necessary for the complete relaunch of the retail outlet;

3. the classification of lease instalments relating to the Verona hotel asset under the item Rental income as from March 2020, following the cancellation of the seller's option right in place until February 2020, which had led to the classification of the asset under the item Financial assets at fair value and the relevant costs and expenses under the item Net financial income/(expenses).

Net Operating Income, the margin on rental income and real estate operating expenses, was equal to € 4 million and decreased when compared to € 4.2 million as at 31 December 2019 due to:

1. the combined effect of temporary reductions granted to some tenants of approximately € 0.6 million in 2020;

2. the impairment of trade receivables of € 0.2 million;

3. the aforementioned net increase in rental income compared to the previous year of approximately € 0.6 million.

The EBITDA, which represents the margin before the result of financial operations, adjustments and adjustments to assets and taxes, contributes, in addition to the above, to Operating expenses which amounted to approximately € 3.4 million and decreased in total by approximately € 0.4 million compared with 2019, as a result of certain cost efficiency initiatives that were partly offset by the recognition of costs related to capital increase transactions not completed.

The value of the real estate portfolio is significantly reduced compared to 31 December 2019 due to the effects of the Covid-19 pandemic on the real estate market especially for the Retail and Hospitality asset classes

The EBIT, which represents the operating results, before financial management results and taxes, was affected by fair value adjustments of assets, as explained below:

- fair value adjustments to financial assets were negative for € 1.9 million; this item refers to the value adjustment for financial assets consisting of a bond loan underwritten by Nova Re, issued by the Luxembourg-registered Historic & Trophy Building Fund - HTBF € Sub-Fund. The value adjustment reflects the stressful situation faced by the bond issuing fund and the impact of the COVID-19 pandemic on the industry;

- the fair value adjustment for investment property is negative for 2020 and amounts to approximately € -4.3 million. The value of the real estate portfolio is significantly reduced compared to 31 December 2019 due to the effects of the Covid-19 pandemic on the real estate market especially for the Retail and Hospitality asset classes.

The Profit / (Loss) for the year amounted to € -9.3 million; net financial expenses of € 3.9 million also contributed to this - with a deterioration of € 1.8 million compared to 31 December 2019 - following the incorporation of non-recurring accounting impact related to the early repayment of the mortgage loan agreement with UniCredit S.p.A. on 29 January 2021.

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

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.


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RELEVANT EVENTS DURING THE YEAR

The main relevant events of the 2020 financial year are shown below.

6 FEBRUARY | 2020

The Company made available to the public at its registered office, on the Company's website and on the authorised storage mechanism 1Info the Addendum to the Information Document relating to the transaction of greater significance with related parties drawn up pursuant to Article 5 of Consob Regulation 17221/10 and Article 7 of the Procedure on transactions with related parties of Nova Re SIIQ S.p.A., together with the opinion of the Committee of Independent Directors. The above Addendum constitutes a disclosure update to the Information Document dated 26 October 2007 issued in relation to the transaction of greater significance approved on 19 October 2018 by the Board of Directors and concerning the subscription of a tranche of a nominal amount of € 6 million of the debenture loan issued by the Luxembourg-law management company Main Source S.A. in the name and on behalf of the € Sub-Fund of the Luxembourg-law Fund “Historic & Trophy Building Fund” (hereinafter also the “HTBF-€ Fund”) managed by the Main Source S.A. itself, and guaranteed with a first demand surety by the Issuer's sole shareholder, the Fondo Donatello - Tulipano Sub-Fund, managed on a discretionary and independent basis by the parent company Sorgente S.G.R. S.p.A. in a.s.. The Addendum relates to Nova Re's exercise of the option to repurchase the debenture loan (the so-called put option), in respect of the issuer's obligation to repurchase it no later than the 30th day following the receipt of the request.

7 FEBRUARY | 2020

The Company, as part of the plan to increase the value of its real estate portfolio, signed a new lease agreement with OVS relating to the Corso San Gottardo store in Milan, with effect from 1 July 2019, with first expiry at the end of 2026 and automatic renewal until 2032. The transaction is part of the redevelopment plan launched by OVS of its stores and has provided for a reduced rent compared to the previous lease, limited to the first rental period, to allow the tenant to make the necessary investments, as necessary to completely relaunch the store. With the signing of the aforementioned lease agreement, the Company is continuing with the programme to increase the value of its real estate portfolio launched at the end of 2017 which - also following the signing of the new lease agreement with the Canadian Embassy relating to the property in Rome, via Zara, which took place in January 2020 under conditions in line with those of the previous lease agreement which expired at the end of 2019 - now sees all the available real estate units leased (with the exception of a unit of approximately 300 sqm in the property in Rome, via Zara) with a prevalence of new and long-term leases.

28 FEBRUARY | 2020

The Company, following its announcement to the market on 10 May 2019, announced that its shareholder Hotel alla Salute S.r.l. had exercised its right to repurchase the hotel property in Verona acquired by the Company on 10 May 2019. Please note that the repurchase price of the property in Verona, to be paid in cash, is equal to the value of the property (€ 7.5 million) plus the costs incurred by Nova Re for the transaction. Completion of the repurchase of the Verona property is subject to full payment of the repurchase price, which must be paid to Nova Re in cash on the date of the notarial deed of sale, to be signed no later than 27 April 2020.

5 MAY | 2020

Following the announcement made on 28 February 2020, the Company announced that, taking into account the current health emergency, a renegotiation of the final deadline by which to complete the transaction, originally scheduled to be completed by 27 April 2020, is underway between the Company and Hotel alla Salute S.r.l., under the conditions previously disclosed to the market.

13 MAY | 2020

The Company's Board of Directors approved the Annual Financial Report for the year ended on 31 December 2019, drawn up in accordance with International Financial Reporting Standards (IAS/IFRS), containing the following key results for the 2019 financial year:

- **Consolidated net result** for the period was equal to € 0.4 million as at 31 December 2019 compared to € 1.9 million as at 31 December 2018;
- **Consolidated shareholders' equity** was equal to € 68.3 million as at 31 December 2019 compared to € 67.1 million as at 31 December 2018;
- **Consolidated net financial debt** amounted to € 63.7 million as at 31 December 2019 compared to € 55.1 million as at 31 December 2018;
- the **Net Profit for the year** amounted to € 0.3 million as at 31 December 2019 compared to € 1.7 million as at 31 December 2018;
- **Shareholders' equity** was equal to € 67.9 million as at 31 December 2019 compared to € 66,8 million as at 31 December 2018;
- the **Loan to Value** was 49.28% as at 31 December 2019 compared to 55.54% as at 31 December 2018.

In compliance with the current regulatory framework, the Board of Directors has proposed to allocate the profit for the 2019 financial year, amounting to € 304,207.82, for € 15,210.39 to the legal reserve and € 288,997.43 to the fair value reserve, the latter by its nature non-distributable and unavailable pursuant to Italian Legislative Decree no. 38/2005.

The Board of Directors also resolved to convene the Ordinary Shareholders' Meeting on first call for 26 June 2020 and, if necessary, on second call, for 15 July 2020 to resolve on (i) the approval of the financial statements for the year ended on 31 December 2019, (ii) the renewal of the authorisation to purchase and dispose of treasury shares pursuant to Articles 2357 et seq. of the Italian Civil Code, as well as Art. 132 of Italian Legislative Decree no. 58 of 24 February 1998, subject to revocation of the resolution passed by the Shareholders' Meeting of 7 May 2019 to the extent not used, (iii) the renewal of the Board of Directors, subject to establishing the number of Directors and the term of office and remuneration, (iv) the approval of the remuneration policy, as well as (v) the amendment of the plan based on financial instruments pursuant to Article 114-bis of Italian Legislative Decree no. 58 of 24 February 1998 (the "**TUF**"), referred to as the "2019-2021 Performance Share Plan."

Lastly, the Board of Directors approved the Report on Corporate Governance and Ownership Structure for the 2019 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.

In the months **from March to May 2020**, the Group, 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 rents that could have resulted from the negotiations with the tenants, 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 the suspension of the payment of instalments on existing loans. It must be noted that, following the extension that took place with the approval of the Budget Law of 30 December 2020, the above benefits are extended until 30 June 2021.

3 JUNE | 2020

In compliance with the terms of the law, the lists for the renewal of the Board of Directors 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 duly submitted by the deadline of 1 June 2020 by the Majority Shareholder Sorgente SGR S.p.A. in a.s., discretionary and independent manager of the following funds: Fondo Tintoretto -Akroterion Sub-Fund, Fondo Tiziano - San Nicola Sub-Fund, and Fondo Donatello - Tulipano and Puglia Due Sub-Funds, holder of a total of 5,553,224 shares, equal to 50.43% of the Company's share capital, and by the minority shareholder Associazione Cassa di Previdenza e Assistenza a favore dei Ragionieri e Periti Commerciali ("CNPR" from its Italian initials or the National Welfare and Assistance Fund for Accountants and Commercial Experts), holder of a total of 606,550 shares, equal to 5.51% of the Company's share capital, and by the minority shareholder "Fondo Pensione per il personale dell'ex Banca di Roma" (Pension fund for the staff of the former Banca di Roma), holder of a total of 1,844,337 shares, equal to 16.75% of the Company's share capital, and were accompanied by the documentation required by the legislation and regulations in force and by Article 16 of the Company's By-laws.

9 JUNE | 2020

The Company obtained confirmation of the certification of its quality management system in accordance with the UNI EN ISO 9001:2015 standard with no observations or non-conformities. The process of obtaining confirmation of certification by "Lloyd's Register Quality Assurance" was based on an accurate sample assessment of company processes; the processes of company governance, human resources management, commercial planning and management of customer requirements were audited. Lastly, the audit showed that the Company is driven toward continuous improvement and that the top management is adequately committed to providing resources in accordance with the goals established for improving the Quality Management System.

23 JUNE | 2020

The Company, following up on what had been notified on 3 June 2020, announced that, on the same date, the Minority Shareholder "Fondo Pensione per il personale dell'ex Banca di Roma", owner of a total of no. 1,844,337 shares equal to 16.75% of the Company's share capital, notified the Company of the withdrawal of the list submitted for the renewal of the Company's Board of Directors, placed in the third item on the agenda of the Ordinary Shareholders' Meeting convened at the Company's registered officè, in first call for 26 June 2020 at 3:00 p.m. and, if necessary, in second call for 15 July 2020, at the same place and time. The Company has consequently specified that the renewal of the Board of Directors of the Company would take place solely on the basis of the following lists: **(I) List no. 1** submitted by the majority shareholder Sorgente SGR S.p.A. in a.s., discretionary and independent manager of Fondo Tintoretto Akroterion Sub-Fund, Fondo Tiziano San Nicola Sub-Fund, and Fondo Donatello Tulipano and Puglia Due Sub-Funds, holder of a total of 5,553,224 shares, equal to 50.43% of the Company's share capital, and **(II) List no. 2** submitted by the minority shareholder Associazione Cassa di Previdenza e Assistenza a favore dei Ragionieri e Periti Commerciali (National Welfare and Assistance Fund for Accountants and Commercial Experts), holder of a total of 606,550 shares, equal to 5.51% of the Company's share capital.

26 JUNE | 2020

The Company announced that, since the quorum for the first call of the Ordinary Shareholders' Meeting had not been reached, the meeting would be held on second call, on 15 July 2020 at 3:00 p.m., again at the registered office in Rome, Via del Tritone no. 132. The Company also recalled that, in view of the situation of epidemiological emergency from COVID-19 and in compliance with the essential principles of health protection, pursuant to Article 106, paragraph 4 of Italian Law Decree no. 18 of 17 March 2020 (converted by Italian Law no. 27 of 24 April 2020), the intervention at the Shareholders' Meeting of those entitled to vote would be allowed exclusively through the representative appointed by the Company pursuant to Article 135-undecies of the TUF, Computershare S.p.A., in accordance with the procedures and terms set forth in the notice convening the meeting published since 15 May 2020 on the Company's website and on the authorised storage mechanism 1Info.

1 JULY | 2020

With reference to the transaction of greater significance referred to in the notice to the market of 6 February 2020, following the events better described in the section on Transactions with Related Parties of this Half-Yearly Financial Report, Nova Re filed an appeal with the Court of Milan for an injunction against Sorgente SGR S.p.A. in A.S., as manager of the Fund "Donatello - Italian Real Estate AIF, Tulipano Sub-Fund".

15 JULY | 2020

The Ordinary Meeting of Shareholders of the Company met on second call and passed the following resolutions:

- having taken note of the Report of the Board of Directors on the results of operations for the financial year 2019, the Draft Financial Statements for the financial year 2019, the reports of the Board of Statutory Auditors and the Independent Auditors, unanimously approved the Financial Statements for the financial year 2019, as drawn up by the Board of Directors and published on 28 May 2020;
- resolved to renew the authorisation for the Board of Directors to purchase and dispose of treasury shares in accordance with Articles 2357 et seq. of the Italian Civil Code and Article 132 of Italian Legislative Decree no. 58/98. The authorisation to purchase treasury shares is valid for 18 months from 1 January 2021 (having regard to the measures and conditions provided for by the recent Italian Legislative Decree no. 23 of 8 April 2020 the so-called "Liquidity Decree", converted, with amendments, by Italian Law no. 40 of 5 June 2020), and concerns acts of purchase to be carried out, even in several stages, in an amount not exceeding the fifth part of the pro-tempore portion of the share capital, and so to date for a maximum of 2,202,510 ordinary non-par value shares, taking into account the shares held by the Company and its subsidiaries, and in any case within the limits of distributable profits and available reserves resulting from the last duly approved financial statements. The authorisation includes the power to dispose of the shares in the portfolio without a time limit, in one or more tranches, even before completing the purchases;
- appointed the new Board of Directors, setting the number of members at seven and a term of office expiring on the date of the Shareholders' Meeting called to approve the financial statements for the year ending on 31 December 2020, in the persons of: (I) Giancarlo Cremonesi, as Chairman; (II) Stefano Cervone; (III) Gian Marco Committeri; (IV) Serena La Torre; (V) Elisabetta Maggini; (VI) Luisa Scovazzo; (VII) Andrea Maria Azzaro. The Directors were drawn from the list submitted by the majority shareholder Sorgente SGR - Fondo Tintoretto Akroterion Sub-Fund, Fondo Tiziano - San Nicola Sub-Fund, Fondo Donatello -Tulipano and Puglia Due Sub-Funds (which holds a stake equal to 50.43% of the share capital), which obtained favourable votes equal to approximately 91.62% of the share capital present and voting, with the exception of the Director Andrea Maria Azzaro, 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, holding a 5.51% stake in the share capital), which received favourable votes equal to approximately 8.38% of the share capital present and voting;
- did not approve the proposed resolutions on the fourth and fifth items on the agenda relating to the (i) Remuneration Policy outlined in the first section of the Report on Remuneration Policy and Compensation Paid, (ii) the second section of the Report on Remuneration Policy and Compensation Paid, and (iii) the amendment to the "2019 - 2021 Performance Share Plan."

Also on **15 July 2020**, the Company's Board of Directors confirmed Stefano Cervone as Managing Director of the Company. The Board of Directors then ascertained the existence of the regulatory and statutory requirements, also in terms of

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gender balance, for its members in order for the administrative body to be duly constituted; in particular, it assessed the existence of (I) the non-executive requirements envisaged by Art. 2 of the Corporate Governance Code for Listed Companies for Directors Gian Marco Committeri, Serena La Torre, Elisabetta Maggini, Luisa Scovazzo and Andrea Maria Azzaro, (II) the independence requirements pursuant to Art. 148, paragraph 3 of Italian Legislative Decree no. 58/98 for Directors Gian Marco Committeri, Serena La Torre, Luisa Scovazzo and Andrea Maria Azzaro, (III) the independence requirements pursuant to Art. 16 of the Market Regulations and Art. 3 of the Corporate Governance Code for Listed Companies for Directors Serena La Torre, Gian Marco Committeri and Andrea Maria Azzaro.

The Board also resolved to reconstitute the Board's Committee of Independent Directors, comprising Gian Marco Committeri (Chairman), Serena La Torre and Andrea Maria Azzaro, which will have the duties - from time to time - of Committee for Transactions with Related Parties, Control and Risk Committee, Appointments Committee, Remuneration Committee and Investment Committee.

Finally, following what was disclosed to the market on 21 November 2019 and 18 March 2020, the Company provided an update on the assumption of a capital increase, one of the three fundamental pillars on which the implementation lines of the 2020 - 2024 Business Plan are based, with specific reference to the state of dialogues initiated some time ago by the Company with a selected number of investors of primary standing, aimed at identifying a party interested in investing in Nova Re and supporting its strategic lines, to which the subscription of the prospected capital increase may be reserved.

Taking into account that the spread of the COVID-19 pandemic has delayed discussions, the Company informed that these discussions have not led to binding agreements but they are expected to continue. In this regard, considering the expiry of the Shareholders' Meeting proxy to increase the share capital on 25 July 2020, the Company informed the market of its intention to call an Extraordinary Shareholders' Meeting to grant a new proxy to the Board of Directors to increase the share capital pursuant to Article 2443 of the Italian Civil Code, in order to allow for the possible completion of the transaction if negotiations are successful.

The Company's Board of Directors resolved to convene the Ordinary and Extraordinary Shareholders' Meeting, on first call, for 27 August 2020, and, if necessary, on second call, for 31 August 2020, to resolve on the following agenda:

- **Ordinary session:**
  Remuneration policy pursuant to Art. 123-ter of Italian Legislative Decree no. 58 of 24 February 1998; proposal to revoke the “2019-2021 Performance Share Plan” approved by the Shareholders' Meeting of 7 May 2019; related and subsequent resolutions;
- **Extraordinary session:**
  Granting the Board of Directors the power to increase share capital by a maximum amount of € 60 million, including any

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share premium, to be carried out also in one or more tranches, by the date of shareholders' approval of the financial statements as at 31 October 2020 under Article 2443 of the Italian Civil Code, even by excluding option rights under Article 2441, paragraph 4, first sentence, and paragraph 5 of the Italian Civil Code; consequent amendment of the by-laws; related and subsequent resolutions.

With reference to the proposed resolution under the sole item of the Ordinary Session, taking into account that the Shareholders' Meeting of 15 July 2020 did not approve the proposed resolutions on items four and five on the agenda relating to the approval of (I) the 2020-2022 Remuneration Policy described in the first section of the Report on Remuneration Policy and Compensation Paid, as well as (II) the amendments to the "2019 - 2021 Performance Share Plan" described in the Report of the Board of Directors on the relevant agenda item drafted pursuant to Art. 125-ter of the TUF, the new Board of Directors appointed by the Shareholders' Meeting of 15 July 2020 decided to submit to the Shareholders' Meeting a new Remuneration Policy, which provides for the revocation of the current short term (MBO 2020) and medium-long term (2019 - 2021 Performance Share Plan) incentive systems, and the postponement of the adoption of the new incentive systems (both short term and medium-long term) to the outcome of the completion of the Company's recapitalisation transaction, referred to in the sole item of the extraordinary session.

With reference to the proposed resolution referred to in the only point of the Extraordinary Session, following what was last notified on 15 July 2020 and taking into account the expiry of the Shareholders' Meeting proxy to increase the share capital, the Board of Directors intended to propose to the Shareholders' Meeting the granting of a new proxy to increase the share capital pursuant to Art. 2443 of the Italian Civil Code, to be exercised by the deadline of 31 October 2020 if discussions - which the Company has long been engaged in with a select number of leading investors and aimed at identifying a party interested in investing in Nova Re and supporting the strategic guidelines set out in the 2020-2024 Business Plan - have a positive outcome or, in any case, if the Board believes that the conditions for such an exercise are met, in the Company's best interests.

The Company, following the publication of its annual financial report for the year ended on 31 December 2019 and in compliance with the guidelines issued by ESMA and CONSOB regarding disclosure on the impacts of the COVID-19 pandemic, announced that, having acknowledged the profound sectoral difficulties generated by the so-called lockdown period, it deemed it appropriate 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 limiting the negative impacts on existing leases. The asset classes most impacted by the pandemic were the commercial and hotel sectors which, in the specific case of Nova Re, involve four of the seven properties currently in its portfolio, gen-

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erating around 62% of the Group's annual rental turnover.

In fact, the Group's main tenants had to cope with an unpredictable, sudden and significant decrease in demand from their respective customers, mainly due to (I) the prolonged closure of activities due to the virus containment measures imposed by the government, as well as (II) the repercussions that this closure had on their respective businesses and the uncertainty regarding the time-frames of a return to normality in terms of use.

The Company informed that it has had on-going discussions with its tenants since the start of the crisis in order to identify and share, from time to time, the best actions to contain the damage caused by the pandemic, with the aim of safeguarding the quality of long-term relationships and preserving the value of investment property made, in order to mitigate the risk that, in view of the crisis impacting the activities of the aforementioned tenants, the implementation of the remedies contractually provided for could lead to the interruption of the relevant relationships, with negative effects on the Company's business and prospects. The above activities of discussion and dialogue led to the signing of specific agreements with the main tenants, concerning the Company's waiver of a part of the lease payments equal to approximately 23% of the total amount of rents for the year 2020 (the so-called "free rent").

With a view to timely and maximum transparency towards the market, Nova Re has informed the market that it estimates that the above-mentioned circumstances may result, net of any other effects that cannot be quantified at the moment, in a direct negative economic impact in terms of lower revenues of € 1.34 million. Without prejudice to the foregoing, the Company has specified that a more detailed picture may be provided on the occasion of the publication of the half-yearly report as at 30 June 2020, whose date of approval by the Board of Directors is set for 14 September 2020.

The Company informed that, despite the context of reference, the activities aimed at implementing the 2020-2024 Business Plan called "Nova Re 2020 Sailing Fast Plan", were continuing and, in particular, the talks with a selected number of investors and potential strategic partners, in order to assess the possible interest of the latter to invest in the capital of Nova Re and to support the Company in the path of strengthening and real estate investment outlined by the Board.

Further to what was notified to the market on 28 February and 5 May 2020, the Company also announced that, taking into account the economic crisis generated by the current health emergency, the Shareholder Hotel alla Salute S.r.l. waived its right to repurchase the real estate complex for hotel use located in Verona and acquired by the Company on 10 May 2019, thus definitively terminating the repurchase option originally granted to Hotel alla Salute S.r.l.

The Company announced, with reference to the Shareholders' Meeting called for 27 August (on first call), that a clarification was included in the recitals of the proposed resolution, aimed at clarifying that the deadline of 31 October 2020 for the possible exercise of the proxy was identified consistently with the assumed deadline for the conclusion of the discussions underway with potential investors, which are aimed at assessing the possible interest of the latter in investing in the Company's capital.

27 AUGUST | 2020

The Shareholders' Meeting was held in first call, both in ordinary and extraordinary session, and approved all the proposals made by the Board of Directors on the agenda.

In particular, with reference to the proposed resolutions referred to in the only point of the ordinary session, the Shareholders' Meeting approved the new Remuneration Policy of Nova Re SIIQ S.p.A. for the year 2020 explained in the Report on the Remuneration Policy drafted by the Board of Directors pursuant to Articles 123-ter and 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 as well as revoked the resolution approving the 2019-2021 Performance Share Plan passed by the Shareholders' Meeting on 7 May 2019, and accordingly revoked the Company's 2019-2021 Performance Share Plan based on financial instruments pursuant to Article 114-bis of Italian Legislative Decree no. 58 of 24 February 1998, taking into account that the new Remuneration Policy of Nova Re SIIQ S.p.A. provides for the postponement of the adoption of the new incentive systems (both short term and medium-long term) following the outcome of the completion of the Company's recapitalisation transaction, referred to in the only point of the extraordinary session.

With reference to the proposed resolution referred to in the only point of the extraordinary session, the Shareholders' Meeting approved the granting of a new proxy to increase the share capital pursuant to Article 2443 of the Italian Civil Code for a maximum total amount of € 60,000,000.00 (including any share premium), also excluding option rights pursuant to Art. 2441, paragraph 4, first sentence, and paragraph 5, of the Italian Civil Code, to be exercised by the deadline of 31 October 2020, if discussions - that the Company has initiated with a selected number of leading investors and aimed at identifying an interested party to invest in Nova Re and support the strategic guidelines set out in the 2020-2024 Business Plan - have a positive outcome or, in any case, if the Board believes that the conditions for such an exercise are met, in the Company's best interests.

As already disclosed to the market, most recently on 11 and 12 August 2020, the Company reiterated that, considering that the aforesaid discussions with potential investors are in progress and that there is no certainty as to their conclusion, it is not possible to establish the timing of the possible exercise of the delegation, nor the characteristics, terms and conditions of the proposed transaction, should it actually take place.

14 SEPTEMBER | 2020

The Company approved the Half-Year Financial Report for the six months ended on 30 June 2020, with the following key results:

- Gross rental income: € 2,962k;
- Results for the period: net loss of € 4,708k;
- Group shareholders' equity: € 63,646k (compared to € 68,341k as at 31 December 2019);
- Net financial debt: € 62,837k (compared to € 63,683k as at 31 December 2019);
- Real estate assets: € 123,300k;
- Loan to value (LTV): 49.8% (49.28% as at 31 December 2019).

25 SEPTEMBER | 2020

Nova Re SIIQ S.p.A. 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.

7 OCTOBER | 2020

The Company, following the outcome of a competitive procedure managed by the financial advisor Houlihan Lokey, resolved to accept the irrevocable offer presented by CPI Property Group ("CPI"), a Luxembourg company and leader in the real estate sector at a European level, concerning the subscription of a capital increase with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code.

In particular, CPI has undertaken to subscribe for a cash increase reserved exclusively for itself or for another company belonging to the same group (the "CPI Group"), for a total value of approximately € 26 million, at a price of 2.36 € per share (including any share premium). The price offered by the investor was considered fair by the Board of Nova RE, which relied on the fairness opinion issued by an independent financial advisor of primary standing, Intermonte Sim S.p.A.

CPI is a Luxembourg company owned by the Czech real estate developer Radovan Vítek. The CPI Group, a leader in its reference market, owns and manages a top-tier and diversified real estate portfolio, the estimated value of which was approximately € 9.8 billion as at 30 June 2020. CPI Group's portfolio, concentrated mainly in the Czech Republic (approximately 41%) and in the Berlin metropolitan area in Germany (approximately 25%), is highly diversified and consists of office properties, retail properties (such as shopping centres and parking areas), hotels and resorts, residential properties and also properties for the industrial, agricultural and logistics sectors. CPI also has a so-called "investment grade" rating assigned by the international agencies S&P (BBB), Moody's (Baa2) and Japan Credit Rating Agency (A-).

The Board of Directors of Nova RE, after a careful and thorough evaluation and at the end of a process initiated in 2020, has therefore deemed that CPI Group, given its proven leadership in the sector, its financial solidity and its shared managerial and business vision, could be a strategic partner for the Company, capable of actively supporting its development and the pursuit of the strategic goals set out in the Business Plan, to the benefit of all Nova Re's stakeholders in the short/medium term.

29 OCTOBER | 2020

The Company therefore resolved to partially exercise the authority to increase the share capital pursuant to Article 2443 of the Italian Civil Code, granted by the Extraordinary Shareholders' Meeting of 27 August 2020, and to increase the Company's share capital, for cash, in an indivisible manner, with the exclusion of pre-emptive rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for a total amount of € 25,989,629.80, to be paid up entirely in cash, through the issue of 11,012,555 new ordinary shares, with no express par value, having the same characteristics as the ordinary shares already in issue and regular dividend rights, at a price per new ordinary share of € 2.36 to be charged entirely to the capital. The newly issued shares were reserved for subscription by

CPI, which had irrevocably committed to subscribe for them in cash, a proposal accepted by Nova Re's Board of Directors on 7 October 2020. On the same date, the auditing firm Ria Grant Thornton S.p.A. issued its opinion on the fairness of the Subscription Price, pursuant to Article 2441, paragraph 6, of the Italian Civil Code. The deadline set by the Board for the execution of the Capital Increase is 30 days from the date of registration of the resolution with the Rome Companies' Register pursuant to Article 2436 of the Italian Civil Code.

Following the issuance of the new shares, CPI came to hold 50% plus one share of Nova RE's share capital, thus becoming the Company's new controlling shareholder, with the consequent obligation to launch a public take-over bid for all Nova Re's shares, at a price coinciding with the subscription price of the Capital Increase, equal to € 2.36 per share.

Given that the Capital Increase was reserved for a single party, it was executed without prior publication of an offering prospectus pursuant to Regulation (EU) 2017/1129. At the time of their issue, the new shares deriving from the Capital Increase were not admitted to trading on the MTA market organised and managed by Borsa Italiana S.p.A. and, therefore, they were assigned a different ISIN code compared to that of the outstanding Nova RE shares.

The Take-over Bid was launched pursuant to Articles 102 and 106, paragraph 1, of the TUF and the applicable implementing provisions contained in the CONSOB Regulation adopted by resolution no. 11971 of 14 May 1999. The Offering Document was approved by CONSOB on 9 December 2020.

Nova Re's Board of Directors published the Issuer's Notice, pursuant to Article 103, paragraph 3, of the TUF on 10 December 2020, with the attached opinion of the Independent Directors pursuant to Article 39-bis of the Issuers' Regulations, as specified below.

1 NOVEMBER | 2020

The Company informed the market that a minority shareholder, Sorgente Group Italia S.r.l., 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 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 informed the market that it considers the challenge and the relevant arguments to be pretentious and groundless, reiterating that the Capital Increase was resolved in compliance with all legal requirements and in the best interest of the Company and all its shareholders.

2 NOVEMBER | 2020

The Company announced the new composition of its share capital (fully subscribed and paid-up) following the execution of the capital increase pursuant to the Board of Directors' resolution of 29 October 2020, exercising the authority that had been granted by the Extraordinary Shareholders' Meeting of 27 August 2020 pursuant to Article 2443 of the Italian Civil Code.

On the same date, the Company filed for registration with the Rome Companies' Register the certificate relating to the execution of the capital increase pursuant to Article 2444 of the Italian Civil Code. The share capital following the capital increase amounts to € 63,264,527.93 divided into 22,025,109 shares with no express par value.

3 DECEMBER | 2020

The Company (I) served notice of eviction due to arrears on the tenant of the property for hotel use located in Verona, SHG Hotel Verona S.r.l., with a simultaneous summons to validate the eviction and (II) requested the Court of Verona to issue an injunction for the amount of fees and charges due and never paid by the aforementioned tenant.

10 DECEMBER | 2020

The Company approved the Issuer's Notice drafted pursuant to Article 103, paragraph 3, of Italian Legislative Decree no. 58 of 24 February 1998 and Article 39 of the CONSOB Regulation adopted by resolution no. 11971 of 14 May 1999 relating to the mandatory public take-over bid launched by CPI Property Group S.A. (the “Offeror”) pursuant to Articles 102, 106, paragraph 1, and 109 of the TUF, concerning a maximum of 10,974,349 ordinary shares of the Company (the “Take-Over Bid”).

For purposes of the approval, the Board also took into account the opinion of the Independent Directors not related to the Offeror, issued pursuant to Article 39-bis of the Issuers' Regulations, with the attached fairness opinion of Studio Laghi S.r.l., as independent expert identified by the Independent Directors themselves. At the end of the meeting, specifically, the Board of Directors deemed the price of € 2.36 for each ordinary share tendered to the Take-Over Bid as reasonable from a financial point of view, noting that the Take-Over Bid is not aimed at delisting Nova RE's shares, that the Offeror intends to maintain the SIIQ regime for the Company and that the future plans outlined by CPI Property Group appear consistent with the Take-Over Bid submitted by the Offeror on 2 October and accepted by the Board of Directors on 7 October 2020 and in general with the Issuer's development strategies.

30 DECEMBER | 2020

The Company signed the final contract for the purchase of the property units located on the first and second floors of the building in Milan, Via Spadari no. 2, adjacent to the premises already owned by the Company located on the ground and basement floors, at a price of € 7,500,000.00 plus taxes, duties and closing costs.

There are no further significant events to report in addition to those already commented on in the sections of this Report.

EVENTS FOLLOWING THE REPORTING PERIOD

15 JANUARY | 2021

The Company signed the final contract for the purchase of the property units leased to OVS S.p.A., located on the first and second floors of the building in Milan, Via Spadari no. 2, adjacent to the units already owned by the Company located on the ground and basement 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.

25 JANUARY | 2021

The Company signed the final contract for the purchase of additional real estate units, leased to Zara Italia S.r.l., located on the second floor of the building located in Milan, at via Spadari no. 2, adjacent to the units already owned by the Company located on the ground, basement, 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.

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 paragraphs 1 and 109 of the TUF, as a result of the Reopening of Terms, within the meanings of Article 41, par. 6, of the Consob Regulation adopted by resolution no. 11971 on 14 May 1999, as subsequently amended and extended, a total of 9,348,018 ordinary shares of Nova Re were contributed, representing approximately 42.44% of the Issuers' share capital and approximately 85.18% of Nova 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 Property Group S.A. came to hold a total of 20,360,573 ordinary shares of NOVA RE, equal to approximately 92.44% of its share capital.

In addition, taking into account the 38,205 treasury shares of Nova Re (equal to about 0.17% of the related share capital), within the meanings and purposes of art. 44-bis, par. 5, of the Issuers' Regulations, 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.

In this regard, it must be noted that CPI, as already stated in the Offering Document, intends to re-establish a free float sufficient to ensure the regular course of trading within ninety days, in accordance with procedures - such as, by way of example, selling off Nova Re's ordinary shares, Accelerated Book Building (ABB), capital increases with partial or total exclusion of option rights reserved for parties other than shareholders who hold significant holdings under Art. 120 of the TUF - which will be considered most appropriate, among other, in view of the market conditions. As already specified in the Offering Document, CPI Property Group S.A. will 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 Property Investment Company - the so-called SIIQ regimen), under art. 1, paragraphs 119 and following of the 2007 Finance Act, within the timing set out in applicable regulatory requirements in force.

27 JANUARY | 2021

The Company approved a loan proposal received from the reference shareholder CPI, for an amount of approximately € 54.6 million, intended to cover the costs incurred by Nova Re for the 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. 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 Nova Re. CPI is a related party of Nova Re as controlling body for the Company under art. 93 of Law Decree 58/1998 and exercises management and coordination of the same under articles 2497 and following of the Italian Civil Code. Signing of the Loan Agreement also qualifies as a "Significant Related Party Transaction" under art. 4, par. 1 (a) of Consob Regulation no. 17221/2010 (the "RPT Regulation"). Therefore, the Funding transaction was approved by the Board of Directors with the prior and unanimous consent of Nova Re's Control, Risk, Nomination, Remuneration and Related Parties Committee, composed entirely of independent directors who are not related to the counter party.

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 € 51.7k including interest accrued up to 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.

5 FEBRUARY | 2021

The Company formed Fidelio Engineering S.r.l., an engineering company, wholly owned by Nova Re, 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 Group's real estate development and value enhancement initiatives, which have already been launched in Italy, whilst enabling allowing Nova Re to receive certain revenue streams.

16 FEBRUARY | 2021

Following 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.

3 MARCH | 2021

The Company, due to CPI Property Group S.A.'s decision to grant the group's independent auditors the whole auditing work, sent a proposal for consensual termination of the task assigned to the auditing firm Ria Grant Thornton S.p.A., as the entity in charge of the statutory audit for Nova Re SIIQ Group by the Shareholders' Meeting of 28 April 2017 for the 2017-2025 nine-year period. Conferring all audit tasks to the group's statutory auditor would, on the one hand, enable greater effectiveness and efficiency in the performance of auditing work and, on the other hand, would also facilitate the entire group taking responsibility for this, as required under current statutory audit regulations.

4 MARCH | 2021

A pre-litigation procedure in the area of human resources was initiated, the evolution of which, on the date of this Annual Report, in every respect is not foreseeable nor quantifiable.

8 MARCH | 2021

With reference to the civil proceedings brought by the Company against SHG Hotel Verona S.r.l., the Court of Verona ruled, given the period in which the arrears accrued, against the validity of the notice of seeking possession due to arrears. In the same order, the judge also made a settlement proposal to be discussed during the proposed compulsory mediation procedure; lastly, he set a hearing for 13 July 2021 to examine the merits of the dispute.

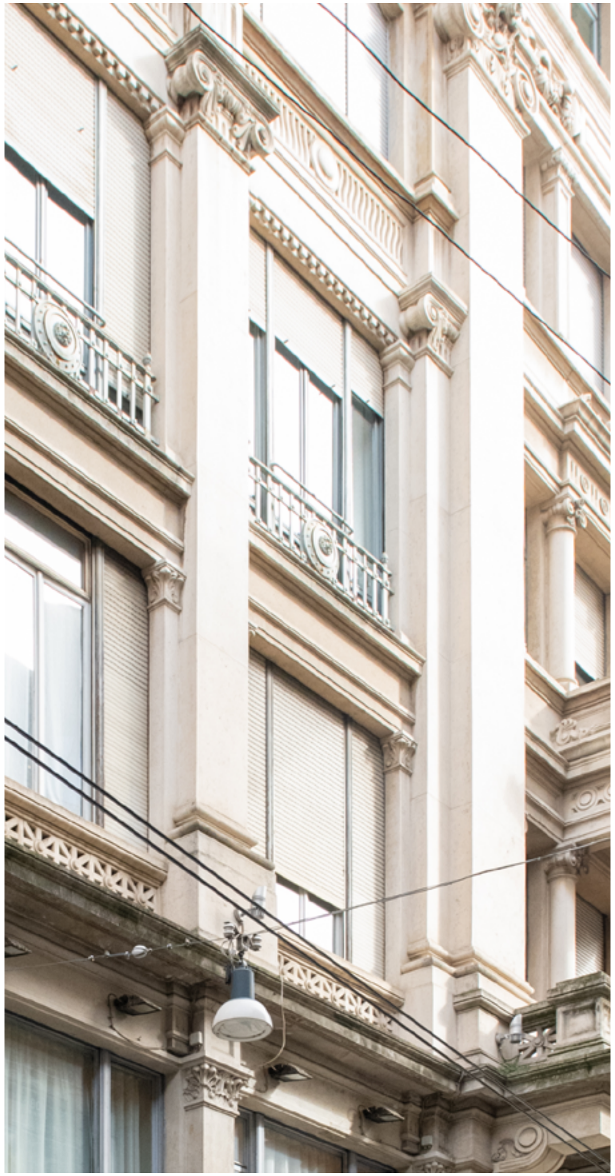
9 MARCH | 2021

The first hearing was held in the lawsuit brought by Sorgente Group Italia S.r.l., which, it should be noted, 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 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. At the first hearing, the judge granted the parties more time to file their defence briefs. The proceedings were adjourned until a hearing on 12 October 2021.

12 MARCH | 2021

Ria Grant Thornton S.p.A. replied to the writer that it had no comments on the proposed early termination and that it could be formalised as soon as the procedure laid out in the relevant regulations is completed by a resolution of the Company Shareholders' Meeting.

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



ECONOMIC AND STOCK PERFORMANCE

The resurgence of contagions since autumn has induced a slowdown in global activity at the end of 2020, especially in advanced countries. The start of vaccination campaigns reflects favourably on the outlook for the medium term, but the timing and intensity of the recovery remains uncertain.

In the Eurozone, the effects of the pandemic on economic activity and prices are expected to continue for longer than previously assumed. The Governing Council of the European Central Bank has extended and prolonged monetary stimulus to ensure favourable financing conditions for all sectors for as long as it is required to ensure full support for the economy and inflation; it stands ready to recalibrate its instruments further if necessary.

In Italy, higher-than-expected growth during the third quarter highlighted the strong resilience of the economy. However, the second pandemic wave, as in other countries in the area, led to a new contraction in GDP during the fourth quarter: on the basis of available indicators, this decline can currently be estimated at -3.5 per cent, although the uncertainty surrounding this estimate is very high.

The decline in activities was pronounced in services and marginal in manufacturing. In the Bank of Italy surveys, companies' assessments have become less favourable, but remain far from the pessimism reached during the first half of last year; companies intend to expand their investment plans for 2021. According to the families interviewed by the Bank of Italy, it is the fear of contagion, rather than restrictive measures, that is still holding back the use of services.

During the third quarter of 2020, the recovery of Italian exports of goods and services was quite significant, well above that recorded by world trade; in autumn it continued but with lesser force. Capital inflows and purchases of Italian government securities by non-residents resumed during the final months of last year; the Bank of Italy's TARGET2 balance improved. As a result of the prolonged current account surplus, the net international investment position turned slightly positive following 30 years of negative balances.

During the summer quarter, with the reopening of activities suspended in spring, there was a sharp increase in the number of hours worked and a decrease in the use of wage subsidies.

The number of employees back at work also began to grow again. The latest available data, however, shows a new increase in the use of the Wage Guarantee Fund from October, albeit at much lower levels than those reached during the first wave of the contagion. In November, the recovery in the number of new jobs was substantially interrupted, showing a gap compared to the same period of the previous year, specifically for young people and women.

Changes in consumer prices remained negative, reflecting the trend in prices in the service sectors most affected by the crisis, whose dynamics continue to be affected by the weakness of demand. Analysts' and companies' inflation expectations are still very low for the next twelve months.

Nova Re's share price performance on the MTA of the Italian Stock Exchange in 2020 was influenced by the market fluctuations due the impact of the Corona Virus pandemic

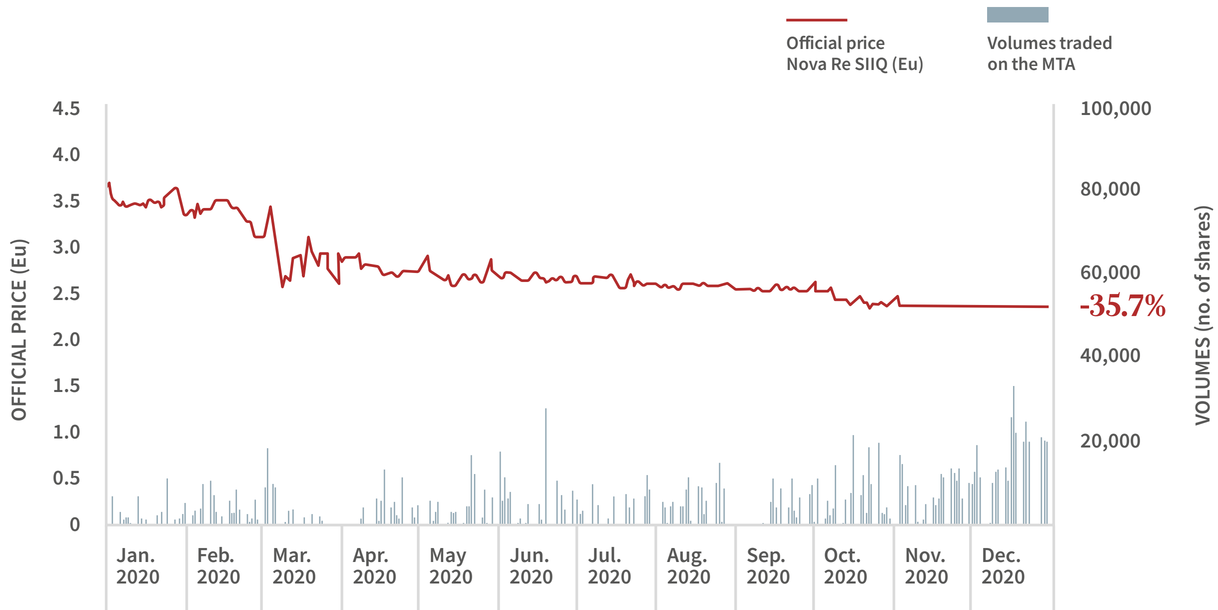
Announcements on the availability of vaccines, further monetary and budgetary support and the resolution of uncertainty related to the presidential elections in the United States have strengthened the optimism of operators in financial markets abroad and in Italy. The yield differential between Italian and German government bonds on the ten-year maturity remains at lower levels than those observed before the health emergency. However, financial markets remain sensitive to developments in the pandemic.

Italian banks have continued to meet the demand for funds from businesses. Supply conditions remained broadly relaxed due to continued support from monetary policy and public guarantees. The cost of bank bond funding fell further and lending rates to businesses and households remained low.

In response to the worsening health emergency, the Government has launched further interventions to support households and businesses during the last quarter of 2020. The budget manoeuvre envisages an increase in net borrowing, compared to the framework of current legislation, in the current year and the following year. An additional expansionary impulse would come from the actions to be established in the context of the Next Generation EU (NGEU).

Nova Re is a company listed on the MTA of the Italian Stock Exchange. Its shares are identified by the ISIN Code IT0005330516 and the Alphanumeric Code NR.

The following graph shows the performance of Nova Re stock over the period 2 January 2020 - 30 December 2020 and the volumes traded on MTA in 2020.



SOURCE: Bloomberg

Nova Re's share price performance in 2020 was influenced by the following elements:

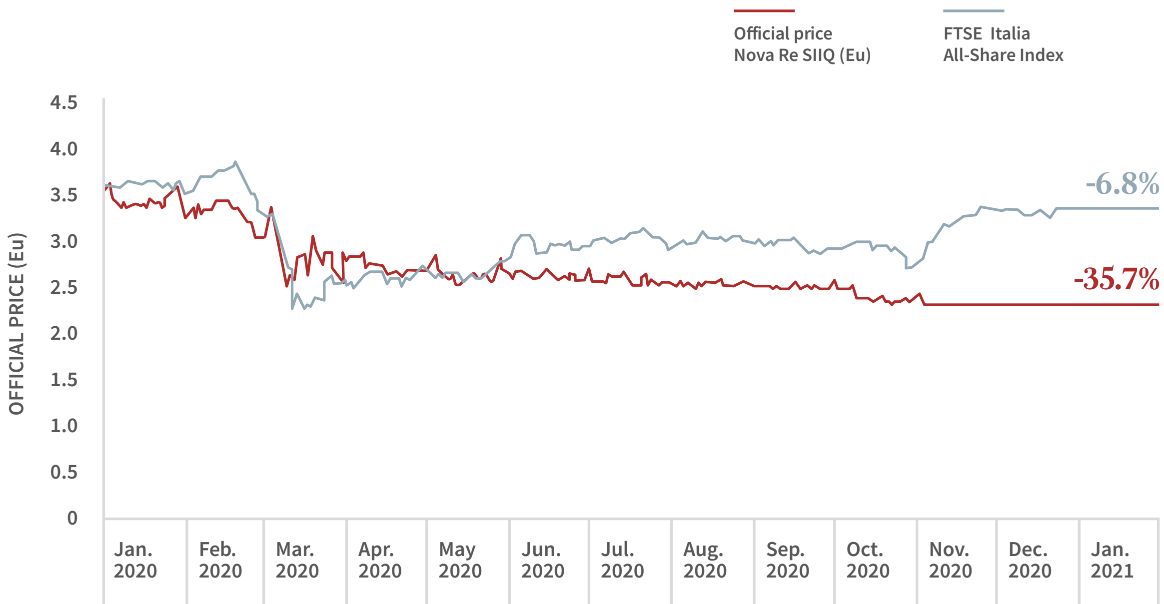
1. the impact of the COVID-19 pandemic on the Italian stock market, more specifically as of 21 February 2020 (the last trading day prior to Decree-Law no. 6 of 23 February 2020 setting forth "Urgent measures regarding the containment and management of the COVID-19 epidemiological emergency"),

2. the impact of the COVID-19 pandemic on the Company's results,

3. the announcement on 7 October 2020 of the cash capital increase of approximately € 26 million reserved for CPI Property Group at a price of € 2.36 per share,

4. the subsequent mandatory totalitarian tender offer promoted by CPI Property Group on Nova Re at a price of € 2.36 per share.

In 2020 the total volumes traded on the MTA amounted to approximately 1.46 million ordinary shares for a total value of approximately € 3.8 million, corresponding to a volume weighted average price of approximately € 2.60 per share. Average daily volumes during the year were approximately 5,700 shares, with a high of 33,505 shares traded on 17 December 2020.



SOURCE: Bloomberg

In 2020, Nova Re's share performance (-35.7%) was significantly lower than that of the FTSE Italia All-Share index (-6.8%); this performance was significantly impacted by the spread of the COVID-19 pandemic, which had a particularly significant effect on the stock market performance of stocks in the real estate sector.

It must also be noted that on 7 October 2020, there was an announcement of the reserved capital increase for CPI Property Group which resulted in the subsequent promotion of the compulsory take-over bid. In particular, it must be noted that as of 8 October 2020, Nova Re's share price was substantially aligned with the take-over bid of € 2.36 per share.

We report below the data recorded during the 2 January 2020 - 30 December 2020 period.

			DATE
Maximum official price	Eu	3.657	02/01/2020
Minimum official price	Eu	2.344	29/10/2020
Last official price	Eu	2.350	30/12/2020
No. of ordinary shares listed[1]		10,974,349	30/12/2020
Capitalisation based on listed ordinary shares[1]	Eu	25,789,720	30/12/2020
Total no. of ordinary shares[1]		22,025,109	30/12/2020
Capitalisation based on total ordinary shares[1]	Eu	51,759,006	30/12/2020
Free float percentage of listed ordinary shares[1,2]	%	16.77	06/11/2020[4]
Free float percentage relative to total ordinary shares[1,3]	%	8.39	06/11/2020[4]

Notes: 1) Net of 38,205 treasury shares; 2) Calculated by the Company excluding the equity investments of Sorgente SGR S.p.A. in a.s., Fondo Pensione per il personale dell'ex Banca di Roma, Associazione Nazionale di Previdenza ed Assistenza a favore dei Ragionieri e Periti Commerciali and Hotel alla Salute; 3) Calculated by the Company excluding the equity investments of CPI Property Group (11,012,555 unlisted ordinary shares), Sorgente SGR S.p.A. in a.s., Fondo Pensione per il personale dell'ex Banca di Roma, Associazione Nazionale di Previdenza ed Assistenza a favore dei Ragionieri e Periti Commerciali and Hotel alla Salute; 4) Date of the last update of the shareholding structure of Nova Re (pre take-over bid) as reported on the Company's website.

For further information on Nova Re share performance and for company updates please visit the corporate website www.novare.it and, more specifically, the Investor Relations section.

THE ECONOMIC CONTEXT AND THE REAL ESTATE MARKET

The national economic situation for properties used for the services industry

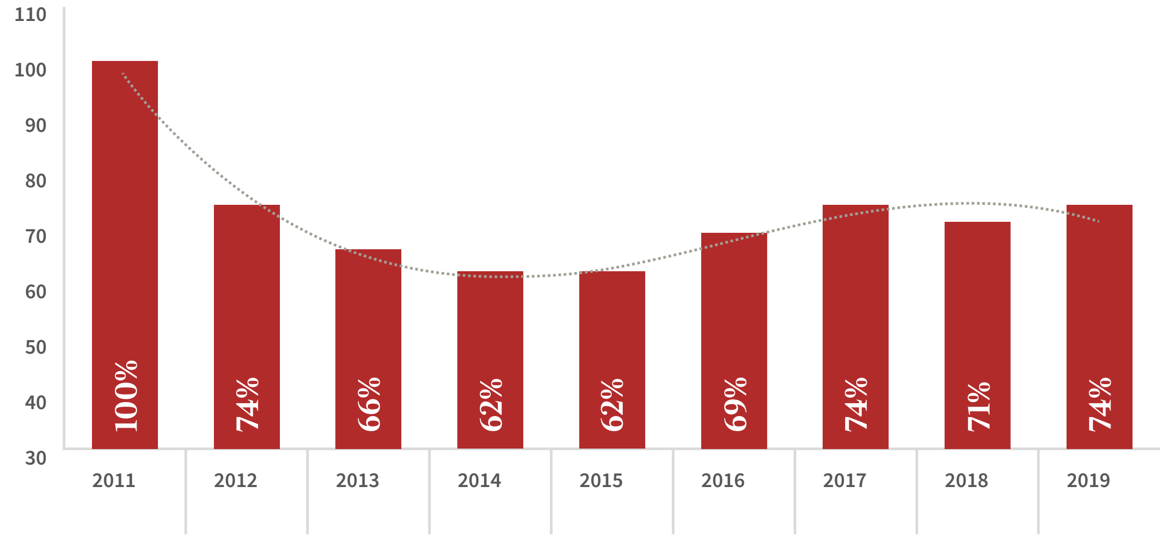
During 2019, the services industry (private offices and studios) recorded a total of 10,447 transactions nationwide, increasing by +4.8% compared to 2018. In detail, 61% of total transactions were recorded in the North, 19% in the South and 20% in Central Italy.

TREND OF NTN TERTIARY - OFFICES - ITALY (2011 - 2019)

NTN	2011	2012	2013	2014	2015	2016	2017	2018	2019
Abs. Val.	14,095	10,407	9,282	8,800	8,728	9,726	10,370	9,997	10,477
Δ %		-26.2%	-10.8%	-5.2%	-0.8%	11.43%	6.6%	-3.6%	4.8%

Processing by Ufficio Studi Gabetti of data from Agenzia delle Entrate (Italian Inland Revenue)
*New residential NTN series reported in quarterly statistics of Q4 2017

TREND OF NTN TERTIARY - OFFICES - ITALY (2011 - 2019)



Processing by Ufficio Studi Gabetti of data from Agenzia delle Entrate (Italian Inland Revenue)

On an annual level, in 2019 performance is positive in all three macro areas with more positive values for Central Italy (+7.1%); followed by the North (+4.9%) and the South (+2.3%).

On a quarterly basis, a total of 1,821 transactions were recorded in the first three quarters of 2020, with a change of -17.2% compared to the same period in 2019. In the three macro areas, the following changes occurred: North -18.6%, Central Italy -16.6% and South -13.3%. During the second quarter of 2020, a total of 1,812 transactions were recorded, with a change of -31.3% compared to the same period in 2019. In the three macro areas, the following decreases occurred: -29.9% in the North, -29.5% in Central Italy and -37.4% in the South. A total of 2,067 transactions were recorded in the third quarter of 2020 , showing a decrease of -7.1% compared to the same period in 2019. In the three macro areas, the following changes occurred: -12.0% in the North, +4.0% in Central Italy and -4.5% in the South.

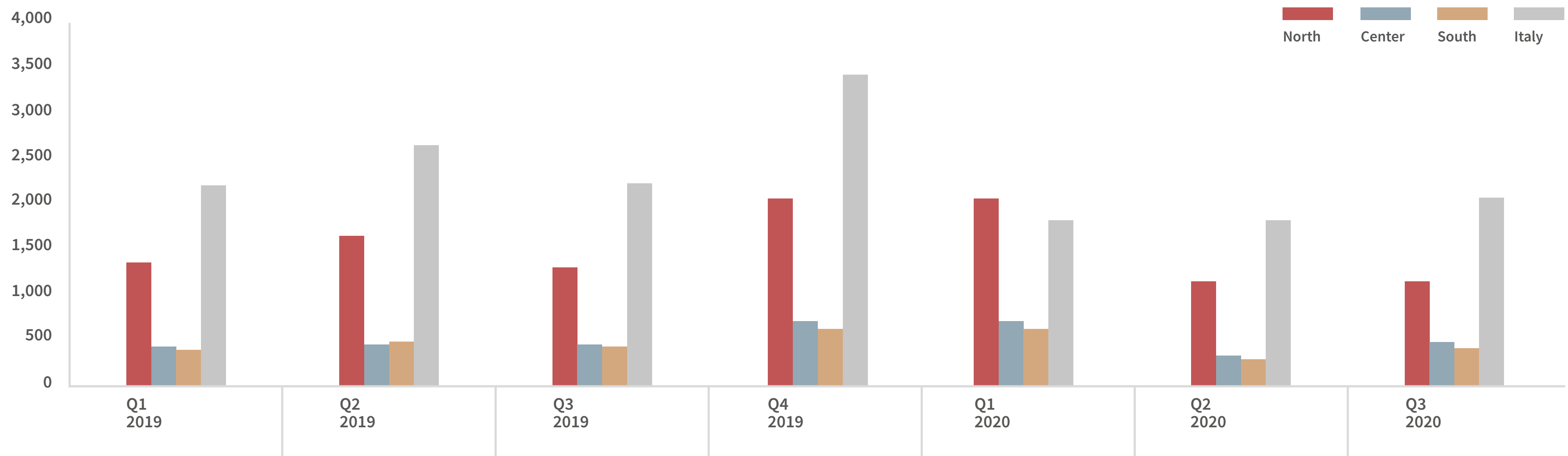
OFFICES SECTOR - QUARTERLY NTN MACRO AREAS (Q1 2019 - Q3 2020)

MACRO AREA	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
North	1,358	1,653	1,310	2,055	1,105	1,159	1,153
Center	425	480	470	714	354	338	489
South	418	503	445	646	362	315	424
Italy	2,201	2,636	2,225	3,415	1,821	1,812	2,067

OFFICES SECTOR - TENDENTIAL RATE MACRO AREAS

MACRO AREA	Δ Q1 19/18	Δ Q2 19/18	Δ Q3 19/18	Δ Q4 19/18	Δ Q1 20/19	Δ Q2 20/19	Δ Q3 20/19
North	4.9%	4.2%	4.3%	5.7%	-18.6%	-29.9%	-12.0%
Center	-3.9%	-6.2%	30.2%	12.5%	-16.6%	-29.5%	4.0%
South	3.6%	-9.5%	2.7%	12.6%	-13.3%	-37.4%	-4.5%
Italy	2.8%	-0.7%	8.5%	8.3%	-17.2%	-31.3%	-7.1%

OFFICES SECTOR - QUARTERLY NTN MACRO AREAS (Q1 2019 - Q3 2020)



Processing by Ufficio Studi Gabetti of data from Agenzia delle Entrate (Italian Inland Revenue)

Analysing the provinces of the eight largest Italian cities, the trends are quite different, also in view of the small number of purchases and sales recorded in a quarter, therefore percentage changes can be high in respect of slight changes in absolute terms.

In 2019, a total of 4,010 transactions were recorded, generating changes of +10.1% compared to 2018. In particular, growth was recorded in all eight provinces: Palermo (+26.4%), Rome (+13.8%), Turin (+13.4%), Bologna, Florence and Milan (+8.4%), Naples (+7.6%) and finally Genoa (+1.3%).

On a quarterly basis, there were a total of 665 transactions in Q1 2020, -16.7% from the same quarter in 2019. Specifically, decreases were noted in all the provinces analysed: Bologna (-34.0%), Turin (-32.5%), Florence (-27.0%), Rome (-24.7%), Naples (-13.0%), Genoa (-12.0%), Milan (-6.4%). Positive growth was only recorded for the province of Palermo (+16.2%). There were **683** transactions in Q2 2020, -33.2% from the same period in 2019. Specifically, there was a decrease in almost all the provinces analysed: Naples (-54.9%), Palermo (-49.5%), Turin (-43.2%), Florence (-43.1%), Genoa (-36.5%), Milan (-34.8%) and Rome (-16.9%). The province of Bologna bucked the trend with a growth of +11.2%. In Q3 2020, there were 809 transactions, -2.9% compared to the same quarter in 2019. In particular, there was a decrease in the provinces of Naples (-33.6%), Florence (-24.7%), Milan (-24.4%), Palermo (-17.1%) and Bologna (-8.5%). Positive figures were recorded in the provinces of Rome (+55.4%), Turin (+41.7%) and Genoa (+3.9%).

TERTIARY SECTOR - OFFICE - QUARTERLY NTN MAIN PROVINCES (Q1 2019 - Q3 2020)

PROVINCES	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Rome	126	126	153	261	95	105	238
Milan	307	520	352	606	287	339	266
Turin	95	91	63	120	64	52	89
Genoa	38	31	32	31	33	20	34
Naples	57	81	76	102	50	36	51
Palermo	31	51	35	50	36	26	29
Bologna	81	66	68	115	54	73	62
Florence	64	57	55	71	47	33	41
Total	798	1,022	833	1,356	665	683	809

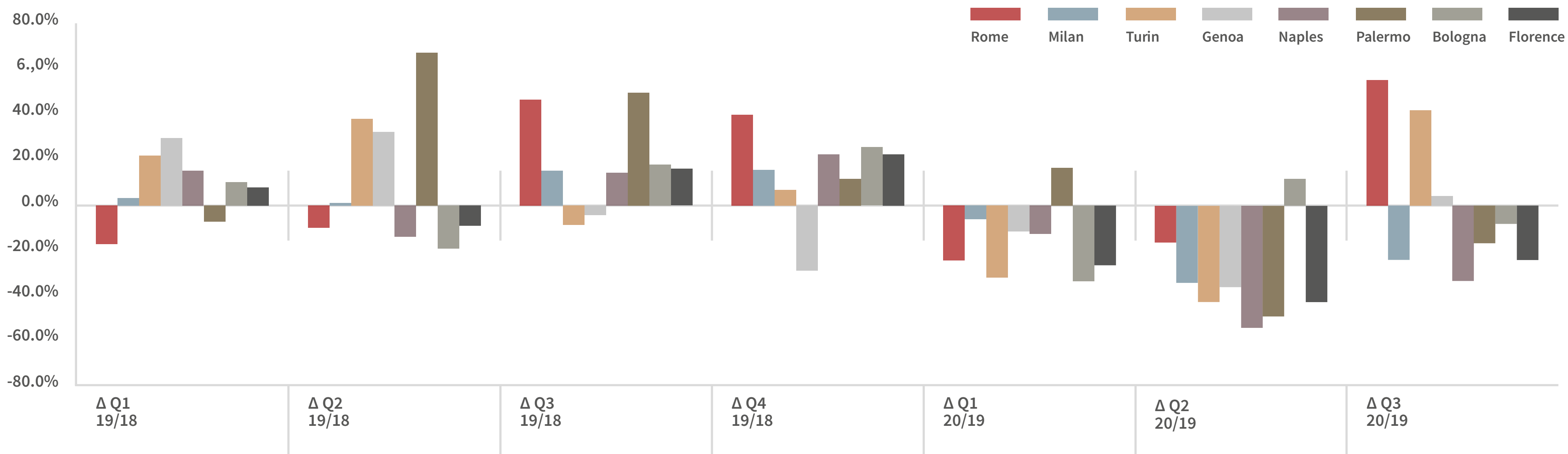
Processing by Ufficio Studi Gabetti of data from Agenzia delle Entrate (Italian Inland Revenue)

TERTIARY SECTOR - TENDENTIAL RATE MAIN PROVINCES

PROVINCES	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Rome	-17.6%	-10.2%	46.3%	39.4%	-24.7%	-16.9%	55.4%
Milan	2.7%	0.5%	15.3%	15.2%	-6.4%	-34.8%	-24.4%
Turin	21.7%	38.3%	-8.7%	6.7%	-32.5%	-43.2%	41.7%
Genoa	29.2%	31.9%	-5.0%	-28.9%	-12.0%	-36.5%	3.9%
Naples	14.8%	-14.1%	14.3%	22.3%	-13.0%	-54.9%	-33.6%
Palermo	-7.4%	67.1%	49.6%	11.7%	16.2%	-49.5%	-17.1%
Bologna	10.0%	-19.2%	17.9%	25.7%	-34.0%	11.2%	-8.5%
Florence	7.5%	-9.2%	15.8%	22.3%	-27.0%	-43.1%	-24.7%
Total	3.0%	0.6%	17.9%	18.4%	-16.7%	-33.2%	-2.9%

Processing by Ufficio Studi Gabetti of data from Agenzia delle Entrate (Italian Inland Revenue)

TERTIARY SECTOR - TENDENTIAL RATE MAIN PROVINCES



Processing by Ufficio Studi Gabetti of data from Agenzia delle Entrate (Italian Inland Revenue)

The services industry market in Rome and its province

The historical series of the Number of Normalised Transactions (NTN, from its Italian initials) of properties for use by the services industry in the Municipality of Rome, for the 2013-2019 period, shows an average of 483 transactions, with a growth stage since 2013 equal to +23.4%.

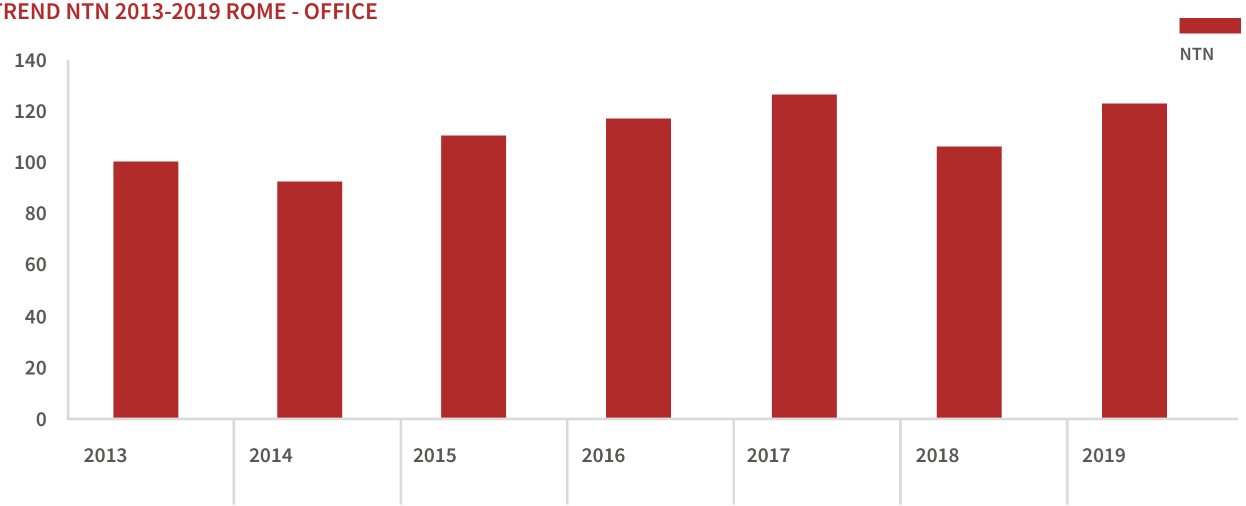
In 2019, the changes in transactions in the Municipality of Rome (equal to +16.4%) were higher than the changes recorded by regional data (+14.4%) and higher than the changes recorded by national data (+4.8%).

OFFICES MARKET									STATISTICS		
TERRITOTIAL AREA ROME		2013	2014	2015	2016	2017	2018	2019	AVERAGE (µ)	Δ '19/'13	Δ '19/'18
NTN	Abs. Val.	436	402	482	511	552	462	537	483	*23.4%*	*16.4%*
	Δ %	*-4.5%*	*-7.8%*	20.1%	6.0%	8.1%	*-16.4%*	16.4%			

Processing by Ufficio Studi Gabetti of data from Agenzia delle Entrate (Italian Inland Revenue)

The charts show the annual trend of the NTN during the 2013-2019 period for the Municipality of Rome.

TREND NTN 2013-2019 ROME - OFFICE



Processing by Ufficio Studi Gabetti of data from Agenzia delle Entrate (Italian Inland Revenue)

Market trends - fees

From the analysis of leases, it is possible to extract some significant data regarding average and "prime" rents broken down by area.

In particular, given the distribution of office buildings in the city of Rome, four macro-areas have been identified: the Centre, the Semi-centre, the Eur area and the peripheral area, which also includes the Fiumicino Corridor, East Inner Gra and South-East Inner Gra submarkets and the Fiumicino axis.

The prime rent for leases during Q3 2020 is € 440/sqm/year, a figure that is down from the previous quarter.

It must be noted that "prime" rents would be subject to downward changes in view of possible incentives (e.g. free rent, step-up etc.).

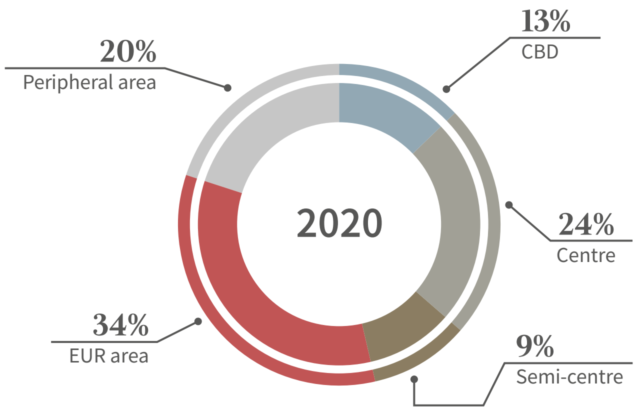
Market trends - yields

Prime Yield values (gross) compared to the previous quarter remained essentially stable, with **Prime Yield** in the central Rome area **around 5%**.

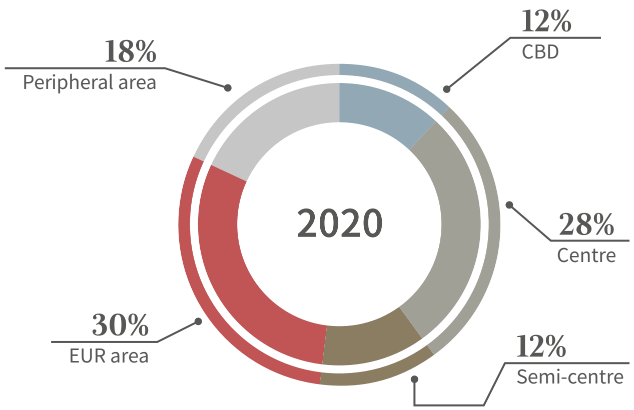
Market trends - take up

Estimated take up in the first nine months of 2020 was approximately 57,400 sqm (considering the main operators and a fragmented share among smaller operators), and was down from the same period in 2019. It must, however, be noted that for the city of Rome the market share attributed to non-institutional operators can be considered higher than for Milan's market. In terms of the number of contracts closed, the largest share was in the EUR area (34%), followed by the Centre (24%). In terms of surface area we find the EUR area in the lead with 30% followed by the Centre with 28% of the total leased area.

ASSET LEASED BY AREA ROME Q1-Q3 2020



SURFACE LEASED BY AREA ROME Q1-Q3 2020



Processing by Ufficio Studi Gabetti

The retail market in Italy

Italy has always been a favourite destination for tourists from all over the world. They are attracted by its cultural and artistic beauty, nature, gastronomy and, last but not least, fashion. In fact, every Italian city boasts shopping streets, which have always been a great attraction for the significant influx of tourists. These elements of uniqueness, following the health emergency Covid -19, could not be appreciated: the lockdown periods of March-April, in addition to the resumption of light regional lockdowns from November, has led to a significant impact in terms of decreasing the influx of tourists in Italy: for 2020, the Federalberghi study centre has estimated a drop in overall attendance of 56.1% or about 245 million total guests lost mainly due to the decline of 74% of non-residents and 37.9% for Italians. The above, in addition to the policies of closing non-essential businesses, has had an impact without a doubt on major high street brands.

According to the Investment Ufficio Studi Gabetti report, retail type investments, the value of which has been disclosed, in the first nine months of 2020 reached around € 890 million.

The highest volume of investments attributable to a specific region was recorded in Lombardy with € 191 million, or 22% of the total invested.

Specifically, a total of 31 transactions were mapped: 15 in Lombardy, including one mixed office/retail property, 5 in Piedmont (including one mixed office/retail property), 4 in Lazio and single transactions in Emilia-Romagna, Abruzzo, Puglia, Liguria, Friuli Venezia Giulia, Sicily and Molise. It must be noted that the Esselunga S.p.A. transaction was not taken into account in the calculation of transactions, as the number of transactions could not be quantified.

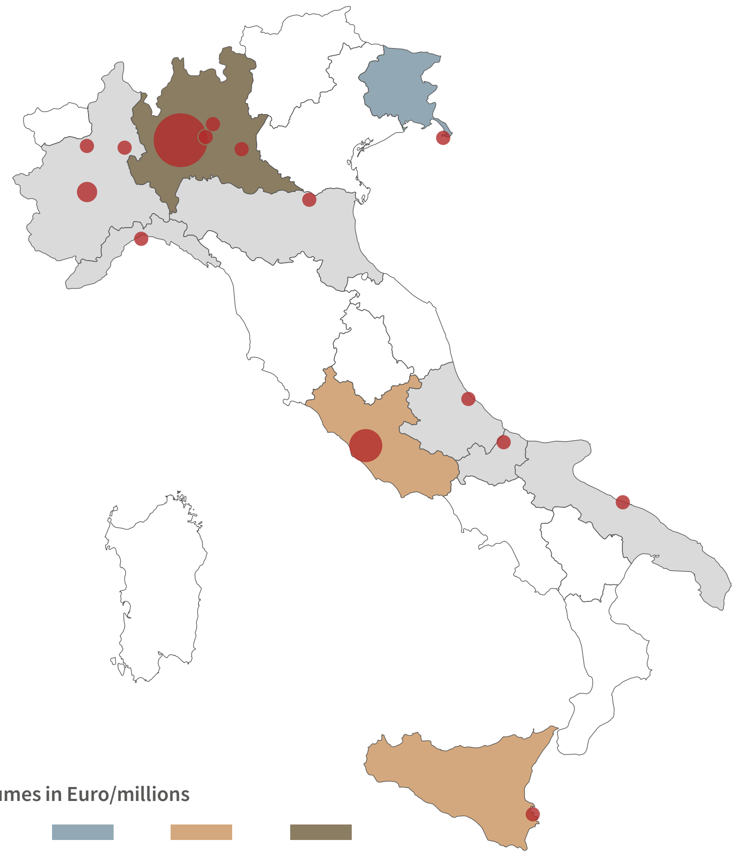
The estimated average value of retail investments per asset in the first nine months of 2020, excluding mixed property transactions and the Esselunga transaction, was approximately € 15.6 million.

Below are some of the key transactions recorded from Q1 2019 to Q3 2020.

PERIOD	ASSET NAME	PROVINCE	PRICE (MLN €)	BUYERS	SELLERS
Q1 2019	Trophaeum Luxury retail	MI	15	Trophaeum	n.d.
Q2 2019	Portafoglio Centostazioni	TO, NA, PD, MI, RM	45	Altarea Cogedim	FS Italiane
Q2 2019	Immobile Piazza Meda 1	MI	26.5	Privato	DeA Capital
Q2 2019	Bruno B Calo	RM	15	Trophaeum AM	n.d.
Q3 2019	Immobile Zara	FI	50	Privato italiano	n.d.
Q1 2020	Quota 32,5% di La Villata S.p.A.	n.d.	435	Unicredit	Esselunga S.p.A.
Q1 2020	Le Torri d'Europa	TS	1.5	n.d.	Amundi RE Italia SGR
Q1 2020	Immobile uso retail	MI	1	n.d.	n.d.
Q2 2020	5 Cash&Carry - Fondo Polvanera	NO, SV, TO	43.9	Kryalos SGR, Hayfin	BNP Paribas REIM SGR
Q2 2020	3 Negozi - high street	MI	7.2	n.d.	n.d.
Q3 2020	Portafoglio Leroy Merlin - Bricoman	Various	n.d.	Blue SGR (JV Batipart e Covèa)	Gruppo Adeo
Q3 2020	Immobile retail Via del Babuino 36	RM	n.d.	Tander Inversiones Premier Alliance	Privato

SOURCE: Gabetti Studies Office

DISTRIBUTION OF THE NUMBER OF OPERATIONS BY MUNICIPALITY AT Q3 2020



Investments per volumes in Euro/millions

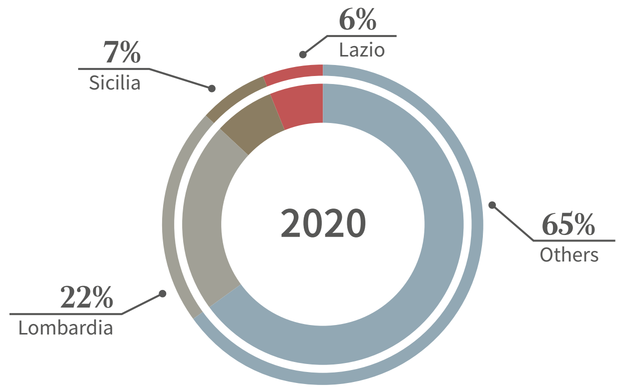
Undisclosed 0 1-10 11-60 61-200

Data for retail maps - N. Oper. by Municipality

7-10 4-6 2-3 1

SOURCE: Gabetti Studies Office

DISTRIBUTION OF THE VOLUME OF INVESTMENTS BY REGION Q1-Q3 2020



SOURCE: Gabetti Studies Office

Retail market stocks in Italy - 2019

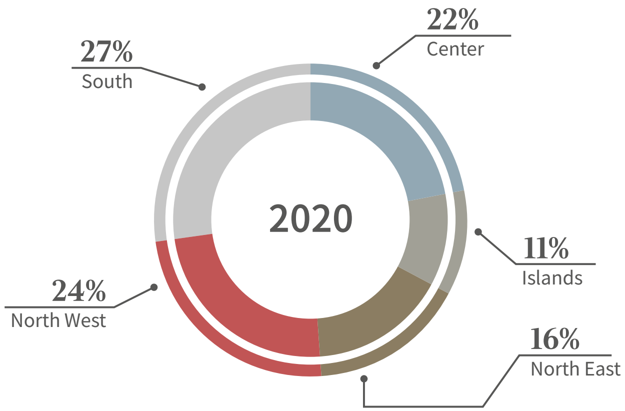
In Italy, the tertiary, commercial and production market accounts for 15% of the total real estate stock and 10% of transactions.

According to the study carried out by the Osservatorio del Mercato Immobiliare of Agenzia delle Entrate (Italian Inland Revenue), shops are the building type with the highest values among those of a non-residential nature, referring to the number of relevant units recorded in the land register (about 2.5 million) which include categories for shops and workshops.

% Stock by national geographical distribution

The national geographical distribution of stores is dominated by the North (40%), followed by the South of Italy (27%) and Central Italy (22%). The Islands account for 11% of the total.

STOCK DISTRIBUTION BY AREA GEOGRAPHICAL - STORES



SOURCE: Processing by Ufficio Studi Gabetti of data from the 2020 OMI Real Estate Report

% Stock by regional distribution

Looking at the regional distribution throughout Italy, Lombardy has the largest relative presence of shops in Italy with a stock share of 14.0%, followed by Campania (11.0%). In the other macro-areas, Lazio (10.0%) in Central Italy, Sicily (8.0%) in the Islands and Veneto (8%) in the North-East are worth mentioning.

STOCKS BY GEOGRAPHICAL AREA AND BY REGION - STORES

AREA	REGION	STOCK	SHARE %
North East	Emilia-Romagna	172,865	7%
	Friuli-Venezia Giulia	27,598	1%
	Veneto	199,667	8%
NORTH EAST		**400,130**	**16%**
North West	Liguria	76,218	3%
	Lombardia	362,880	14%
	Piemonte	169,508	7%
	Valle d'Aosta	6,652	0%
NORTH WEST		**615,258**	**24%**
Center	Lazio	245,704	10%
	Marche	77,295	3%
	Toscana	188,073	7%
	Umbria	43,759	2%
CENTER		**554,831**	**22%**
South	Abruzzo	65,740	3%
	Basilicata	30,837	1%
	Calabria	100,334	4%
	Campania	280,894	11%
	Molise	14,512	1%
	Puglia	192,224	8%
SOUTH		**684,541**	**27%**
Islands	Sardegna	73,177	3%
	Sicilia	210,336	8%
ISLANDS		**283,513**	**11%**
ITALY		**2,538,273**	**100%**

Processing by Ufficio Studi Gabetti of data from the 2020 OMI Real Estate Report

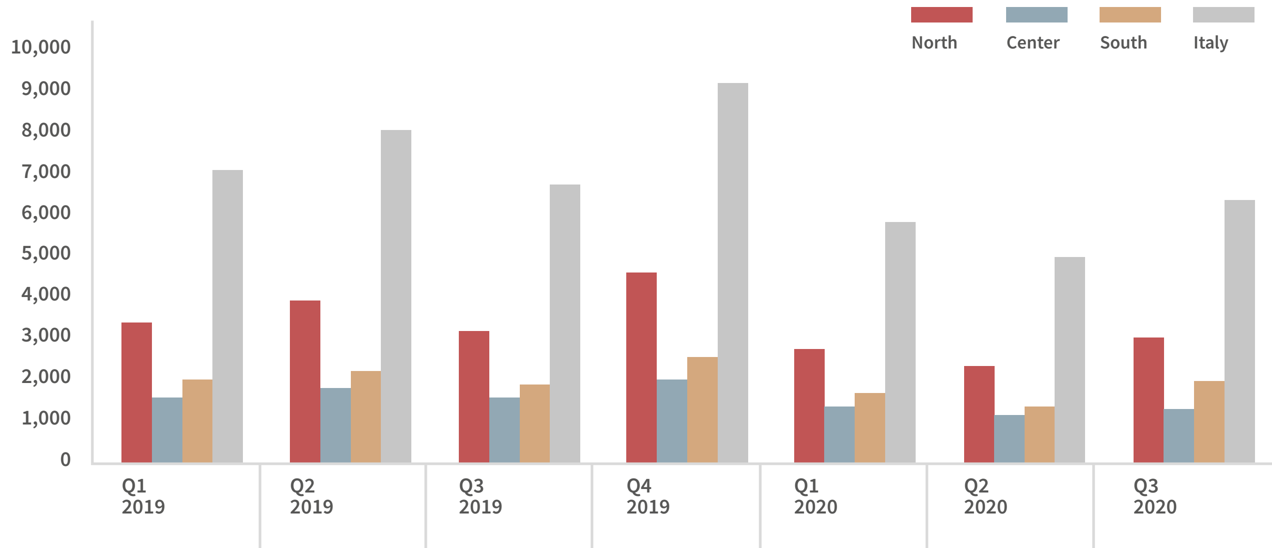
Trading volumes

During 2019, the commercial sector (shops and workshops) recorded a total of 31,435 transactions nationwide, +6.5% compared to 2018.

In detail, 49% of total transactions were recorded in the North, 28% in the South and the remaining 23% in Central Italy.

On a quarterly basis, a total of **17,380** transactions were recorded in the **first three quarters of 2020**, with a change of **-21.5%** compared to the same period in 2019. In the three macro areas, the following changes occurred: North -22.8%, Central Italy -22.4% and South -18.4%.

STORES AND LABORATORIES SECTOR - QUARTERLY NTN MACRO AREAS (Q1 2019 - Q3 2020)



SOURCE: Processing by Ufficio Studi Gabetti of data from Agenzia delle Entrate (Italian Inland Revenue) - Quarterly statistics

On a regional scale in absolute terms, in the first nine months of 2020, the top three regions by transaction volume are Lombardy, with 3,444 transactions, Lazio with 1,793 transactions and Veneto (1,521).

NTN BY REGION - SHOPS AND WORKSHOPS

REGION	Q1 2020	Q2 2020	Q3 2020	Q1-Q3 2020	VAR. Q1-Q3 2020/2019
Abruzzo	96	89	144	329	-12.7%
Basilicata	62	34	51	146	-19.1%
Calabria	131	97	189	417	-21.5%
Campania	442	417	621	1,480	-22.6%
Emilia-Romagna	451	400	495	1,346	-23.5%
Friuli-Venezia Giulia	58	30	68	156	-39.1%
Lazio	639	571	584	1,793	-23.8%
Liguria	151	122	164	437	-25.0%
Lombardia	1,168	995	1,281	3,444	-23.6%
Marche	152	132	184	468	-3.9%
Molise	20	20	26	67	-27.0%
Piemonte	454	415	509	1,378	-19.6%
Puglia	455	325	413	1,193	-8.6%
Sardegna	103	102	117	322	-31.3%
Sicilia	422	307	446	1,175	-17.5%
Toscana	496	437	512	1,445	-24.6%
Umbria	98	54	89	241	-26.6%
Valle d'Aosta	6	8	9	22	-42.1%
Veneto	515	461	546	1,521	-19.9%
TOTAL	5,918	5,015	6,447	17,380	-21.5%

SOURCE: Processing by Ufficio Studi Gabetti of data from Agenzia delle Entrate (Italian Inland Revenue) - Quarterly statistics

Market trends in Italian high streets

In the current economic scenario, which has been profoundly altered by the pandemic, the high street is affected by the lockdown measures in the same way as medium and large retail outlets and will continue to suffer a slowdown in turnover due to the absence of international buyers as a result of on-going border closures.

According to data from Federazione Moda Italia's survey on the performance of sales in the fashion industry in July and August this year, 62% of companies showed a decline compared to revenue in the same two months of 2019. 22% reported stability and 16% an increase. The average drop recorded is 17% with more critical positions in the centres of large cities, which have suffered more than the suburbs, smaller towns and tourist resorts, where some satisfaction has been recorded.

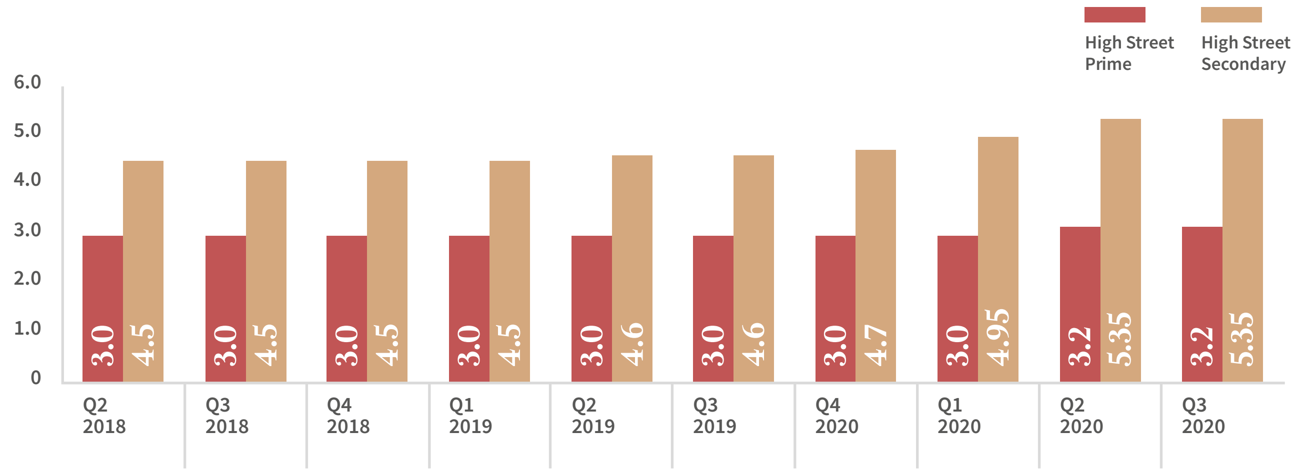
In this context, if we try to take a broader look at the retail sector, especially regarding its spatial configuration, physical stores have some peculiarities, which are necessary for contemporary consumers and complementary to the e-commerce channel. Therefore, comprehensive integration models between physical and on-line commerce are already being developed. Even after the emergence, in some cases it is a consolidation of trends already seen, in others new stimuli to rethink their value proposition and/or their business models.

As far as the Italian high streets are concerned, the pre-Covid period saw considerable growth in rents and in the market in general. Milan, due to its great ability to attract new international brands, which choose it to enter the Italian market, obtains the record for the highest prime rent in Italy, reaching over € 10,000 per square metre per year. Milan is the first Italian market as it lends itself well to meeting the needs of all types of consumers, being able to provide the right space and the right location to luxury, aspirational and mass-market brands. New brands, mainly international, decide to open their flagship stores there because the city is also able to support experiments with new shopping methods that combine tradition and innovation, such as click and collect; a combination of on-line shopping and in-shop delivery. In addition, Rome, due to the endless influx of tourists from all over the world and despite the lack of availability of adequate spaces and being subject to rather restrictive regulations, still remains the most desired destination for many brands.

In addition to Milan and Rome, there are many other Italian cities of interest, coinciding with the most important ones from a tourist point of view such as Venice, Florence, Bologna, Turin and Naples, all characterised by high tourist flows.

At the Yield level, Q3 2020 sees stability compared to the previous quarter and an increase compared to the same period in 2019.

HIGH STREET - % YIELDS



SOURCE: Cbre

Retail - Market indicators

HIGH STREET - MARKET INDICATORS

CITY	PRIME RENTS (€/mq/year) Q3 2020	ANNUAL GROWTH (%)vs Q3 2019	PRIME YIELD (%) Q3 2020
Milan	13,700	0%	3%
Rome	12,500	0%	3%
Venice	7,000	-2.70%	4%
Florence	6,300	0%	3.75%
Turin	2,200	0%	4.25%

SOURCE: Cushman & Wakefield

In the retail market, we note that in the nine months of 2020, prime rents were stable overall in the cities under study, compared to the same period in 2019, with the exception of Venice, where rents were down.

Specifically, Milan holds the record in terms of rents with € 13,700/sqm/year and a net Yield of 3%. Rome follows, with rents reaching € 12,500/sqm/year, with the same Yield of 3%. Both are confirmed as prime locations, preferred by investors. Yield slightly higher for Venice and Florence, which score respectively 4% and 3.75% with a rent of € 7,000/sqm/year and € 6,300/sqm/year. Finally, Turin records a rent of € 2,200/sqm/year, increasing in the last year, with a higher Yield of 4.25%.

In summary, some data of the Federazione Moda Italia - Confcommercio, submitted in September 2020.

ANNUAL LEASE PAYMENTS FOR 100 SQM RETAIL SPACE IN HIGH STREETS

CITY	MINIMUM	MAXIMUM
Milan	84,000	1,070,000
Rome	94,000	1,000,000
Venice	139,000	540,000
Florence	69,000	462,000
Verona	51,000	270,000
Turin	38,000	180,000
Bologna	31,000	210,000
Palermo	48,000	168,000
Naples	57,000	149,000
Bari	36,000	157,000
Genoa	34,000	98,000

SOURCE: Federazione Moda Italia data

Milan under the spotlight

The new decade heralds great transformations for Milan and in the real estate cycle that the city will experience, the retail component could play a highly significant role. The governance of commercial settlements over the years has undergone a complex evolutionary process.

The sector's structure has undergone changes also through a revision of sector regulations which have assigned to commerce the task of providing services to the community, in addition to its traditional economic role. These factors have influenced the shape of the distribution network both in Italy and in Europe. Currently, the dynamics of retail, especially in a context of constant growth of e-commerce, highlight the need to evolve retail spaces, both as a functional mixed use and as a physical place geared to encourage connections in relationships, both physical and remotely.

During the pre-COVID-19 period, the city was progressively consolidating its attractiveness, fuelled by its ability to connect international networks that go beyond geographical proximity, in a positive moment that is an expression of a dynamism focused on research, training, innovation, creativity, culture and tourism.

These elements, especially when related to the holding of events, have come to a forced halt due to the social distancing provisions.

In the pre-COVID-19 period, high streets were a favourite shopping destination in Lombardy's capital city. Luxury shopping streets had grown to include, in addition to the traditional streets, other areas such as Brera, Ponte Vetero, Piazza Gae Aulenti, Corso XXII Marzo and even Corso di Porta Romana. The Quadrilateral was confirmed as the most sought after area by luxury brands, via Monte Napoleone, via Sant'Andrea and via Verri, are in very high demand; there was even talk of a waiting list to occupy a position within these streets. An exception is Via della Spiga, which had lost its attractiveness; brands such as Tod's, Krizia, Saint Laurent and Frette have moved to the nearby Via del Gesù, Via Santo Spirito and Via Monte Napoleone.

Via Torino in 2019 had maintained its attractiveness, with greater intensity in the first section. Corso Vercelli had registered a good dynamism, with the openings of Ovs and Starbucks. Via Manzoni performed not as well, still experiencing difficulties, subject to numerous changes and currently characterised by a higher average vacancy rate (6.8%). Via Dante had a high concentration of food & beverage points and lacked uniformity outside this scope. The greatest expectations are for Piazza Cordusio, included from this year in the survey, which is about to become a unified shopping and experience route between Piazza Castello and Via Orefici to Piazza San Babila. Of the 968 stores on the high streets under study, 111 businesses changed location or their logo during 2019, amounting to 123 storefronts.

Two major renovations and remodelling of the spaces of large parts of buildings are expected on the high street. The Medelan is a redevelopment project of the former headquarters of the Credito Italiano on a total area of about fifty thousand square metres, of which thirteen thousand are for retail spaces, eighteen thousand square metres for offices and two thousand for food & beverage points arranged within a terrace overlooking Piazza Cordusio. The Buenos Aires 59 redevelopment project involves the construction of six commercial units with between one thousand and 1,800 square metres of retail space, distributed on three levels, for a total area of just over eight thousand square metres. Another initiative of significant interest is the Galleria Commerciale di Porta Vittoria, already built but not yet operative, located next to Esselunga, which will be relaunched following its purchase by the York company, through the First Atlantic fund. Finally, The Icon will be built; a redevelopment of the former Palazzo Ferrania, built by Gio Ponti and located in Corso Matteotti 12, corner of San Pietro all'Orto. The building has an area of seven thousand square metres with mixed use, offices and commercial, spread over eight floors above ground and one basement.

THE REAL ESTATE PORTFOLIO

As at 31 December 2020 Nova Re Group's portfolio consisted of 7 assets, including 3 for commercial use, 3 for executive use and 1 for hotel use, with a total market value of € 122.3 million, of which € 120.45 million was classified under Investment property and € 1.9 million was classified under Other tangible fixed assets in the consolidated 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 41,829 sqm, while the commercial area is of 27,875 sqm.

The real estate portfolio as at 31 December 2020 was fully utilised, taking into account that the only areas for which there is no formal lease agreement in place (the Via Zara 28 building: first floor office unit, three parking spaces and a warehouse in the basement - areas hereinafter collectively referred to as “Via Zara 28 Instrumental”) are used directly by the Company as part of the relocation of its headquarters with effect from 1 October 2020. There are 6 tenants in the properties: OVS, Ministry of Justice, Guardia di Finanza, Embassy of Canada, Dico S.p.A. and SHG Hotel Verona S.r.l.

It is recalled that, until 31 December 2019, the asset for hotel use located in Verona, Via Unità d'Italia, due to the then existing option right held by the seller, was classified under Financial assets at fair value in both the Parent Company's financial statements and the consolidated financial statements. As at 31 December 2020, as this option right ceased to exist during 2020, the Group classified the asset, meeting the requirements, under Investment property. On the other hand, from a management perspective, the asset was considered within the scope of the managed portfolio and represented therein already during 2019.

REAL ESTATE PORTFOLIO HIGHLIGHTS

PROPERTY 1

Address:
Via Spadari, 2 – Milan

Intended Use:
Retail

Commercial surface:
1,263 sqm - Gross surface area: 1,991 sqm

Tenant:
OVS S.p.A.

PROPERTY 2

Address:
Via Cuneo, 2 – Milan

Intended Use:
Retail

Commercial surface:
3,360 sqm - Gross surface area: 5,476 sqm

Tenant:
OVS S.p.A.

PROPERTY 3

Address:
Corso San Gottardo, 29/31 – Milan

Intended Use:
Retail

Commercial surface:
2,523 sqm - Gross surface area: 4,234 sqm

Tenant:
OVS S.p.A.

PROPERTY 4 - INVESTMENT

Address:
Via Zara, 22/32 – Rome

Intended Use:
Office and Retail

Commercial surface:
2,649 sqm - Gross surface area: 3,804 sqm

Tenant:
Embassy of Canada and Dico S.p.A.

PROPERTY 4 - INSTRUMENTAL

Address:
Via Zara, 28 – Rome

Intended Use:
Office

Commercial surface:
379 sqm - Gross surface area: 404 sqm

Tenant:
Nova Re SIIQ S.p.A.

PROPERTY 5

Address:
Viale Saverio Dioguardi, 1 – Bari

Intended Use:
Office

Commercial surface:
10,650 sqm - Gross surface area: 15,410 sqm

Tenant:
Ministry of Justice

PROPERTY 6

Address:
Via Unità d'Italia, 346 – Verona

Intended Use:
Hotel

Commercial surface:
4,590 sqm - Gross surface area: 6,640 sqm

Tenant:
SHG Hotel Verona S.r.l.

PROPERTY 7

Address:
Via Vinicio Cortese, 143 – Rome

Intended Use:
Management and Archive

Commercial surface:
2,461 sqm - Gross surface area: 3,870 sqm

Tenant:
Guardia di Finanza

2020

The health emergency and the consequences on the financial markets significantly affected also the real estate market

Key events in 2020 relating to Nova Re Group's real estate portfolio

The main event of the year 2020 that significantly affected the management and performance of Nova Re Group's real estate portfolio was undoubtedly the health emergency related to the COVID-19 pandemic that began in early 2020 and is still on-going. The unpredictability and the importance of the pandemic have caused important consequences on the financial markets and on the economy in general during 2020, thus significantly affecting also the real estate market, which is one of its pillars. The main impacts on the real estate market have been:

1. a slowdown in investment and development operations (and consequently a slowdown of the entire sector that at the end of 2019 was instead registering important signs of growth) caused mainly by an attitude of expectation and greater prudence on the part of investors;

2. the altering- imposed or induced - of people's daily lives and working and social habits that has, consequently, changed (and will probably structurally change) the dynamics of use of real estate by tenants and, more generally, users affecting considerably (in some cases dramatically) the current dynamics of income generation from real estate. Some real estate sectors - in particular the commercial/retail and tourism/hotel sectors - have been hit hard by the pandemic given:

- the restrictions imposed by the Italian government (and, as far as the tourism sector is concerned, by other countries as well) on the mobility of people (the so-called lockdowns) and the opening days and hours of specific activities;

- the psychological and social impacts on people's daily lives and habits - including their spending habits.

With specific reference to Nova Re Group's real estate portfolio, the pandemic - in 2020 - therefore had a significant impact on the commercial/retail sub-portfolio in Milan (Via Spadari, Via Cuneo, Corso San Gottardo) and the tourist/hotel sub-portfolio in Verona (Via Unità d'Italia), while it did not have any specific impact - given the various intended uses of the properties - on the predominantly executive sub-portfolio in Rome (Via Zara and Via Cortese) and Bari (Viale Saverio Dioguardi).

In relation to the retail property leased to OVS in the weeks following the start of the health emergency, Nova Re and the tenant have been in constant contact in relation to the development of the relevant crisis situation and have begun negotiations aimed at identifying a possible intervention of economic support by Nova Re to the tenant in order to allow the latter to better cope with the crisis situation related to the COVID-19 pandemic. Following these negotiations Nova Re - in a view of partnership with its tenant in relation to increasing the value of the real estate assets in question - decided to support OVS in relation to the economic and financial losses connected to the COVID-19 pandemic by agreeing (by means of a private contract dated 31 July 2020) to a one-off overall reduction of € 1,119k on the total rent for the entire portfolio for the year 2020. As a result of the above mentioned reduction, OVS agreed to advance the payment of some months of future rents of the 3 stores in order to mitigate the negative financial effect for Nova Re due to the non-collection of past due rents. In December 2020 given the continuation of the COVID-19 emergency situation and, above all, the relevant new restrictions on trade imposed by the government during the last months of the year, the tenant requested to the owner the possibility of considering further temporary reductions in rent. On the date of this report, discussions are on-going.

Also in relation to the hotel property in Verona leased to SHG Hotel Verona S.r.l., in the weeks following the start of the health emergency, Nova Re and the tenant were in constant contact regarding the development of the relevant crisis situation and have begun negotiations aimed at identifying a possible intervention of economic support by Nova Re to the tenant SHG in order to allow the latter to better cope with the crisis situation related to the COVID-19 pandemic. Following the above negotiations, Nova Re - in a spirit of partnership with its tenant in relation to increasing the value of the real estate asset in question - decided to support SHG Hotel Verona S.r.l. in relation to the economic and financial losses connected to the COVID-19 pandemic by waiving (with a private agreement dated July 2020) the rent or lease payments for the months of February (in part), March, April, May, June and July 2020 and 50% of the rent for the month of August 2020 and the variable component of the rent until 31 December 2021. Subsequent to the formalisation of the agreement, given the continuation of the COVID-19 emergency situation and, above all, the relevant new restrictions on the movement of people between the regions imposed by the Italian government during the final months of 2020, the tenant informed Nova Re that it was unable to comply - not even in part - with the reduction agreement signed in July 2020, requesting, on the other hand, a further significant economic effort from the company by waiving the remaining 2020 lease payments and a large part of the 2021 lease payments. Given the tenant's uncooperative and pretentious attitude, in this case, Nova Re was therefore forced to initiate a course of legal litigation aimed at the eventual release of the property.

Milan - Via Spadari, 2

The property in question, intended for retail use and located in the city of Milan (one of the most affected by the COVID-19 pandemic), as mentioned was the subject of the supplementary agreement of July 2020 between Nova Re and OVS aimed at supporting the tenant in relation to the economic and financial losses related to the COVID-19 pandemic. The above agreement, for the property in Via Spadari, provided for a waiver by the owner of a total amount of € 641k from 2020 lease payments.

Milan - Via Cuneo, 2

The property in question, intended for retail use and located in the city of Milan (one of the most affected by the COVID-19 pandemic), as mentioned was the subject of the supplementary agreement of July 2020 between Nova Re and OVS aimed at supporting the tenant in relation to the economic and financial losses related to the COVID-19 pandemic. The above agreement, for the property in Via Cuneo, provided for a waiver by the owner of a total of € 478k from 2020 lease payments. As part of the same agreement, the parties also established:

- the amount of the capex contribution (envisaged - as part of previous understandings between the parties - to be borne by Nova Re for renovation works carried out by the tenant in the property in 2019) in a total equal to € 650k, which was paid to the tenant on 30 September 2020;
- the effective date - from 28 December 2020 - of the consequent increase in the rent for a total of € 33k per annum.

Milan - Corso San Gottardo, 29/31

Following the asset management and commercial repositioning activities of the store, on 7 February 2020 a new lease agreement was entered into with OVS to which the parties assigned an effective date of 1 July 2019 and a term of 7 + 6 years. The new annual rent is equal to € 1 million per annum which has been reduced to € 500k per annum for the first 7 years.

With regard to the San Gottardo property, discussions continued with the other owners of the building complex in which it is located with a view to establishing a possible residential complex and, at the same time, discussions were initiated relating to a possible redevelopment of the entire complex to be carried out in 2021.

Rome - Via Zara 22/32

In January 2020, the main works to upgrade the building were completed and testing of the newly installed systems was carried out. Following the latter, on 31 January 2020 a new lease agreement was entered into with the Embassy of Canada effective from 1 February 2020, with a lease payment of € 550k per annum, a term of 6+6 years and reimbursement of administrative and management/maintenance expenses of 2% and 5% respectively on the current lease payment. Works on the vacant offices on the first floor also continued during the first half of the year. These works, whose timetable was significantly delayed due to the COVID-19 pandemic, were completed in September 2020. With effect from 01 October 2020, the Company moved its offices and corporate headquarters to the property's first floor. During the last quarter of the year, testing of the entire redevelopment project was completed.

Bari - Viale Saverio Dioguardi, 1

Given the specific use of the property and the tenant, the COVID-19 emergency situation had no direct economic impact on the existing lease. As part of the policy of decrease of rents promoted by the public administration, under Italian Law no. 160 of 27/12/2019 (stability law), the Italian Ministry of Justice, as tenant of the property, sent - during 2020 - a request for renegotiating the rent to which Nova Re formally replied that it could not adhere given:

- the recent signing of the lease agreement with the Ministry having effect from 01 January 2019 and the lease payment- therefore - already recently verified by the Agenzia del Demanio (the Italian State Property Office);
- the considerable investment of redevelopment and customisation carried out on the latter (of approximately € 4 million).

Nova Re continued to carry out targeted redevelopment and asset management works on the property throughout 2020. During the last few months of the year, the Municipality of Bari increased the property's land registry revenue (proposed by Nova Re in the previous twelve months). Assessments are underway for a possible opposition by Nova Re to this change and for the start of a mediation process with the Municipality of Bari to reduce the cost of IMU tax, which is already quite significant for the property type.

Rome - Via Vinicio Cortese, 143

On 25 March 2020, Guardia di Finanza, the tenant of the property, sent a notice to begin negotiating a new lease given the upcoming expiry of the existing one (September 2021). The tenant's request was to confirm the property's interest in signing a new 9-year lease at an annual rent commensurate with the minimum rental value set by the Osservatorio del Mercato Immobiliare (Real Estate Market Observatory), reduced by 15%. Following this notice, on 3 April 2020 Nova Re confirmed to the Tenant its willingness to commence negotiations to enter into the eventual new lease. During the following months, due to the COVID-19 pandemic, these negotiations slowed down and then remained in a stand-by stage throughout 2020.

However, during the year, Nova Re carried out targeted redevelopment and asset management works on the property in preparation for the renegotiation of the lease.

Verona - Via Unità d'Italia, 346

On 27 February 2020 the reference group of the tenant SHG Hotel Verona S.r.l formally exercised its right to repurchase the property, which was then waived, also due to the negative economic consequences of the pandemic.

The property in question, intended for tourist/hotel use and located one of the real estate sectors most affected by the COVID-19 pandemic, as mentioned was the subject of the July 2020 agreements between Nova Re and SHG Hotel Verona S.r.l. - aimed at supporting the tenant in relation to the economic and financial losses connected to the COVID-19 pandemic (within the scope of the agreement itself - in view of the above - the parties also agreed to consider option rights through which the tenant could buy back the property as definitively forfeited). The above agreement - through which Nova Re had waived the rents for the months of February (in part), March, April, May, June and July 2020 and 50% of the rent for the month of August 2020 and the variable component of the rent until 31 December 2021 - given the on-going COVID-19 emergency situation and, above all, the relevant new restrictions on the movement of people between the regions imposed by the Italian government in the last months of 2020 - has not been complied with, not even in part, by the tenant who, on the other hand, has requested Nova Re to make a further significant economic effort by waiving further 2020 rents and a good part of those for 2021. Given the tenant's uncooperative and pretentious attitude, in this case, Nova Re was therefore forced to initiate a course of legal litigation aimed at the eventual release of the property.

Events subsequent to 31 December 2020 relating to the real estate portfolio

Even in the first months of the year 2021, the COVID-19 pandemic is continuing to have a significant influence on the management and performance of the Nova Re Group's real estate portfolio even though the prospects of a positive evolution of the pandemic during 2021 are now more concrete, especially as a result of the spread of vaccines.

Milan - Via Spadari, 2

In early 2021, Nova Re purchased the first and second floor portions of the property leased, respectively, to OVS S.p.A. (with regard to the surface areas - connected to the shop already owned by the company - of the first floor and a portion of the second floor) and Zara Italia S.r.l. (with regard to the remaining portion of the second floor intended to be used instead for offices and warehouses).

Given the continuation of the COVID-19 emergency situation, negotiations continued between Nova Re and OVS to establish a possible further economic contribution to the tenant by the owner for 2021 in order to better address the crisis situation related to the COVID-19 pandemic.

Milan - Via Cuneo, 2

Given the continuation of the COVID-19 emergency situation, negotiations continued between Nova Re and OVS to establish a possible further economic contribution to the tenant by the owner for 2021 in order to better address the crisis situation related to the COVID-19 pandemic.

Milan - Corso San Gottardo, 29/31

Given the continuation of the COVID-19 emergency situation, negotiations have continued between Nova Re and OVS to establish a possible further economic contribution to the tenant by the owner - to be charged to the year 2021 - to better address the crisis situation related to the COVID-19 pandemic.

Discussions continued with the other owners of the building complex in which the property is located to establish a possible redevelopment of the entire complex to be carried out in 2021.

Rome - Via Zara 22/32

In January 2021 the tenant Dico explained to Nova Re that the rent of the store in Via Zara, which has become fully operational in the last few years, has an unbalanced incidence on turnover compared to the market and that this incidence - also in view of the situation of general economic crisis linked to COVID-19 - puts at risk the regular payment of future rents by the store requesting to evaluate the negotiation and establishment of a new lease agreement with different economic conditions. Negotiations have therefore begun with the tenant with the aim of establishing a possible new lease on terms that take into account the needs of both parties.

Summary of the real estate portfolio as at 31 December 2020

Table 1 below summarises the main characteristics of the real estate portfolio owned by the Nova Re Group. The average gross yield has been calculated on the annual rents outstanding as at 31 December 2020, established in accordance with the information provided later in this section.

TABLE 1: REAL ESTATE PORTFOLIO HELD BY NOVA RE SIIQ

REAL ESTATE PORTFOLIO	MARKET VALUE 31/12/2020 (A)	RENTS AS AT 31/12/2020 (B)	AVERAGE GROSS YIELD 31/12/2020 (B/A)	LEASED AREA MQ	LEASABLE AREA MQ	OCCUPANCY RATE
Milan, Via Spadari, 2	40,500	1,536	3.79%	1,263	1,263	100%
Milan, Via Cuneo, 2	25,150	1,173	4.67%	3,360	3,360	100%
Milan, Corso San Gottardo, 29/31	15,200	500	3.29%	2,523	2,523	100%
Rome, Via Zara, 22/32 (Investment)	12,700	683	5.38%	2,649	2,649	100%
Rome, Via Zara, 28 (Instrumental)	1,900	n.a.	n.a.	379	379	100%
Rome, Via Vinicio Cortese, 147	5,400	586	10.85%	2,461	2,461	100%
Bari, Viale Saverio Dioguardi, 1	14,900	963	6.46%	10,650	10,650	100%
Verona, Via Unità d'Italia, 346	6,600	450	6.82%	4,590	4,590	100%
TOTAL	**122,350**	**5,892**	**4.82%**	**27,875**	**27,875**	**100%**

The table above includes the market value of the asset located in Rome, Via Zara 28, for € 1.9 million, classified under Other tangible fixed assets. The item Investment property as at 31 December 2020 of € 120.5 million does not include this portion.

Main real estate indicators

Market value of the real estate portfolio

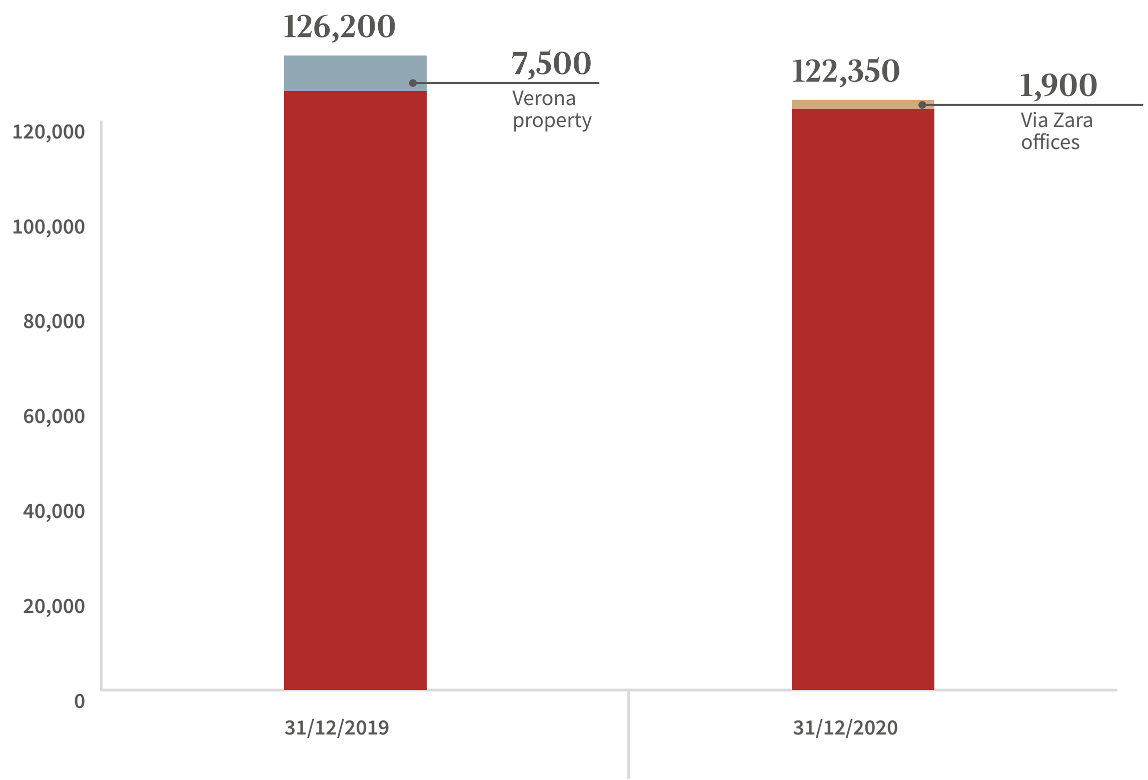
As at 31 December 2020 the Nova Re Group owns a real estate portfolio of 7 assets with a total value of € 122.3 million. The decrease in the value of the real estate portfolio compared to 31 December 2019 is mainly attributable to:

1. the effects of the health emergency caused by COVID-19, especially on the retail and hotel segments,
2. the more prudent relocation prospects of the property in Rome - Via Vinicio Cortese,
3. the increase in the cost of IMU property tax for the property in Bari Viale Saverio Dioguardi. An analysis of the changes in the values for each asset is provided in the notes to the financial statements.

As previously disclosed, as at 31 December 2020 the Verona property was reclassified from Financial assets at fair value to Investment property while the portion of the property in Milan, Via Zara 28 having become the Company's registered office and operational headquarters was reclassified from Investment property to Other tangible fixed assets in the 2020 Consolidated and Separate Financial Statements.

Chart 1 and **Table 2**, here below, show the changes in the market value of the real estate portfolio, owned by Nova Re Group, between 31 December 2019 and 31 December 2020.

CHART 1: CHANGES IN MARKET VALUES OF THE REAL ESTATE PORTFOLIO (€ '000)



The market value of the Verona property as at 31 December 2019 is shown separately because, as noted above, it was not included in the Investment Property item in the Consolidated and Separate Financial Statements as at 31 December 2019 but under the Financial assets item. In 2020, the value of the portion of the property in Rome, Via Zara 28, classified under the item Other tangible fixed assets, is shown.

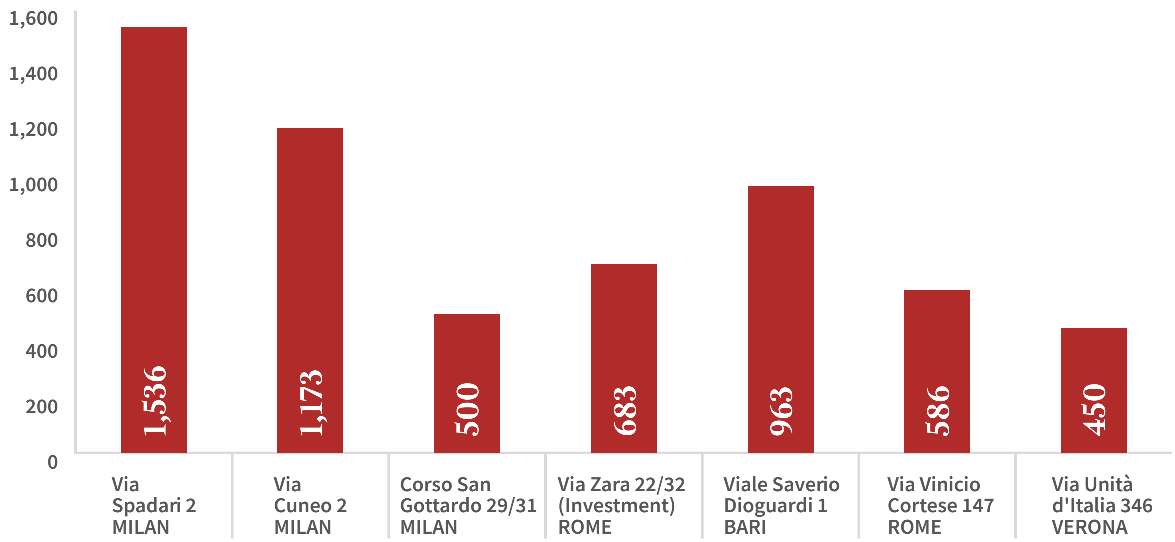
Value of outstanding annual lease payments and stabilised annual lease payments as at 31 December 2020

Existing yearly rents shall mean the annual leases in effect on the date of reference.

Stabilised yearly rents are understood to be the rents when the various contracts are fully operational (thus taking into account the maximum value of the rent contractually envisaged on the basis of any step-up) known and contracted at the reference date. Only uncertain items such as the ISTAT adjustment and any variable component of the rent are not taken into account in the fees stated.

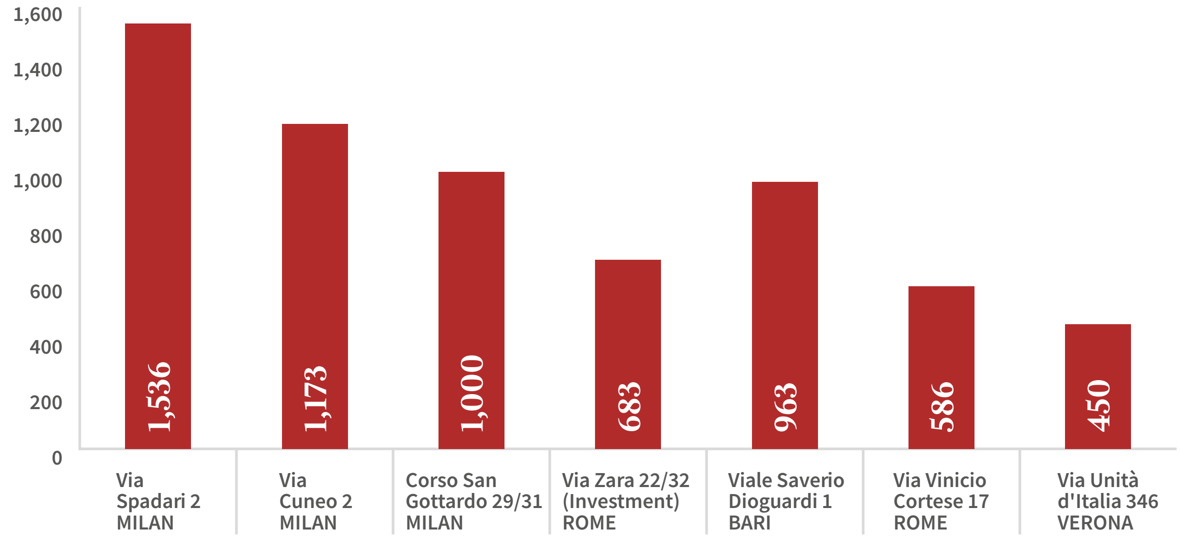
The value of existing yearly rents as at 31 December 2020 is € 5,892 distributed among the various properties as shown in **Chart 2**.

CHART 2: **EXISTING YEARLY RENTS AS AT 31 DECEMBER 2020 (€ '000)**



The value of stabilised yearly rents is equal to € 6,392 as shown in **Chart 3**.

CHART 3: STABILISED YEARLY RENTS AS AT 31 DECEMBER 2020 (€ '000)



Net rental income for the year 2020

The net rental income attributable to the 2020 financial year resulting from the consolidated profit and loss account is:

TABLE 2: NET RENTAL INCOME AS AT 31 DECEMBER 2020

DESCRIPTION	31/12/2020 (€ '000)
Rental income	5,978
Net real estate costs	(2,027)
NET RENTAL INCOME	**3,951**

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

- the item Net rental income also includes revenue from chargebacks to tenants;
- with reference to the property in Verona, positive and negative income components relating to the latter are classified under the item "Net financial income and expenses" up to and including February 2020 and under the items "Rental income" and "Costs relating to property assets" from 1 March 2020 due to the various accounting treatment types in relation to the seller's existing option right as described above;

- 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;

- revenues relating to the property in Milan, Corso San Gottardo, whose contract provides for an initial rental period with an annual rent of € 500k and a second rental period with an annual rent of € 1 million, are spread over the contractual period.

Property data by intended use

The following table **(Table 3)** summarises the main information relating to Nova Re Group's real estate portfolio divided into sub-portfolios identified on the basis of the intended use of the individual properties.

TABLE 3: PROPERTY PORTFOLIO BY INTENDED USE AS AT 31 DECEMBER 2020

INTENDED USE	NUMBER OF ASSETS	GROSS LEASABLE AREA (MQ)	MARKET VALUE 31/12/2020 (A)	MARKET VALUE 31/12/2020 ON TOTAL PORTFOLIO	RENTS 31/12/2020 (B)	AVERAGE GROSS YIELD 31/12/2020 (B/A)	OCCUPANCY RATE
Retail	3	7,609	80,850	66.08%	3,209	3.97%	100%
Office (investment property)	3 (of which Via Zara 22/32 Investment property)	15,297	33,000	26.97%	2,232	6.76%	100%
Office (Insrumental)	1 (of which Via Zara 28 instrumental)	379	1,900	1.55%	n.a.	n.a.	100%
Hotel	1	4,590	6,600	5.39%	450	6.82%	100%
TOTAL	**7**	**27,875**	**122,350**	**100%**	**5,892**	**4.82%**	**100%**

Changes during 2020 in the book value of the portfolio by intended use are shown in the following table:

TABLE 4: CHANGES IN THE BOOK VALUE OF THE PORTFOLIO BY INTENDED USE IN 2020

(€ '000)	RETAIL	OFFICE	HOTEL	TOTAL PORTFOLIO
Investment property as at 1 January 2020	**82,200**	**36,500**	**0**	**118,700**
Purchases	0	0	0	0
Incremental costs	0	308	0	308
Reclassifications	0	(1,909)	7,651	5,742
BALANCE PRIOR TO THE VALUATION OF INVESTMENT PROPERTY	**82,200**	**34,898**	**7,651**	**124,750**
Net write-ups/(write-downs) for the year	(1,350)	(1,898)	(1,051)	(4,299)
BALANCE AS AT 31 DECEMBER 2020	**80,850**	**33,000**	**6,600**	**120,450**

Duration of leases (WALT)

The index relating to the overall weighted average lease term (WALT) on leases of Nova Re Group's real estate portfolio owned as at 31 December 2020 is equal to 6.2 years. The above index was calculated on the first contractual expiry date of the individual lease agreements in place, not taking into account any early termination options.

TABLE 5: WALT - LEASE TERM

CITY	ASSET	TENANT	WALTS AT 31/12/2019	WALTS AS AT 31/12/2020
Milan	Via Spadari, 2	OVS S.p.A.	8.0	7.0
	Via Cuneo, 2		8.0	7.0
	Corso San Gottardo, 29/31		6.5	5.5
Rome	Via Zara, 22/30	Embassy of Canada	0.1	5.1
		DICO S.p.A.	6.0	5.0
	Via Vinicio Cortese, 147	Guardia di Finanza	1.8	0.8
Bari	Viale Saverio Dioguardi, 1	Ministry of Justice	5.0	4.0
Verona	Via Unità D'Italia, 346	SHG Hotel Verona Srl	17.4	16.4
WALT ON LEASES OF REAL ESTATE PORTFOLIO			**6.7**	**6.2**

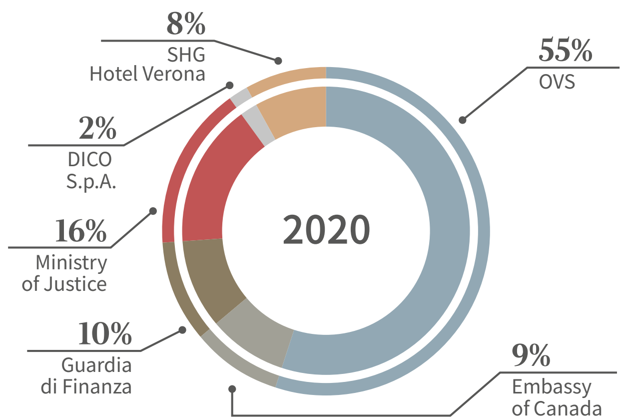
As at 31 December 2020, occupancy rate of the real estate portfolio is 100%

Tenants

As at 31 December 2020, Nova Re Group's real estate portfolio is leased to 6 (six) different tenants: OVS S.p.A., Italian Ministry of Justice, Guardia di Finanza, Embassy of Canada, Dico S.p.A. and SHG Hotel Verona S.r.l.

The following chart **(Chart 4)** shows the concentration analysis by individual tenant based on annual yearly rents as at 31 December 2020.

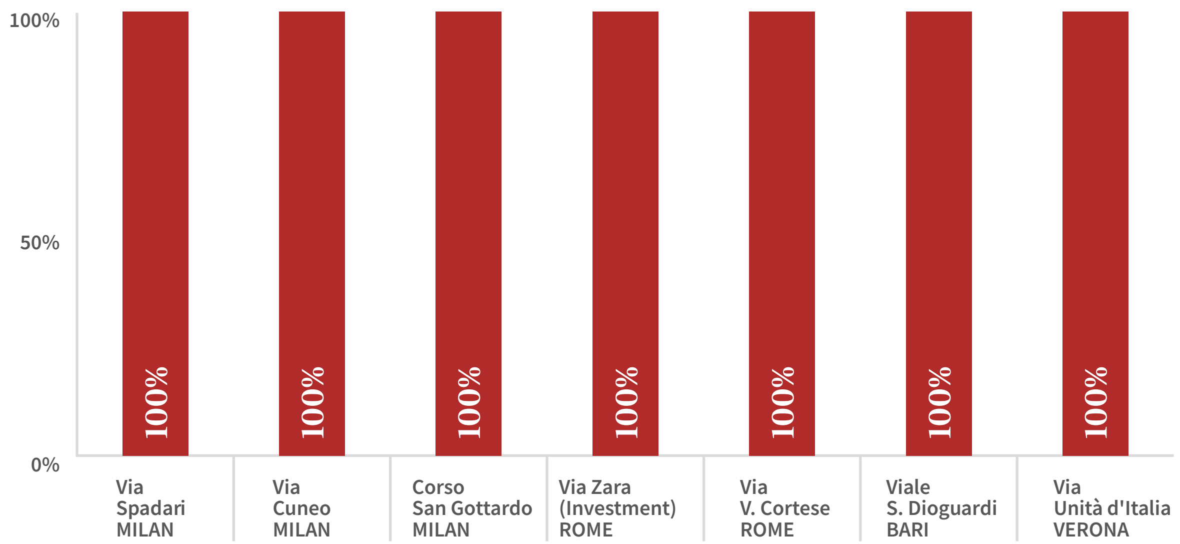
CHART 4: ANALYSIS OF TENANT CONCENTRATION AS AT 31 DECEMBER 2020



Occupancy rate

The occupancy rate of Nova Re Group's real estate portfolio as at 31 December 2020 is 100%, taking into account that for the property in Rome, Via Zara 22/32, the areas on the first floor (instrumental building) are used directly by the owner Nova Re.

CHART 5: OCCUPANCY RATE PER PROPERTY AS AT 31 DECEMBER 2020



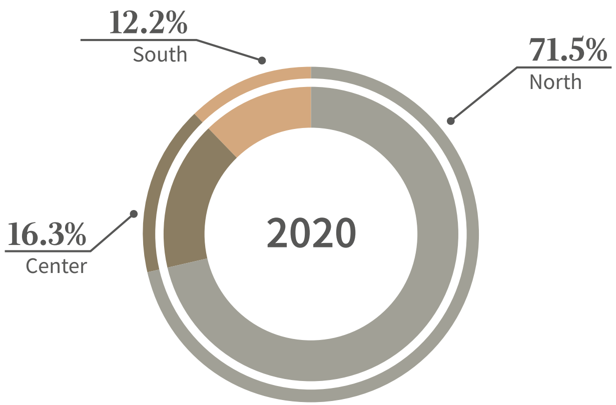
Geographical allocation

As at 31 December 2020, Nova Re Group's real estate portfolio is distributed in 4 (four) different cities: Milan, Rome, Bari and Verona.

The following chart **(Chart 6)** shows the geographical allocation analysis (NORTH - CENTRAL ITALY - SOUTH) of the portfolio based on the market values of the properties as at 31 December 2020.

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

CHART 6: GEOGRAPHICAL ALLOCATION OF THE MARKET VALUE OF INVESTMENT PROPERTIES AS AT 31 DECEMBER 2020



RENTAL INCOME

€ 5,978

THOUSANDS AS AT DECEMBER 31, 2020 VERSUS € 5,436 THOUSANDS AS AT DECEMBER 31, 2019

EBITDA

€ 297

THOUSANDS AS AT DECEMBER 31, 2020 VERSUS € 147 THOUSANDS AS AT DECEMBER 31, 2019

ANALYSIS OF ECONOMIC PERFORMANCE

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

(VALUES IN € '000)	2020	2019
Rental income	5,978	5,436
Costs relating to property assets	(2,027)	(1,268)
NET OPERATING INCOME	**3,951**	**4,168**
Other revenues and income	50	88
Personnel costs	(1,739)	(1,643)
Overheads	(1,647)	(2,187)
Other costs and charges	(318)	(279)
EBITDA	**297**	**147**
Depreciation	(160)	(433)
Fair value adjustment of financial instruments	(1,855)	(687)
Fair value adjustment of investment property	(4,299)	3,204
EBIT	**(6,017)**	**2,231**
Financial income/(expenses)	(3,865)	(2,028)
EBT (EARNINGS BEFORE TAXES)	**(9,881)**	**203**
Taxes	561	168
OPERATING RESULTS FOR THE PERIOD	**(9,320)**	**371**

Net Operating Income is equal to € 4 million and decreased when compared to € 4.2 million as at 31 December 2019 due to:

1. the combined effect of temporary decreases granted to certain tenants of approximately € 0.6 million in 2020,
2. the impairment of trade receivables of € 0.2 million,
3. the net increase in rental income compared to the previous year of approximately € 0.6 million.

Personnel costs, overheads amount to € 3.4 million and decreased in total by approximately € 0.4 million compared to 2019 as a result of certain cost efficiency actions that were partially offset by the recognition of costs associated with unfinished capital increase transactions.

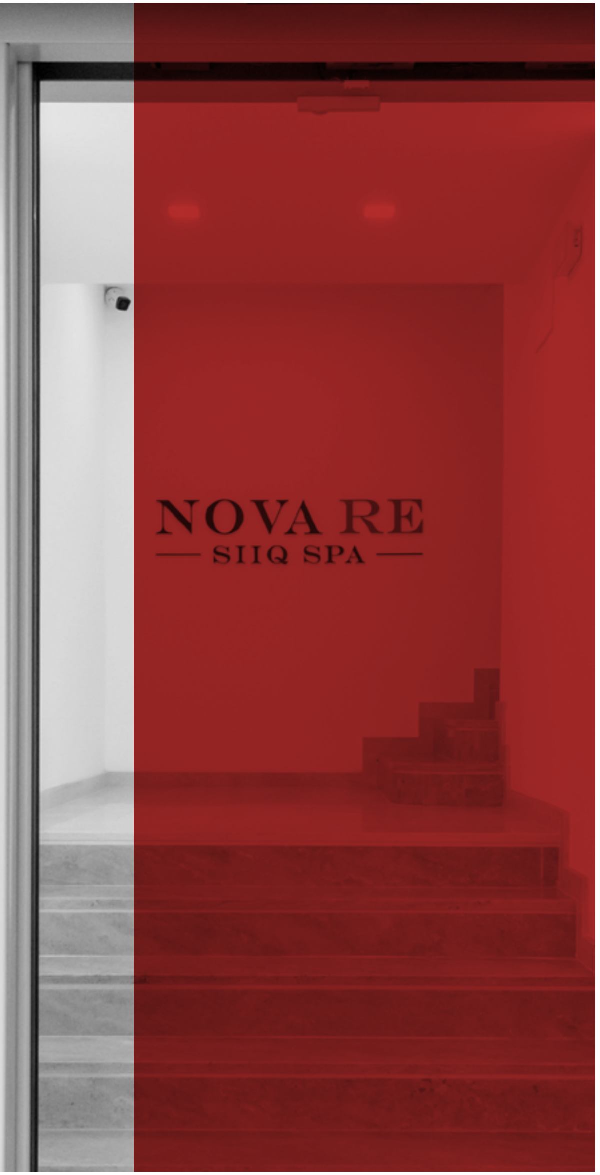
Fair value adjustments to financial assets amount to approximately € 1.9 million; this item refers to the value adjustment for the financial asset consisting of a debenture loan underwritten by Nova Re, issued by the Luxembourg-registered Historic & Trophy Building Fund - HTBF, € Sub-Fund (HTBF € Fund). The value adjustment reflects the stressful situation faced by the bond issuing fund and the impact of the COVID-19 pandemic on the industry.

The fair value adjustment for investment property is negative for 2020 and amounts to approximately € -4.3 million. The value of the real estate portfolio is significantly reduced compared to 31 December 2019 due to the effects of the COVID-19 pandemic on the real estate market especially for the Retail and Hospitality asset classes.

The item **Net financial income / (expenses)** is negative for the year 2020 by approximately € 3.9 million with a worsening compared to 31 December 2019 of € 1.8 million mainly following the incorporation of non-recurring accounting impact related to the early repayment of the mortgage loan agreement with UniCredit S.p.A. on 29 January 2021.

The **net result** stands at a negative value of € 9,320k.

The value of the real estate portfolio is significantly reduced compared to 31 December 2019 due to the effects of the COVID-19 pandemic



ANALYSIS OF FINANCIAL PERFORMANCE

The following tables show the Group's consolidated net debt as at 31 December 2020.

ITEM		31/12/2020	31/12/2019
A.	Fixed capital	122,576	119,849
B.	Financial instruments	3,186	13,622
C.	Net working capital	(418)	(2,091)
D=A.+B.+C.	**INVESTED CAPITAL**	**125,344**	**131,380**
E.	**Shareholders' equity**	**(85,371)**	**(68,341)**
F.	**Other non-current assets and liabilities**	**1,812**	**643**
G.	Long-term payables to banks and other lenders	(11,601)	(59,947)
H.	Long-term financial derivative liabilities	0	(1,008)
I.	Short-term payables to banks and other lenders	(53,191)	(2,622)
J.	Short-term financial derivative liabilities	(1,916)	(581)
K.	Securities held for trading	0	0
L.	Available cash and cash equivalents	(24,923)	475
M.=G.+H.+I.+J.+K.+L.	**NET FINANCIAL DEBT**	**(41,785)**	**(63,683)**
N.=E.+F.+M.	**SOURCES OF FINANCING**	**(125,344)**	**(131,380)**

Values in € '000

Shareholders' equity amounted to € 85,371k

Composition of items:

- **A. Fixed capital:** includes investment property, intangible fixed assets and other tangible fixed assets;
- **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;
- **I. Net financial debt:** is established as per Consob Resolution dated 28 July 2006 and in accordance with ESMA/2015/1415 Recommendation. It therefore includes the algebraic sum of amounts due to banks within and beyond 12 months, payables arising from the application of IFRS 16 and cash and cash equivalents.

The net working capital is negative equal to € 418k.

Shareholders' equity, including the loss for the year of € 9,320k, amounted to € 85,371k.

The balance of other net non-current assets and liabilities amounted to € 1,812k and mainly refers to:

1. assets for capex contribution disbursed in favour of the tenant OVS for the properties in Milan, Via Spadari and Via Cuneo for € 1,290k;
2. deferred tax assets for € 1,080k;
3. the current value of the Company's commitment to employees for severance indemnity for € 249k;
4. other non-current tax liabilities for € 313k referring to Cortese Immobiliare.

Information on the **net financial debt** is shown below:

(VALUES IN € '000)	31/12/2020	31/12/2019
Cash	24,923	475
Cash equivalents	0	0
Securities held for trading	0	0
Liquidity	**24,923**	**475**
Current financial assets	**0**	**0**
Payables to banks and other current lenders	(53,191)	(2,622)
Current portion of non-current financial liabilities	0	0
Other current financial liabilities	(1,916)	(581)
TOTAL CURRENT FINANCIAL LIABILITIES	**(55,107)**	**(3,203)**
CURRENT NET FINANCIAL DEBT	**(30,184)**	**(2,728)**
Payables to banks and other lenders (non-current portion)	(11,601)	(59,947)
Bonds issued	0	0
Total non-current financial liabilities	0	(1,008)
NON-CURRENT NET FINANCIAL DEBT	**(11,601)**	**(60,955)**
NET FINANCIAL DEBT	**(41,785)**	**(63,683)**

Net financial debt decreased significantly from € 63.7 million as at 31 December 2019 to € 41.8 million as at 31 December 2020 due to the combined effect of the cash capital increase that improved this indicator and the lack of decrease in financial debt following the suspension of payments of principal and interest instalments on bank loans and real estate leases due to the moratoriums granted by Italian Law Decree known as "Cura Italia". In September 2020 Nova Re SIIQ S.p.A. 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. At the start of 2021, with a € 54.6 million loan from the shareholder CPI PG, Nova Re fully repaid the mortgage loan to UniCredit S.p.A. in full.

TRANSACTIONS WITH RELATED PARTIES

Information on transactions with “related parties” is provided below.

Significant transactions with related parties

1. During the 2020 financial year the Committee of Independent Directors and the Board of Directors took note of the updates from time to time provided by the Chief Executive Officer regarding developments in the situation with the related party Main Source S.A. and with the Euro Sub-Fund of the Luxembourg-registered Historic & Trophy Building Fund, issuer of the debenture loan subscribed by the Company for a tranche of a nominal value equal to € 6,000,000.00.

   As Main Source is a related party of the Company, the Committee of Independent Directors was called upon, during the course of the aforementioned meetings, to issue its prior opinion on developments in the situation with Main Source and the HTBF Fund, in application of the regulations on transactions with related parties and, specifically, the provisions of Consob Regulation no. 17221 of 12 March 2010 as well as the Company's procedure on transactions with Related Parties.

   During the meeting of 21 January 2020, the Committee of Independent Directors, having heard: (I) the failure to credit the interest as at 31 December 2019 relating to the tranche of the debenture loan equal to a nominal € 6 million subscribed by Nova Re as well as (II) the suspension of trading of the debenture loan motivated by an event of default, as per the notice published on the Luxembourg Stock Exchange of which Nova Re became aware on 16 January 2020 and, in the absence of up-to-date information on the HTBF Fund's asset situation, considered that the exercise of the right to sell the debenture and the simultaneous activation of contractually envisaged guarantees was in the primary interest of the Company and its shareholders and did not hinder any future opportunity to acquire ownership of the debtor fund's assets.

   At the end of the meeting mentioned above, the Committee of Independent Directors therefore recommended that the Board of Directors should proceed without delay to exercise the right to sell the debenture, prior to the exercise of the first demand surety against the guarantor Fondo Donatello - Tulipano, Sub-Fund managed by Sorgente SGR S.p.A. in a.s.

   In accordance with the recommendations of the Committee of Independent Directors, the Board of Directors, at its meeting of 30 January 2020, resolved to proceed with the immediate activation of guarantee mechanisms contractually provided for in relation to the debenture loan issued by the HTBF Fund, subscribed by the Company for a nominal amount of € 6,000,000.00, and specifically:

   - the right to sell the debentures to the HTBF Fund (put option) and, subsequent to the exercise of such right,

- the enforcement of the first demand guarantee issued by Fondo Donatello, Tulipano Sub-Fund, giving ample authorisation to the Managing Director, with the support of the Company's advisers, to do so.

Accordingly, on 31 January 2020 the Company exercised its put option in accordance with the commitment letter dated 13 October 2017, entered into between the Company and Main Source. By means of the above mentioned letter exercising the put option, the Company requested the issuer to pay the price equal to the nominal value of the debentures subscribed by the Company (€ 6 million), plus the accrued interest until the effective date of the sale, no later than by 2 March 2020, corresponding to the 30th day from receipt of the letter.

The letter exercising the put option was also sent, as a carbon copy, to Sorgente SGR S.p.A. in a.s., in its capacity as manager of the Fondo Donatello, Tulipano Sub-Fund and by reason of the independent first demand guarantee issued by it in favour of the Company on 19 October 2017.

On 5 February 2020, the Company also sent a notice to the Luxembourg Commission for the Supervision of the Financial Sector (CSSF, from its French initials or “Commission de Surveillance du Secteur Financier”), informing the latter of the exercise of the put option by the Company and at the same time requesting the receipt of accurate and exhaustive information on the capital, financial position and operating results of the HTBF; in the same notice, it was requested that any updated information be provided regarding the appointment and date of assignment of the liquidator.

On 21 February 2020, the Company sent a further written notice to Main Source, requesting the latter to forward updated information regarding the capital, financial position and operating results as well as any news regarding the appointment and date of assignment of the liquidator.

Not having received any feedback, not even informally, from Main Source, the Company, on 18 March 2020, subject to the favourable opinion of the Committee of Independent Directors obtained on 9 March - in consideration of the vain expiry of the term of thirty days from the exercise of the put option and in view of the non-payment of the price equal to the nominal value of the debentures 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 S.p.A. in a.s, in its capacity as manager, in the name and on behalf of the Fund named “Donatello - FIA Italiano Immobiliare Comparto Tulipano” (Donatello - Real Estate Italian AIF, Tulipano Sub-Fund). The Company, by enforcing the guarantee in question, asked Sorgente SGR S.p.A. in a.s. 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.

At the meetings held on 22 May 2020, the Committee of Independent Directors and the Board of Directors took note of the update provided by the Managing Director consisting of the circumstances that, on 19 May 2020, the Company, through its solicitors, sent to Sorgente SGR S.p.A. in a.s. in its capacity as manager of the Fondo Donatello -Tulipano Sub-Fund, a letter of warning and formal notice regarding the enforcement of the surety bond given by the latter in relation to the debentures issued by the HTBF Fund; this was in implementation of the recommendations made by the Committee of Independent Directors in previous meetings as well as the resolutions passed by the Board of Directors for the purpose of recovering the receivable, of which the letter of warning is the first step in view of subsequent recovery actions to be taken.

Legal action to protect Nova Re's rights was taken against the guarantor Sorgente SGR S.p.A. in a.s. and, through the STIBBE law firm in Luxembourg, against the main debtor Main Source.

With regard to the activities undertaken against Sorgente SGR S.p.A. in a.s., it must be noted that:

- on 1 July 2020, an appeal was filed with the Court of Milan for an order to pay the amount due to the Company accrued in the meantime;
- on 20 August 2020, the Court of Milan announced that it had accepted the aforesaid appeal and ordered Sorgente SGR, as manager of the Fondo Donatello -Tulipano Sub-Fund, to pay the plaintiff the sum of € 6,152,500.00;
- following a request for correction of a material error in the decree, filed on 2 September 2020, the Court of Milan, on 2 October 2020, processed the acceptance of the decree which, as processed, was notified to Sorgente SGR on 16 October 2020;
- on 25 November 2020, Sorgente SGR S.p.A. in a.s. served a writ of summons in opposition to the injunction with a simultaneous request for counter-guarantee and summons of the third party (Sorgente Group Italia S.r.l.) and counterclaim;
- the first hearing of the opposition proceedings has been set for 4 March at the Court of Milan.

With reference to the actions taken against the main debtor Main Source S. A., it must be noted that:

- a "formal notice" was sent to the debtor on 27 July 2020 enjoining and warning Main Source to pay the amounts due to Nova Re without delay;
- having received no response, on 11 September 2020, a notice was sent - in accordance with practice - to the Luxembourg Commission for the Supervision of the Financial Sector (CSSF, from its French initials or "Commission de Surveillance du Secteur Financier") to inform it that the Company would take all appropriate legal action to protect its legal rights;
- on 19 November 2020, the so-called "commercial procedure before the District Court" was initiated, by due service of process of the "Assignation devant le Tribunal d'arrondissement de et a Luxembourg", the first service of the aforementioned judicial proceedings;
- on 4 December 2020, an initial hearing was held in which the Court assigned the case to the relevant section;
- subsequently, on 7 December 2020, the Judge, in application of the measures for the containment of the epidemiological emergency from COVID-19 which extended the time of proceedings, announced that the next hearing had been set for 15 June 2021.

2. Following the execution of the capital increase, which resulted in CPI Property Group S.A. acquiring 11,012,555 ordinary shares of Nova Re, equal to 50% plus one share of the Company's share capital post-transaction, gave rise to CPI's obligation to launch a public take-over bid (the "Take-Over Bid") concerning all the shares of Nova Re, less the Company's shares already held by CPI and the treasury shares held by Nova Re, for a unit price of € 2.36, corresponding to the same price paid by CPI to subscribe to the capital increase.

The Take-Over Bid has been launched pursuant to Articles 102 and 106, paragraph 1, of Italian Legislative Decree no. 58 of 24 February 1998 and the applicable implementing provisions contained in the CONSOB Regulations adopted by resolution no. 11971 of 14 May 1999.

The Offering Document was approved by CONSOB on 9 December 2020 and Nova Re's Board of Directors approved and published the Issuer's Notice, pursuant to Article 103, paragraph 3, of the TUF on 10 December 2020, enclosing the reasoned opinion of the independent directors containing their evaluations of the Take-Over Bid and the fairness of the Consideration, pursuant to Article 39-bis of the Issuers' Regulations and the fairness opinion from a financial point of view (the so-called "Fairness Opinion") of the consideration for the Take-Over Bid, drafted by Studio Laghi.

3. On 27 January 2021, the Company approved a loan proposal received from the reference shareholder CPI Property Group S.A., for an amount approximately equal to € 54.6 million (the "Loan"), intended to cover the costs sustained by Nova RE 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 is a related party of Nova Re 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 also 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 financing transaction was approved by the Board of Directors with the prior and unanimous consent of Nova RE's Committee of Independent Directors, composed entirely of Directors who are not related to the counter party.

Transactions and relation with related parties of lesser importance

1. On 30 January 2020, the Board of Directors, subject to the opinion of the Committee of Independent Directors on 21 January 2020, dealt with the beauty contest for the assignment of advisory services for media relations, which also saw the participation of the related party Musa Comunicazione. In this regard, it is recalled that, during the meeting of 17 December 2019, following the establishment of the new 2020-2024 Business Plan - which did not provide for the hiring of an in-house employee to be entrusted with the duties of media relations - the need to outsource these duties was clarified. Therefore, a beauty contest was launched to identify a consultant specialising in media relations, to be chosen from a short list of professionals in the sector; six parties were invited to participate, including the related party Musa Comunicazioni S.r.l., and the deadline for submitting technical and financial bids was set for 10 January 2020, all under the supervision of the Committee of Independent Directors. Only three of the six parties invited to participate made an offer within the deadline specified in the Request For Proposal, including the related party Musa Comunicazione.

In this context, the Committee of Independent Directors assessed the formal and substantive regularity of the beauty contest conducted and, with specific reference to the related party Musa Comunicazione, unanimously considered that there were no impediments to its participation in the beauty contest and the possible awarding of the assignment, as it believed that the following conditions existed:

- Nova Re's interest in signing the contract, given its need to identify its own consultant for media relations and press office activities;
- the economic convenience, given the economic bid submitted by Musa Comunicazione, an improvement on the previous assignment, also compared with the other two bids received in the beauty contest.

The Committee of Independent Directors reviewed the bids received, comparing their terms and conditions, with specific reference to the services offered, the track record of each bidder, the team that would carry out the assignment and the economic conditions. Without prejudice to the foregoing, the Committee of Independent Directors referred to the Board of Directors any assessment of merit relating to choosing the best offer for the position to be filled, pointing out that this choice was particularly important in view of the implementation stage of the new 2020-2024 Business Plan, unanimously considering that with reference to the related party Musa Comunicazione, that formal and substantial checks required by the regulations and internal procedures in relation to all transactions with related parties had been followed, and that, therefore, there were no obstacles to the possible entrustment of the advisory role for media relations services to the aforementioned related party.

Without prejudice to the assessments made regarding the legitimacy of the participation of the related party Musa Comunicazione in the beauty contest, the Committee of Independent Directors unanimously considered that, in line with the Company's new Business Plan, it was appropriate to interrupt the continuity in choosing the new media relations advisor; a choice delegated to the Board of Directors. In this regard, the Committee suggested to the Board of Directors to terminate the existing relationship with Musa Comunicazione by formalising in respect of the related party the termination of the relationship, which had been de facto extended until the date of establishment of the beauty contest for choosing the new assignee of media relations services; a suggestion which was accepted by the Board of Directors in the meeting held on 30 January 2020 and, subsequently, implemented. The new advisory engagement for media relations services for the year 2020 was therefore awarded to Vera S.r.l..

2. On 18 March 2020, the Board of Directors, with the favourable opinion of the Committee of Independent Directors, dealt with the amendments to the Framework Agreement with the related party Nova Res S.r.l., now known as Polimnia S.r.l., for property and facility management services made necessary in light of Nova Re's 2020-2024 Business Plan, approved by the Board of Directors on 21 November 2019, which, with a view to achieving operating efficiencies, provided for the internalisation of property and facility management duties outsourced to Polimnia S.r.l. on the basis of the Framework Agreement. The above insourcing was implemented by Nova Re both by hiring an employee to support the company's Real Estate Business Area and by equipping itself with special management software. During the meeting held on 9 March 2020, the Committee of Independent Directors positively evaluated the Company's continuing interest in temporarily maintaining the Framework Agreement in force until the date of completion of the insourcing process for property and facility management services, as provided for in the 2020-2024 Business Plan, also deeming it appropriate for the Company to avail itself of the option set forth in Article 13, last paragraph, of the Framework Agreement, proceeding to request Polimnia S.r.l. - in light of the changes already underway in the Company's organisational and operational structure following the internalisation of the duties of property and facility management - the adjustment of the Framework Agreement by reducing the services and fees provided or, failing this, the termination of the Framework Agreement. Pursuant to Article 13, last paragraph, of the Framework Agreement, in fact, *"in the event that the organisational and/or operational structure of the Client is subject to significant changes such as to make this Mandate no longer adherent and/or responsive to its needs, it shall have the right to ask the Client for the consequent adjustment of this agreement, or, failing that, to terminate it"*. On 18 March 2020, the Board of Directors therefore resolved to initiate the procedure to terminate the Framework Agreement with Polimnia S.r.l, empowering the Chief Executive Officer to do everything necessary or appropriate to achieve the termination of the Framework Agreement in terms, insofar as possible, consistent with the provisions of the Business Plan, taking into account, however, the desirability of avoiding discontinuity and/or criticality in the Company's access to real estate information bases, during the delicate stage of implementation of the Business Plan; the Board of Directors also resolved to grant all necessary powers to the Chief Executive Officer for this purpose, to choose the most appropriate time-scales for requesting and negotiating with the counterparty a reduction in the services and fees provided under the Framework Agreement and, failing this, to proceed to terminate the Framework Agreement or, if necessary, to withdraw from it, negotiating, where possible, an early consensual termination of the Framework Agreement.

The Committee of Independent Directors in view of the consideration paid to the related party Polimnia S.r.l. during the financial year, deemed the adjustment of the Framework Agreement - by reducing the services and consideration provided and/or terminating it - to be a transaction with a related party of lesser significance, given that the currently applicable threshold is equal to

€ 3,395,499.05, corresponding to 5% of Nova Re Group's shareholders' equity, equal to € 67,909,981.00.

3. Also on 18 March 2020, the Board of Directors, with the favourable opinion of the Committee of Independent Directors, discussed the sublease agreement in place with the related party Tiberia S.r.l. and the possible exercise of the withdrawal from this agreement, in light of the provisions of Nova Re's 2020-2024 Business Plan, which, with a view to achieving operational efficiencies, provided for the transfer of the registered office to the offices on the first floor of the building, owned by Nova Re, located in Rome, in Via Zara 28.

   The Committee of Independent Directors, which met on 9 March 2020, assessed that the termination of the sublease agreement with Tiberia S.r.l. represents a transaction with a related party of lesser relevance, given that the threshold currently applicable is equal to € 3,395,499.05, corresponding to 5% of Nova Re Group's equity - equal to € 67,909,981.00 - and gave its favourable opinion on terminating the existing sublease agreement with Tiberia S.r.l, within the time-frame deemed appropriate by the Managing Director, also in view of the slowdown in renovations of the offices on the first floor of the property in Rome, Via Zara, caused by the COVID-19 emergency.

   Therefore, in the meeting of 18 March 2020, the Board of Directors resolved to approve the exercise of the Company's withdrawal from the sublease agreement in place with the related party Tiberia S.r.l., in the time-frame deemed necessary by the Managing Director to allow the completion of the works for the reclassification of the first floor of the property in Rome, via Zara 28; additionally, to also allow the completion of the works related to the transfer of the company to the new registered office, in view of possible delays with respect to the time-frames envisaged in the 2020-2024 Business Plan due to the effects linked to the COVID-19 emergency.

   Pursuant to the aforementioned board resolution, with effect from 12 October 2020, the Company's registered office was transferred to the offices located on the first floor of the building owned by Nova Re located in Rome, Via Zara 28.

4. It must be recalled that, on 1 August 2018, the Board of Directors, subject to the favourable opinion of the then Related Parties Committee, had approved the signing of the sublease agreement between the Company and the related party Company Tiberia S.r.l., whereby Tiberia S.r.l. subleased to Nova Re the entire fifth floor and certain parts of the fourth floor of the property located in Rome, Via del Tritone No. 132. The Agreement, in Article 6.2, states that *"The Tenant is and will remain liable for all expenses for utilities, including waste tax, and services for the entire duration of the lease, which may also provide for a centralised management of agreements and a division between the various users on the basis of the surface areas actually used"* (the so-called **"Common Costs"**).

   At its meetings on 8 April and 13 May 2020, the Committee of Independent Directors addressed the issue of Common Costs centralised by related companies.

   In particular, during the meeting held on 8 April 2020, the Committee acknowledged the criteria and allocation methods used to share centralised common costs, deeming them agreeable, and also appreciated the effort made by the Company's management to restore order into a complex situation, bringing it back to maximum transparency, while awaiting to cut the relationships in place with the related parties Tiberia S.r.l. and Sorgente REM S.r.l., to be carried out in 2020 with the transfer of the registered office to the new offices in Rome, via Zara.

   However, the Committee noted the existence of a cost item amounting to € 49,790, the payment of which was borne by Sorgente REM and reimbursed by Nova Re, which is outside the sublease agreement with Tiberia S.r.l. and for which there is no obvious contractual justification, other than the representation by the management that these are expenses incurred for urgent work actually carried out for the benefit of Nova Re, verified for accounting purposes.

Subsequently, at the meeting held on 13 May 2020, the Committee of Independent Directors took note of the in-depth studies conducted by the Company's relevant departments, reviewing the additional documentation made available, including the opinion, requested by the Managing Director, of the Head of Internal Audit, confirming that the procedure followed for the allocation of non-contracted Common Costs was correct. Following the outcome of the above meeting, the Committee of Independent Directors, while noting that the value of non-contracted common costs was below the threshold of insignificance provided for in Article 9.2 of the “RPT” Procedure adopted by the Company (so-called “below-threshold” transaction), with the consequent exclusion from the application of the procedural process prescribed by the RPT Procedure, confirmed its favourable opinion on the criteria and methods for the allocation of common costs for 2019.

Accordingly, at its meeting held on 13 May 2020, in view of the approval of the Annual Financial Report for the year ended on 31 December 2019, the Board of Directors, having taken note of the opinion of the Committee of Independent Directors, resolved to approve the criteria and procedures for the allocation of the Common Costs for the year 2019, approving the allocation to the Budget for the year 2019 of the total cost related to the latter.

LEGAL AND REGULATORY FRAMEWORK OF LISTED REAL ESTATE INVESTMENT COMPANIES ("SIIQ")

As at 31 December 2020, Nova Re SIIQ S.p.A. had met both the objective requirements for remaining in the Special Regime; as of that date, all the other requirements for remaining in the Special Regime (including the so-called "control" requirement)

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, 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.

The requirements for admission to the special tax regime guaranteed to Listed Real Estate Investment Companies ("SIIQ") can be summarised as follows:

SUBJECTIVE REQUIREMENTS

- Company incorporated as a S.p.A. (Italian joint-stock company).
- Residence in Italy or in an EU Member State (in relation to, and limited to, Italian permanent establishments which carry out mainly the activities of property rental).
- Status of company listed on Italian regulated markets or on those of EU or EEA countries included in the "white list".

STATUTORY REQUIREMENTS

- Rules in terms of investments.
- Limits to risk concentration on investments and counterparties.
- Maximum leverage limit, individual and at group level.

OWNERSHIP STRUCTURE REQUIREMENTS

- Control requirement: no shareholder must 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 profits.
- Free float requirement: 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).

OBJECTIVE REQUIREMENTS

Prevalent exercise of the activities of real estate rental, condition verified by two indexes:

- **Asset test:** real estate properties with intended use for rental activities, shareholdings in other SIIQs or SIINQs, shareholdings in real estate funds and in qualified real estate SICAFs at least equal to 80% of the assets;
- **Profit test:** income from rental activities, income from SIIQ or SIINQ, income from real estate funds and qualified real estate SICAFs, capital gains realised on properties intended for rental, at least 80% of the positive components of the profit and loss account:
    1. 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 SICAFs (so-called "exempt management");
    2. 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 rental and on investments in SIIQ, SIINQ and qualified real estate funds or SICAFs.

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 special SIIQ scheme with effect from the same period. 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. In addition, the following constitute causes for immediate forfeiture of the SIIQ special regime: (I) revocation of the admission of the shares to listing (on the other hand, mere temporary suspension of trading does not constitute a cause for forfeiture), and (II) failure to comply with the shareholding requirement that no shareholder directly or indirectly holds more than 60% of the voting rights at the Ordinary Shareholders' Meeting and more than 60% of the rights to participate in profits; however, if the 60% shareholding requirement is exceeded as a result of extraordinary corporate or capital market transactions, the special regime is suspended until the shareholding requirement is re-established.

Nova Re SIIQ S.p.A. exercised the option to access this 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 SIIQs (including the so-called "control" requirement) by the end of the 2017 financial year: consequently, the Special SIIQ 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.

As at 31 December 2020, Nova Re SIIQ S.p.A. had met both the objective requirements for remaining in the Special Regime; as of that date, all the other requirements for remaining in the Special Regime (including the so-called "control" requirement) had also been met. Information in this regard, is submitted in the relevant Notes to the financial statements, under the heading "INFORMATION ON THE SPECIAL REGIME FOR LISTED INVESTMENT COMPANIES - SIIQ" in the financial statements as at 31 December 2020. It must also be noted that, as stated in the section Events after the reporting period, following the conclusion of the take-over bid, the controlling shareholder CPI Property Group S.A., came to own a percentage of ordinary shares (with associated voting and equity rights) in excess of 60% and the latter has in any case declared, in the offer document and in subsequent announcements, that it intends to reduce its holding to below the relevant threshold in order to comply with the special regime.

RISK MANAGEMENT

Main risks and uncertainties to which Nova Re and the group are exposed

During the year relating to the year 2020 Nova 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 Nova 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:

1. appointed the Director in charge of the Internal Audit System,
2. 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 By-laws, 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 Group expose it to a series of financial risks: *market risks, credit risks and liquidity risks.*

1.1 Market risks

Investment property 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 Nova 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 Group's 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 leases 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 operating activities, in particular, consists of the increase in financial charges deriving from the rise in interest rates. The loans taken out to finance the acquisition of owned properties and the existing finance leases on the balance sheet date are organised according to the cash flows generated by lease agreements.

As at 31 December 2020, the Group held a derivative financial instrument entered into in January 2018 to hedge against the risk of rising interest rates with a consequent increase in financial expenses in relation to the UniCredit S.pA. loan. On 27 January 2021, the Parent Company settled in advance the mortgage loan with UniCredit S.p.A. and voluntarily and at the same time also settled the above derivative instrument.

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 accounts uncollectible. 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 Group has cash on hand at 31 December 2020 of € 24,923k and financial payables of € 66,708k.

On 27 January 2021, the Company's Board of Directors approved a loan proposal received from the reference shareholder CPI Property Group S.A., for an amount of approximately € 54.6 million, intended to cover the costs sustained by Nova RE 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, will a term of five years and will envisage a 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 Nova Re.

Existing loans entered into to finance the acquisition of owned properties and those connected with finance leases in place at the balance sheet date are structured according to cash flows generated by lease agreements.

As far as the financial structure is concerned, the maximum level of total financial debt is expected not to exceed 50% in terms of LTV.

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 By-laws, so the company cannot generate, directly and indirectly, rents from the same tenant or from tenants belonging to the same group, to an extent exceeding 2/3 of the total rents of the Company; the 30% limit stated above does not apply if the Group's real estate assets are rented 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.

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 no. 231/01:*** the Company has adopted an "Organisational Model" pursuant to Italian Legislative Decree no. 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 consolidated financial statements, the half-yearly financial statements and accounting information 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 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 requirements as reported above, it must be noted that, as at 31 December 2020, even following the execution, on 2 November 2020, of the capital increase referred to in the resolution of the Board of Directors of 29 October 2020, the subjective requirements established by the reference provisions are still met, as the new controlling shareholder CPI Property Group S.A. came to hold 50% of the share capital of Nova Re + one share.

It must be noted that, as at 31 December 2020, the procedure relating to the mandatory public take-over bid launched by CPI Property Group S.A. pursuant to Articles 102, 106, paragraph 1, and 109 of the TUF, concerning a maximum of 10,974,349 ordinary shares of the Company, as a result of which this shareholder could come to hold more than 60% of the voting rights in the ordinary shareholders' meeting and more than 60% of the rights to share in profits, also coming to hold an interest in the Company (represented by shares with voting rights and partly unlisted) such as to exceed the limits provided for by the above-mentioned control and free float requirements.

In this regard, it is specified that, with reference to the shareholding structure, Article 1, paragraph 119, of the 2007 Finance Act, provides, among other, that the special SIIQ regime is applicable to resident listed joint-stock companies provided that:

1. 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),

2. 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).

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

- with specific reference to the requirement of control, the exceeding by a shareholder of the 60% threshold of direct or indirect ownership of voting rights in the ordinary shareholders' meeting and of rights to participate in profits due to extraordinary corporate transactions or on the capital market determines the temporary suspension of the special regime until the shareholding requirement is re-established within the limits imposed by the above-mentioned reference legislation. 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 25% free float requirement does not apply to already listed companies, such as Nova Re. The reason for this derogation is that in such cases the requirement in question was necessarily fulfilled at the time of listing.

As stated in the Offering Document approved by CONSOB and published on 9 December 2020, it is CPI Property Group S.A.'s intention to maintain the special tax regime applicable to SIIQs, which is linked both to Nova Re maintaining its listed status and to the existence of the ownership requirements set out in the 2007 Finance Act. The above goal will be pursued both through the restoration of the free float (which may take place, by way of example, through sales of Shares, Accelerated Book Building (ABB), capital increases with partial or total exclusion of the option right reserved to parties other than shareholders holding relevant shareholdings pursuant to Art. 120 of the TUF), or by such means (such as, for example, transfers of Shares, Accelerated Book Building (ABB), capital increases with dilutive effects with respect to the shareholding held by the Offeror) as to ensure that the controlling shareholder CPI Property Group S.A. does not own, 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 (the so-called control requirement).

In the event of losing the bonus tax benefits provided by the special SIIQ regime with reference to the so-called "SIIQ". In the case of "exempt management", the tax base itself is attributed to a corporate tax treatment already provided for by the so-called "taxable management" and subject to personal taxation with the typical IRES and IRAP tax regime dictated by Italian tax legislation for resident companies.

As at 31 December 2020, all Objective Requirements, both in terms of capital and income requirements, were also met. In fact, with regard to the Asset Test, the value of real estate owned and used for rental 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 rental of real estate owned or other real estate rights is greater than 80% of the positive components of the income statement. It must be noted, however, that for purposes of verifying the conditions of prevalence, data resulting from the financial statements of each year is relevant and therefore for the year 2020 the check will be carried out on the basis of data updated as at 31 December 2020. With regard to the Shareholding Requirement of control, according to the information available to the company, no shareholder holds more than 60% of the voting rights at the Ordinary Shareholders' Meeting and more than 60% of the profit sharing rights.

With regard to the individual Statutory Requirements, the following must be noted. The By-laws, under Art. 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:

- directly, in excess of 2/3 of the total value of its real estate assets;
- 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:

- 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;

- 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:

- 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 book value of the investments in subsidiaries and the nominal value of the financial receivables from subsidiaries;

- 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 referred to in the previous points (1), (2) and (3) have not been exceeded either by Nova Re SIIQ S.p.A, or at a consolidated level by the Nova Re Group.

CORPORATE GOVERNANCE

The current Board of Directors consists of 7 (seven) members, 3 (three) of whom are independent, who will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ended on 31 December 2020

Information on the corporate governance system of Nova Re SIIQ S.p.A. can be found in the Report on Corporate Governance and Ownership Structure for the year 2020, approved by the Board of Directors on 15 March 2021 also - among other things - for the approval of the draft Financial Statements as at 31 December 2020. 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 for Listed Companies drawn up by the Corporate Governance Committee, 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.novare.it as well as on the authorised distribution and storage mechanism 1Info at the following URL www.1info.it

Bodies

Board of Directors

The current Board of Directors consists of 7 (seven) members, 3 (three) of whom are independent, who will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ended on 31 December 2020, which is scheduled for 26 April 2021.

The appointment of the current Board of Directors was resolved by the Shareholders' Meeting of 15 July 2020 in accordance with Article 16 of the By-laws, on the basis of the lists submitted by the Shareholders:

1. Sorgente SGR - Fondo Tintoretto - Akroterion Sub-Fund, Fondo Tiziano - San Nicola Sub-Fund, Fondo Donatello - Tulipano and Puglia Due Sub-Funds,

2. 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).

Specifically, the Shareholders' Meeting of 15 July 2020 resolved to establish the number of members of the Board of Directors at **7** and appointed **Giancarlo Cremonesi, as Chairman, Stefano Cervone, Gian Marco Committeri, Serena La Torre, Elisabetta Maggini, Luisa Scovazzo and Andrea Maria Azzaro** as members of this body, in office until the date of approval of the financial statements as **at 31 December 2020**.

The Directors were chosen from the list submitted by the majority shareholder Sorgente SGR - Fondo Tintoretto, Akroterion SubFund, Fondo Tiziano - San Nicola Sub-Fund, Fondo Donatello - Tulipano and Puglia Due Sub-Funds, which obtained favourable votes equal to approximately 91.62% of the capital present and voting, with the exception of Director Andrea Maria Azzaro, chosen 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 of approximately 8.38% of the share capital present and voting.

The newly appointed Board of Directors, which met in turn on 15 July 2020, resolved:

1. to identify Giancarlo Cremonesi, Chairman of the Board of Directors, as the Director in charge of the internal control and risk management system;

2. to appoint Stefano Cervone as the Company's Managing Director;

3. to ascertain that the requirements of independence have been 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.

From the date of 1 January 2020 and until the Shareholders' Meeting of 15 July 2020, the Company's Board of Directors consisted of nine members, in office until the Shareholders' Meeting called to approve the financial statements for the year ended on 31 December 2019, held **on 15 July 2020**, namely:

1. **Giancarlo Cremonesi** – Chairman;
2. **Stefano Cervone** – Managing Director;
3. **Gaetano Caputi** – Independent Director;
4. **Claudio Carserà** – Director;
5. **Gian Marco Committeri** – Independent Director;
6. **Serena La Torre** – CIndependent Director;
7. **Elisabetta Maggini** – Director;
8. **Giuseppe Pecoraro** – Independent Director;
9. **Luisa Scovazzo** – Director.

In this regard, it must be noted that the Shareholders' Meeting of 27 April 2018 resolved to establish the number of members of the Board of Directors at 9 and appointed as members of this body, in office until the date of approval of the financial statements for the year ended on 31 December 2019, Messrs. Giancarlo Cremonesi, as Chairman, Stefano Cervone, Gaetano Caputi, Gian Marco Committeri, Lara Livolsi, Claudio Carserà, Elisabetta Maggini, Luisa Scovazzo, all drawn from the list submitted by the majority shareholder Sorgente SGR S.p.A. (as discretionary and independent manager of the Fondo Tintoretto - Akroterion Sub-Fund, Fondo Tiziano - San Nicola Sub-Fund, Fondo Donatello -Tulipano and Puglia Due Sub-Funds) with the favourable vote of 90.0096% of the voting capital and Mr. Andrea Maria Azzaro, drawn from the list submitted by the member Associazione Cassa Nazionale di Previdenza e Assistenza a favore dei Ragionieri e Periti Commerciali (National Welfare and Assistance Fund for Accountants and Commercial Experts), with the favourable vote of 9.9904% of the voting capital.

On 16 November 2018, the non-executive and independent Director Lara Livolsi resigned from her position with effect on the same date.

On 20 December 2018, the Board of Directors, in accordance with the provisions of Article 16 of the By-laws as well as Article 2386 of the Italian Civil Code, co-opted Antonietta Fasano, solicitor, to the position of Director, after verifying that she met the requirements set forth in the applicable regulations for assuming the position of Director, deeming her to have met the non-executive requirements pursuant to Article 2 of the Corporate Governance Code for Listed Companies.

On 14 March 2019, Andrea Maria Azzaro, a non-executive and independent Director, resigned from his position with effect on the same date.

On 29 March 2019, the Board of Directors, in compliance with the provisions of Article 2386 of the Italian Civil Code and Article 16 of the Company's By-laws, co-opted the non-executive and independent Director Giuseppe Pecoraro.

On 7 May 2019, the Company's Shareholders' Meeting had resolved to complete the Board of Directors with the appointment, until the date of the Shareholders' Meeting called to approve the financial statements for the year ended on 31 December 2019, of Ms. Serena La Torre and Mr. Giuseppe Pecoraro, the latter having already been co-opted by the Board of Directors on 29 March 2019. The above Directors:

1. were proposed by the Majority Shareholder Sorgente SGR S.p.A. in extraordinary administration proceedings, in its capacity as discretionary and independent manager of Fondo Tintoretto - Akroterion

Sub-Fund, Fondo Tiziano - San Nicola Sub-Fund and Fondo Donatello - Tulipano and Puglia Due Sub-Funds,

2. have stated that they satisfy the requirements of independence provided for by Articles 147-ter, paragraph 4 and 148, paragraph 3 of Italian Legislative Decree no. 58/98, Article 16 of Consob Regulation no. 20249/17 and Article 3 of the Code of Conduct for Listed Companies.

Board of Statutory Auditors

The Company's Board of Statutory Auditors was appointed by the Shareholders' Meeting of 12 September 2018, for the 2018-2020 three-year period, and therefore until the Shareholders' Meeting called to approve the financial statements for the year ended on 31 December 2020, in the persons of: Luigi Mandolesi, Chairman; Giovanni Naccarato, Statutory Auditor; Anna Rita De Mauro, Statutory Auditor; Sergio Mariotti, Alternate Auditor; Barbara Premoli, Alternate Auditor.

The Statutory Auditors Giovanni Naccarato, Anna Rita De Mauro and Barbara Premoli were drawn from the list submitted by the majority shareholder Sorgente SGR S.p.A. on behalf of Fondo Tintoretto - Akroterion Sub-Fund, Fondo Tiziano - San Nicola Sub-Fund, Fondo Donatello - Tulipano and Puglia Due Sub-Funds, with the favourable vote of 89.99% of the voting capital, while the Chairman of the Board of Statutory Auditors Luigi Mandolesi and the Alternate Auditor Sergio Mariotti were drawn from the list submitted by the minority shareholder Associazione Cassa Nazionale Previdenza e Assistenza a favore dei Ragionieri e Periti Commerciali (National Welfare and Assistance Fund for Accountants and Commercial Experts), with the favourable vote of 10.01% of the voting capital.

The Board of Statutory Auditors, which met following the outcome of the Shareholders' Meeting of 12 September 2018, 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 check was last carried out, with a positive outcome, during the 2020 financial year, as a result of self-assessment activities conducted by the Board of Statutory Auditors.

The self-assessment of the Board of Statutory Auditors took into account the verification of the requirements for the exercise of the office on the basis of criteria established by the regulations set out in Art. 148 of the TUF and MEF (Italian Ministry for Economy and Finance) Regulation no. 162/2000 concerning integrity and professionalism; in Art. 144-novies, paragraph 1-ter, of the Issuers' Regulations with regard to independence; in Art. 148-bis of the TUF and Articles 144-duo-decies to 144-quinquiedecies of the Issuers' Regulations concerning the limits on the number of offices held.

The composition of the Board of Statutory Auditors appointed by the Shareholders' Meeting of 12 September 2018 has not changed as of the date of approval of this Report.

Independent Auditors

The Company appointed to audit the accounts of Nova Re SIIQ S.p.A. until the approval of the financial statements for the year ended on 31 December 2025 is Ria Grant Thornton S.p.A. as resolved by the Ordinary Shareholders' Meeting of 28 April 2017 and supplemented by a resolution of the Board of Directors on 29 January 2018 with regard to the audit of the Group's consolidated financial statements.

REMUNERATION REPORT

Pursuant to Art. 84-quarter, 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:

1. Organisation, Management and Control Model - General Section and Special Section;
2. Annex A - Italian Legislative Decree no. 231, of 8 June 2001;
3. Annex B - List of Liable Offences;
4. Mapping of risks pursuant to Italian Legislative Decree no. 231/2001;
5. Company organisation chart;
6. Code of Ethics;
7. Regulation of the Supervisory Body.

On 30 January 2019 the Board of Directors approved an update to the Organisational Model made necessary in order to incorporate the regulatory changes that occurred with the entry into force of Law no. 3/2019 containing "Measures for combating offences against the public administration, as well as in the matter of prescription of the offence and in the matter of transparency of political parties and movements" (Anti-Corruption Law, so-called *"Spazzacorrotti"*).

More specifically, both the General Section and the Special Section of the Organisational Model have been updated, with the extension of the list of Liable Offences envisaged by Italian Legislative Decree no. 231/2001, with specific reference to the section relating to offences against the P.A. and the introduction of the offence of "Illegal influence peddling" (Article 346-bis of the Italian Criminal Code).

The changes made to the Organisational Model were previously reviewed and approved by the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001.

EQUITY INVESTMENTS HELD BY DIRECTORS AND BOARD OF STATUTORY AUDITORS

As at 31 December 2020, the Chairman of the Board of Directors, Giancarlo Cremonesi, holds a 0.0015% stake in the share capital with 335 shares while the Director Claudio Carserà holds a 0.00009% stake in the share capital with 20 shares.

The remaining members of the Board of Directors and the Board of Statutory Auditors do not hold shares in the share capital of Nova Re SIIQ S.p.A., either directly or indirectly through subsidiaries, trust companies or third parties.

OTHER INFORMATION ON THE MANAGEMENT

Personnel and organisational structure

As at 31 December 2020, the workforce consisted of 11 employees, including 3 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 By-laws, and Chief Financial Officer Giovanni Cerrone.

It must be noted that during the first quarter of 2021, two employees resigned.

Research and development activities

The Company did not engage in any research and development activities during 2020.

Treasury shares and shares of parent companies

As at 31 December 2020, 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 and Annex 1 - Transactions with related parties of the notes to the consolidated financial statements

Secondary offices

The company has no secondary offices.

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 Rules of Markets organised and managed by Borsa Italiana S.p.A.

The Board of Directors of Nova Re SIIQ S.p.A. 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).

On 9 June 2020 the ISO 9001:2015 certification was confirmed

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

Pursuant to Art. 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 Regulation no. 11971/99 and subsequent amendments and additions.

Definition of SME

With reference to the definition of an SME, as per Article 1, paragraph 1, letter w-quater.1) of the TUF, it must be 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 9 June 2020.

UPDATE ON THE IMPACT OF COVID-19 ON THE 2020 ACCOUNTS

The year 2020 was dominated by the COVID-19 pandemic, which led to a global health emergency that was still in progress at the beginning of 2021 and to which the various countries, albeit with differences in the measures adopted, responded by closing all commercial, manufacturing and service activities deemed not strictly essential, in order to stem the spread of the contagion. The virus has had a wide-ranging effect on the world economy, causing a deep economic crisis.

The Management has proactively implemented actions to safeguard and protect employees in line with the guidelines of the health authorities by launching smart working for all employees in order to ensure business continuity. In addition, sanitation of the Group's headquarters has also been carried out.

With specific reference to Nova Re Group's real estate portfolio, the pandemic - in 2020 - therefore had a significant impact on the commercial/retail sub-portfolio in Milan (Via Spadari, Via Cuneo, Corso San Gottardo) and the tourist/hotel sub-portfolio in Verona (Via Unità d'Italia), while it did not have any specific impact - given the various intended uses of the properties - on the predominantly executive sub-portfolio in Rome (Via Zara and Via Cortese) and Bari (Viale Saverio Dioguardi).

As a result of the above emergency, in fact, the tenants of properties for commercial and hotel use, which account for approximately 62% of the Group's total rental income, notified the need to reduce and/or temporarily extend contractual lease payments for the year 2020.

As notified to the market on 11 August 2020, having acknowledged the profound sector difficulties generated by the so-called lockdown period, Nova Re has decided to pursue an attitude of maximum co-operation 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 asset classes most impacted by the pandemic were the commercial and hotel asset classes, which, in Nova Re's case, affect four of the seven properties currently in its portfolio. In fact, the Group's main tenants had to cope with an unpredictable, sudden and significant decrease in demand from their respective customers, mainly due to (I) the prolonged closure of activities due to the virus containment measures imposed by the government, as well as (II) the repercussions that this closure had on their respective business and the uncertainty regarding the time-frames of a return to normality in terms of use. Since the beginning of the crisis, Nova Re has on-going discussions with its tenants to identify and share, time to time, the best actions to contain the damage caused by the pandemic, with the aim of safeguarding the quality of long-term relationships and preserving the value of investment property made, in order to mitigate the risk that, in view of the crisis impacting the activities of the aforementioned tenants, the implementation of the remedies contractually provided for could lead to the interruption of the relevant relationships, with negative effects on the Company's business and prospects. The above activities of discussion and dialogue led to the signing of specific agreements with the main tenants, concerning the Company's waiver of a part of the lease payments equal to approximately 23% of the total amount of rents for the year 2020 (the so-called “free rent”).

In addition, also taking into account the economic crisis generated by the current health emergency, with reference to the discussions underway with the Shareholder Hotel alla Salute S.r.l., the company waived the right to repurchase the real estate complex for hotel use located in Verona and acquired by the Company on 10 May 2019, thus definitively terminating the repurchase option originally granted to Hotel alla Salute S.r.l. On 14 July, Nova Re signed a private agreement with Hotel alla Salute S.r.l. in which the parties acknowledge that:

1. the option right with which the tenant could buy back the property has definitively lapsed;
2. Nova Re definitively waived receiving fees for the months of February (partial), March, April, May, June, July 2020 and 50% of the fee due for the month of August 2020;
3. from the month of September 2020 and until 31 December 2021, the monthly fee will be paid in the amount equal only to the minimum guaranteed annual fee;
4. as of January 2022, the annual rent will go back to being 18% of the gross annual turnover and a guaranteed minimum of € 450,000 (subject to ISTAT revaluations); there are currently no plans for capex contribution works by the property.

With reference to the impact of the COVID-19 pandemic on the profit and loss account in 2020, the following must be noted:

1. a decrease in market value for all properties in the hotel and retail asset class;
2. a decrease in the value of the debenture in the HTBF-€ Fund of € 1,855k, partly due to the effects of the COVID-19 pandemic and partly due to the Fund's stress situation;
3. a loss on trade receivables for € 619k in relation to the temporary decrease of rents granted to some tenants and write-downs of receivables for € 185k in order to reflect the estimated recoverability of the latter in relation to the litigation in progress with the tenant SHG.

With reference, instead, to future impacts, it must be noted that the decrease in lease payments granted to the clients OVS and SHG will have a negative impact for a total of € 688k due to the IFRS 16 accounting treatment which provides for the linearisation of these effects over the contractual duration.

With regard to potential financial stress scenarios, the Company has updated its treasury plan, taking into account a necessarily short-term scenario, and conducted a stress test on cash flows, in order to

On November 2020 CPI subscribed to a cash capital increase of approximately € 26 million

anticipate any critical issues and tensions that may arise that could be determined in the Group's financial management.

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 rents that could have resulted from the negotiations with the tenants, 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 June 2021 following the extension that took place with the approval of the Budget Law of 30 December 2020.

In addition, in order to provide further support for the temporary liquidity shortages following the lease payment reductions granted to certain tenants, the Group has finalised requests for financing as part of the measures provided for by the Government pursuant to Article 1 (Temporary measures to support business liquidity) of Decree-Law no. 23 of 8 April 2020 (the so-called "Liquidity Decree"). In September 2020 Nova Re SIIQ S.p.A. 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. At the start of 2021, with a € 55 million loan from the shareholder CPI PG, Nova Re repaid the mortgage loan to UniCredit S.p.A. in full.

It must also be noted that, despite the reference context, the Company's Board of Directors has initiated the activities aimed at implementing the 2020-2024 Business Plan. As previously explained in November 2020 CPI subscribed to a cash capital increase of approximately € 26 million.

FORESEEABLE PERFORMANCE TREND

During 2020, despite the adverse environment, Nova Re achieved exceptional results, on the market side, by successfully completing radical changes by means of a capital increase transaction. Following this transaction, in fact, Nova Re has become part of the CPI PG group, one of the most solid and dynamic real estate companies at an international level, which positions the SIIQ as one of the most central and potentially active players in the domestic and European market, with very ambitious growth targets. CPI PG's stated strategic objective is to make Nova Re the platform for CPI PG Group's current and future investments in Italy.

As of the date of the Tender Offer Document, CPI Property Group S.A. owned 92.62% of the Company's shares but, as stated in the Document itself, its strategy is for Nova Re to maintain its status as both a listed company and a SIIQ, continuing to benefit from the relevant special tax regime.

With reference to the business outlook and Nova Re Group, it is believed that with the support of the controlling shareholder and new partners, the Group can increase the size, quality and performance of its ownership portfolio.

In fact, as stated in the Tender Offer Document once more, CPI Property Group believes that, over the next two years, further capital increases in Nova Re could be carried out, with the support - in terms, in particular, of both notoriety in the reference sector and favourable vote - of CPI PG, which together with the capital increases envisaged in the Nova Re 2020 *Sailing Fast Plan* and further capital increases in kind could bring the GAV (gross asset value) to over € 1.5 billion, thus placing Nova Re in a market position in line with its peers trading in Italy and Europe.

In any event, any capital increases to achieve these objectives, as indicated above, will also be carried out with the involvement of third-party investors other than CPI PG, in order to keep CPI PG's interest in Nova Re's share capital below 60%, so that it can maintain its SIIQ status.

To this end, in line with the current characteristics of the SIIQ market in Italy and at a European level, any capital increase operations will be mainly aimed at institutional investors, with the possibility of contributions in kind to Nova Re's capital of assets with features in line with the strategy and asset allocation defined from time to time within Nova Re's business plan.

With reference to financial structure, the transaction was completed in January and CPI Property Group S.A. confirmed its full willingness to support the consolidation and progressive expansion of Nova Re's business. The Company's financial structure has been strengthened in the medium-long term, laying the foundations for stable profitability in the future. Signing a loan agreement with the shareholder CPI Property Group has enabled the voluntary early repayment of the mortgage loan with Unicredit S.p.A. and is an important step towards the financial optimization of the Company, with a significant reduction in the average cost of debt, which was one of the strategic objectives in the 2020-2024 Business Plan. The target in terms of loan

With reference to the business outlook and Nova Re Group, it is believed that with the support of the controlling shareholder and new partners, the Group can increase the size, quality and performance of its ownership portfolio

to value was confirmed at 40% with a maximum ceiling of 45%, in line with the 2020-2024 Business Plan. In this context, the Company has begun the process of updating its Business Plan, with the strategic objective of making Nova Re an efficient platform for real estate investment, significantly increasing its real estate portfolio and placing the Company in a market position in line with its peers that trade in Italy and Europe.

It must also be noted that, during the first half of 2021, the subsidiary Cortese Immobiliare S.r.l. is expected to be merged into Nova Re SIIQ S.p.A.. The goal of the proposed merger is to achieve an adequate organisational and management structure, guaranteeing greater efficiency in terms of operating costs.

RENTAL INCOME

€ 5,392

THOUSANDS AS AT DECEMBER 31, 2020 VERSUS € 4,850 THOUSAND AS AT 31 DECEMBER 2019

EBITDA

€ -143

THOUSANDS AS AT DECEMBER 31, 2020 VERSUS € -324 THOUSANDS AS AT DECEMBER 31, 2019

NOVA RE SIIQ S.P.A. SIGNIFICANT DATA

The main profit and loss indicators as at 31 December 2020 compared with the same period of the previous year with reference to the Parent Company Nova Re SIIQ S.p.A. are shown below.

The net profit for the year showed a loss as at 31 December 2020 of € 9,148k and significantly reflected the impact that the Covid-19 pandemic had on the Company.

(VALUES IN € '000)	2020	2019
RENTAL INCOME	5,392	4,850
NET OPERATING INCOME	3,492	3,691
EBITDA	(143)	(324)
EBIT	(5,107)	1,611
EBT (Earnings Before Taxes)	(9,641)	(32)
Net result	(9,148)	304

Rental income amounted to € 5.4 million and increased from € 4.2 million as at 31 December 2019.

Net Operating Income was equal to € 3.5 million and decreased when compared to € 3.7 million as at 31 December 2019 due to:

1. the combined effect of temporary decreases granted to certain tenants of approximately € 0.6 million in 2020,
2. the impairment of trade receivables of € 0.2 million,
3. the net increase in rental income compared to the previous year of approximately € 0.6 million as previously mentioned.

Contributing to EBITDA, which improved compared to 31 December 2019, were personnel costs in line with the previous year, operating costs and other costs and expenses totalling € 3.3 million, which decreased in total by approximately € 0.4 million in respect of 2019 as a result of certain cost efficiency actions that were partially offset by the recognition of costs associated with unfinished capital increase transactions.

In addition to the above, the following also contribute to EBIT:

- fair value adjustments to financial assets are negative (amount to approximately € 1.9 million); this refers to the value adjustment for the financial asset consisting of a debenture loan underwritten by Nova Re, issued by the Luxembourg-registered Historic & Trophy Building Fund - HTBF, € Sub-Fund (HTBF € Fund). The value adjustment reflects the stressful situation faced by the bond issuing fund and the impact of the COVID-19 pandemic on the industry;

- the fair value adjustment for investment property is negative for 2020 and amounts to approximately € 2.9 million. The value of the real estate portfolio is significantly reduced compared to 31 December 2019 due to the effects of the Covid-19 pandemic on the real estate market especially for the Retail and Hospitality asset classes.

Lastly, the net profits for the year were affected by the results of financial management and were negative for the 2020 financial year and estimated to be approximately € -4.5 million with a deterioration compared to 31 December 2019 of € 2.9 million mainly as a result of the incorporation of non-recurring accounting effects related to the early repayment of the mortgage financing contract with UniCredit S.p.A. on 29 January 2021 and the fair value adjustment of the value of the investment in the subsidiary Cortese Immobiliare S.r.l. for € 0.7 million.

The following tables show the main changes in the balance sheet of Nova Re SIIQ S.p.A. as at 31 December 2020 compared to 31 December 2019.

(VALUES IN € '000)	2020	2019
Invested capital	123,164	128,286
Shareholders' equity	(85,147)	(67,943)
Net financial debt	(39,919)	(61,498)

Invested Capital decreased compared to the previous year reflecting the negative fair value adjustments of investment properties and financial assets for a total of € 4.8 million while **Shareholders' Equity** increased following the capital increase subscribed on 2 November 2020 by CPI Property Group S.A. for € 26 million.

Net financial debt decreased significantly and was € 39,919k as at 31 December (€ 61,498 as at 31 December 2019), due to the combined effect of the cash capital increase that improved this indicator and the lack of a decrease in financial debt following the suspension of payments of principal and interest instalments on bank loans and real estate leases due to the moratoriums granted by Italian Law Decree known as *"Cura Italia"*. In September 2020 Nova Re SIIQ S.p.A. 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. At the start of 2021, with a € 55 million loan from the shareholder CPI PG, Nova Re repaid the mortgage loan to UniCredit S.p.A. in full.

RECONCILIATION BETWEEN THE SHAREHOLDERS' EQUITY AND THE PARENT COMPANY'S NET PROFIT AND THE SHAREHOLDERS' EQUITY AND THE CONSOLIDATED NET PROFIT

Pursuant to Consob Notice no. DEM/6064293 of 28 July 2006, below is a reconciliation of the results for the year and Shareholders' equity of the parent company Nova Re SIIQ S.p.A. with the consolidated results and Shareholders' equity as at 31 December 2020:

VALUES IN €	31/12/2020		31/12/2019	
	SHAREHOLDERS' EQUITY	RESULTS	SHAREHOLDERS' EQUITY	RESULTS
Values of the Parent Company	85,146,632	(9,147,540)	67,943,410	304,208
Recognition of adjusted Shareholders' equity of subsidiary	3,776,673	0	3,366,321	0
PPA tax effect	224,420	0	224,420	0
Adjusted results for the year of the subsidiary	(982,627)	(982,627)	517,364	517,364
Deferred taxes on consolidation adjustments	107,012	107,012	(107,012)	(107,012)
Elimination of the carrying value of investments	(2,901,000)	702,670	(3,603,670)	(343,423)
CONSOLIDATED VALUES	**85,371,110**	**(9,320,485)**	**68,340,833**	**371,137**

PROPOSED ALLOCATION OF OPERATING RESULTS FOR THE PERIOD

The financial statements of Nova Re SIIQ S.p.A., as at 31 December 2020, show a loss of € 9,147,540.19.

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

"The Shareholders' Meeting,

- having noted the financial statements as at 31 December 2020, which show a loss for the year of € 9,147,540.19;
- 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 2020 and the Board of Directors' Report on Operations;
- to carry forward the loss for the year of € 9,147,540.19."

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 Association) and reported in the "EPRA Best Practices Recommendations" guide. Specifically:

EPRA Earnings: represents the company's operating performance 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 consolidated 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**[1] and EPRA NNNAV[2] . The new metrics express the net asset value to stakeholders, assuming different reference contexts.

NET REINSTATEMENT VALUE (NRV): this scenario 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 Group's shareholders' equity (as reported in the financial statements according to IFRS principles) excluding the fair value of hedging derivatives and deferred taxes on the market valuation of real estate and hedging derivatives.

NET TANGIBLE ASSETS (NTA): assumes 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 2020 the Group 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 Group.

[1]**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.

[2]**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.

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, the Group's 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 and general costs, 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.

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 rent reductions and step-ups).

EPRA Vacancy Rate: this measures the vacancy rate of the portfolio as the ratio of the assumed market rent (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:

	DECEMBER 31, 2020		DECEMBER 31, 2019		Δ Y-Y	Δ Y-Y (%)
	€ MLN	€ PER SHARE	€ MLN	€ PER SHARE		
EPRA Earning	(1.7)	(0.1)	(2.1)	(0.2)	0.4	18%
EPRA NRV	85.2	3.9	69.8	6.3	15.4	22%
EPRA NTA	85.1	3.9	69.7	6.3	15.4	22%
EPRA NDV	85.2	3.9	68.5	6.2	16.7	24%
	%		%			
EPRA Net Initial Yield	4.0%		3.5%		0.5%	
EPRA "Topped-up" Net Initial Yield	4.4%		4.0%		0.4%	
EPRA vacancy rate	0.0%		1.5%		-1.5%	
EPRA Cost Ratio (including direct vacancy costs)	83.7%		97.2%		-13.6%	
EPRA Cost Ratio (excluding direct vacancy costs)	83.7%		97.2%		-13.6%	

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

	EPRA EARNINGS (EUROS)	DECEMBER 31, 2020	DECEMBER 31, 2019
	EARNINGS PER IFRS INCOME STATEMENT	**(9,320,485)**	**371,137**
	Adjustments to calculate EPRA Earnings, exclude:		
(i)	Changes in value of investment properties, development properties held for investment and other interests	(4,298,812)	3,203,966
(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	(3,485,825)	(723,386)
(vii)	Acquisition costs on share deals and non-controlling joint venture interests		
(viii)	Deferred tax in respect of EPRA adjustments	166,577	(43,230)
(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	(1,702,425)	(2,066,213)
	Basic number of shares	*22,025,109*	*11,012,554*
	EPRA Earnings per Share (EPS)	(0.1)	(0.2)

The *EPRA Earnings* indicator is calculated by adjusting the consolidated 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.

The figure as at 31 December 2020, while showing a significant improvement over the previous year's results (+18%), is still negative, due to economies of scale not yet achieved. Lastly, the results were also affected by the exceptional effects of the on-going Covid-19 health emergency.

The following table shows the new EPRA Nav indicators which are shown for the first time in this financial report. In line with *EPRA Best Practices Recommendations*, a reconciliation of the calculation method between the old and new indicators is provided and the calculation is also performed for the previous comparative period (31 December 2019).

Unchanged Revised New

EPRA NET ASSET VALUE METRICS	2020	2019
NAV PER THE FINANCIAL STATEMENTS	**85,371,110**	**68,340,833**
Include / Exclude:		
Effect of exercise of options, convertibles and other equity interests (diluted basis)		
DILUTED NAV, AFTER THE EXERCISE OF OPTIONS, CONVERTIBLES AND OTHER EQUITY INTERESTS	**85,371,110**	**68,340,833**
Include:		
ii.a) Revaluation of IP (if IAS 40 cost option is used)		
ii.b) Revaluation of IPUC1 (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	**85,371,110**	**68,340,833**
Exclude:		
vi) Fair value of financial instruments		1,418,268
v) Deferred tax	(123,347)	43,230
vii) Goodwill as a result of deferred tax		
EPRA NAV	85,247,763	69,802,330
Fully diluted number of shares	22,025,109	11,012,554
EPRA NAV per share	3.9	6.3
EPRA TRIPLE NET ASSET VALUE (NNNAV)		
EPRA NAV	85,247,763	69,802,330
Include:		
ix) Fair value of financial instruments	0	(1,418,268)
x) Fair value of debt	(196,354)	122,654
xi) Deferred tax		
EPREA NNNAV	**85,051,409**	**68,506,716**
Fully diluted number of shares	22,025,109	11,012,554
EPRA NNNAV PER SHARE	**3.9**	**6.2**

Unchanged Revised New

	EPRA NRV		EPRA NTA		EPRA NDV	
EPRA NET ASSET VALUE METRICS	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
IFRS EQUITY ATTRIBUTABLE TO SHAREHOLDERS	**85,371,110**	**68,340,833**	**85,371,110**	**68,340,833**	**85,371,110**	**68,340,833**
Include / Exclude:						
i) Hybrid instruments						
DILUTED NAV	**85,371,110**	**68,340,833**	**85,371,110**	**68,340,833**	**85,371,110**	**68,340,833**
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	**85,371,110**	**68,340,833**	**85,371,110**	**68,340,833**	**85,371,110**	**68,340,833**
Exclude:						
v) Deferred tax in relation to fair value gains of IP5	(123,347)	43,230	(123,347)	43,230		
vi) Fair value of financial instruments		1,418,268		1,418,268		
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			(112,218)	(56,872)		
Include:						
ix) Fair value of fixed interest rate debt					(196,354)	122,654
x) Revaluation of intangibles to fair value						
xi) Real estate transfer tax						
NAV	**85,247,763**	**69,802,330**	**85,135,545**	**69,745,458**	**85,174,756**	**68,463,486**
Fully diluted number of shares	22,025,109	11,012,554	22,025,109	11,012,554	22,025,109	11,012,554
NAV per share	3.9	6.3	3.9	6.3	3.9	6.2

NRV/NAV increased compared to 31 December 2019 (+22%) mainly due to changes in the Shareholders' equity, which increased following the capital increase subscribed on 2 November 2020 by CPI Property Group S.A. for € 26 million.

For the same reason, NTA also increased compared to the results for the same period of the previous year (+22%). 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 (+22%). This change, in addition to that stated above, reflects the negative effect of the measurement at fair value of the financial debt, determined by discounting the flows at a rate consisting of the base rate and the “market” spread updated with the conditions existing as at 31 December 2020.

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

EPRA NIY AND ‘TOPPED-UP’ NIY1 (EUROS)		**2020**	**2019**
Investment property – wholly owned		120,450,000	118,700,000
Investment property – share of JVs/Funds			
Trading property (including share of JVs)			
Less: developments			
Completed property portfolio		**120,450,000**	**118,700,000**
Allowance for estimated purchasers’ costs			
Gross up completed property portfolio valuation	**B**	**120,450,000**	**118,700,000**
Annualised cash passing rental income		5,891,619	5,327,769
Property outgoings		1,066,690	1,152,366
Annualised net rents	**A**	**4,824,929**	**4,175,403**
Add: notional rent expiration of rent free periods or other lease incentives		*500,000*	*542,717*
Topped-up net annualised rent	**C**	**5,324,929**	**4,718,120**
EPRA NIY	A/B	4.0%	3.5%
EPRA “topped-up” NIY4	C/B	4.4%	4.0%

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:

1. wholly owned properties;
2. any properties held in joint ventures;
3. 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 rent reductions and step ups).

The EPRA vacancy rate as at 31 December 2020 was 0% (1.5% the previous year) as a result of the achievement of full occupancy of the property portfolio following the transfer, as from 1 October 2020, of the company's registered office and operational headquarters to the offices on the first floor of the property in Via Zara, 28.

The EPRA vacancy rate as at 31 December 2020 was 0% (1.5% the previous year)

EPRA VACANCY RATE		DECEMBER 31, 2020	DECEMBER 31, 2019
Estimated Rental Value of vacant space	A	-	106,064
Estimated rental value of the whole portfolio	B	7,123,627	7,148,237
EPRA Vacancy Rate	A/B	0.0%	1.5%

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

	EPRA COST RATIOS (EUROS)		DECEMBER 31, 2020	DECEMBER 31, 2019
	Include:			
(i)	Administrative/operating expense line per IFRS income statement		4,896,647	5,173,644
(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**	**4,896,647**	**5,173,644**
(ix)	Direct vacancy costs			
	EPRA COSTS (EXCLUDING DIRECT VACANCY COSTS)	**B**	**4,896,647**	**5,173,644**
(x)	Gross Rental Income less ground rents – per IFRS		5,851,809	5,320,553
(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**	**5,851,809**	**5,320,553**
	EPRA Cost Ratio (including direct vacancy costs)	A/C	83.7%	97.2%
	EPRA Cost Ratio (excluding direct vacancy costs)	B/C	83.7%	97.2%

The decrease in the EPRA cost ratio is related to the combined effect of the net increase in rental income compared to the previous year of approximately € 0.6 million and the decrease in operating and structural costs as a result of a number of efficiency-boosting and optimisation actions carried out. It must be noted that the amount of the temporary reductions due to Covid-19 granted to some tenants amounting to approximately € 0.6 million in 2020 has not been included in this calculation.

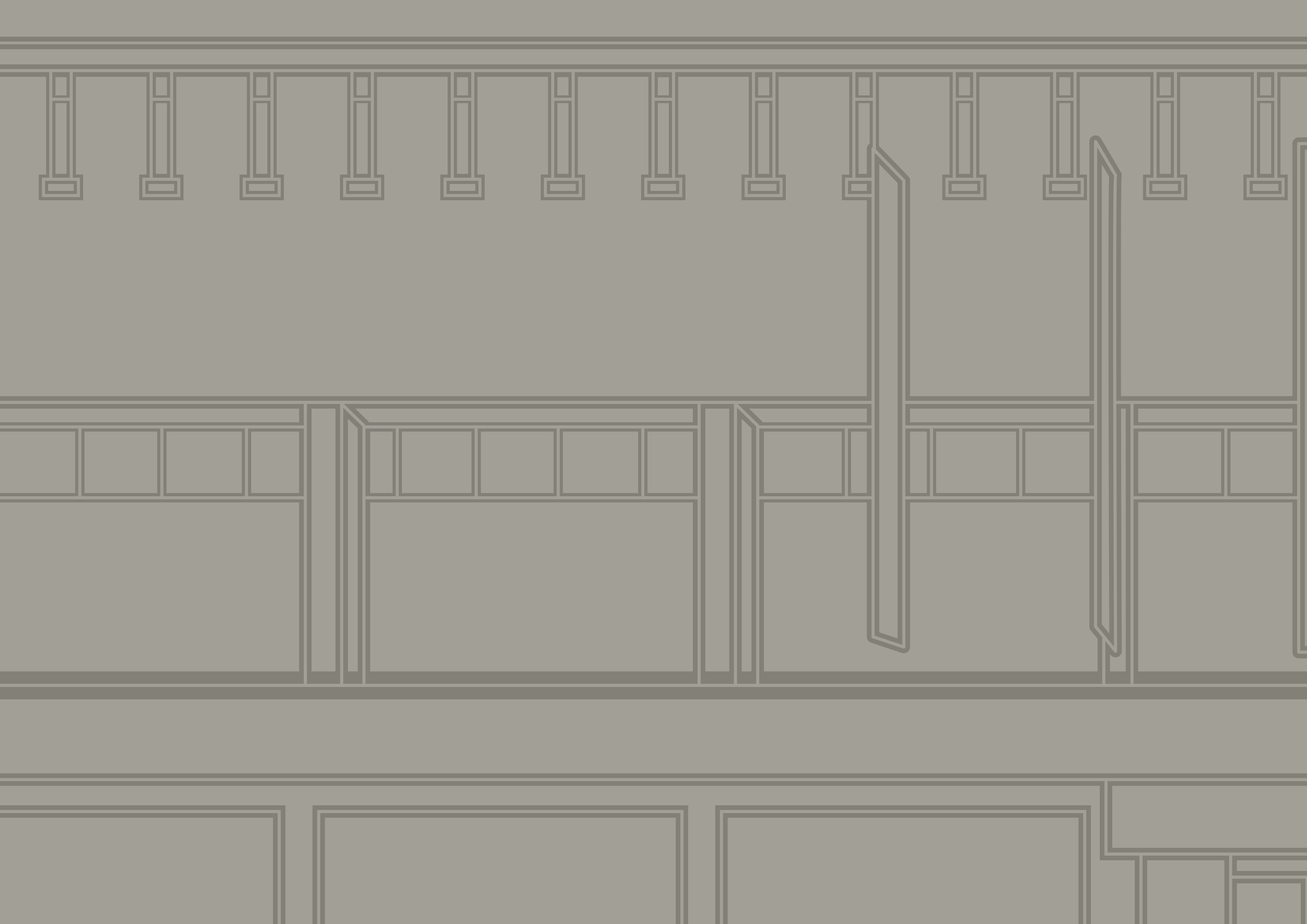
As at 31 December 2020, there were no capitalised operating expenses on the value of property.

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:

CAPITAL EXPENDITURE EURO/000	31/12/2020	31/12/2019
Acquisitions	0	0
Development	0	0
Investment properties		
Incremental lettable space	0	0
No incremental lettable space	308	900
Tenant incentives	650	3,196
Other material non-allocated types of expenditure	0	0
Capitalised interest (if applicable)	0	0
TOTAL CAPEX	**958**	**4,096**
Conversion from accrual to cash basis	0	0
TOTAL CAPEX ON CASH BASIS	**958**	**4,096**

The item Tenant incentives includes the capex contribution paid to the client OVS with reference to the property in Milan, Via Cuneo for an amount of € 650k; this amount is included under the item Receivables and other assets (current and non-current) in the consolidated financial statements as at 31 December 2020.



Section 3: FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS OF THE NOVA RE SIIQ S.P.A. GROUP

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FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS OF THE NOVA RE SIIQ S.P.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are drawn up in euro units.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	31/12/2020	OF WHICH RELATED PARTIES	31/12/2019	OF WHICH RELATED PARTIES
ASSETS					
Non-current assets					
Investment property	1	120,450,000	0	118,700,000	0
Other tangible assets	2	1,948,236	0	7,241	0
Rights of use	3	65,331	0	1,085,026	990,703
Intangible assets	4	112,218	0	56,872	0
Receivables and other non-current assets	5	2,373,995	0	1,426,901	0
TOTAL NON-CURRENT ASSETS		**124,949,780**	**0**	**121,276,040**	**990,703**
Current assets					
Financial assets at fair value	6	3,186,000	3,186,000	13,622,416	5,041,000
Receivables and other current assets	7	2,216,317	0	1,460,394	30,278
Cash and cash equivalents	8	24,922,620	0	475,275	0
TOTAL CURRENT ASSETS		**30,324,937**	**3,186,000**	**15,558,085**	**5,071,278**
TOTAL ASSETS		**155,274,717**	**3,186,000**	**136,834,125**	**6,061,981**

follows

follows

Consolidated statement of financial position

	NOTE	31/12/2020	OF WHICH RELATED PARTIES	31/12/2019	OF WHICH RELATED PARTIES
EQUITY					
Capital stock		63,264,528	0	37,274,898	0
Share premium reserve		22,931,342	0	22,931,342	0
Other reserves		11,753,268	0	11,356,543	0
Other items of comprehensive income		(17,327)	0	(18,127)	0
Profit/(Loss) carryforward		(3,240,216)	0	(3,574,960)	0
Profit/(Loss) for the period		(9,320,485)	0	371,137	0
Total Group Shareholders' Equity		**85,371,110**	**0**	**68,340,833**	**0**
Minorities' equity		0	0	0	0
Minotities Profit/(Loss) for the period		0	0	0	0
Minorities		**0**	**0**	**0**	**0**
TOTAL SHAREHOLDERS' EQUITY	**9**	**85,371,110**	**0**	**68,340,833**	**0**
LIABILITIES					
Non-current liabilities					
Employee benefits	10	248,578	0	153,823	0
Bank borrowings and other non-current lenders	11	11,601,050	0	59,946,988	725,077
Non-current liabilities from derivatives	12	0	0	1,008,155	0
Trade payables and other non-current payables	13	313,170	0	629,695	0
TOTAL NON-CURRENT LIABILITIES		**12,162,798**	**0**	**61,738,661**	**725,077**
Current liabilities					
Bank borrowings and other current lenders	11	53,190,505	0	2,622,451	277,728
Current liabilities from derivatives	12	1,916,491	0	580,571	0
Trade payables and other current payables	13	2,633,814	270,666	3,551,608	409,912
TOTAL CURRENT LIABILITIES		**57,740,809**	**270,666**	**6,754,631**	**687,640**
TOTAL LIABILIITIES		**69,903,607**	**270,666**	**68,493,292**	**1,412,717**
TOTAL EQUITY AND LIABILITIES		**155,274,717**	**270,666**	**136,834,125**	**1,412,717**

CONSOLIDATED STATEMENT OF PROFIT/LOSS FOR THE PERIOD

	NOTE	31/12/2020	OF WHICH RELATED PARTIES	31/12/2019	OF WHICH RELATED PARTIES
Rental income	14	5,977,903	0	5,436,110	0
Costs inherent to investment property	15	(2,027,032)	(72,372)	(1,267,923)	(230,495)
NET RENTS		**3,950,871**	**(72,372)**	**4,168,187**	**(230,495)**
Personnel expenses:		(1,738,863)	0	(1,643,099)	0
Salaries		*(1,104,348)*	*0*	*(1,109,756)*	*0*
Social contribution		*(298,897)*	*0*	*(308,357)*	*0*
Staff leaving indemnity accrual		*(96,845)*	*0*	*(92,108)*	*0*
Other personnel costs		*(238,772)*	*0*	*(132,878)*	*0*
Overheads		(1,646,757)	(595,471)	(2,187,018)	(769,648)
TOTAL OPERATING COSTS	**16**	**(3,385,620)**	**(595,471)**	**(3,830,117)**	**(769,648)**
Other revenues and income	17	50,085	0	87,827	0
Depreciation	18	(160,264)	(97,981)	(433,214)	(283,056)
Fair value adjustment of financial assets*	19	(1,855,000)	(1,855,000)	(686,268)	(959,000)
Other costs and charges*	20	(318,015)	(13,792)	(278,972)	(15,208)
TOTAL OTHER INCOME/(OTHER EXPENSES)		**(2,283,194)**	**(1,966,773)**	**(1,310,627)**	**(1,257,264)**

follows

follows

Consolidated statement of profit/loss for the period

	NOTE	31/12/2020	OF WHICH RELATED PARTIES	31/12/2019	OF WHICH RELATED PARTIES
Positive fair value of investment property		140,709	0	3,253,966	0
Negative fair value of investment property		(4,439,521)	0	(50,000)	0
NET MOVEMENT IN FAIR VALUE OF INVESTMENT PROPERTY	**21**	**(4,298,812)**	**0**	**3,203,966**	**0**
NET OPERATING INCOME		**(6,016,755)**	**(2,634,616)**	**2,231,409**	**(2,257,407)**
Net financial income/(charges)	22	(3,864,720)	(115,142)	(2,028,183)	40,551
PROFIT BEFORE TAX		**(9,881,475)**	**(2,749,758)**	**203,226**	**(2,216,856)**
Taxes	23	560,990	0	167,911	0
PROFIT/(LOSS) FOR THE PERIOD		**(9,320,485)**	**(2,749,758)**	**371,137**	**(2,216,856)**
PROFIT FOR THE GROUP		**(9,320,485)**	**(2,749,758)**	**371,137**	**(2,216,856)**
MINORITIES		**0**	**0**	**0**	**0**

* Fair value adjustment of financial assets has been reclassified from the caption Other expenses for the purpose of a better presentation

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	31/12/2020	31/12/2019
PROFIT/(LOSS) FOR THE PERIOD	**(9,320,485)**	**371,137**
Change in cash flow hedge reserve	1,418,268	(82,747)
Actuaria gain/(loss)**	800	5,364
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME	**1,419,068**	**(77,384)**
TOTAL COMPREHENSIVE PROFIT/(LOSS)	**(7,901,417)**	**293,754**

**items that will not be reclassified to Profit and loss


Lenovo
Oxford

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	SHARE CAPITAL	SHARE PREMIUM RESERVE	FAIR VALUE RESERVE	LEGAL RESERVE	OTHER RESERVES	OTHER COMPONENTS OF COMPREHENSIVE INCOME	PROFIT/(LOSS) CARRYFORWARD	PROFIT/(LOSS) FOR THE PERIOD	MINORITIES' EQUITY	TOTAL
BALANCE AS AT DECEMBER 31, 2018	**35,536,700**	**34,206,006**	**982,200**	**51,695**	**(3,195,891)**	**(23,491)**	**(2,384,885)**	**1,932,401**	**0**	**67,104,736**
Allocation of 2018 result	0		1,596,231	84,012	0	0	252,159	(1,932,401)	0	0
Allocation of share premium reserve	0	(12,243,618)	5,271,985	6,971,633	0	0	0	0	0	0
Capital increase	1,738,198	1,738,198	0	0	0	0	0	0	0	3,476,397
Distribution of extraordinary dividend		(769,244)	0	0	0	0	0	0	0	(769,244)
Costs for capital increase	0	0	0	0	(267,406)	0	0	0	0	(267,406)
Purchase of treasury shares	0	0	0	0	(1,588,339)	0	0	0	0	(1,588,339)
Bonus shares allocation					1,477,912		(1,477,912)			
Fair value of performance share plan	0	0	0	0	55,257	0	0	0	0	55,257
Other components of comprehensive income	0	0	0	0	(82,747)	5,364	0	0	0	(77,384)
Other movements	0	0	0	0	0	0	35,677	0	0	35,677
Result for the period	0	0	0	0	0	0	0	371,137	0	371,137
TOTAL COMPREHENSICVE PROFIT/(LOSS) FOR THE PERIOD	**0**	**0**	**0**	**0**	**(82,747)**	**5,364**	**0**	**371,137**	**0**	**293,754**
Minorities' equity	0	0	0	0	0	0	0	0	0	0
Minorities Profit/(Loss) for the period	0	0	0	0	0	0	0	0	0	0
BALANCE AS AT DECEMBER 31, 2019	**37,274,898**	**22,931,342**	**7,850,416**	**7,107,340**	**(3,601,214)**	**(18,127)**	**(3,574,960)**	**371,137**	**0**	**68,340,833**

follows

follows

Consolidated statement of changes in Shareholders' equity

	SHARE CAPITAL	SHARE PREMIUM RESERVE	FAIR VALUE RESERVE	LEGAL RESERVE	OTHER RESERVES	OTHER COMPONENTS OF COMPREHENSIVE INCOME	PROFIT/(LOSS) CARRYFORWARD	PROFIT/(LOSS) FOR THE PERIOD	MINORITIES' EQUITY	TOTAL
BALANCE AS AT JANUARY 1, 2020	**37,274,898**	**22,931,342**	**7,850,416**	**7,107,340**	**(3,601,214)**	**(18,127)**	**(3,574,960)**	**371,137**	**0**	**68,340,833**
Allocation of 2019 result	0	0	288,997	15,210	0	0	66,930	(371,137)	0	0
Capital increase	25,989,630	0	0	0	0	0	0	0	0	25,989,630
Costs for capital increase	0	0	0	0	(1,270,492)	0	0	0	0	(1,270,492)
Fair value of performance share plan	0	0	0	0	212,557	0	0	0	0	212,557
Cancellation of performance shares plan	0	0	0	0	(267,815)	0	267,815	0		0
Other components of comprehensive income	0	0	0	0	1,418,268	800	0	0	0	1,419,068
Result for the period	0	0	0	0	0	0	0	(9,320,485)	0	(9,320,485)
TOTAL COMPREHENSICVE PROFIT/(LOSS) FOR THE PERIOD	**0**	**0**	**0**	**0**	**1,418,268**	**800**	**0**	**(9,320,485)**	**0**	**(7,901,417)**
Minorities' equity	0	0	0	0	0	0	0	0	0	0
Minorities Profit/(Loss) for the period	0	0	0	0	0	0	0	0	0	0
BALANCE AS AT DECEMBER 31, 2020	**63,264,528**	**22,931,342**	**8,139,413**	**7,122,550**	**(3,508,695)**	**(17,327)**	**(3,240,216)**	**(9,320,485)**	**0**	**85,371,110**

CONSOLIDATED CASH-FLOW STATEMENT

	31/12/2020	OF WHICH RELATED PARTIES	31/12/019	OF WHICH RELATED PARTIES
PROFIT BEFORE TAXES	(9,881,475)	(2,749,758)	203,226	(2,216,856)
Adjustments:				
Depreciations	160,264	97,981	433,214	283,056
Net movement in fair value property	4,298,812	0	(3,053,966)	0
Net movement in fair value of financial instruments	1,855,000	1,855,000	686,269	959,000
Net financial (income)/expenses	3,864,720	115,142	2,028,183	(75,416)
Financial expenses paid	(223,967)	(6,210)	(2,301,894)	0
Financial income received	161,391	0	257,164	75,416
Fair value of performance share plan	212,557	0	55,257	0
Employee benefits accrual	96,845	0	92,108	0
Accrual bad debts reserve	188,018	0	0	0
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES	**732,166**	**(687,845)**	**(1,600,439)**	**(974,800)**
Taxes (net of deferred taxation)	39,603	0	28,674	0

follows

follows

Consolidated cash-flow statement

	31/12/2020	OF WHICH RELATED PARTIES	31/12/019	OF WHICH RELATED PARTIES
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES BEFORE TAXES	**771,769**	**(687,845)**	**(1,571,765)**	**(974,800)**
Other assets/Other liabilities:	(2,584,824)	(73,190)	1,149,013	(27,335)
Change in trade receivables	*19,674*	*0*	*(159,361)*	*(3,569)*
Change in trade payables	*(1,636,653)*	*(97,102)*	*1,191,051*	*(16,843)*
Change in other current assets	*(776,860)*	*23,912*	*123,467*	*(23,912)*
Change in other current liabilities	*988,499*	*0*	*(1,622)*	*16,989*
Change in other non-current assets	*(840,083)*	*0*	*(274,272)*	*0*
Change in tax receivables	*(27,233)*	*0*	*346,845*	*0*
Change in tax payables	*(406,923)*	*0*	*(117,376)*	*0*
Change in Employee benefits	*94,755*	*0*	*40,281*	*0*
CASH FLOW BEFORE THE INVESTING AND FINANCING ACTIVITIES	**(1,813,055)**	**(761,035)**	**(422,752)**	**(1,002,135)**
INVESTMENT/ DIVESTMENT ACTIVITIES				
(Increase)/decrease of intangible assets	(55,346)	0	(53,000)	0
(Increase)/decrease of other tangible assets	(241,130)	0	0	0
(Increase)/decrease of investment property	(117,841)	0	(3,696,715)	0
(Increase)/decrease of financial instruments	792,067	0	1,626,178	0
FINANCING ACTIVITIES				
Purchase of treasury shares	0	0	(1,588,339)	0
Dividends paid	0	0	(769,244)	0
Other changes in equity	(1,270,492)	0	(267,405)	0
Capital increase	25,989,630	25,989,630	0	0
Increase/(decrease) of financial liabilities	1,163,513	0	(2,364,891)	(270,954)
CASH AND CASH EQUIVALENTS GENERATED/(ABSORBED) DURING THE PERIOD	**24,447,345**	**25,228,595**	**(7,536,167)**	**(1,273,089)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**475,275**		**8,011,442**	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**24,922,620**		**475,275**	

NOTES TO THE FINANCIAL STATEMENTS

The consolidated financial statements are audited by Ria Grant Thornton S.p.A.

Form and contents of the financial statements

The consolidated financial statements as at 31 December 2020 of the Nova Re Group 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 2021 authorised the publication of these consolidated financial statements. The consolidated financial statements are audited by Ria Grant Thornton 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 27 April 2017, and awarded pursuant to Italian Legislative Decree no. 39 of 27 January 2010, for a term of nine financial years (2017-2025).

The consolidated financial statements as at 31 December 2020 have been drawn up in euro and are accompanied by the Directors' Report. The notes to the financial statements are drawn up in euro '000, unless otherwise stated.

Principles of new application

In drafting these financial statements, the accounting policies, valuation criteria and consolidation methods applied are consistent with those used for the 2019 financial statements, to which reference must be made.

Some amendments to the IFRSs were adopted during the period, including one to revised IFRS 3 "Business Combinations", which provides clarifications to determine whether a transaction must be accounted for as a business combination or an asset acquisition. With regard to the distinction between a business acquisition and the acquisition of a group of assets, the amendments to IFRS 3 are effective prospectively for annual periods beginning on or after 1 January 2020. A business is defined as an integrated set of activities and assets that can be conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. The acquisition of a business must be accounted for as a business combination in accordance with the revised IFRS 3 by applying the acquisition method, which, among other things, can result in the recognition of goodwill. Conversely, the acquisition of a set of assets that does not have access to the market is to be considered an asset acquisition; in asset acquisitions the buyer allocates the transaction price to the identifiable assets acquired and liabilities assumed on the basis of their relevant fair value and no goodwill is recognised. To date, the above changes have had no impact on the Group.

On 28 May 2020, the IASB published an amendment with the heading "COVID-19 Related Rent Concessions (Amendment to IFRS 16)". The document provides tenants the option to account for COVID-19 related rent reductions without having to assess through contract analysis whether the IFRS 16 definition of lease modification is met. Therefore, tenants applying this option will be able to account for the effects of rent reductions directly in the income statement on the effective date of the reduction.

The Group does not expect a material effect in the consolidated financial statements from the adoption of this amendment because, as noted above, it refers to an option for tenants only.

Format of the financial statements adopted by the group

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, the Directors have assessed that there are no uncertainties regarding the Group's ability to operate as a going concern.

The consolidated financial statements as at 31 December 2020 consist of the following primary schedules:

- Consolidated 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;
- Consolidated statement of profit or loss for the year, drawn up using the nature of expense method form of analysis;
- Consolidated statement of other comprehensive income;
- Consolidated statement of changes in Shareholders' equity;
- Consolidated cash flow statement, drafted using the indirect method.

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

Consolidation principles

The consolidated financial statements have been drafted on the basis of the financial statements as at 31 December 2019 drawn up by the companies included in the scope of consolidation and adjusted to align them with IFRS-compliant accounting policies and classification criteria. The scope of consolidation includes subsidiaries, associated companies and investments in joint ventures. As at 31 December 2020, in line with the previous year, the scope of consolidation includes only Nova Re, the parent company, and the wholly-owned subsidiary Cortese Immobiliare S.r.l.

Subsidiaries are all companies over which the Group has control, directly or indirectly, to determine significant activities (i.e. financial and management policies). A joint venture is an enterprise in which strategic financial and management decisions about the significant activities of the enterprise are made with the unanimous consent of the parties sharing control. An associate is an enterprise over which the Group is able to exercise significant influence, but not control the relevant activities of the investee.

Consolidation principles can be summarised as follows:

- subsidiaries are consolidated from the date on which control is effectively transferred to the Parent Company and cease to be consolidated from the date on which control is transferred outside the Parent Company; such control exists when the Parent Company has the power, directly or indirectly, to determine the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated on a line-by-line basis; the technique consists in consolidating all the items in the financial statements in their overall amount, i.e. regardless of the percentage of ownership. Only when determining

Shareholders' equity and the results for the year is any minority interest shown on a separate line in the balance sheet and income statement;

- equity investments in associated companies and joint ventures are valued using the equity method. The book value of the investments is adjusted to take into account the share pertaining to the investor in the economic results of the investee achieved following the acquisition date;

- all intragroup balances and transactions, including any unrealised profits deriving from transactions between Group companies, are completely eliminated. Unrealised losses are eliminated except when they represent an indicator of impairment to be recognised in the income statement;

- profits arising from transactions between companies included in the scope of consolidation and valued using the equity method, which are not realised through transactions with third parties, are eliminated on the basis of the percentage of ownership.

Business combinations are accounted for using the acquisition method provided for by IFRS 3. On the acquisition date, the assets and liabilities subject to the transaction are recorded at fair value on that date, with the exception of deferred tax assets and liabilities, assets and liabilities for employee benefits, any stock option plans and assets classified as held for sale, which are valued in accordance with the reference standard.

Accessory charges to the transaction are recorded under the income statement in the year in which they are incurred.

Goodwill represents the excess between the sum of the purchase price, the Shareholders' equity attributable to minority interests and the fair value of any shareholding previously held in the acquired company compared to the fair value of the net assets and liabilities acquired on the transaction date.

If the value of the net assets and liabilities acquired on the transaction date exceeds the sum of the purchase price, the equity attributable to minority interests and the fair value of any shareholding previously held in the acquired company, this excess is recognised in the income statement of the year in which the transaction was concluded.

The portions of Shareholders' equity attributable to third parties are measured at the transaction date using either the fair value or the proportionate interest of the fair value of net identifiable assets of the entity acquired. The method used is decided on a transaction by transaction basis.

For purpose of determining goodwill, any conditional acquisition consideration under the business combination agreement is measured at fair value at the transaction date and included in the value of the acquisition consideration. Any subsequent changes in this fair value, qualifying as adjustments deriving from greater information on facts and circumstances existing on the date of the business combination and in any case arising within twelve months, are included in the value of goodwill on a retrospective basis.

In the case of business combinations carried out in stages, the equity investment previously held in the acquired company is revalued at fair value on the date control is acquired and any resulting profit or loss is recognised in the income statement.

If the values of the assets and liabilities acquired are incomplete on the date of drafting the financial statements, the Group records provisional values which will be subject to adjustment during the measurement period within the following twelve months, to take account of new information obtained on facts and circumstances existing on the date of acquisition, which, if known, would have affected the value of the assets and liabilities recognised on that date.

Measurement policies 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.

The fair value of investment property does not reflect future capital investments that will improve or develop the property, nor does it reflect the future benefits flowing from or associated with such expenditures.

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 Group 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 Group 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.

Property plant and equipment

Property, plant and equipment are recorded at purchase or production 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.

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.

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 amortisation, 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 Group'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.

Impairment of fixed assets

The carrying value of property, plant and equipment and intangible assets is reviewed for impairment whenever circumstances indicate that the carrying value may no longer be recoverable, in accordance with the procedure provided in IAS 36 (impairment test).

The test consists of a comparison between the estimated recoverable amount of the asset and its net book value.

If the recoverable amount of an asset is less than the net carrying amount, the latter is reduced to the recoverable amount. The above decrease constitutes an impairment loss, which is recognised under the income statement in the year in which it occurs.

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 Group 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 Group's business model for the management of financial assets relates to the way in which the Group 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 in this category are held for the purpose of collecting cash flows and these flows are representative of the passage of time and the repayment of capital. Assets recorded under this category are valued at amortised cost.

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

Financial assets falling into this category are held with the aim of collecting their cash flows or being sold and the cash flows are representative of the passage of time and the repayment of capital.

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 with changes recognised in the income statement*.

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 Group to recognise expected credit losses on all items such as loans and trade receivables, using either a 12-month period or the entire contractual life of the instrument as a reference. The Group 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 Group 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.

Fair value hierarchy according to IFRS 13

The Group 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 Group 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 2020, the fair value of the debenture loan recorded under "Financial assets at fair value" is included in this level.

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

Available 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 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 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 Parent 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) 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 income statement 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 Group recognises the following changes in the net defined benefit obligation in cost of sales, administrative expenses and selling and distribution costs in the consolidated 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 Group 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 Group 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.

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 Group 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.

Revenues

Revenues are recognised to the extent where economic benefits are likely by the Group 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 type, are set out below:

- *lease revenues:* 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 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 an accrual basis 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 Parent 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, deferred and pre-paid 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 relevant values recognised for tax purposes. Deferred 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.

Use of estimates and assumptions

The drafting of the annual financial report requires the Group 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 consolidated financial statements and notes required the use of estimates and assumptions in determining certain assets and liabilities. The subsequent results that will result 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 independent experts have 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 Nova 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 Group Nova Re's assets, including the properties owned and the economic capital of the subsidiary Cortese Immobiliare S.r.l, for a fee of euro 9,000 for the first valuation as at 30 June 2019 and euro 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, Nova 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 rented or currently offered on the same market or on competitive markets.

- Income method: it takes into consideration two different methodological approaches:

  1. *Direct Capitalisation:* is based on capitalising, at a rate deducted from the real estate market, the future net income generated by the properties;

  2. *Discounted Cash-Flow (DCF) method,* based:

     a. On calculating, over a period of n. years, future net income from the rental 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

Nova Re has adopted a specific company procedure which establishes the rules for selecting and appointing independent experts 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 assessment 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 other:

- information supplied to the experts by Nova 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 valuation elements is based on their professional opinion, taking into account a careful observation of the reference market and the carrying out of an inspection of the property.

The information provided by Nova Re to the experts is assumed by the latter to be reliable and accurate, while the assumptions and valuation models used by them are reviewed by the relevant departments, which are responsible for organising, coordinating and monitoring as well as auditing valuation activities.

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 rent levels and/or estimated annual rents 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;
- issues with collecting lease 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 subject to valuation. Changes in the assumptions made in estimating the input data could affect the fair value recognised in the financial statements for these instruments.

Information by sectors

The Management views the Group as a single segment. The Group currently manages a portfolio of office and retail 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 office and retail use, while the economic values are analysed by property. Considering the reporting structure used, the resource allocation process and the Group's activities, the Management therefore identifies only one segment (i.e. the Nova Re Group).

Comments to the Notes to the financial statements

Assets

Note 1. Investment property

The main changes during the year were as follows:

	BUILDINGS
NET BOOK VALUE AS AT 01/01/2020	**118,700**
Contributions in kind	0
Increases	308
Disposals	0
Reclassifications	5,742
Write-ups (write-downs)	(4,299)
NET BOOK VALUE AS AT 31/12/2020	**120,450**

The real estate portfolio directly held by the Nova Re Group recorded a total valuation of € 120,450k as at 31 December 2020.

The table below describes the changes in the values of each property that occurred during 2020.

ASSET	31/12/2019	INCREASES	RECLASSIFICATIONS	BALANCE PRIOR TO THE VALUATIONOF INVESTMENT PROPERTY	FAIR VALUE	FAIR VALUE ADJUSTMENTS	31/12/2020
Milan, Via Spadari	41,600	0	0	41,600	40,500	(1,100)	40,500
Milan, Via Cuneo	25,250	0	0	25,250	25,150	(100)	25,150
Milan, Corso San Gottardo	15,350	0	0	15,350	15,200	(150)	15,200
Rome, Via Zara	14,200	269	(1,909)	12,560	12,700	141	12,700
Bari, Viale Saverio Dioguardi	15,550	39	0	15,589	14,900	(689)	14,900
Verona, Via Unità d'Italia	0		7,651	7,651	6,600	(1,051)	6,600
Rome, Via Vinicio Cortese	6,750	0	0	6,750	5,400	(1,350)	5,400
	118,700	**308**	**5,742**	**124,750**	**120,450**	**(4,299)**	**120,450**

In summary, with regard to the trend in the value of the properties under management during 2020, it must be noted that:

- for the property in Milan Via Spadari there was a decrease of € 1,100k compared to 31 December 2019 determined by the negative economic and financial impacts due to the health emergency caused by COVID-19 and the assumptions used by the Independent Expert to calculate the market value of the property;
- for the property in Milan Via Cuneo there was a decrease in value of € 100k compared to 31 December 2019 determined by the negative economic and financial impacts due to the health emergency caused by COVID-19 and the assumptions used by the Independent Expert to calculate the market value of the property;
- for the property in Milan, Corso San Gottardo there was a decrease of € 150k compared to 31 December 2019 determined by the negative

economic and financial impacts due to the health emergency caused by COVID-19 and the assumptions used by the Independent Expert to calculate the market value of the property;

- for the property in Rome, Via Zara, it must be noted that from 1 October 2020 the Company transferred its registered office and operational headquarters to the offices on the first floor of this property. Following this event, it became necessary to reclassify the accounts from the item Investment property to the item Property, plant and equipment, since the above part became a so-called Owner occupied property. This led to a reclassification from this item of € 1.9 million including costs capitalised during the year. Following this reclassification, the fair value of the investment property (net of the above reclassification) amounted to € 12.7 million as at 31 December 2020; the increase in value compared to 31 December 2019, for this asset, amounted to € 141k;

- for the property in Bari, Viale Saverio Dioguardi, there was a decrease in value of € 689k compared to 31 December 2019 determined by the negative economic and financial impacts due to the health emergency caused by COVID-19 and the assumptions used by the Independent Expert to calculate the market value of the property;

- the property in Verona, Via Unità d'Italia, classified as at 31 December 2019 under Financial assets at fair value, was reclassified under Investment property, following the cancellation of the exercise of the option by the seller Hotel alla Salute S.r.l., for € 7,651k. The valuation carried out by the independent expert showed a decrease in value of € 1,051k due to the negative economic and financial impact of the health emergency caused by COVID-19 and the assumptions used by the Independent Expert to calculate the property's market value;

- for the property in Rome, Via Cortese there was a decrease in value of € 1,350k compared to 31 December 2019 determined mainly by the more prudent prospects of relocation of the property in Rome - Via Vinicio Cortese.

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 € 4,440k and written-up by € 141k, with a net negative impact of € 4,299k.

The fair value adjustment refers to the market value appraisals drafted by the independent expert on the properties, 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 the valuation techniques used to determine fair value into three levels. Specifically:

- 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.

The Group'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 the real estate portfolio broken down by type of property, measured at fair value as at 31 December 2020:

ASSET	LEGAL NATURE	ACCOUNTING CRITERIA	LAST APPRAISAL DATE	RELEVANT NON-OBSERVABLE INPUT (LEVEL 3) EURO'000
Milan, Via Spadari	Ownership	IAS 40, fair value	31/12/20	40,500
Milan, Via Cuneo	Ownership	IAS 40, fair value	31/12/20	25,150
Milan, Corso San Gottardo	Ownership	IAS 40, fair value	31/12/20	15,200
Rome, Via Zara	Ownership	IAS 40, fair value	31/12/20	12,700
Bari, Viale Saverio Dioguardi	Under property lease	IAS 40, fair value	31/12/20	14,900
Verona, Via Unità d'Italia	Ownership	IAS 40, fair value	31/12/20	6,600
Rome, Via Vinicio Cortese	Ownership	IAS 40, fair value	31/12/20	5,400
				120,450

Unobservable inputs used in the valuation of the property portfolio, on a property-by-property basis, attributable to Level 3 of the fair value hierarchy are:

- Annual discount rate;
- Gross Cap Out Rate;
- Annual fees per square metre (ERV).

Unobservable inputs considered most significant by Nova Re are the discount rate and Gross Cap Out rate, as changes in them significantly affect the fair value.

The following table shows unobservable inputs as at 31 December 2020:

ASSET	LEGAL NATURE	METHOD	DISCOUNT RATE	GROSS CAP OUT RATE	ERV €/MQ/A
Milan, Via Spadari	Ownership	Discounted Cash Flow	5.30%	4.00%	1,400
Milan, Via Cuneo	Ownership	Discounted Cash Flow	5.70%	4.90%	400
Milan, Corso San Gottardo	Ownership	Discounted Cash Flow	6.00%	5.40%	360
Rome, Via Zara	Ownership	Discounted Cash Flow	5.60%	5.70%	276
Bari, Viale Saverio Dioguardi	Under property lease	Discounted Cash Flow	5.90%	7.50%	110
Verona, Via Unità d'Italia	Ownership	Discounted Cash Flow	7.00%	6.40%	137
Rome, Via Vinicio Cortese	Ownership	Discounted Cash Flow	6.60%	7.60%	190

The Group's real estate portfolio, residual debt and Net Asset Value are shown below as at 31 December 2020.

ASSET	LEGAL NATURE	LENDER	VALUES AS AT 31 DECEMBER 2020	RESIDUAL DEBT AS AT 31 DECEMBER 2020	NET ASSET VALUE EURO	LEVERAGE	MATURITY DATE	DURATION (YEARS)
Milan, Via Spadari	Ownership	Unicredit S.p.A.**	40,500	21,294	19,206	52.6%	22/06/2024	3.5
Milan, Via Cuneo	Ownership	Unicredit S.p.A.**	25,150	13,592	11,559	54.0%	22/06/2024	3.5
Milan, Corso San Gottardo	Ownership	Unicredit S.p.A.**	15,200	10,194	5,006	67.1%	22/06/2024	3.5
Rome, Via Zara***	Ownership	Unicredit S.p.A.**	14,600	6,171	8,430	42.3%	22/06/2024	3.5
Bari, Viale Saverio Dioguardi	Under property lease	Unicredit Leasing	14,900	5,163	9,737	34.7%	10/04/2023	2.3
Verona, Via Unità d'Italia	Ownership	Imprebanca S.p.A.	6,600	3,200	3,400	48.5%	31/10/2028	8.8
Rome, Via Cortese	Ownership	Intesa Sanpaolo	5,400	1,203	3,565	34.0%	05/06/2025	4.5
		Intesa Sanpaolo		632			01/01/2025	4
			122,350	**61,448**	**60,902**	**50.22%**		

*Nominal values of the debt
**Mortgage early and voluntary repaid on January 27, 2021
***Includes the value of instrumental portion related to Via Zara 28, the registered office of the Company

It must be noted that debt maturities shown above incorporate the extensions of the latter below and 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 assets

The main changes during the year were as follows:

	INSTRUMENTAL BUILDING	OTHER ASSETS	TOTAL
NET BOOK VALUE AS AT 01/01/2020	0	7	7
Increases	0	51	51
Decreases	0	0	0
Reclassifications	1,909	0	1,909
Depreciation and write-downs	(14)	(5)	(19)
FINAL BALANCE AS AT 31/12/2020	**1,895**	**53**	**1,948**
Historical cost	1,909	63	1,972
Accumulated depreciation	(14)	(10)	(24)
NET CARRYING AMOUNT	**1,895**	**53**	**1,948**

The item increased significantly following the reclassification of the value of € 1,909k relating to the part of the property in Via Zara, Rome, which became the Company's registered office and operational headquarters from 30 September 2020. The increase in other assets mainly refers to the purchase of furniture and fittings and audiovisual equipment for the new offices.

Note 3. Rights of use

	RIGHTS OF USE
NET BOOK VALUE AS AT 01/01/2020	1,085
Increases	0
Decreases	(893)
Depreciation and write-downs	(127)
NET BOOK VALUE AS AT 31/12/2019	**65**

The item as at 1 January 2020 included the value of the rights of use with reference to the leasing agreements of the Rome Via del Tritone office and the contracts relating to cars used by two managers for a total of € 1,085k. On 5 May 2020, the related party Tiberia S.r.l. was sent notice of early termination of the sublease agreement as of 30 September 2020; this resulted in the release of the right of use for € 893k in respect of the financial liability for € 934k, generating financial income of € 41k, recorded under Net financial income/(expenses).

Note 4. Intangible assets

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:

	CONCESSIONS AND LICENSES	CAPITALISED CONCESSION SOFTWARE	INTANGIBLE ASSETS IN COURSE OF ACQUISITION	REF - BC SOFTWARE	TOTAL
NET BOOK VALUE AS AT 01/01/2020	**0**	**4**	53	**0**	**57**
Amortisation and write-downs	0	(2)	0	(12)	(14)
Increases	0	0	69	0	69
Reclassifications	0	0	(122)	122	0
NET BOOK VALUE AS AT 31/12/2020	**0**	**2**	0	**110**	**112**
BALANCE AT 31/12/2020					
Historical cost	1	10	0	112	133
Accumulated amortisation	(1)	(8)	0	(12)	(21)
NET BOOK VALUE AS AT 31/12/2020	**0**	**2**	**0**	**110**	**112**

Note 5. Receivables and other non-current assets

The table below summarises the status of accounts receivable and other non-current assets as at 31 December 2020 and 31 December 2019.

	31/12/2020	31/12/2019
Capex contribution Milan, Via Spadari	733	856
Receivables for pre-paid taxes	1,084	508
Capex contribution Milan, Via Cuneo	557	0
Security deposits paid	0	63
RECEIVABLES AND OTHER NON-CURRENT ASSETS	**2,374**	**1,427**

The item as at 31 December 2020 amounted to € 2,374k and mainly refers to:

- to the long-term portion of the capex contribution disbursed to the customer OVS in 2018 for the property in Milan, Via Spadari for € 733k, the decrease of which refers to the portion pertaining to the following year reclassified under the item Receivables and other current assets;
- the long-term portion of the capex contribution paid to the customer OVS during the second half of 2020 for the property in Milan, Via Cuneo for € 650k of which € 93k are classified as short-term under the item Receivables and other current assets;
- deferred tax assets were equal to € 1,084k and increased compared to 31 December 2019 by € 576k; they are mainly attributable to the loss on taxable management of the Parent Company equal to € 254k.

Security deposits recorded as at 31 December 2019 were collected in full in July 2020.

Note 6. Financial assets at fair value

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 20. Fair value adjustment of financial assets.

	BONDS	UCITS	OTHER	TOTAL
NET BOOK VALUE AS AT 01/01/2020	**5,041**	792	7,789	**13,622**
Increases	0	0	0	0
Decreases	0	(792)	(138)	(930)
Reclassifications	0	0	(7,651)	(7,651)
Fair value adjustment	(1,855)	0	0	(1,855)
NET BOOK VALUE AS AT 31/12/2020	**3,186**	**0**	**0**	**3,186**

The item includes the fair value of € 3,186k referred to the debenture loan subscribed by Nova Re, following approval by Nova Re's Board of Directors on 19 October 2017, issued by the Luxembourg-law fund Historic & Trophy Building Fund - HTBF Euro 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, Nova Re acquired specific guarantees for the transaction.

Specifically, on 13 October 2017, Nova 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, Nova 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:

1. repurchase, no later than the 30th day following receipt of this request, the bonds subscribed by the Company;

2. proceed (again within the aforementioned essential period of 30 days) to pay the price, equal to the nominal value of the bonds Nova 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., the company that discretely and independently manages the funds that hold the controlling interest in Nova 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 Nova 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 Nova Re, upon simple written request and without any need for proof or justification, without exceptions, all sums that Nova 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 Nova Re;
- on 16 January 2020, Nova 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";
- Nova 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 S.p.A. in a.s, 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 Nova Re, 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. in a.s. 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 Nova 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 Nova 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 euro 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, Nova Re then sent an additional letter of acknowledgement, in which it:

1. acknowledges that Sorgente sgr does not have the requested information as it would not have been possible for Sorgente sgr to finalise the management reports updated as at 31 December 2019 and disclose the NAV of Fondo Donatello -Tulipano Sub-Fund;

2. 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 Nova Re, there have been no changes in the amount of assets;

3. points out that the relationships between Sorgente Group Italia S.p.A. and Sorgente Sgr are not known to Nova Re and are not legally relevant for Nova Re and fully rejects the objections raised by Sorgente Group Italia S.p.A.

- on 27 April 2020, Nova 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, Nova Re filed an appeal with the Court of Milan for an injunction against Sorgente SGR S.p.A. in A.S., 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.

Nova 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:

1. on 27 July 2020, the sending of a "formal notice" to Main Source, with an injunction to pay the amounts due;

2. 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;

3. on 19 November 2020, the so-called "commercial procedure before the District Court" was initiated, by due service of process of the *"Assignation devant le Tribunal d'arrondissement de et a Luxembourg"*, the first service of the aforementioned judicial proceedings;

4. on 4 December 2020, an initial hearing was held in which the Court assigned the case to the relevant section;

5. subsequently, on 7 December 2020, the Judge, announced that the next hearing had been set for 15 June 2021.

- with reference to actions taken against Sorgente SGR it must be noted that:

1. on 16 October 2020, Sorgente SGR was served with the injunction for an amount of € 6,125.5k;

2. 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 Italia S.r.l.) and counterclaim;

3. on 10 February 2021 - at the first hearing of the opposition proceedings - the Court of Milan granted provisional enforceability of injunction no. 12670/2020 pursuant to Article 648 of the Italian Code of Civil Procedure, assigning the parties time to file the briefs pursuant to Article 183, paragraph 6 of the Italian Code of Civil Procedure and adjourning the case for discussion of the preliminary motions to the hearing of 24 June 2021.

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.

It is stressed that Nova Re's Management has continuously and constantly worked to request documentation regarding the patrimonial and financial situation of the Fund HTBF -€ and regarding the assets held by the Fund itself, and of recognition and analysis of the documentation received.

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

Main Source, S.A., in a first step, sent to Nova Re the financial statements of the HTBF-€ Fund as at 31 December 2017, audited by the auditing firm PKF on 05 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 - Euro 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 Fund HTBF - €.

The estimate of the fair value of the bonds followed valuation approaches applied to impaired financial assets (so-called Non Performing Loans), in particular estimating, on the basis of the information available and of precise and justified assumptions, the exit price of the bond in relation to the forced disposal value of the assets included in the Fund's assets. The above valuation methodology (Judicial Market Value) is consistent with the specific actions taken by the Company in 2020 to recover its credit position, including through the courts.

In view of the information available on the date of drafting this Annual Report, and more specifically, the fact that the debenture loan expired in October 2020, it was deemed appropriate to combine the Judicial Market Value approach with a further valuation approach.

Such an approach requires that the estimate of fair value of an impaired loan can be estimated through the use of a Recovery Rate identified on the basis of a benchmark analysis in consideration of the duration of the loan from maturity to assignment. Fair value is then estimated by applying the Recovery Rate to the nominal value of the receivable.

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

1. in the first 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), discounted over the estimated period of the recovery proceedings;

2. in the second 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 doubtful 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.

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

Considering the above methods, based on the analyses and considerations above, with reference to the date of 31 December 2020; the fair value of the obligation recorded in the financial statements as at 31 December 2020 is equal to € 3,186k.

On the other hand, with reference to the valuation of the Additional Right, in view of the Main Source's failure to respond to Nova Re's exercise of its put option in January 2020, for purposes of drafting the financial statements as at 31 December 2020, the fair value of the derivative instrument was estimated to be zero, thus confirming the approach adopted when drafting the financial statements as at 31 December 2019, where the value that had been recognised as at 31 December 2018 had been cancelled, with a balancing entry in the income statement.

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 2020, consistently with the approach followed in previous years, it did not recognise any asset in the financial statements; consistently with 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.

As at 31 December 2019 Financial assets at fair value also included investments of temporary surplus cash subscribed by the Company in mutual fund units (funds of UCITS, units of UCITS or portfolios of units of UCITS) managed by leading qualified asset managers. During the first half of 2020, the Company settled € 792k of the above instrument types.

Finally, as at 31 December 2019, “Financial assets at fair value” included the value of the consideration due to Nova Re under the terms of the repurchase option granted to the counterparty Hotel alla Salute S.r.l. as part of the transaction involving the acquisition of a property complex for hotel use located in Verona. This is because the presence of the repurchase option did not allow control over the property complex to be considered transferred, but required the transaction to be represented as a financial asset to be accounted for in accordance with IFRS 9. As at 31 December 2019, the item also included amounts related to lease payments accrued during the period and not yet collected and capitalised acquisition costs of € 151k. During the first half of 2020, the exercise of the option was cancelled, with the consequent release of the property from any contractual commitment previously undertaken with Hotel alla Salute S.r.l..

Given the above, for the purposes of drafting this report as at 31 December 2020, Nova Re reclassified the amount of € 7,651k recorded under the item “financial assets at fair value” as at 31 December 2019 (net of receivables collected during the first quarter of 2020 for € 138k) to the item investment property.

Note 7. 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.

	31/12/2020	31/12/2019
Receivables due to tenants	1,096	928
Receivables due to other related parties	3	3
Allowance for doubtful accounts	(436)	(248)
Net tade receivables	*663*	*683*
Deferred costs for concessions to COVID-19 customers	688	0
Tax receivables	532	506
Capex contribution – current share	*215*	*122*
Accruals and deferrals	115	38
Other receivables	3	111
TOTAL	**2,216**	**1,460**

Net customer receivables

Net customer receivables showed a balance of € 663k (€ 683k as at 31 December 2019) and consisted mainly of:

- receivables from tenants of owned properties for € 1,096k, of which € 185k was written down as at 31 December 2020; the amount includes receivables for invoices and credit notes to be issued for € 293k;
- receivables arising from previous ownership completely written off for € 248k;
- residual receivables from Sorgente SGR Fondo Tiziano - San Nicola Sub-Fund for € 2k and residual receivables from Sorgente SGR Fondo Donatello - Tulipano Sub-Fund for € 0.5k; these receivables were written down as at 31 December 2020.

With reference to the allowance for doubtful accounts, changes for the period are shown below.

	ALLOWANCE FOR DOUBTFUL ACCOUNTS
BALANCE AS AT 01/01/2020	**(248)**
Provisions	(807)
Use	619
BALANCE AT 31/12/2020	**(436)**

Accruals to and uses of the provision for doubtful debts recorded during the period are attributable to the effects of the COVID-19 pandemic on the hotel and retail asset classes as the above tenants suffered significant economic and financial losses due mainly to the forced closure of their businesses and the consequent fall in turnover. In fact, since March 2020, discussions with tenants were initiated aimed at identifying and sharing, from time to time, the best actions to contain the damage caused by the pandemic, with the aim of safeguarding the quality of long-term relationships and preserving the value of investment property made, in order to mitigate the risk that, in view of the crisis impacting the activities of the aforementioned tenants, the implementation of the remedies contractually provided for could lead to the interruption of the relevant relationships, with negative effects on the Company's business and prospects. The above discussions finalised in July 2020.

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 OVS and SHG Hotel customers with reference to rents covered by specific agreements signed in July 2020.

The above temporary rent reductions will be charged on a straight-line basis over the life of the leases as a reduction in revenue.

Tax receivables

CURRENT	31/12/2020	31/12/2019
Receivables from Revenue for VAT	489	455
Receivables from Revenue for taxes	31	37
Other tax receivables	12	14
CURRENT TAX RECEIVABLES	**532**	**506**

Tax receivables show a balance of € 532k (€ 506k as at 31 December 2019) and consist mainly of:

- receivable from the tax authorities resulting from the VAT settlement for the month of December 2020 for € 489k (€ 455k as at 31 December 2019);
- IRAP tax receivables for € 31k;
- tax receivables due to others for € 12k.

Capex contribution - current share

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

The item Prepayments amounted to € 115k (€ 37k as at 31 December 2019) related to insurance costs, membership fees, fees on rents and others.

Other receivables

RECEIVABLES FROM OTHERS	31/12/2020	31/12/2019
Advances to third-party suppliers	0	81
Other receivables from related parties	0	24
Other receivables	3	6
RECEIVABLES DUE FROM OTHERS	**3**	**111**

Receivables due from others, amounting to € 111k as at 31 December 2019 were settled and collected during the year for € 108k.

Note 8. Cash and cash equivalents

	31/12/2020	31/12/2019
Bank and postal deposits	24,449	440
Restricted current accounts	474	34
Cash and cash in hand	0	1
TOTAL	**24,923**	**475**

These totalled € 24,923k (€ 475k as at 31 December 2019) and consisted mainly of bank and postal deposits. The significant increase compared to 31 December 2019 is attributable to the cash capital increase payment made on 2 November 2020 by the controlling shareholder CPI Property Group for € 25,990k.

Shareholders' equity

Note 9. Shareholders' equity

(Amount in euro)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	SHARE CAPITAL	SHARE PREMIUM RESERVE	FAIR VALUE RESERVE	LEGAL RESERVE	OTHER RESERVES	OTHER COMPONENTS OF COMPREHENSIVE INCOME	PROFIT/(LOSS) CARRYFORWARD	PROFIT/(LOSS) FOR THE PERIOD	MINORITIES' EQUITY	TOTAL
BALANCE AS AT JANUARY 1, 2020	**37,274,898**	**22,931,342**	**7,850,416**	**7,107,340**	**(3,601,214)**	**(18,127)**	**(3,574,960)**	**371,137**	**0**	**68,340,833**
Allocation of 2019 result	0	0	288,997	15,210	0	0	66,930	(371,137)	0	0
Capital increase	25,989,630	0	0	0	0	0	0	0	0	25,989,630
Costs for capital increase	0	0	0	0	(1,270,492)	0	0	0	0	(1,270,492)
Fair value of performance share plan	0	0	0	0	212,557	0	0	0	0	212,557
Cancellation of performance shares plan	0	0	0	0	(267,815)	0	267,815	0		0
Other components of comprehensive income	0	0	0	0	1,418,268	800	0	0	0	1,419,068
Result for the period	0	0	0	0	0	0	0	(9,320,485)	0	(9,320,485)
TOTAL COMPREHENSICVE PROFIT/(LOSS) FOR THE PERIOD	**0**	**0**	**0**	**0**	**1,418,268**	**800**	**0**	**(9,320,485)**	**0**	**(7,901,417)**
Minorities' equity	0	0	0	0	0	0	0	0	0	0
Minorities Profit/(Loss) for the period	0	0	0	0	0	0	0	0	0	0
BALANCE AS AT DECEMBER 31, 2020	**63,264,528**	**22,931,342**	**8,139,413**	**7,122,550**	**(3,508,695)**	**(17,327)**	**(3,240,216)**	**(9,320,485)**	**0**	**85,371,110**

The share capital, fully subscribed and paid up, amounted to € 63,265k as at 31 December 2020 and consisted of 22,025,109 ordinary 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.

Changes have been made to the items Legal reserve and Fair value reserve based on the proposal approved on 13 May 2020 by the Board of Directors with reference to the allocation of the 2019 profit as follows: € 15k to the legal reserve and € 289k to the fair value reserve which by its nature cannot be distributed. It must be noted that, on 15 July 2020, the Shareholders' Meeting approved the Parent Company's financial statements and the above proposed allocation.

The column Other reserves includes the changes in the negative reserve for capital increase costs, the negative reserve for the purchase of treasury shares, the cash flow hedge reserve and the reserve for performance share plans. The main changes during the period are described below:

- discharge of the negative cash flow hedge reserve for € 1,418k; in January 2021 the IRS hedging derivative was repaid in advance at the same time as the early repayment of the mortgage loan granted on 29/12/2017 by Unicredit S.p.A.. As a result of what has been described, the future cash flows covered by the derivative instrument, as at 31 December 2020, are no longer highly probable and at the same time it is not possible that they will occur in the future;
- recognition of net costs related to the capital increase of € 1,270k incurred and directly related to the capital increase transaction concluded in November 2020. The expenses in question include costs directly attributable to the transaction, such as fees paid to solicitors, tax experts and other professionals; on the other hand, costs relating to other planned capital increase transactions that did not take place have been reclassified under “other costs and charges” in the income statement;
- recognition of the fair value portion of € 213k in accordance with IFRS 2 following the acceleration of the vesting of the instrument in relation to the cancellation of the three-year incentive plan. Subsequently, the reserve was reset to zero with a balancing entry under Profit/(Losses) carried forward.

The item Other comprehensive income is negative and amounts to € 17k; it relates to the effects of the actuarial valuation of the employee severance indemnity (TFR) in accordance with IAS 19.

Liabilities

Note 10. Employee benefits

The table below summarises the status of employee benefits as at 31 December 2020.

	31/12/2020	31/12/2019
TFR payables	249	154
TOTAL	**249**	**154**

Changes in payables due to severance indemnity (TFR)

	31/12/2020	31/12/2019
INITIAL BALANCE AS AT 01/01/2020	**154**	**114**
Actuarial gains or losses	(1)	(7)
Use	0	(43)
Provisions	94	89
Financial expense IAS 19	2	1
FINAL BALANCE AS AT 31/12/2020	**249**	**154**

The closing balance, amounting to € 249k as at 31 December 2020 (€ 154k as at 31 December 2019), 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.

The service cost is classified in the income statement as € 94k (€ 89k as at 31 December 2019) in personnel costs, € 2k (€ 1k as at 31 December 2019) in interest cost classified under financial expenses and € 1k (€ 7k as profit as at 31 December 2019) in actuarial gains 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	31/12/2020
Annual discount rate	0.34%
Annual inflation rate	0.80%
Annual rate of increase in severance indemnity (TFR)	2.10%
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 par. 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 2020, the Company's workforce consisted of 11 employees. Below are the point-in-time and average employee numbers as at 31 December 2020 and 31 December 2019, broken down by category.

DIVISION BY QUALIFICATIONS	31/12/2020	31/12/2019
Executives	3	3
Middle managers	5	4
Employees	3	4
TOTAL	**11**	**11**

DIVISION BY ANNUAL AVERAGE	2020	2019
Executives	3	3
Middle managers	5	4.3
Employees	3	3.3
TOTAL	**11**	**10.6**

Note 11. Bank borrowings and other lenders

	31/12/2020	31/12/2019
NON-CURRENT		
Mortgages and loans	6,576	54,525
Borrowings from other financing entities	5,025	5,422
BANK BORROWINGS AND OTHER NON-CURRENT LENDERS	**11,601**	**59,947**
CURRENT		
Mortgages and loans	52,950	1,338
Borrowings from other financing entities	205	1,012
Payables for advances on invoices	36	272
BANK BORROWINGS AND OTHER CURRENT LENDERS	**53,191**	**2,622**
TOTAL	**64,792**	**62,569**

As at 31 December 2020 the Group had five loan agreements in place; in addition to those outstanding as at 31 December 2019, the Group obtained an additional 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. The loan from Banca Centro Lazio matures on 30 September 2026 and has a contractual interest rate of 3-month Euribor/360 plus a spread of 2.9 percentage points.

The following table summarises the main terms and conditions of mortgages and bank loans outstanding on the balance sheet date:

LENDER	COUNTERPARTY	ORIGINAL AMOUNT	RESIDUAL DEBT AS AT 31 DECEMBER 2020 NOMINAL VALUES	RESIDUAL DEBT AS AT 31 DECEMBER 2020 - FINANCIAL STATEMENTS VALUES AT AMORTIZED COST NOMINAL VALUES	OF WHICH CURRENT	OF WHICH NON-CURRENT	GUARANTEES	OTHER GUARANTEES AND CLAUSES
Unicredit S.p.A.	Nova Re SIIQ S.p.A.	74,500	51,250	52,553	52,553	-	1° degree mortgage	Covenants Pledge on operating bank accounts linked to the loan agreement; Disposal of receivables related to rents and hedging from interest rate risk with IRS derivative agreement
Imprebanca S.p.A.	Nova Re SIIQ S.p.A.	3,400	3,200	3,247	98	3,149	2° degree formal mortagage, 1° degree substantial mortgage	Disposal of receivables related to rents
Banca Centro Lazio	Nova Re SIIQ S.p.A.	2,000	2,000	1,877	58	1,819		
Intesa San Paolo S.p.A.	Cortese Immobiliare S.r.l.	3,900	1,203	1,213	83	1,055	2° degree mortgage	Rents channeling
Intesa San Paolo S.p.A.	Cortese Immobiliare S.r.l.	2,100	632	637	158	554	2° degree mortgage	Rents channeling
		85,900	**58,285**	**59,527**	**52,950**	**6,577**		

The item *Bank borrowings and other lenders* has not decreased compared to the previous year due to extensions granted by banks which have been reflected in the amortised cost of payables, where applicable, and in the classification of the latter as current and non-current. In light of the contextual elements known during the period 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 rents that could have resulted from the negotiations with the lessees, deemed it appropriate to avail itself of the benefits provided until 31 June 2021 (following the extension that took place with the approval of the Budget Law of 30 December 2020) by the provisions contained in Article 56 of Italian Decree Law *"Cura Italia"* and request the suspension of payment of instalments of existing leasing and mortgage loans.

The significant increase in loans for the current portion is attributable to the reclassification of the value of the Unicredit loan for € 52,553k following the value assumed by the ISCR covenant parameter measured as at 31 December 2020.

In fact, with reference to the financial commitments arising from the loan agreement in place with UniCredit S.p.A. and specifically with reference to the ISCR covenant (the ratio of EBITDA to net interest), it must be noted that as at 31 December 2020 the covenant is below the floor (1.35x) in the broadest legal interpretation that the denominator takes into account the value of the interest recorded and not that paid, which in the latter case would make this indicator incalculable. It must be noted that, starting from March 2020, the Company availed itself of the benefits provided until 30 June 2021 by requesting the suspension of the payment of instalments on existing leasing and mortgage loans (including interest).

The results of the six-monthly verification of compliance with the loan *covenants* are shown below.

PARAMETER	LIMITS	OUTCOME
LTV	65% or less	53.69%
Global LTV	65% or less	50.22%
ISCR* (ratio of EBITDA to net interest)	greater than 1.35x	-0.3x

*The ISCR is calculated taking into account net interest, commissions and closing hedging costs accrued and accounted for even if not paid due to the moratoria granted by the lending institutions

It must be noted that the loan was repaid in full, in advance and voluntarily, on 29 January 2021; the recognition of the value as at 31 December under current liabilities also led to the release of the portion of the initial costs of the loan in the amount of € 573k which would otherwise have been depreciated over the course of the 2021-2023 future financial years.

The item Payables to other lenders mainly refers to € 5,163k, of which € 176k are due within the financial year and € 4,987k are due beyond the financial year relating to the payable to Unicredit Leasing for the leasing agreement relative to the property located in Bari, Viale Saverio Dioguardi.

The item also includes payables for advance payments of invoices by Cortese Immobiliare to Intesa Sanpaolo for € 36k (€ 272k as at 31 December 2019); it must be noted that, on 1 March 2021, invoices subject to advance payments were collected in respect of the payment by the tenant Guardia di Finanza.

Pursuant to IAS 7 “Statement of Cash Flows”, the table below shows the changes that occurred in liabilities arising from financing activities. The table reconciles the cash flows shown in the Cash Flow Statement with the total changes recorded during the year in balance sheet items that make up net borrowings. The table also includes changes in liabilities for derivative financial instruments analysed in item 13 below. Liabilities from financial derivatives.

			NON-MONETARY FLOWS				
	31/12/2019	MONETARY FLOW	CHANGES IN FAIR VALUE	AMORTIZED COST CHANGES	IFRS 16 FIRST APPLICATION	OTHER MOVEMENTS	31/12/2020
Bank borrowings and other non-current lenders	59,947	1,868	0	74	0	(50,288)	11,601
Bank borrowings and other current lenders	2,622	(704)	0	573	0	50,700	53,191
Non-current liabilities from derivatives	1,008	0	0	0	0	(1,008)	0
Current liabilities from derivatives	581	0	327	0	0	1,008	1,916
NET FINANCIAL LIABILITIES	**64,158**	**1,164**	**327**	**647**	**0**	**412**	**66,708**
Cash and cash equivalents	(475)	(24,448)	0	0	0	0	(24,923)
NET FINANCIA DEBT	**63,683**	**(23,284)**	**327**	**647**	**0**	**412**	**41,785**

An analysis of the maturities of financial liabilities, also pursuant to IFRS 7, is provided below.

LIABILITIES	CARRYING AMOUNT	WITHIN 1 YEAR	1-2 YEARS	2-5 YEARS	BEYOND 5 YEARS
Payables to banks and other lenders	64,792	53,191	1,865	7,529	2,207

Note 12. Liabilities from derivatives

	31/12/2020	31/12/2019
NON-CURRENT		
Non-current portion of *mark to market* IRS Unicredit	0	1,008
NON-CURRENT DERIVATIVE LIABILITIES	**0**	**1,008**
CURRENT		
Non-current portion of *mark to market* IRS Unicredit	1,916	581
LIABILITIES FROM CURRENT DERIVATIVES	**1,916**	**581**
LIABILITIES FROM DERIVATIVES	**1,916**	**1,589**

Derivative liabilities represent the *mark to market* as at 31 December 2020 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 parent 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 € 1,926k.

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

	CARRYING AMOUNT	WITHIN 1 YEAR	1-2 YEARS	2-5 YEARS	BEYOND 5 YEARS
Liabilities from financial derivatives	1,916	1,916	0	0	0

Note 13. Trade payables and other payables

The table below summarises the situation of trade and other payables as at 31 December 2020.

	31/12/2020	31/12/2019
NON-CURRENT		
Tax payables	313	630
TOTAL TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	**313**	**630**
CURRENT		
Trade payables	892	2,634
Payables due to related parties	271	410
Tax payables	150	228
Payables due to national insurance agencies	60	63
Other payables	191	171
Accruals and deferred liabilities	1,070	46
TOTAL TRADE PAYABLES AND OTHER CURRENT PAYABLES	**2,634**	**3,552**

Trade payables

The item trade payables shows a balance of € 892k (€ 2,634k as at 31 December 2019). The item decreased mainly in relation to the payment of payables for works carried out on the properties in Rome, Via Zara and Bari, Viale Saverio Dioguardi.

Payables due to related parties

This item shows a balance of € 271k (€ 410k as at 31 December 2019) and mainly refers to:

- payables to Polimnia Real Estate Services S.r.l. for € 76k relating to payables for property and facility management services;
- payables for invoices to be received from Tiberia S.r.l. for € 102k concerning the final balance of common costs relating to the sub-lease agreement of the previous headquarters in Via del Tritone 132 for € 95k and of the 2019 residual for € 7k;
- payables to professional directors and statutory auditors for invoices to be received for a total of € 94k.

Tax payables

	31/12/2020	31/12/2019
Non-current tax payables	313	629
Other tax payables	150	228
TAX PAYABLES	**463**	**857**

Taxes payable after one year refer to taxes relating to previous years and amounts payable after twelve months due to the instalment plan currently being implemented by Cortese Immobiliare. Taxes payable within the year show a balance of € 150k (€ 228k as at 31 December 2019) and mainly relate to:

- withholding taxes on employee and self-employed income paid in 2021 for € 82k;
- payables for instalments with Agenzia delle Entrate (Italian Inland Revenue) of Cortese Immobiliare for € 69k.

Payables due to national insurance agencies

PAYABLES DUE TO NATIONAL INSURANCE AGENCIES	31/12/2020	31/12/2019
Payables to INPS	54	57
Payables to INAIL	2	2
Various social security institutions	4	4
TOTAL PAYABLES DUE TO NATIONAL INSURANCE AGENCIES	**60**	**63**

Payables to national insurance agencies amounted to € 60k (€ 63k as at 31 December 2019) and mainly relate to contributions for the December 2020 payroll paid in January 2021.

Other payables

OTHER PAYABLES	31/12/2020	31/12/2019
Due to employees	97	75
Other payables	86	86
Payables due to the Supervisory Board	8	10
TOTAL OTHER PAYABLES	**191**	**171**

Other payables amounted to € 191k as at 31 December 2020, compared to a balance of € 171k as at 31 December 2019, and consisted mainly of:

- payables to personnel for € 97k relating to expense accounts, accrued holidays, leaves of absence and additional monthly payments accrued as at 31 December 2020;
- Other payables, amounting to € 86k (€ 86k as at 31 December 2019);
- Payables to members of the supervisory body were instead equal to € 8k.

Risks and commitments

The risks to which the Group 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 taken out by Nova Re SIIQ S.p.A. with Unicredit S.p.A, the following has been agreed with the lending institution:

- first priority mortgage on the properties subject to refinancing for € 149 million;
- pledge on the operating bank accounts linked to the loan agreement with Unicredit;
- assignment of receivables deriving from rental contracts and receivables deriving from property insurance policies.

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 taken out during the year with the counterparty Imprebanca S.p.A., the following conditions are noted:

- first priority mortgage on the property in Verona being financed;
- assignment of receivables arising from the lease.

With regard to the loan agreements of Cortese Immobiliare S.r.l. 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 2020 is equal to € 1,912k and the market value of the property is € 5,400k.

Income statement

Note 14. Rental income

	31/12/2020	31/12/2019
Property leases	5,852	5,334
Chargebacks to tenants	126	102
RENTAL INCOME	**5,978**	**5,436**

The item amounting to € 5,978k reflects revenues from leases and the relevant chargebacks of costs to tenants.

The change in revenues from property rentals, compared to the same period of the previous year, is due to the following factors:

- with reference to the property in Bari, Viale Saverio Dioguardi for 2020, rents were equal to € 963k while in 2019 they amounted to € 723k; the lease agreement with the Ministry of Justice for the first half of 2019 provided for a reduced rent due to the simultaneous performance of significant improvements to the property. The contractual fee became effective as of 1 July 2019 (€ 963k on an annual basis);

- with reference to the property in Milan, Via Spadari, the rents reflect the release of the portion of capex contribution to reduce them by € 122k;

- rental income relating to the property in Milan, Corso San Gottardo, amounting to € 745k, reflects changes in rent reduction compared to the first half of 2019 following the agreement reached with the counterparty OVS as part of the redevelopment plan, initiated by the latter, of its points of sale; the agreement therefore provides for a reduced rent compared to the previous lease expired in January, limited to the first rental period, to allow the tenant to make the necessary investments for the complete relaunch of the store;

- the property in Verona entered the Group's portfolio as of May 2019. As the property is recorded from the date of acquisition and until 31 December 2019 as a financial asset at fair value, rental income for the 2019 financial year was classified under Financial income. During 2020, as the option right held by the seller of the property ceased to exist, the property was reclassified to the item Investment property and the relevant income was classified under this item, Rental income, from March 2020 while for the first two months it was under Net financial income/(expenses).

The breakdown of revenues by property is shown below.

PROPERTY	31/12/2020	31/12/2019
Milan, Via Spadari	1,434	1,438
Milan, Via Cuneo	1,131	1,136
Milan, Corso San Gottardo	745	881
Rome, Via Zara	743	672
Bari, Viale Saverio Dioguardi	963	723
Rome, Via Cortese	586	586
Verona, Via Unità d'Italia	376	-
	5,978	5,436

Note 15. Costs inherent to investment property

Costs related to investment property amounted to € 2,027 k as at 31 December 2020 and are represented in the following table by cost type and compared to 31 December 2019.

	31/12/2020	31/12/2019
IMU	727	635
Recognition of losses on receivables due to COVID-19 concessions	608	0
Provision made to the provision for doubtful debts	185	0
Property, building and facility management costs	72	100

follows

follows

Costs inherent to investment property

	31/12/2020	31/12/2019
Maintenance and running costs of premises	115	218
Contract registration taxes	74	11
Utilities	20	34
Legal, notary and professional fees	49	44
Insurance	28	22
Real estate consulting	61	70
Technical advice	29	4
Surveillance and concierge	8	84
Other taxes and duties	5	35
Other expenses	46	11
COSTS INHERENT TO INVESTMENT PROPERTY	**2,027**	**1,268**

The costs for IMU and registration taxes relate to taxes applied to the property portfolio; the costs for IMU tax increased mainly due to the tax relating to the hotel asset in Verona for € 71k, the cost of which, during the previous year, was classified under financial income/(charges) due to the classification of the asset under Financial assets at fair value as explained above.

The recognition of losses on receivables for COVID-19 concessions refers to the temporary rent reductions granted to the tenants OVS and SHG Hotel Verona S.r.l. as part of the negotiations concluded in July 2020.

The item write-down of trade receivables refers to the effects of the evaluation, as at 31 December 2020, of the recoverability of receivables from the tenant SHG Hotel Verona S.r.l. with which the Company is engaged in litigation and which has been ordered to be evicted due to default by the Court of Verona.

Property, building and facility management costs relate to the ordinary and administrative management of the properties in the portfolio carried out by the related party Polimnia Res S.r.l..

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.

Note 16. Operating costs

	31/12/2020	31/12/2019
Wages and salaries	1,104	1,110
National insurance charges	299	308
Severance pay	97	92
Other staff costs	239	133
SUB-TOTAL A) PERSONNEL COSTS	**1,739**	**1,643**
Directors’ fees	406	446
Legal and notary fees	306	202
Management, cleaning and maintenance expenses of premises	132	163
Administrative consulting	149	153
Communications and marketing costs	115	74
IT and consultancy fees	101	55
Fees paid to the Statutory Board of Auditors	91	89
Remuneration of professional auditors	66	64
Other consultations	34	100
Financial consultancy	41	263
Travel, transport and car expenses	34	74
Internal auditor fees	26	26
Remuneration of the Supervisory Body	22	21
Utilities	17	20
General Services, IT and HR	16	6
Insurance	15	40

follows

follows

Operating costs

	31/12/2020	31/12/2019
Real estate consulting	19	74
Charges and banking fees	13	263
Commissions for purchase of treasury shares	0	11
Technical advice	11	4
Other	33	36
SUBTOTAL B) OVERHEADS	**1,647**	**2,187**
OPERATING COSTS	**3,385**	**3,830**

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

- personnel costs amounted to € 1,739 k (€ 1,643k as at 31 December 2019); these costs are in line with those recognised during the 2019 financial year with the exception of the item “Other personnel costs” which includes an effect of € 212k relating to the provision for the cost related to the performance share plan which was cancelled in August 2020. Please refer to the section on Incentive Plans for further information;

- legal advice increased mainly in relation to disputes that arose in 2020 against Main Source S.A. and Sorgente SGR in A.s., Sorgente Group Italia S.r.l. and the tenant SHG Hotel Verona S.r.l.;

- local Management Expenses decreased compared to the previous year in relation to the relocation, as of 1 October 2020, of the registered office and operational headquarters to Via Zara, 28 which resulted in savings to the Company with regard to shared costs charged-back. It must be noted that the item includes € 95k for shared costs relating to the sublease agreement with Tiberia S.r.l. (related party) accrued from 1 January to 30 September 2020;

- the item IT fees and consultancy increased due to the entry into force of contracts, existing from the second half of 2019, for management services, management and accounting software fees and IT equipment rentals;

- financial advisory services decreased mainly as a result of the termination of a corporate broking contract; these costs, in 2019 also included fees for drafting the 2020-2024 Business Plan as well as costs incurred for research relating to the Nova Re share published by Intregrae SIM in May 2019;

- bank fees decreased significantly, compared to the prior year, as one-time costs were incurred in 2019 for exiting certain cash investments and waiver fees in connection with the mortgage loan agreement with Unicredit.

Note 17. Other revenues and income

The table below summarises other revenue and income as at 31 December 2020.

	31/12/2020	31/12/2019
Other income	50	88
TOTAL	**50**	**88**

The item mainly includes the release of provisions for IMU tax penalties of Cortese Immobiliari following the payment in arrears.

Note 18. Depreciation

The item includes the amortisation for the financial year of intangible assets (€ 15k), rights of use (€ 127k) and other tangible assets for € 19k, of which € 14k relate to the instrumental part of the property in Rome, Via Zara, depreciated at a rate of 3%. Depreciation of rights of use refers, for € 98k, to the right recognised until 5 May 2020 of the lease agreement with Tiberia S.r.l. for the sublease of the Parent Company's headquarters in accordance with IFRS 16.

Note 19. Fair value adjustment of financial assets

	31/12/2020	31/12/2019
Fair value adjustment of financial assets	1,855	686
TOTAL OTHER COSTS AND CHARGES	**1,855**	**686**

The item Fair value adjustment of financial instruments amounting to € 1,855k refers to the fair value adjustment of bonds in the portfolio for a nominal € 6 million recorded under Financial assets at fair value to which reference must be made for further information.

Note 20. Other costs and charges

	31/12/2020	31/12/2019
Release of costs for missing capital increase operations	123	0
Shareholders' meetings, financial statements, Consob obligations, Stock Exchange	82	67
Membership fees	41	51
Costs for issuing guarantees	14	15
Other expenses	58	145
TOTAL OTHER COSTS AND CHARGES	**318**	**278**

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

Costs issued for failed capital increase transactions refer to consultancy costs relating to planned capital increase transactions that did not take place.

Costs for the issue of guarantees, amounting to € 14k, relate to the guarantee issued by Fondo Donatello - Tulipano Sub-Fund, as described above, with reference to the debenture loan recorded under item 6. Financial assets at fair value; in this regard it must be noted that on 9 March 2020 Nova Re, in a letter sent to Sorgente SGR S.p.A. in A.S. (and, for information, to Main Source and the Fund HTBF-€), enforced the autonomous guarantee, requesting Sorgente SGR (as manager in the name and on behalf of Fondo Donatello - Tulipano Sub-Fund) pay by 17 March 2020 the nominal value of the bonds (€ 6 million), plus the accrued interest. For further information, please see the section Financial assets at fair value.

» Financial assets at fair value

Note 21. Net movement in fair value of investment property

	31/12/2020	31/12/2019
Positive fair value of investment property	(4,440)	(50)
Negative fair value of investment property	141	3,254
TOTAL	**4,299**	**3,204**

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. Investment property for the relevant comments.

Note 22. Net financial income/(charges)

	31/12/2020	31/12/2019
Income from financial assets at fair value	75	293
Other interest income	0	76
Income from lease terminations	85	60
Interest income on bank accounts and interest on arrears	1	5
FINANCIAL INCOME	**161**	**434**
Interest on financing from banks	(2,005)	(1,647)
Charges on derivative contracts for foreign exchange hedging	(1,746)	(551)
Interest on leases	(106)	(140)
Financial charges Tritone lease	(150)	0
Financial charges on financial assets at fair value	(9)	(93)
Interest expense due on other payables	(10)	(31)
FINANCIAL CHARGES	**(4,026)**	**(2,462)**
NET FINANCIAL INCOME/(CHARGES)	**(3,865)**	**(2,028)**

Net financial income/(charges) was negative for € 3,865k (negative for € 2,028k as at 31 December 2019) and mainly consists of:

- the item Income from financial assets at fair value refers to the consideration due to Nova Re for the lease of the Verona hotel, which is classified under Financial assets at fair value for the period until the expiry of the option granted to the seller of the hotel, as described in greater detail in the relevant notes to the financial statements;
- other income includes income from termination of the Tritone lease arising from the release of the right of use and lease liability on the contract termination date of 5 May 2020 (transaction with related parties) and net residual income attributable to the half year relating to the Pisani lease ended on 31 October 2020;
- interest payable of € 2,005k on existing loans of which € 539k were recorded in relation to the Unicredit loan as a release of amortised cost;
- net charges on derivative contracts on the interest rate hedging instrument for € 1,746k, of which € 1,218k related to the reclassification in accordance with IAS 1 of the cash flow hedge reserve due to the failure of the underlying transaction on a prospective basis;
- interest payable of € 97k relating to the finance lease agreement with Unicredit Leasing for the property located in Bari, Viale Saverio Dioguardi;
- interest payable of € 9k relating to lease agreements for the headquarters in Rome until 5 May 2020;
- financial charges on financial assets at fair value which refer to costs incurred on the Verona property for IMU, TASI, maintenance, management costs and registration taxes classified in this item consistently with rental income, as described above; this item includes costs incurred with Polimina Real Estate Systems for € 6k (transaction with a related party).

Note 23. Taxes

	31/12/2020	31/12/2019
Current IRES	474	274
IRAP	(14)	(13)
Taxes for previous years	(6)	14
Pre-paid taxes	107	(107)
TOTAL	**561**	**168**

Current IRES is positive as the Group has realised negative taxable income.

Incentive plans

On 27 August 2020 the Shareholders' Meeting approved the new Remuneration Policy of Nova Re SIIQ S.p.A. for the year 2020 explained in the Report on the remuneration policy drafted by the Board of Directors pursuant to Articles 123-ter and 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 as well as revoked the resolution approving the 2019-2021 Performance Share Plan passed by the Shareholders' Meeting on 7 May 2019, and accordingly revoked the Company's 2019-2021 Performance Share Plan based on financial instruments pursuant to Article 114-bis of Italian Legislative Decree no. 58 of 24 February 1998, taking into account that the new Remuneration Policy of Nova Re SIIQ S.p.A. provides for the postponement of the adoption of the new incentive systems (both short term and medium-long term) following the outcome of the completion of the Company's recapitalisation transaction, referred to in the only point of the extraordinary session.

The cancellation of the 2019-2021 Performance Share Plan resulted in the recognition of an expense of € 212k in the 2020 financial statements as the cancellation of the plan constitutes an acceleration of vesting and therefore the amount that would otherwise have been recognised for services received during the remainder of the vesting period must be recognised immediately.

Events subsequent to the balance sheet 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 following the reporting period included in the Directors' Report.

Events following the reporting period

CERTIFICATION OF THE CONSOLIDATED 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 Giovanni Cerrone, as Manager responsible for the preparation of the corporate accounting documents of NOVA 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 consolidated financial statements during the period 1 January – 31 December 2020.

2. We further certify that:

2.1 the Consolidated 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 and the group of companies included in the scope of consolidation;

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 and all of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, March 15, 2021

Chief Executive Officer	Manager responsible for the preparation of the corporate accounting documents
Dott. Stefano Cervone	Dott. Giovanni Cerrone

ANNEXES

Annex 1 - Transactions with related parties

The following table shows the amount of transactions between the Group and related parties.

(Values in euro)

RELATED PARTY	FINANCIAL ASSETS AT FAIR VALUE	TRADE PAYABLES AND OTHER CURRENT LIABILITIES	COSTS INHERENT THE INVESTMENT PROPERTY	OVERHEADS	DEPRECIATIONS	OTHER COSTS AND CHARGES	FAIR VALUE ADJUSTMENT OF FINANCIAL ASSETS	NET FINANCIAL INCOME/ (CHARGES)
Fondo Donatello Comparto Tulipano	0	(4)	0	(506)	0	(13,792)		0
Fondo Tiziano Comparto San Nicola	0	0	0	(2,261)	0	0	0	0
Main Source S.A.	3,186,000	0	0	0	0	0	(1,855,000)	0
Polimnia Real Estate Systems S.r.l.	0	(75,563)	(72,372)	0	0	0	0	0
Tiberia S.r.l.	0	(101,519)	0	(95,227)	(97,981)		0	(115,142)
Directors	0	(34,785)	0	(405,715)	0	0	0	0
Statutory auditors	0	(58,794)	0	(91,762)	0	0	0	0
TOTAL	**3,186,000**	**(270,666)**	**(72,372)**	**(595,471)**	**(97,981)**	**(13,792)**	**(1,855,000)**	**(115,142)**

The remuneration of the Executive in charge has not been provided as it is included under the cost for employees

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Independent auditors' report
in accordance with article 14 of Legislative Decree
n. 39 of January 27, 2010 and article 10
of EU Regulation n. 537/2014

To the shareholders of
Nova Re SIIQ S.p.A.

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Novare Group (the Group), which comprise the statement of financial position as at December 31, 2020, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020 and of its consolidated financial performance and its consolidated 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 dated February 28, 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical and independence requirements applicable in Italy to audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit matters

Key audit matters are those matters that, in our professional judgment, were most significant in our audit of the consolidated financial statements for the year under review. We addressed these matters in our audit and in forming our opinion on the consolidated financial statements as a whole; accordingly, we do not express a separate opinion on those matters.

REPORT OF THE INDEPENDENT AUDITORS

Key audit matters	*Audit procedures in response to key matters*
Investment property valuation Investment properties are measured at fair value in accordance with the provisions of international accounting standard IAS 40, with revaluations and/or write-downs resulting from changes in fair value recorded in the income statement for the properties of the Parent Company Nova Re SIIQ S.p.A. The property owned by the Subsidiary Cortese Immobiliare S.r.l., is also measured at fair value within the consolidated financial statements, with the first recognition of the effects in equity, on the date of acquisition of the investment, in accordance with IFRS 3 (Business Combination). Fair value measurements of investment properties are made by the Company's directors with the support of appraisals prepared by an independent expert. The estimate of fair value is based on valuation methods that take into account forecasts of future costs and revenues related to each property and assumptions regarding expected trends in the real estate and financial markets, economic conditions affecting rents, tenant reliability and the forecast of future occupancy rates of the properties. The determination of the fair value of the properties, as represented above, is based on a complex process of estimating investment properties and, therefore, was considered by us to be of particular importance to the statutory audit of the Company's consolidated financial statements and is a key audit matter.	As part of the review of the Nova Re Group's consolidated financial statements for the year ended December 31, 2020, the following key activities were performed, including with the support of our property valuation experts, in response to the key aspect: a) an analysis of the company's procedures for selecting and using the independent expert in charge of estimating fair value; a) the analysis of the valuation methods used by the independent expert, taking into account the physical and income characteristics of the individual properties b) analysis of the main valuation parameters applied and the reasonableness of the same on the basis of the indications provided by the available market sources c) a discussion with the Company's management regarding the correspondence between the valuation assumptions used by the independent expert and the current state of the properties. Finally, we have examined the information provided in the notes to the financial statements.
Valuation at fair value of the bond issued by Main Source S.A., on behalf of the Euro Segment of the HTBF Luxembourg fund The estimate of the fair value of the bond loan underwritten by Nova Re SIIQ S.p.A. was carried out by the Company on the basis of valuation approaches applied to impaired financial assets (Non Performing Loan), taking account of available information and reasoned assumptions. The valuations are based on the recovery rate of the impaired loan and the forced disposal value of the assets included in the assets of the issuing Fund. The estimate is based on a complex valuation process and, therefore, we considered the assessment of the fair value of the security to be a key aspect of the audit work.	Our audit procedures included: - An analysis of the valuation methods used, assumptions, and supporting documentation used to determine the fair value of the financial asset; - An examination of the disclosures provided in the notes to the financial statements.

Responsibilities of Directors and Board of statutory auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements 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 dated February 28, 2005 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standard 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standard on Auditing (ISA Italia), we have exercised professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the consolidated 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.

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- 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.
- 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 Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, as properly identified in accordance with 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 also have provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report.

Other information pursuant to article 10 of EU Regulation n.537/14

We were initially engaged by the shareholders of Nova Re SIIQ S.p.A. on April 28, 2017 to perform the audits of the financial statements and the consolidated financial statements of each fiscal year starting from December 31, 2017 to December 31, 2025.

We declare that we did not provide prohibited non-audit service, referred to article 5, par.1, of EU Regulation 537/2014, and that we 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, prepared in accordance with the article 11 of the EU Regulation 537/2014, submitted to the Board of Statutory Auditors.

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Report on compliance with other Laws and Regulations

Opinion pursuant to article 14, par.2, subpar. e), of D.Lgs. 39/10 and of article 123-bis, par.4, of D.Lgs. 58/98

The Directors of Nova Re SIIQ S.p.A. are responsible for the preparation of the Director's Report and of the Report on Corporate Governance and Ownership Structure Nova Re as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required by auditing standard (SA Italia) no. 720B in order to express an opinion on the consistency of the Director's Report and of the information set out in the Report on Corporate Governance and Ownership Structure referred to in art. 123-bis, paragraph 4 of Legislative Decree n. 58/98, with the consolidated financial statements of Nova Re Group as at December 31, 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Director's Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Nova Re Group as at December 31, 2020 and are compliant with the applicable laws and regulations.

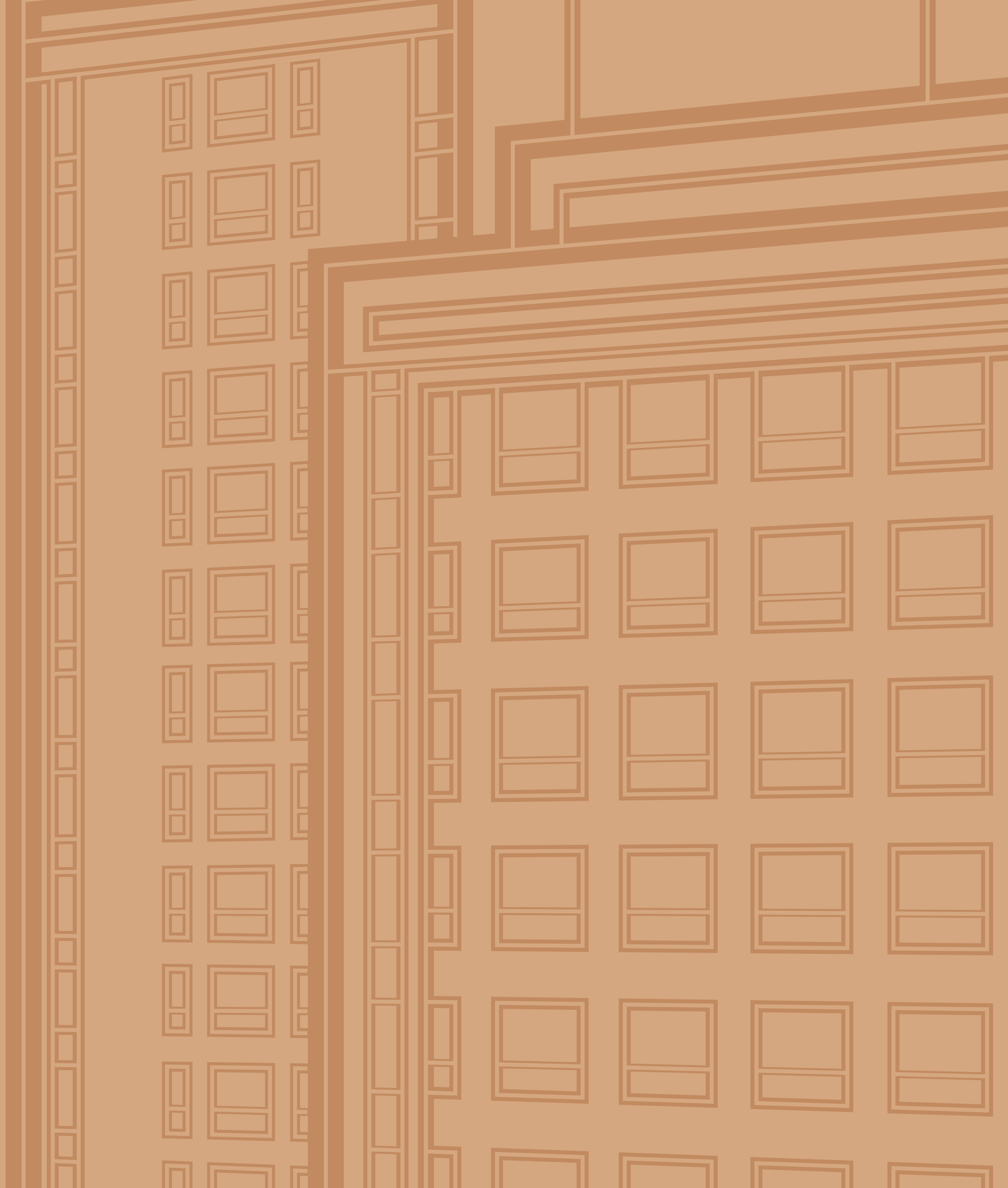
With reference to the assessment pursuant to art.14, par.2, subpar. e), of Legislative Decree n.39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, April 1 2021

Ria Grant Thornton S.p.A.

Fabio Gallassi
Partner

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.



Section 4: FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS OF NOVA RE SIIQ S.P.A.

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FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS OF NOVA RE SIIQ S.P.A.

FINANCIAL STATEMENTS OF NOVA RE

The financial statements are drawn up in euro units.

STATEMENT OF FINANCIAL POSITION

	NOTE	31/12/2020	OF WHICH RELATED PARTIES	31/12/2019	OF WHICH RELATED PARTIES
ASSETS					
Non-current assets					
Investment properties	1	115,050,000	0	111,950,000	0
Other tangible assets	2	1,948,236	0	7,241	0
Rights of use	3	65,331	0	1,085,026	990,703
Intangible assets	4	112,218	0	56,872	0
Shares held in subsidiaries	5	2,901,000	2,901,000	3,603,670	3,603,670
Receivables and other non-current assets	6	2,149,575	0	1,309,493	0
TOTAL NON-CURRENT ASSETS		**122,226,361**	**2,901,000**	**118,012,302**	**4,594,373**
Current assets					
Financial assets at fair value	7	3,186,000	3,186,000	13,622,416	5,041,000
Receivables and other current receivables	8	2,412,213	565,079	1,347,966	281,864
Cash and cash equivalents	9	24,903,181		475,273	0
TOTAL CURRENT ASSETS		**30,501,394**	**3,751,079**	**15,445,655**	**5,322,864**
TOTAL ASSETS		**152,727,755**	**6,652,079**	**133,457,957**	**9,917,237**

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Statement of financial position

	NOTE	31/12/2020	OF WHICH RELATED PARTIES	31/12/2019	OF WHICH RELATED PARTIES
EQUITY					
Capital stock		63,264,528	0	37,274,898	0
Share premium reserve		22,931,342	0	22,931,342	0
Other reserves		11,753,268	0	11,356,543	0
Other items of comprehensive income		(17,327)	0	(18,127)	0
Profit/(Loss) carryforward		(3,637,639)	0	(3,905,454)	0
Profit/(Loss) for the period		(9,147,540)	0	304,208	0
TOTAL EQUITY	**10**	**85,146,632**	**0**	**67,943,410**	**0**
LIABILITIES					
Non-current liabilities					
Employee benefits	11	248,578	0	153,823	0
Bank borrowings and other non-current lenders	12	9,992,449	0	58,485,173	725,077
Non-current liabilities from derivatives	13	0	0	1,008,155	0
TOTAL NON-CURRENT LIABILITIES		**10,241,027**	**0**	**59,647,151**	**725,077**
Current liabilities					
Bank borrowings and other current lenders	12	52,912,956	0	1,899,590	277,728
Current liabilities from derivatives	13	1,916,491	0	580,571	0
Trade payables and other current liabilities	14	2,510,649	266,471	3,387,235	409,912
TOTAL CURRENT LIABILITIES		**57,340,096**	**266,471**	**5,867,396**	**687,640**
TOTAL LIABILIITIES		**67,581,123**	**266,471**	**65,514,547**	**1,412,717**
TOTAL EQUITY AND LIABILITIES		**152,727,755**	**266,471**	**133,457,957**	**1,412,717**

STATEMENT OF PROFIT/LOSS FOR THE YEAR

	NOTE	31/12/2020	OF WHICH RELATED PARTIES	31/12/2019	OF WHICH RELATED PARTIES
Rental income	15	5,391,986	0	4,850,193	0
Costs inherent to investment property	16	(1,899,888)	(72,372)	(1,159,401)	(230,495)
NET RENTS		**3,492,098**	**(72,372)**	**3,690,792**	**(230,495)**
Personnel expenses:		(1,738,863)	0	(1,643,099)	0
Salaries		*(1,104,348)*	*0*	*(1,109,756)*	*0*
Social contribution		*(298,897)*	*0*	*(308,357)*	*0*
Staff leaving indemnity accrual		*(96,845)*	*0*	*(92,108)*	*0*
Other personnel costs		*(238,772)*	*0*	*(132,878)*	*0*
Overheads		(1,605,743)	(586,909)	(2,158,877)	(769,648)
TOTAL OPERATING COSTS	**17**	**(3,344,605)**	**(586,909)**	**(3,801,976)**	**(769,648)**
Other revenues and income	18	20,046	0	17	0
Depreciations	19	(160,264)	(97,981)	(433,214)	(283,056)
Fair value adjustment of financial assets	20	(1,855,000)	(1,855,000)	(686,268)	(959,000)
Other costs and charges*	21	(310,035)	(13,792)	(212,373)	(15,208)
TOTAL OTHER INCOME/(OTHER EXPENSES)		**(2,305,253)**	**(1,966,773)**	**(1,331,838)**	**(1,257,264)**

follows

follows

Statement of profit/loss for the year

	NOTE	31/12/2020	OF WHICH RELATED PARTIES	31/12/2019	OF WHICH RELATED PARTIES
Positive fair value of investment property		140,709	0	3,103,966	0
Negative fair value of investment property		(3,089,521)	0	(50,000)	0
NET MOVEMENT IN FAIR VALUE OF INVESTMENT PROPERTY	**22**	**(2,948,812)**	**0**	**3,053,966**	**0**
NET OPERATING INCOME		**(5,106,572)**	**(2,626,054)**	**1,610,944**	**(2,257,407)**
Net financial income/(expenses)	23	(4,534,548)	(814,737)	(1,643,167)	385,549
PROFIT BEFORE TAX		**(9,641,120)**	**(3,440,791)**	**(32,223)**	**(1,871,858)**
Taxes	24	493,580	0	336,431	0
PROFIT/(LOSS) FOR THE PERIOD		**(9,147,540)**	**(3,440,791)**	**304,208**	**(1,871,858)**

*Fair value adjustment of financial assets has been reclassified from the caption Other expenses for the purpose of a better presentation

STATEMENT OF OTHER COMPREHENSIVE INCOME

	31/12/2020	31/12/2019
PROFIT/(LOSS) FOR THE PERIOD	**(9,147,540)**	**304,208**
Change in cash flow hedge reserve	1,418,268	(82,747)
Actuaria gain/(loss)**	800	5,364
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME	**1,419,068**	**(77,384)**
TOTAL COMPREHENSIVE PROFIT/(LOSS)	**(7,728,472)**	**226,824**

**items that will not be reclassified to Profit and loss


LIGHT

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

DESCRIPTION	SHARE CAPITAL	SHARE PREMIUM RESERVE	FAIR VALUE RESERVE	LEGAL RESERVE	OTHER RESERVES	OTHER COMPONENTS OF COMPREHENSIVE INCOME	PROFIT/(LOSS) CARRYFORWARD	PROFIT/(LOSS) FOR THE PERIOD	TOTAL
BALANCE AS AT DECEMBER 31, 2018	**35,536,700**	**34,206,006**	**982,200**	**51,695**	**(3,195,891)**	**(23,491)**	**(2,427,542)**	**1,680,243**	**66,809,920**
Allocation of 2018 result	0	0	1,596,231	84,012	0	0	0	(1,680,243)	0
Allocation of share premium reserve	0	(12,243,618)	5,271,985	6,971,633	0	0	0	0	0
Capital increase	1,738,198	1,738,198	0	0	0	0	0	0	3,476,397
Distribution of extraordinary dividend	0	(769,244)	0	0	0	0	0	0	(769,244)
Costs for capital increase	0	0	0	0	(267,406)	0	0	0	(267,406)
Share based payment reserve	0	0	0	0	55,257	0	0	0	55,257
Purchase of treasury shares	0	0	0	0	(1,588,339)	0	0	0	(1,588,339)
Bonus shares allocation	0	0	0	0	1,477,912	0	(1,477,912)	0	0
Other components of comprehensive income	0	0	0	0	(82,747)	5,364	0	0	(77,384)
Result for the period	0	0	0	0	0	0	0	304,208	304,208
TOTAL COMPREHENSICVE PROFIT/(LOSS) FOR THE PERIOD	**0**	**0**	**0**	**0**	**(82,747)**	**5,364**	**0**	**304,208**	**226,824**
BALANCE AS AT DECEMBER 31, 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**

follows

follows

Statement of changes in Shareholders' equity

DESCRIPTION	SHARE CAPITAL	SHARE PREMIUM RESERVE	FAIR VALUE RESERVE	LEGAL RESERVE	OTHER RESERVES	OTHER COMPONENTS OF COMPREHENSIVE INCOME	PROFIT/(LOSS) CARRYFORWARD	PROFIT/(LOSS) FOR THE PERIOD	TOTAL
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
Costs for capital increase	0	0	0	0	(1,270,491)	0	0	0	(1,270,491)
Share based payment reserve	0	0	0	0	212,557	0	0	0	212,557
Cancellation of performance shares plan	0	0	0	0	(267,815)	0	267,815	0	0
Other components 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 COMPREHENSICVE PROFIT/(LOSS) FOR THE PERIOD	**0**	**0**	**0**	**0**	**1,418,268**	**800**	**0**	**(9,147,540)**	**(7,728,472)**
BALANCE AS AT DECEMBER 31, 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**

CASH-FLOW STATEMENT

	31/12/2020	OF WHICH RELATED PARTIES	31/12/2019	OF WHICH RELATED PARTIES
PROFIT BEFORE TAXES	(9,641,120)	(3,440,791)	(32,223)	(1,871,858)
Adjustments:				
Depreciations	160,264	97,981	433,214	283,056
Net movement in fair value property	2,948,812	0	(3,053,966)	0
Net movement in fair value of financial instruments	1,855,000	1,855,000	342,846	615,557
Net financial (income)/expenses	4,534,548	699,595	1,986,590	(75,416)
Financial expenses paid	(209,223)	(6,210)	(2,260,301)	0
Financial income received	161,391	0	257,164	75,416
Fair value of performance share plan	212,557	0	55,257	0
Employee benefits accrual	96,845	0	92,108	0
Accrual bad debts reserve	188,018	0	0	0
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES	**307,093**	**(794,425)**	**(2,179,311)**	**(973,245)**
Taxes (net of deferred taxation)	0	0	28,674	0

follows

follows

Cash-flow statement

	31/12/2020	OF WHICH RELATED PARTIES	31/12/2019	OF WHICH RELATED PARTIES
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES BEFORE TAXES	**307,093**	**(794,425)**	**(2,150,637)**	**(973,245)**
Other assets/ Other liabilities:	(2,523,273)	(383,608)	1,216,613	0
Change in trade receivables	*19,674*	*0*	*(222,237)*	*(3,569)*
Change in trade payables	*(1,667,961)*	*(97,102)*	*1,175,909*	*(16,843)*
Change in other current assets	*(1,061,958)*	*(286,506)*	*126,031*	*(202,195)*
Change in other current liabilities	*963,689*	*0*	*20,197*	*16,989*
Change in other non-current assets	*(840,083)*	*0*	*(274,272)*	*0*
Change in tax receivables	*(21,964)*	*0*	*350,704*	*0*
Change in tax payables	*(9,425)*	*0*	*0*	*0*
Change in Employee benefits	*94,755*	*0*	*40,281*	*0*
CASH FLOW BEFORE THE INVESTING AND FINANCING ACTIVITIES	**(2,216,180)**	**(1,178,033)**	**(934,024)**	**(973,245)**
INVESTMENT/ DIVESTMENT ACTIVITIES				
(Increase)/decrease of intangible assets	(55,346)	0	(53,000)	0
(Increase)/decrease of other tangible assets	(241,130)	0	0	0
(Increase)/decrease of investment property	(117,841)	0	(3,696,715)	0
(Increase)/decrease of financial instruments	792,067	0	1,626,178	0
FINANCING ACTIVITIES				
Purchase of treasury shares	0	0	(1,588,339)	0
Dividends paid	0	0	(769,244)	0
Other changes in equity	(1,270,492)	0	(267,405)	0
Capital increase	25,989,630	25,989,630	0	0
Increase/(decrease) of financial liabilities	1,547,200	(68,790)	(1,853,619)	(270,954)
CASH AND CASH EQUIVALENTS GENERATED/(ABSORBED) DURING THE PERIOD	**24,427,908**	**24,742,807**	**(7,536,167)**	**(1,244,199)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**475,273**		**8,011,440**	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**24,903,181**		**475,273**	

PROFIT (LOSS) PER SHARE

BASIC EARNING (LOSS) PER SHARE

	31/12/2020	31/12/2019
Profit (loss) for the period	(9,147,540)	304,208
Weighted average number of ordinary shares outstanding	12,779,686	10,739,716
BASIC EARNING (LOSS) PER SHARE	**(0.7158)**	**0.0283**

DILUTED EARNING (LOSS) PER SHARE

	31/12/2020	31/12/2019
Profit (loss) for the period	(9,147,540)	304,208
Weighted average number of ordinary shares outstanding	12,779,686	10,739,716
DILUTED EARNING (LOSS) PER SHARE	**(0.7158)**	**0.0283**

The financial statements are audited by Ria Grant Thornton S.p.A.

NOTES TO THE FINANCIAL STATEMENTS

Form and contents of the financial statements

Nova Re's financial statements as at 31 December 2020 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 2021 authorised the publication of these financial statements. The financial statements are audited by Ria Grant Thornton 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 27 April 2017, and awarded pursuant to Italian Legislative Decree no. 39 of 27 January 2010, for a term of nine financial years (2017-2025).

The financial statements as at 31 December 2020 have been drawn up in euro and are accompanied by the Directors' Report. The notes to the financial statements are drawn up in euro '000, unless otherwise stated.

Principles of new application

In drafting these financial statements, the accounting policies, measurement bases and consolidation methods applied are consistent with those used for the 2019 Financial Statements to which reference must be made.

Some amendments to the IFRSs were adopted during the period, including one to revised IFRS 3 "Business Combinations", which provides clarifications to determine whether a transaction must be accounted for as a business combination or an asset acquisition. With regard to the distinction between a business acquisition and the acquisition of a group of assets, the amendments to IFRS 3 are effective prospectively for annual periods beginning on or after 1 January 2020. A business is defined as an integrated set of activities and assets that can be conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. The acquisition of a business must be accounted for as a business combination in accordance with the revised IFRS 3 by applying the acquisition method, which, among other things, can result in the recognition of goodwill. Conversely, the acquisition of a set of assets that does not have access to the market is to be considered an asset acquisition; in asset acquisitions the buyer allocates the transaction price to the identifiable assets acquired and liabilities assumed on the basis of their relevant fair value and no goodwill is recognised. To date, these changes have had no impact on the Company's financial statements.

On 28 May 2020, the IASB published an amendment with the heading "COVID-19 Related Rent Concessions (Amendment to IFRS 16)". The document provides tenants the option to account for COVID-19 related rent reductions without having to assess through contract analysis whether the IFRS 16 definition of lease modification is met. Therefore, tenants applying this option will be able to account for the effects of rent reductions directly in the income statement on the effective date of the reduction.

The Company does not expect a material effect in the consolidated financial statements from the adoption of the above amendment because, as noted above, it refers to an option for tenants only.

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, 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 2020 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, drawn up using the nature of expense method form of analysis;
- Statement of other comprehensive income;
- Statement of changes in Shareholders' equity;
- Cash flow Statement, drafted using the indirect method.

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

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.

The fair value of investment property does not reflect future capital investments that will improve or develop the property, nor does it reflect the future benefits flowing from or associated with such expenditures.

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 paragraph "Use of estimates and assumptions" below for further details.

Property, plant and equipment

Property, plant and equipment 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.

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.

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 depreciated 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.

Equity interests

Subsidiaries are companies in which Nova 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.

In relation to the equity investments, taking into account their nature (mainly real estate), the impairment test is carried out on the basis of the Shareholders' equity, appropriately adjusted in order to consider the fair values of the property units owned by each investee, taken from the aforementioned property appraisals, net of the relevant tax effect where due. With reference to equity investments other than in real estate, valuations are developed on the basis of values recoverable through use, determined on the basis of the foreseeable evolution of the Company's business.

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 recorded in this category are valued at amortised cost.

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 with changes recognised in the income statement.

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, 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.

Fair value hierarchy according to IFRS 13

The Group 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 2020, the fair value of the debenture loan recorded under “Financial assets at fair value” is 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.

Available 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 consolidated 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.

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.

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 properties 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 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 contract.

Costs

Operating costs and other operating expenses are recognised as components of profit or loss when they are incurred on an accrual basis 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 tax

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 same taxation authority, when there is a legal right of set-off and when the timing of the expected reversal is 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. The 2019-2021 Performance Share plan does not involve the issue of new shares and therefore has no dilutive effect on the capital.

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 result 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 independent experts have 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 Nova 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 Group Nova Re’s assets, including the properties owned and the economic capital of the subsidiary Cortese Immobiliare S.r.l, for a fee of euro 9,000 for the first valuation as at 30 June 2019 and euro 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, Nova 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.

The 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 rented or currently offered on the same market or on competitive markets.

- Income method: it takes into consideration two different methodological approaches.

    1. *Direct Capitalisation:* is based on capitalising, at a rate deducted from the real estate market, the future net income generated by the properties;

    2. *Discounted Cash-Flow (DCF) method*, based:

        a. on calculating, over a period of n. years, future net income from the rental 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. The assessments are carried out on the basis of the maximum and best use of the assessed properties, 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 division 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 Nova 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 rent levels and/or estimated annual rents 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.

Information by sectors

The Management views the Company as a single segment. Nova Re currently manages a portfolio of office and retail 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 office and retail 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. Nova 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, 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 Scheme, 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:

- 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;

- 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.

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

Nova 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 Nova Re SIIQ S.p.A., Art. 4 of the By-laws provides:

1. Rules in terms of investments

The Company does not invest in a single real estate property having unitary urban and functional characteristics:

- directly, in excess of 2/3 of the total value of its real estate assets;
- 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:

- 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;
- 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:

- 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 book value of the investments in subsidiaries and the nominal value of the financial receivables from subsidiaries;
- 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 referred to in the previous points (1), (2) and (3) have not been exceeded either by Nova Re SIIQ S.p.A, or at a consolidated level by the Nova Re Group.

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 2020, based on the balance sheet and income statement figures shown in the Financial Statements of Nova Re as at 31 December 2020.

CAPITAL REQUIREMENTS

NOVA RE SIIQ S.P.A. - CAPITAL REQUIREMENTS		31/12/2020	31/12/2019
Value of properties intended for lease	(A)	115,050	111,950
Investment in SIINQ and in qualified real estate funds	(B)	0	0
NUMERATOR TOTAL	**(C)=(A)+(B)**	**115,050**	**111,950**
Total of balance sheet assets	*(D)*	*152,728*	*133,458*
Elements excluded from the denominator of the relationship:			
Cash and cash equivalents		(24,903)	(475)
Loans to Group companies		(415)	(130)
Trade receivables		(323)	(342)
Deferred tax assets		(859)	(391)
Tax credits (including VAT)		(520)	(498)
Pre-paid expenses		(89)	(9)
Total adjustments	(E)	(27,109)	(1,845)
DENOMINATOR TOTAL ADJUSTED BALANCE SHEET ASSETS	**(F)=(D)+(E)**	**125,619**	**131,613**
CAPITAL REQUIREMENTS	**(C)/(F)**	**91.59%**	**85.06%**

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

- the numerator, totalling € 115.050k, 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 € 125,619k, which includes total assets (€ 152,728k) adjusted to exclude, in application of the criteria as set forth in Article 6 of Italian Ministerial Decree no. 174/2007:

1. the value of cash and cash equivalents (€ 24,903k);
2. the value of trade receivables arising both from exempt management and, as clarified by Tax Authorities circular no. 8/E of 2008, from taxable operations (€ 323k);
3. the value of loans granted to the subsidiary.

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 points to consider on the estimation and reporting on the prevalence criterion, the following are excluded:

4. the value of tax credits (€ 520k);
5. deferrals (€ 89k);
6. deferred tax assets for € 859k.

REVENUE PARAMETER

(Euro '000)

NOVA RE SIIQ S.P.A. - REVENUE PARAMETER		31/12/2020	31/12/2019
Rental fees and similar revenues	(A)	5,266	4,735
"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)**	**5,266**	**4,735**
Total positive economic components	*(E)*	*6,299*	*9,712*
Elements excluded from the denominator of the relationship:			
Write-ups of properties		(141)	(3,104)
Revenue from charge-backs of costs		(115)	(105)
Revenue from cost adjustments or related to hedging instruments		0	(61)
Contingent assets, fund releases and other reinstatements		(88)	(357)
Deferred tax assets and interest on tax credits		(499)	(369)
Total adjustments	(F)	(843)	(3,996)
DENOMINATOR TOTAL: ADJUSTED POSITIVE ECONOMIC COMPONENTS	**(G)=(E)+(F)**	**5,456**	**5,716**
REVENUE PARAMETER	**(D)/(G)**	**96.51%**	**82.83%**

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

- the numerator, amounting to a total of € 5,266k, refers to revenues from rents on properties used for this activity (investment properties). 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 € 5,456k. This amount corresponds to the total amount of the positive components of the Income Statement (€ 6,299k), 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 (€ 141k). 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:

1. 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 € 115k;

2. contingent assets for € 88k. Lastly, adjustments include tax income of € 499k.

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 2020 financial year closed with a negative net result of € 9,148k (given by negative results from exempt management of € 6,888k and negative results from taxable management, gross of taxes, of € 2,754k).

With respect to the results for the 2020 financial year, no distribution obligation therefore arose.

Lastly, the conditions for any mandatory distributions were not met during the 2020 financial year, in relation to the additional distribution obligation provided for by Article 1, paragraph 123-bis of Law no. 296/2006.

2. Subjective requirements

Nova 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:

1. set up as a joint-stock company;

2. resident for tax purposes in Italy;

3. whose shares are traded on the Borsa Italiana.

It is also confirmed that in 2020 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 2020 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.

It must also be noted that, as stated in the section Events after the reporting period included in the Directors' Report, following the conclusion of the take-over bid, the controlling shareholder CPI Property Group S.A. came to own a percentage of ordinary shares (with associated voting and equity rights) in excess of 60% and the latter has in any case declared, in the offer document and in subsequent announcements, that it intends to reduce its holding to below the relevant threshold in order to comply with the special regime.

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 2020 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	5,392	5,392	0
Other revenues	20	20	0
GROSS REVENUES	**5,412**	**5,412**	**0**
Cost for raw materials and services	(1,984)	(1,889)	(95)
Staff costs	(1,739)	(1,678)	(61)
Other operating expenses	(1,627)	(1,603)	(24)
OPERATING COSTS	**(5,349)**	**(5,170)**	**(179)**
GROSS OPERATING PROFIT	**63**	**242**	**(179)**
Value adjustments	(3,297)	(3,291)	(6)
OPERATING PROFIT	**(3,234)**	**(3,050)**	**(184)**
Financial income	164	159	5
Financial charges	(6,571)	(3,996)	(2,575)
INCOME BEFORE TAXES	**(9,641)**	**(6,887)**	**(2,754)**

The results reported in the previous table relating to the two management types, derive from the separation of the economic components of the year 2020 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:

1. the attribution to each of the two management types of the economic components specifically attributable to them;
2. 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, Nova Re has adopted the revenue parameter as more accurately calculated and expressed in the percentage (96.51%) 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

The main changes during the year were as follows:

	BUILDINGS
NET BOOK VALUE AS AT 01/01/2020	111,950
Contributions in kind	0
Increases	308
Write-ups (write-downs)	5,742
Rivalutazioni (svalutazioni)	(2,949)
NET BOOK VALUE AS AT 31/12/2020	115,050

The real estate portfolio directly held by Nova Re recorded a total valuation of € 115,050k as at 31 December 2020.

ASSET	31/12/2019	INCREASES	RECLASSIFICATIONS	BALANCE PRIOR TO THE VALUATION OF INVESTMENT PROPERTY	FAIR VALUE	FAIR VALUE ADJUSTMENTS	31/12/2020
Milan, Via Spadari	41,600	0	0	41,600	40,500	(1,100)	40,500
Milan, Via Cuneo	25,250	0	0	25,250	25,150	(100)	25,150
Milan, Corso San Gottardo	15,350	0	0	15,350	15,200	(150)	15,200
Rome, Via Zara	14,200	269	(1,909)	12,560	12,700	141	12,700
Bari, Viale Saverio Dioguardi	15,550	39	0	15,589	14,900	(689)	14,900
Verona, Via Unità d'Italia	0	0	7,651	7,651	6,600	(1,051)	6,600
	111,950	**308**	**5,742**	**118,000**	**115,050**	**(2,949)**	**115,050**

In summary, with regard to the trend in the value of the properties under management during 2020, with specific reference to the date of 31 December 2020, it must be noted that:

- for the property in Milan Via Spadari there was a decrease of € 1,100k compared to 31 December 2019 determined by the negative economic and financial impacts due to the health emergency caused by COVID-19 and the assumptions used by the Independent Expert to calculate the market value of the property;
- for the property in Milan Via Cuneo there was a decrease in value of € 100k compared to 31 December 2019 determined by the negative economic and financial impacts due to the health emergency caused by COVID-19 and the assumptions used by the Independent Expert to calculate the market value of the property;
- for the property in Milan, Corso San Gottardo there was a decrease of € 150k compared to 31 December 2019 determined by the negative economic and financial impacts due to the health emergency caused by COVID-19 and the assumptions used by the Independent Expert to calculate the market value of the property;
- for the property in Rome, Via Zara, it must be noted that from 1 October 2020 the Company transferred its registered office and operational headquarters to the offices on the first floor of this property. Following this event, it became necessary to reclassify the accounts from the item Investment property to the item Property, plant and equipment, since this portion became a so-called Owner occupied property. This led to a reclassification from this item of € 1.9 million including costs capitalised during the year. Following this reclassification, the fair value of the investment

property (net of the above reclassification) amounted to € 12.7 million as at 31 December 2020; the increase in value compared to 31 December 2019, for this asset, amounted to € 141k;

- for the property in Bari, Viale Saverio Dioguardi, there was a decrease in value of € 689k compared to 31 December 2019 determined by the negative economic and financial impacts due to the health emergency caused by COVID-19 and the assumptions used by the Independent Expert to calculate the market value of the property;

- the property in Verona, Via Unità d'Italia, classified as at 31 December 2019 under Financial assets at fair value, was reclassified under Investment property, following the cancellation of the exercise of the option by the seller Hotel alla Salute S.r.l., for € 7,651k. The valuation carried out by the independent expert showed a decrease in value of € 1,051k due to the negative economic and financial impact of the health emergency caused by COVID-19 and the assumptions used by the Independent Expert to calculate the property's market value.

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 € 3,090 and written-up by € 141k, with a net negative impact of € 2,949k.

The fair value adjustment refers to the market value appraisals drafted by the independent expert on the properties, 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 Nova Re's real estate portfolio broken down by legal form type of the property, measured at fair value as at 31 December 2020.

ASSET	LEGAL NATURE	ACCOUNTING CRITERIA	LAST APPRAISAL DATE	RELEVANT NON-OBSERVABLE INPUT (LEVEL 3) EURO/000
Milan, Via Spadari	Ownership	IAS 40, fair value	31/12/2020	40,500
Milan, Via Cuneo	Ownership	IAS 40, fair value	31/12/2020	25,150
Milan, Corso San Gottardo	Ownership	IAS 40, fair value	31/12/2020	15,200
Rome, Via Zara	Ownership	IAS 40, fair value	31/12/2020	12,700
Bari, Viale Saverio Dioguardi	Under property lease	IAS 40, fair value	31/12/2020	14,900
Verona, Via Unità d'Italia	Ownership	IAS 40, fair value	31/12/2020	6,600
				115,050

Unobservable inputs used in the valuation of the property portfolio, on a property-by-property basis, attributable to Level 3 of the fair value hierarchy are:

- Annual discount rate;
- Gross Cap Out Rate;
- Annual fees per square metre (ERV).

Unobservable inputs considered most significant by Nova Re are the discount rate and Gross Cap Out rate, as changes in them significantly affect the fair value.

The following table shows unobservable inputs as at 31 December 2020:

ASSET	LEGAL NATURE	METHOD	DISCOUNT RATE	GROSS CAP PUT RATE	ERV €/MQ/A
Milan, Via Spadari	Ownership	Discounted Cash Flow	5.30%	4.00%	1,400
Milan, Via Cuneo	Ownership	Discounted Cash Flow	5.70%	4.90%	400
Milan, Corso San Gottardo	Ownership	Discounted Cash Flow	6.00%	5.40%	360
Rome, Via Zara	Ownership	Discounted Cash Flow	5.60%	5.70%	276
Bari, Viale Saverio Dioguardi	Under property lease	Discounted Cash Flow	5.90%	7.50%	110
Verona, Via Unità d'Italia	Ownership	Reddituale (DCF)	7.00%	6.40%	137

The Company's real estate portfolio, residual debt and Net Asset Value are shown below as at 31 December 2020:

ASSET	LEGAL NATURE	LENDER	VALUES AS AT 31 DECEMBER 2021	RESIDUAL DEBT AS AT 31 DECEMBER 2020	NET ASSET VALUE EURO	LEVERAGE	MATURITY DATE	DURATION (YEARS)
Milan, Via Spadari	Ownership	Unicredit S.p.A.**	40,500	21,294	19,206	52.6%	22/06/2024	3.5
Milan, Via Cuneo	Ownership	Unicredit S.p.A.**	25,150	13,592	11,559	54.0%	22/06/2024	3.5
Milan, Corso San Gottardo	Ownership	Unicredit S.p.A.**	15,200	10,194	5,006	67.1%	22/06/2024	3.5
Rome, Via Zara**	Ownership	Unicredit S.p.A.**	14,600	6,171	8,430	42.3%	22/06/2024	3.5
Bari, Viale Saverio Dioguardi	Under property lease	Unicredit Leasing	14,900	5,163	9,737	34.7%	10/04/2023	2.3
Verona, Via Unità d'Italia	Ownership	Imprebanca S.p.A.	6,600	3,200	3,400	48.5%	31/10/2028	8
			116,950	**59,613**	**57,337**	**50.97%**		

*nominal values of the debt
**mortgage early and voluntary repaid on January 27, 2021
***includes the value of instrumental portion related to Via Zara 28, the registered office of the Company

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 assets

The main changes during the year were as follows:

	INSTRUMENTAL BUILDING	OTHER ASSETS	TOTAL
NET BOOK VALUE AS AT 01/01/2020	0	7	7
Increases	0	51	51
Decreases	0	0	0
Reclassifications	1,909	0	1,909
Depreciation and write-downs	(14)	(5)	(19)
FINAL BALANCE AS AT 31/12/2020	**1,895**	**53**	**1,948**
Historical cost	1,909	63	1,972
Accumulated depreciation	(14)	(10)	(24)
NET BOOK VALUE	**1,895**	**53**	**1,948**

The item increased significantly following the reclassification of the value of € 1,909k relating to the part of the property in Via Zara, Rome, which became the Company's registered office and operational headquarters from 30 September 2020. The increase in other assets mainly refers to the purchase of furniture and fittings and audiovisual equipment for the new offices.

Note 3. Rights of use

	RIGHTS OF USE
NET BOOK VALUE AS AT 01/01/2020	1,085
Increases	0
Decreases	(893)
Depreciation and write-downs	(127)
NET BOOK VALUE AS AT 31/12/2020	**65**

The item as at 1 January 2020 includes the value of the rights of use with reference to the leasing agreements of the Rome Via del Tritone office and the contracts relating to cars used by two managers for a total of € 1,085k. On 5 May 2020, the related party Tiberia S.r.l. was sent notice of early termination of the sublease agreement as of 30 September 2020; this resulted in the release of the right of use for € 893k in respect of the financial liability for € 934k, generating financial income of € 41k, recorded under Net financial income/(expenses) (Transaction with related parties).

Note 4. Intangible assets

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:

	CONCESSIONS AND LICENSES	CAPITALISED CONCESSION SOFTWARE	INTANGIBLE ASSETS IN COURSE OF ACQUISITION	REF - BC SOFTWARE	TOTAL
NET BOOK VALUE AS AT 01/01/2020	**0**	**4**	**53**	**0**	**57**
Amortisation and write-downs	0	(2)	0	(12)	(14)
Increases	0	0	69	0	69
Reclassifications	0	0	(122)	122	0
NET BOOK VALUE AS AT 31/12/2020	**0**	**2**	**0**	**110**	**112**
BALANCE AS AT 31/12/2020					
Historical cost	1	10	0	112	133
Accumulated amortisation	(1)	(8)	0	(12)	(21)
NET BOOK VALUE AS AT 31/12/2020	**0**	**2**	**0**	**110**	**112**

Note 5. Shares held in subsidiaries

The main changes during the year were as follows:

	CORTESE IMMOBILIARE S.R.L.	TOTAL
NET BOOK VALUE AS AT 01/01/2020	**3,604**	**3,604**
Increases	0	51
Decreases	0	0
Net write-ups/ (write-downs) / value restatements	(703)	(703)
NET BOOK VALUE AS AT 31/12/2020	**2,901**	**2,901**

Investments in subsidiaries amounted to € 2,901k and refer entirely to the investee Cortese Immobiliare S.r.l., acquired on 19 October 2017 for a 51% shareholding and for the remaining 49% on 24 October 2018. As stated in the section on accounting policies in these notes to the financial statements, equity investments are recognised at cost, written down in the presence of impairments, established by means of impairment tests. The Company commissioned the independent expert Axia Re to carry out a valuation of the subsidiary's economic capital, on the basis of which it emerged that its value was lower than the book value of the investment, equal to € 703k; the investment was therefore written down by this amount as at 31 December.

The company's activities are essentially represented by the property located in Rome, Via Vinicio Cortese n. 147, consisting of real estate units stacked with cat. A/10 and C/2 to be used as archives to meet the needs of the General Command and the Departments of the Guardia di Finanza (the Italian financial police).

The above property was measured at fair value based on the appraisal issued by the independent expert Axia RE for the purposes of applying IAS 40 in the consolidated financial statements of Nova Re Group.

The main data of the subsidiary is shown below.

(Values in Euro)

COMPANY	SHARE CAPITAL	TOTAL ASSETS*	SHAREHOLDERS' EQUITY*
Cortese Immobiliare	10,000	5,788,624	2,901,058

*The values as per the draft financial statements for the year 2020 approved on 15/03/2021 by the Board of Directors.

Note 6. Receivables and other non-current assets

The table below summarises the status of accounts receivable and other non-current assets as at 31 December 2020 and 31 December 2019.

	31/12/2020	31/12/2019
Capex contribution Milan, Via Spadari	733	856
Receivables for pre-paid taxes	860	390
Capex contribution Milan, Via Cuneo	557	0
Security deposits paid	0	63
RECEIVABLES AND OTHER NON-CURRENT ASSETS	**2,150**	**1,309**

The item as at 31 December 2020 amounted to € 2,150k and mainly refers to:

- to the long-term portion of the capex contribution disbursed to the customer OVS in 2018 for the property in Milan, Via Spadari for € 733k, the decrease of which refers to the portion pertaining to the following year reclassified under the item Receivables and other current assets;
- the long-term portion of the capex contribution paid to the customer OVS during the second half of 2020 for the property in Milan, Via Cuneo for € 650k of which € 93k are classified as short-term under the item Receivables and other current assets;
- deferred tax assets were equal to € 860k and increased compared to 31 December 2019 by € 470k; they are mainly attributable to the loss on taxable management of the Parent Company equal to € 474k.

Security deposits recorded as at 31 December 2019 were reclassified to Accounts receivable and other current assets and were collected in full in July 2020.

Note 7. Financial assets at fair value

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 20. Fair value adjustment of financial assets.

	BONDS	OICR	OTHER	TOTAL
NET BOOK VALUE AS AT 01/01/2020	5,041	792	7,789	13,622
Increases	0	0	0	0
Decreases	0	(792)	(138)	(930)
Reclassifications	0	0	(7,651)	(7,651)
Fair value adjustment	(1,855)	0	0	(1,855)
NET BOOK VALUE AS AT 31/12/2020	**3,186**	**0**	**0**	**3,186**

The item includes the fair value of € 3,186k referred to the debenture loan subscribed by Nova Re, following approval by Nova Re's Board of Directors on 19 October 2017, issued by the Luxembourg-law fund Historic & Trophy Building Fund - HTBF Euro 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, Nova Re acquired specific guarantees for the transaction.

Specifically, on 13 October 2017, Nova 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, Nova 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:

1. repurchase, no later than the 30th day following receipt of this request, the bonds subscribed by the Company;

2. proceed (again within the aforementioned essential period of 30 days) to pay the price, equal to the nominal value of the bonds Nova 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., the company that discretely and independently manages the funds that hold the controlling interest in Nova 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 Nova 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 Nova Re, upon simple written request and without any need for proof or justification, without exceptions, all sums that Nova 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 Nova Re;

- on 16 January 2020, Nova 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”;

- Nova 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 S.p.A. in a.s, 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 Nova Re, 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. in a.s. 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 Nova 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 Nova 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 euro 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, Nova Re then sent an additional letter of acknowledgement, in which it:

  1. acknowledges that Sorgente sgr does not have the requested information as it would not have been possible for Sorgente sgr to finalise the management reports updated to 31 December 2019 and disclose the NAV of Fondo Donatello - Tulipano Sub-Fund;

  2. 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 Nova Re, there have been no changes in the amount of assets;

  3. points out that the relationships between Sorgente Group Italia S.p.A. and Sorgente Sgr are not known to Nova Re and are not legally relevant for Nova Re and fully rejects the objections raised by Sorgente Group Italia S.p.A.

- on 27 April 2020, Nova 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, Nova Re filed an appeal with the Court of Milan for an injunction against Sorgente SGR S.p.A. in A.S., 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.

Nova 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:
    1. on 27 July 2020, the sending of a “formal notice” to Main Source, with an injunction to pay the amounts due;
    2. 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;
    3. on 19 November 2020, the start of the so-called “commercial procedure before the District Court” was initiated, by due service of process of the *“Assignation devant le Tribunal d'arrondissement de et a Luxembourg”*, the first service of the aforementioned judicial proceedings;
    4. on 4 December 2020, an initial hearing was held in which the Court assigned the case to the relevant section;
    5. subsequently, on 7 December 2020, the Judge, announced that the next hearing had been set for 15 June 2021.
- With reference to actions taken against Sorgente SGR it must be noted that:
    1. on 16 October 2020, Sorgente SGR was served with the injunction for an amount of € 6,125.5k;
    2. 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 Italia S.r.l.) and counterclaim;
    3. on 10 February 2021 - at the first hearing of the opposition proceedings - the Court of Milan granted provisional enforceability of injunction no. 12670/2020 pursuant to Article 648 of the Italian Code of Civil Procedure, assigning the parties time to file the briefs pursuant to Article 183, paragraph 6 of the Italian Code of Civil Procedure and adjourning the case for discussion of the preliminary motions to the hearing of 24 June 2021.

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.

It is stressed that Nova Re’s Management has continuously and constantly worked to request documentation regarding the financial position and results of operations of the Fund HTBF -€ 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-€ and in establishing certain assumptions for the valuation process of the financial instruments, Nova Re's Management made significant use of the notices received from Main Source S.A..

Main Source, S.A., in a first step, sent to Nova Re the financial statements of the HTBF-€ Fund as at 31 December 2017, audited by the auditing firm PKF on 05 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 - Euro 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 Fund HTBF - €.

The estimate of the fair value of the bonds followed valuation approaches applied to impaired financial assets (so-called Non Performing Loans), in particular estimating, on the basis of the information available and of precise and justified assumptions, the exit price of the bond in relation to the forced disposal value of the assets included in the Fund's assets. This valuation methodology (Judicial Market Value) is consistent with the specific actions taken by the Company in 2020 to recover its credit position, including through the courts.

In view of the information available on the date of drafting this Annual Report, and more specifically, the fact that the debenture loan expired in October 2020, it was deemed appropriate to combine the Judicial Market Value approach with a further valuation approach.

This approach requires that the estimate of fair value of an impaired loan can be estimated through the use of a Recovery Rate identified on the basis of a benchmark analysis in consideration of the duration of the loan from maturity to assignment. Fair value is then estimated by applying the Recovery Rate to the nominal value of the receivable.

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

- in the first 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), discounted over the estimated period of the recovery proceedings;
- in the second 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 doubtful 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. In particular, 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.

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

Considering the above methods, based on the analyses and considerations above, with reference to the date of 31 December 2020; the fair value of the obligation recorded in the financial statements as at 31 December 2020 is equal to € 3,186k.

On the other hand, with reference to the valuation of the Additional Right, in view of the Main Source's failure to respond to Nova Re's exercise of its put option in January 2020, for purposes of drafting the financial statements as at 31 December 2020, the fair value of the derivative instrument was estimated to be zero, thus confirming the approach adopted when drafting the financial statements as at 31 December 2019, where the value that had been recognised as at 31 December 2018 had been cancelled, with a balancing entry in the income statement.

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 2020, consistently with the approach followed in previous years, it did not recognise any asset in the financial statements; consistently with 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.

As at 31 December 2019 Financial assets at fair value also included investments of temporary surplus cash subscribed by the Company in mutual fund units (funds of UCITS, units of UCITS or portfolios of units of UCITS) managed by leading qualified asset managers. During the first half of 2020, the Company settled € 792k of the above instrument types.

Finally, as at 31 December 2019, "Financial assets at fair value" included the value of the consideration due to Nova Re under the terms of the repurchase option granted to the counterparty Hotel alla Salute S.r.l. as part of the transaction involving the acquisition of a property complex for hotel use located in Verona. This is because the presence of the repurchase option did not allow control over the property complex to be considered transferred, but required the transaction to be represented as a financial asset to be accounted for in accordance with IFRS 9. As at 31 December 2019, the item also included amounts related to lease payments accrued during the period and not yet collected and capitalised acquisition costs of € 151k. During the first half of 2020, the exercise of the option was cancelled, with the consequent release of the property from any contractual commitment previously undertaken with Hotel alla Salute S.r.l..

Given the above, for the purposes of drafting this report as at 31 December 2020, Nova Re reclassified the amount of € 7,651k recorded under the item "financial assets at fair value" as at 31 December 2019 (net of receivables collected during the first quarter of 2020 for € 138k) to the item investment property.

Note 8. 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.

	31/12/2020	31/12/2019
Receivables from tenants	743	575
Receivables from subsidiaries	13	13
Receivables from other related parties	3	3
Allowance for doubtful accounts	(436)	(248)
NET TRADE RECEIVABLES	**323**	**343**
Deferred costs for concessions to COVID-19 customers	689	0
Tax receivables	520	498
Financial receivables from the subsidiary	415	130
Capex contribution - current share	215	122
Receivables from the subsidiary for the tax consolidation	132	107
Accruals and deferrals	92	37
Deferred asset purchase costs	23	0
Security deposits	1	1
Other receivables	2	110
TOTAL	**2,412**	**1,348**

Net trade receivables

Net trade receivables showed a balance of € 323k (€ 343k as at 31 December 2019) and consisted mainly of:

- receivables from tenants of owned properties for € 743k, of which € 185k was written down as at 31 December 2020; the amount includes receivables for invoices and credit notes to be issued for € 293k;
- receivables arising from previous ownership completely written off for € 248k;
- residual receivables from Sorgente SGR Fondo Tiziano - San Nicola Sub-Fund for € 2k and residual receivables from Sorgente SGR Fondo Donatello - Tulipano Sub-Fund for € 0.5k; these receivables were written down as at 31 December 2020.

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

	ALLOWANCE FOR DOUBTFUL ACCOUNTS
BALANCE AS AT 01/01/2020	(248)
Provisions	(807)
Releases	0
Use	619
BALANCE AS AT 31/12/2020	436

Accruals to and uses of the provision for doubtful debts recorded during the period are attributable to the effects of the COVID-19 pandemic on the hotel and retail asset classes as some tenants suffered significant economic and financial losses due mainly to the forced closure of their businesses and the consequent fall in turnover. In fact, since March 2020, discussions with tenants were initiated aimed at identifying and sharing, from time to time, the best actions to contain the damage caused by the pandemic, with the aim of safeguarding the quality of long-term relationships and preserving the value of investment property made, in order to mitigate the risk that, in view of the crisis impacting the activities of the aforementioned tenants, the implementation of the remedies contractually provided for could lead to the interruption of the relevant relationships, with negative effects on the Company's business and prospects. The above discussions finalised in July 2020.

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 OVS and SHG Hotel customers with reference to rents covered by specific agreements signed in July 2020. The above temporary rent reductions will be charged on a straight-line basis over the life of the leases as a reduction in revenue.

Tax receivables

CURRENT	31/12/2020	31/12/2019
Receivables from Revenue for VAT	476	453
Receivables from Revenue for taxes	31	32
Other tax receivables	13	13
CURRENT TAX RECEIVABLES	520	498

Tax receivables show a balance of € 520k (€ 498k as at 31 December 2018) and consist mainly of:

- receivable from the tax authorities resulting from the VAT settlement for the month of December 2019 for € 476k (€ 453k as at 31 December 2019);
- IRAP tax receivables for € 31k.
- tax receivables due to others for € 13k;

Financial receivables from the subsidiary

The item, amounting to € 415k, refers to the interest-bearing loan granted to the subsidiary Cortese Immobiliare S.r.l. in various tranches during the financial year (transaction with related parties). The interest-bearing loan disbursed during the 2019 financial year of € 130k as at 31 December 2019 was fully repaid on 29 July 2020.

Capex contribution - current share

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. This amount refers to the portion that will be deducted from rental income over the next 12 months.

Receivables from the subsidiary for the tax consolidation

The receivable amounting to € 132k refers to the amount recorded in respect of the subsidiary Cortese Immobiliare S.r.l. in application of the tax consolidation agreement in place from the 2018 financial year (transaction with a related party).

Accruals and deferrals

CURRENT	31/12/2020	31/12/2019
Accrued income	3	8
Property management deferrals	48	20
Other pre-payments	40	9
CURRENT ACCRUALS AND DEFERRALS	**92**	**37**

The item Real estate management prepayments amounting to € 48k (€ 20k as at 31 December 2018) mainly relates to the cost of insurance for € 20k and fees on invoiced rents pertaining to 2021.

Deferred costs for asset purchases

These costs refer to legal and notarial advice in connection with the purchase of additional portions of the property in Milan, Via Spadari, which was finalised in early 2021.

Other receivables

OTHER RECEIVABLES	31/12/2020	31/12/2019
Advances to third-party suppliers	0	81
Other receivables from related parties	0	24
Other receivables	2	5
OTHER RECEIVABLES	**2**	**110**

Receivables due from others, amounting to € 111k as at 31 December 2019 were settled and collected during the year for € 108k.

Note 9. Cash and cash equivalents

	31/12/2020	31/12/2019
Bank and postal deposits	24,431	440
Restricted current accounts	472	34
Cash and cash in hand	0	1
TOTAL	**24,903**	**475**

These totalled € 24,903k (€ 475k as at 31 December 2019) and consisted mainly of bank and postal deposits. The significant increase compared to 31 December 2019 is attributable to the cash capital increase payment made on 2 November 2020 by the controlling shareholder CPI Property Group S.A. for € 25,990k.

Shareholders' equity

Note 10. Shareholders' equity

(Values in Euro)

STATEMENT OF CHANGES IN SHAREHOLDES' EQUITY

DESCRIPTION	SHARE CAPITAL	SHARE PREMIUM RESERVE	FAIR VALUE RESERVE	LEGAL RESERVE	OTHER RESERVES	OTHER COMPONENTS OF COMPREHENSIVE INCOME	PROFIT/(LOSS) CARRYFORWARD	PROFIT/(LOSS) FOR THE PERIOD	TOTAL
BALANCE AS AT DECEMBER 31, 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
Costs for capital increase	0	0	0	0	(1,270,491)	0	0	0	(1,270,491)
Share based payment reserve	0	0	0	0	212,557	0	0	0	212,557
Cancellation of performance shares plan	0	0	0	0	(267,815)	0	267,815	0	0
Other components 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 COMPREHENSICVE PROFIT/ (LOSS) FOR THE PERIOD					**1,418,268**	**800**	**0**	**(9,147,540)**	**(7,728,472)**
BALANCE AS AT DECEMBER 31, 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**

The share capital, fully subscribed and paid up, amounted to € 63,265k as at 31 December 2020 and consisted of 22,025,109 ordinary 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.

Changes have been made to the items Legal reserve and Fair value reserve based on the resolution approved on 15 July 2020 by the Shareholders' Meeting with reference to the allocation of the 2019 profit as follows: € 15k to the legal reserve and € 289k to the fair value reserve which by its nature cannot be distributed.

The column Other reserves includes the changes in the negative reserve for capital increase costs, the negative reserve for the purchase of treasury shares, the cash flow hedge reserve and the reserve for performance share plans. The main changes during the period are described below:

- discharge of the negative cash flow hedge reserve for € 1,418k; in January 2021 the IRS hedging derivative was repaid in advance at the same time as the early repayment of the mortgage loan granted on 29/12/2017 by Unicredit S.p.A.. As a result of what has been described, the future cash flows covered by the derivative instrument, as at 31 December 2020, are no longer highly probable and at the same time it is not possible that they will occur in the future;

- recognition of net costs related to the capital increase of € 1,270k incurred and directly related to the capital increase transaction concluded in November 2020. The expenses in question include costs directly attributable to the transaction, such as fees paid to solicitors, tax experts and other professionals; on the other hand, costs relating to other planned capital increase transactions that did not take place have been reclassified under "other costs and charges" in the income statement;

- recognition of the fair value portion of € 213k in accordance with IFRS 2 following the acceleration of the vesting of the instrument in relation to the cancellation of the three-year incentive plan. Subsequently, the reserve was reset to zero with a balancing entry in the item Profit/(losses) carried forward for € 267k (including the portion set aside in 2019).

The item Other comprehensive income is negative and amounts to € 17k; it relates to the effects of the actuarial valuation of the employee leaving 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	31/12/2020	POSSIBILITY OF USE	AVAILABLE AMOUNT	DIVIDENDS	SUMMARY OF THE USES MADE IN THE THREE PREVIOUS 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					

follows

follows

Article 2427, number 7-bis of the Italian Civil Code

DESCRIPTION	31/12/2020	POSSIBILITY OF USE	AVAILABLE AMOUNT	DIVIDENDS	SUMMARY OF THE USES MADE IN THE THREE PREVIOUS YEARS	
					FOR LOSS COVERAGE	OTHERS
Reserve for losses coverage		B				
Other reserves:						
Costs for capital increase	(3,359)					
Negative reserve for treasury shares purchases	(149)					
Other components of comprehensive income	(17)					
Prifit/(Loss) carryforward	**(3,638)**					
Profit/(Loss) for the period	**(9,148)**					
TOTAL	**85,147**			**0**	**0**	**(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 11. Employee benefits

The table below summarises the status of employee benefits as at 31 December 2020.

	31/12/2020	31/12/2019
TFR payables	249	154
TOTAL	**249**	**154**

Changes in payables due to severance indemnity (TFR)

	31/12/2020	31/12/2019
INITIAL BALANCE AS AT 01/01/2020	**154**	**114**
Actuarial gains or losses	(1)	(7)
Use	0	(43)
Provisions	94	89
Financial expense IAS 19	2	1
FINAL BALANCE AS AT 31/12/2020	**249**	**154**

The closing balance, amounting to € 249k as at 31 December 2020 (€ 154k as at 31 December 2019), 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.

The service cost is classified in the income statement as € 94k (€ 89k as at 31 December 2019) in personnel costs, € 2k (€ 1k as at 31 December 2019) in interest cost classified under financial expenses and € 1k (€ 7k as profit as at 31 December 2019) in actuarial gains 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	31/12/2020
Annual discount rate	0.34%
Annual inflation rate	0.80%
Annual rate of increase in severance pay (TFR)	2.10%
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 par. 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 2020, the Company's workforce consisted of 11 employees. Below are the point-in-time and average employee numbers as at 31 December 2020 and 31 December 2019, broken down by category:

DIVISION BY QUALIFICATIONS	31/12/2020	31/12/2019
Executives	3	3
Middle managers	5	4
Employees	3	4
TOTAL	11	11

BREAKDOWN BY ANNUAL AVERAGE	2020	2019
Executives	3	3
Middle managers	5	4.3
Employees	3	3.3
TOTAL	**11**	**10.6**

Note 12. Bank borrowings and other lenders

	31/12/2020	31/12/2019
NON-CURRENT		
Mortgage loans	4,967	53,063
Borrowings from other financing entities	5,025	5,422
BANK BORROWINGS AND OTHER LENDERS (NON-CURRENT PORTION)	**9,992**	**58,485**
CURRENT		
Mortgage loans	52,708	887
Borrowings from other financing entities	205	1,012
BANK BORROWINGS AND OTHER CURRENT LENDERS	**52,913**	**1,900**
TOTAL	**62,905**	**60,385**

As at 31 December 2020 the Company had three loan agreements in place; in addition to those outstanding as at 31 December 2019, the Company obtained an additional 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. The loan from Banca Centro Lazio matures on 30 September 2026 and has a contractual interest rate of 3-month Euribor/360 plus a spread of 2.9 percentage points.

In light of the contextual elements known during the period 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 rents that could have resulted from the negotiations with the tenants, the Group deemed it appropriate to avail itself of the benefits provided until 30 June 2021 (following the extension that took place with the approval of the Budget Law of 30 December 2020) by the provisions contained in Article 56 of Italian Decree Law *"Cura Italia"* and request the suspension of the payment of instalments on existing loans. The extensions granted by the banks were reflected in the amortised cost of payables, where applicable, and in the classification of payables as current and non-current. The significant increase in loans for the current portion is attributable to the reclassification of the value of the Unicredit loan for € 52,553k following the value assumed by the ISCR covenant parameter measured as at 31 December 2020.

In fact, with reference to the financial commitments arising from the loan agreement in place with UniCredit S.p.A. and specifically with reference to the aforementioned ISCR covenant (the ratio of EBITDA to net interest), it must be noted that as at 31 December 2020 the covenant is below the floor (1.35x) in the broadest legal interpretation that the denominator takes into account the value of the interest recorded and not that paid, which in the latter case would make this indicator incalculable. It must be noted that, from March 2020, the Company availed itself of the benefits provided until 30 June 2021 by requesting the suspension of the payment of instalments on existing leasing and mortgage loans (including interest).

The results of the six-monthly verification of compliance with the loan *covenants* are shown below.

PARAMETER	LIMITS	OUTCOME
LTV	65% or less	53.69%
Global LTV	65% or less	50.22%
ISCR* (ratio of EBITDA to net interest)	greater than 1.35x	-0.3x

*The ISCR is calculated taking into account net interest, commissions and closing *hedging* costs accrued and accounted for even if not paid due to the moratoria granted by the lending institutions

It must be noted that the loan was repaid in full, in advance and voluntarily, on 29 January 2021; the recognition of the value as at 31 December under current liabilities also led to the release of the portion of the initial costs of the loan in the amount of € 573k which would otherwise have been depreciated over the course of the 2021-2023 future financial years.

The item Payables to other lenders mainly refers to € 5,163k, of which € 176k are due within the financial year and € 4,987k are due beyond the financial year relating to the payable to Unicredit Leasing for the leasing agreement relative to the property located in Bari, Viale Saverio Dioguardi.

Pursuant to IAS 7 "Statement of Cash Flows", the table below shows the changes that occurred in liabilities arising from financing activities (including liabilities for derivative instruments). The table reconciles the cash flows shown in the Cash Flow Statement with the total changes recorded during the year in balance sheet items that make up net borrowings. The table also includes changes in liabilities for derivative financial instruments analysed in item 14 below. Liabilities from financial derivatives.

			NON-MONETARY FLOWS				
	31/12/2019	MONETARY FLOW	CHANGES IN FAIR VALUE	AMORTIZED COST CHANGES	IFRS 16 FIRST APPLICATION	OTHER MOVEMENTS	31/12/2020
Bank borrowings and other non-current lenders	58,485	1,868	0	74	0	(50,435)	9,992
Bank borrowings and other current lenders	1,900	(321)	0	573	0	50,761	52,913
Non-current liabilities from financial derivatives	1,008	0	0	0	0	(1,008)	0
Current liabilities from financial derivatives	581	0	327	0	0	1,008	1,916
NET FINANCIAL LIABILITIES	**61,974**	**1,547**	**327**	**647**	**0**	**326**	**64,821**
Cash and cash equivalents	(475)	(24,428)	0	0	0	0	(24,903)
NET FINANCIA DEBT	**61,499**	**(22,881)**	**327**	**647**	**0**	**326**	**39,918**

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	62,905	52,913	1,410	6,375	2,207

Note 13. Liabilities from financial derivatives

	31/12/2020	31/12/2019
NON-CURRENT		
Non-current portion of *mark to market* IRS Unicredit	0	1,008
NON-CURRENT FINANCIAL DERIVATIVE LIABILITIES	**0**	**1,008**
CURRENT		
Non-current portion of *mark to market* IRS Unicredit	1,916	581
LIABILITIES FROM CURRENT FINANCIAL DERIVATIVES	**1,916**	**581**
LIABILITIES FROM FINANCIAL DERIVATIVES	**1,916**	**1,589**

Derivative liabilities represent the mark to market as at 31 December 2020 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 € 1,926k.

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

	CARRYING AMOUNT	WITHIN 1 YEAR	1-2 YEARS	2-5 YEARS	BEYOND 5 YEARS
Liabilities from financial derivatives	1,916	1,916	0	0	0

Note 14. Trade payables and other payables

The table below summarises the situation of trade and other payables as at 31 December 2020.

	31/12/2020	31/12/2019
CURRENT		
Financial payables to third parties	842	2,610
Trade payables to related parties	177	274
Other payables	191	169
Sundry payables to related parties	89	136
Tax payables	82	91
Payables to national insurance agencies	60	63
Accrued expenses and deferred liabilities	1,070	40
TOTAL	**2,511**	**3,383**

Trade payables

The item trade payables shows a balance of € 842k (€ 2,610k as at 31 December 2019). The item decreased mainly in relation to the payment of payables for works carried out on the properties in Rome, Via Zara and Bari, Viale Saverio Dioguardi.

Trade payables to related parties refer to payables to Polimnia RES relating to fees accrued for property and facility management activities for € 75k and payables to Tiberia S.r.l. for € 102k relating to invoices to be received in relation to shared costs for 2019 (for € 7k) and 2020 (for € 95k).

Other Payables and sundry payables to related parties

OTHER PAYABLES	31/12/2020	31/12/2019
Due to employees	98	75
Other payables	85	84
Payables due to the Supervisory Board	8	10
TOTAL OTHER PAYABLES	**191**	**169**
Payables due to Directors	34	66
Payables due to Auditors	55	70
TOTAL SUNDRY PAYABLES TO RELATED PARTIES	**89**	**136**

Other Payables amounted to € 191k as at 31 December 2020, compared to a balance of € 169k as at 31 December 2019, and consisted mainly of:

- payables to personnel for € 98k relating to expense accounts, accrued holidays, leaves of absence and additional monthly payments accrued as at 31 December 2020;
- other payables, amounting to € 85k (€ 84k as at 31 December 2019);
- payables to members of the supervisory body were instead equal to € 8k.

Other payables to related parties amounted to € 89k and refer to payables to professional directors for € 34k and payables to Statutory Auditors for € 55k.

Tax payables

CURRENT	31/12/2020	31/12/2019
Other tax payables	82	91
CURRENT TAX PAYABLES	**82**	**91**

Tax payables show a balance of € 82k (€ 91k at 31 December 2019) and relate to withholding taxes on employee and self-employed income paid during the first few months of 2021.

Payables to national insurance agencies

PAYABLES TO NATIONAL INSURANCE AGENCIES	31/12/2020	31/12/2019
Payables to INPS	54	57
Payables to INAIL	2	2
Various social security institutions	4	4
TOTAL PAYABLES TO NATIONAL INSURANCE AGENCIES	60	63

Payables to national insurance agencies amounted to € 60k (€ 63k as at 31 December 2019) and mainly relate to contributions for the December 2020 payroll paid in January 2021.

Accrued expenses and deferred liabilities

The item accrued expenses and deferred liabilities, amounting to € 1,070k, mainly refers to prepaid invoiced rent payments relating to the first quarter of 2021 as part of the agreements entered into in July 2021 with the customer OVS.

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.

With regard to the loan taken out by Nova Re with Unicredit S.p.A, the following has been agreed with the lending institution:

- first priority mortgage on the properties subject to refinancing for € 149 million;
- pledge on operating bank current accounts linked to the loan agreement and the IRS agreement to hedge the risk of interest rate fluctuations, with the exception of the account to which the amounts to be distributed as dividends will be transferred.

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 taken out during the year with the counterparty Imprebanca S.p.A., the following conditions are noted:

- first priority mortgage on the property in Verona being financed;
- assignment of receivables arising from the lease.

Income statement

Note 15. Rental income

	31/12/2020	31/12/2019
Property leases	5,266	4,748
Chargebacks to tenants	126	102
RENTAL INCOME	**5,392**	**4,850**

The item amounting to € 5,392k reflects revenues from leases and the relevant charge-backs of costs to tenants.

Changes in rental income, compared to the same period of the previous year, are due to the following factors:

- with reference to the property in Bari, Viale Saverio Dioguardi for 2020, rents were equal to € 963k while in 2019 they amounted to € 723k; the lease agreement with the Ministry of Justice for the first half of 2019 provided for a reduced rent due to the simultaneous performance of significant improvements to the property. The contractual fee became effective as of 1 July 2019 (€ 963k on an annual basis);

- with reference to the property in Milan, Via Spadari, the rents reflect the release of the portion of capex contribution to reduce them by € 122k;

- rental income relating to the property in Milan, Corso San Gottardo, amounting to € 745k, reflects changes in rent reduction compared to the first half of 2019 following the agreement reached with the counterparty OVS as part of the redevelopment plan, initiated by the latter, of its points of sale; the agreement therefore provides for a reduced rent compared to the previous lease expired in January, limited to the first rental period, to allow the tenant to make the necessary investments for the complete relaunch of the store;

- the property in Verona entered the Company's portfolio as of May 2019. As the property is recorded from the date of acquisition and until 31 December 2019 as a financial asset at fair value, rental income for the 2019 financial year was classified under Financial income. During 2020, as the option right held by the seller of the property ceased to exist, the property was reclassified to the item Investment property and the relevant income was classified under this item, Rental income, from March 2020 while for the first two months it was under Net financial income/(expenses).

PROPERTY	31/12/2020	31/12/2019
Milan, Via Spadari	1,434	1,438
Milan, Via Cuneo	1,131	1,136
Milan, Corso San Gottardo	745	881
Rome, Via Zara	743	672
Bari, Viale Saverio Dioguardi	963	723
Verona, Via Unità d'Italia	376	0
	5,392	**4,850**

Note 16. Costs relating to investment property

Costs relating to investment property amounted to € 1,900 k as at 31 December 2020 and are represented in the following table by cost type and compared to 31 December 2019.

	31/12/2020	31/12/2019
IMU	633	540
Recognition of losses on receivables due to COVID-19 concessions	608	0
Write-down of trade receivables	185	0
Property, building and *facility management* costs	72	100
Maintenance and running costs of premises	91	205
Contract registration taxes	68	11
Utilities	20	34

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Costs relating to investment property

	31/12/2020	31/12/2019
Legal, notary and professional fees	49	44
Insurance	25	22
Real estate consulting	61	70
Technical advice	29	4
Surveillance and concierge	8	84
Other taxes and duties	5	35
Other expenses	46	10
COSTS RELATING TO INVESTMENT PROPERTY	**1,900**	**1,159**

The costs for IMU and registration taxes relate to taxes applied to the property portfolio; the costs for IMU tax increased mainly due to the tax relating to the hotel asset in Verona for € 71k, the cost of which, during the previous year, was classified under financial income/(charges) due to the classification of the asset under Financial assets at fair value as explained above.

The recognition of losses on receivables for COVID-19 concessions refers to the temporary rent reductions granted to the tenants OVS and SHG Hotel Verona S.r.l. as part of the negotiations concluded in July 2020.

The item write-down of trade receivables refers to the effects of the evaluation, as at 31 December 2020, of the recoverability of receivables from the tenant SHG Hotel Verona S.r.l. with which the Company is engaged in litigation and which has been ordered to be evicted due to default by the Court of Verona.

Property, building and facility management costs relate to the ordinary and administrative management of the properties in the portfolio carried out by the related party Polimnia Res S.r.l.

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.

Note 17. Operating costs

	31/12/2020	31/12/2019
Wages and salaries	1,104	1,110
National insurance charges	299	308
Severance pay	97	92
Other staff costs	239	133
SUB-TOTAL A) PERSONNEL COSTS	**1,739**	**1,643**
Directors’ fees	406	446
Legal and notary fees	306	202
Management, cleaning and maintenance expenses of premises	136	163
Administrative consulting	133	146
Communication and marketing costs	115	74
IT fees and consultancy	102	55
Fees paid to the Statutory Board of Auditors	83	83
Remuneration of professional auditors	60	60
Other consultancy and advices	25	100
Financial consultancy	41	263
Travel, transport and car expenses	34	74
Internal auditor fees	26	26
Remuneration of the Supervisory Body	22	21
Utilities	17	20
HR Services	16	6
Insurance	15	40

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follows

Operating costs

	31/12/2020	31/12/2019
Real estate consulting	19	74
Charges and banking fees	7	255
Commissions for purchase of treasury shares	0	11
Technical advice	12	4
Other	35	36
SUBTOTAL B) OVERHEADS	**1,606**	**2,159**
OPERATING COSTS	**3,345**	**3,802**

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

- personnel costs amounted to € 1,739 k (€ 1,643k as at 31 December 2019); these costs are in line with those recognised during the 2019 financial year with the exception of the item "Other personnel costs" which includes an effect of € 212k relating to the provision for the cost related to the performance share plan which was cancelled in August 2020. Please refer to the section on Incentive Plans for further information;

- legal advice increased mainly in relation to disputes that arose in 2020 against Main Source S.A. and Sorgente SGR in A.s., Sorgente Group Italia S.r.l. and the tenant SHG Hotel Verona S.r.l.;

- Management expenses for premises decreased compared to the previous year in relation to the relocation, as of 1 October 2020, of the registered office and operational headquarters to Via Zara, 28 which resulted in savings to the Company with regard to shared costs charged-back. It must be noted that the item includes € 95k for shared costs relating to the sublease agreement with Tiberia S.r.l. (related party) accrued from 1 January to 30 September 2020;

- the item IT fees and consultancy increased due to the entry into force of contracts, existing from the second half of 2019, for management services, management and accounting software fees and IT equipment rentals;

- financial advisory services decreased mainly as a result of the termination of a corporate broking contract; these costs, in 2019 also included fees for drafting the 2020-2024 Business Plan as well as costs incurred for research relating to the Nova Re share published by Intregrae SIM in May 2019;

- bank fees decreased significantly, compared to the prior year, as one-time costs were incurred in 2019 for exiting certain cash investments and waiver fees in connection with the mortgage loan agreement with Unicredit.

Note 18. Other revenues and income

The table below summarises other revenue and income as at 31 December 2020.

	31/12/2020	31/12/2019
Other income	20	0
TOTAL	**20**	**0**

The item includes income of € 15k relating to a discount granted by a supplier in relation to the payment of invoices for works whose costs have accrued in previous years.

Note 19. Depreciation

The item includes the depreciation for the financial year of intangible assets (€ 14k), rights of use (€ 127k) and other tangible assets for € 19k.

Depreciation of rights of use refers, for € 98k, to the right recognised until 5 May 2020 of the lease agreement with Tiberia S.r.l. for the sublease of the Parent Company's headquarters in accordance with IFRS 16.

Note 20. Fair value adjustment of financial assets

	31/12/2020	31/12/2019
Fair value adjustment of financial assets	1,855	687
FAIR VALUE ADJUSTMENT OF FINANCIAL ASSETS	**1,855**	**687**

The item Fair value adjustment of financial instruments amounting to € 1,855k refers to the fair value adjustment of bonds in the portfolio for a nominal € 6 million recorded under Financial assets at fair value to which reference must be made for further information.

Note 21. Other costs and charges

	31/12/2020	31/12/2019
Release of costs for failed capital increase operations	123	0
Shareholders' meetings, financial statements, Consob obligations, Stock Exchange	82	67
Membership fees	41	51
Other expenses	50	79
Costs for issuing guarantees	14	15
TOTAL OTHER COSTS AND CHARGES	**310**	**212**

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

Costs issued for failed capital increase transactions refer to consultancy costs relating to planned capital increase transactions that did not take place.

Costs for the issue of guarantees, amounting to € 14k, relate to the guarantee issued by Fondo Donatello - Tulipano Sub-Fund, as described above, with reference to the debenture loan recorded under item 6. Financial assets at fair value; in this regard it must be noted that on 9 March 2020 Nova Re, in a letter sent to Sorgente SGR S.p.A. in A.S. (and, for information, to Main Source and the Fund HTBF-€), enforced the autonomous guarantee, requesting Sorgente SGR (as manager in the name and on behalf of Fondo Donatello - Tulipano Sub-Fund) pay by 17 March 2020 the nominal value of the bonds (€ 6 million), plus the accrued interest. For further information, please see the section Financial assets at fair value.

» Financial assets at fair value

Note 22. Net movement in fair value of investment property

	31/12/2020	31/12/2019
Negative fair value of investment property	(3,090)	(50)
Positive fair value of investment property	141	3,104
TOTAL	**(2,949)**	**3,054**

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. Investment property for the relevant comments.

Note 23. Net financial income/(charges)

	31/12/2020	31/12/2019
Income from financial assets at fair value	75	293
Other interest income	0	76
Income from lease terminations	85	60
Interest income from subsidiaries	3	2
Interest income on bank accounts and interest on arrears	1	5
Reinstatement of equity investments in subsidiaries	0	343
FINANCIAL INCOME	**164**	**779**
Interest on financing from banks	(1,983)	(1,636)
Charges on derivative contracts	(1,746)	(551)
Released financial lease charges	(150)	0
Interest on leases	(106)	(140)
Financial charges on financial assets at fair value	(9)	(93)
Interest expense due on other payables	(3)	(2)
Write-down of equity investments in subsidiaries	(703)	0
FINANCIAL CHARGES	**(4,700)**	**(2,422)**
NET FINANCIAL INCOME/(CHARGES)	**(4,534)**	**(1,643)**

Net financial income (expense) was negative for € 4,534k (negative for € 1,643k as at 31 December 2019) and mainly consists of:

- the item Income from financial assets at fair value refers to the consideration due to Nova Re for the lease of the Verona hotel, which is classified under Financial assets at fair value for the period until the expiry of the option granted to the seller of the hotel, as described in greater detail in the relevant notes to the financial statements;
- other income includes income from termination of the Tritone lease arising from the release of the right of use and lease liability on the contract termination date of 5 May 2020 (transaction with related parties) and net residual income attributable to the half year relating to the Pisani lease ended on 31 October 2020;
- interest payable of € 1,983k on existing loans of which € 539k were recorded in relation to the Unicredit loan as a release of the amortised cost;
- net charges on derivative contracts on the interest rate hedging instrument for € 1,746k, of which € 1,418k related to the reclassification in accordance with IAS 1 of the cash flow hedge reserve due to the failure of the underlying transaction on a prospective basis;
- interest payable of € 97k relating to the finance lease agreement with Unicredit Leasing for the property located in Bari, Viale Saverio Dioguardi;
- interest payable of € 9k relating to lease agreements for the headquarters in Rome until 5 May 2020 and two company cars;
- financial charges on financial assets at fair value which refer to costs incurred on the Verona property for IMU, TASI, maintenance, management costs and registration taxes classified in this item consistently with rental income, as described above; this item includes costs incurred with Polimina Real Estate Systems for € 6k (transaction with a related party);
- charges for impairment of the value of the investment in the subsidiary Cortese Immobiliare S.r.l. in the amount of € 703k (reversal of impairment in the amount of € 343k as at 31 December 2019) as the Company engaged the independent expert Axia Re to conduct a valuation of the economic capital of the subsidiary on the basis of which a lower value emerged compared to the book value of the investment of € 703k.

Note 24. Taxes

	31/12/2020	31/12/2019
Current IRES	499	322
Taxes for previous years	(5)	14
IRAP	0	0
TOTAL	**494**	**336**

In October 2018, the Company and its subsidiary Cortese Immobiliare signed the tax consolidation agreement and Nova Re, as the consolidating company, notified the joint exercise of the option for the domestic tax consolidation regime in the tax return form for the year 2017.

As a result of the optional taxation regime adopted, Nova Re has recorded in the financial statements the amount of € 499k, corresponding to the positive IRES tax calculated, at the current rate of 24%, on the tax loss from taxable operations. The entry was made in respect of a receivable from the subsidiary Cortese Immobiliare for € 25k (transaction with related parties) and in respect of deferred tax assets for € 474k.

The receivable from Cortese Immobiliare corresponds to the IRES tax calculated on the taxable income of the consolidated company transferred to the tax consolidation, which was offset against the tax loss of the consolidating company. Deferred tax assets correspond to IRES tax, calculated at the current rate of 24%, on the negative tax result of the consolidation.

Prior years IRES refers to an adjustment to taxes calculated for the 2019 financial year when filing tax returns in November 2020.

Incentive plans

On 27 August 2020 the Shareholders' Meeting approved the new Remuneration Policy of Nova Re SIIQ S.p.A. for the year 2020 explained in the Report on the remuneration policy drafted by the Board of Directors pursuant to Articles 123-ter and 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 as well as revoked the resolution approving the 2019-2021 Performance Share Plan passed by the Shareholders' Meeting on 7 May 2019, and accordingly revoked the Company's 2019-2021 Performance Share Plan based on financial instruments pursuant to Article 114-bis of Italian Legislative Decree no. 58 of 24 February 1998, taking into account that the new Remuneration Policy of Nova Re SIIQ S.p.A. provides for the postponement of the adoption of the new incentive systems (both short term and medium-long term) following the outcome of the completion of the Company's recapitalisation transaction, referred to in the only point of the extraordinary session.

The cancellation of the 2019-2021 Performance Share Plan resulted in the recognition of an expense of € 212k in the 2020 financial statements as the cancellation of the plan constitutes an acceleration of vesting and therefore the amount that would otherwise have been recognised for services received during the remainder of the vesting period must be recognised immediately.

Events subsequent to the balance sheet 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 following the reporting period included in the Directors' Report.

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 :

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RCSL Nr. : B102254 | Matricule : 2004 2214 745

eCDF entry date :

BALANCE SHEET

Financial year from 01 01/01/2019 **to** 02 31/12/2019 *(in* 03 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	6.409.098.864,00	110	4.115.253.321,00
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	

MANAGEMENT AND COORDINATION ACTIVITIES

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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	1131		131		132	
4. Payments on account and tangible assets in the course of construction	1133		133		134	
III. Financial assets	1135	Note 3	135	6.409.098.864,00	136	4.115.253.321,00
1. Shares in affiliated undertakings	1137	Note 3.1	137	2.267.556.514,00	138	1.805.205.581,00
2. Loans to affiliated undertakings	1139	Note 3.2	139	4.133.617.350,00	140	2.310.045.240,00
3. Participating interests	1141		141		142	
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		143		144	
5. Investments held as fixed assets	1145	Note 3.3	145	7.925.000,00	146	2.500,00
6. Other loans	1147		147		148	
D. Current assets	1151		151	757.217.127,00	152	138.023.911,00
I. Stocks	1153		153		154	
1. Raw materials and consumables	1155		155		156	
2. Work in progress	1157		157		158	
3. Finished goods and goods for resale	1159		159		160	
4. Payments on account	1161		161		162	
II. Debtors	1163		163	247.164.227,00	164	136.596.138,00
1. Trade debtors	1165		165		166	
a) becoming due and payable within one year	1167		167		168	
b) becoming due and payable after more than one year	1169		169		170	
2. Amounts owed by affiliated undertakings	1171	Note 4	171	246.563.961,00	172	136.326.216,00
a) becoming due and payable within one year	1173	Note 4.1	173	69.185.662,00	174	88.632.213,00
b) becoming due and payable after more than one year	1175	Note 4.2	175	177.378.299,00	176	47.694.003,00
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177		178	
a) becoming due and payable within one year	1179		179		180	
b) becoming due and payable after more than one year	1181		181		182	
4. Other debtors	1183		183	600.266,00	184	269.922,00
a) becoming due and payable within one year	1185	Note 4.3	185	600.266,00	186	269.922,00
b) becoming due and payable after more than one year	1187		187		188	

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RCSL Nr. : B102254	Matricule : 2004 2214 745

		Reference(s)		Current year		Previous year
III. Investments	1189		189	2.420,00	190	2.420,00
1. Shares in affiliated undertakings	1191		191		192	
2. Own shares	1209		209		210	
3. Other investments	1195	Note 4.4	195	2.420,00	196	2.420,00
IV. Cash at bank and in hand	1197	Note 4.5	197	510.050.480,00	198	1.425.353,00
E. Prepayments	1199	Note 5	199	65.953.347,00	200	33.321.672,00
TOTAL (ASSETS)			201	7.232.269.338,00	202	4.286.598.904,00

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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	1301	Note 6	301	1.578.088.995,00	302	1.678.451.941,00
I. Subscribed capital	1303		303	865.171.633,00	304	901.386.866,00
II. Share premium account	1305		305	647.906.757,00	306	1.039.046.471,00
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309		309	56.727.853,00	310	56.727.853,00
1. Legal reserve	1311		311	56.727.853,00	312	56.727.853,00
2. Reserve for own shares	1313		313		314	
3. Reserves provided for by the articles of association	1315		315		316	
4. Other reserves, including the fair value reserve	1429		429		430	
a) other available reserves	1431		431		432	
b) other non available reserves	1433		433		434	
V. Profit or loss brought forward	1319		319	0,00	320	-303.524.863,00
VI. Profit or loss for the financial year	1321		321	8.282.752,00	322	-15.184.386,00
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331	Note 7	331	1.000.000,00	332	1.000.000,00
1. Provisions for pensions and similar obligations	1333		333		334	
2. Provisions for taxation	1335		335		336	
3. Other provisions	1337		337	1.000.000,00	338	1.000.000,00
C. Creditors	1435		435	5.649.678.822,00	436	2.606.535.428,00
1. Debenture loans	1437		437	4.042.792.906,00	438	2.228.945.055,00
a) Convertible loans	1439		439		440	
i) becoming due and payable within one year	1441		441		442	
ii) becoming due and payable after more than one year	1443		443		444	
b) Non convertible loans	1445	Note 8	445	4.042.792.906,00	446	2.228.945.055,00
i) becoming due and payable within one year	1447		447	29.946.122,00	448	10.120.033,00
ii) becoming due and payable after more than one year	1449		449	4.012.846.784,00	450	2.218.825.022,00
2. Amounts owed to credit institutions	1355	Note 9	355	170.960.156,00	356	152.306.426,00
a) becoming due and payable within one year	1357		357	960.156,00	358	102.306.426,00
b) becoming due and payable after more than one year	1359		359	170.000.000,00	360	50.000.000,00

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		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	1.505.694,00	368	2.609.122,00
a) becoming due and payable within one year	1369		369	1.505.694,00	370	2.609.122,00
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	1.420.116.234,00	380	222.297.380,00
a) becoming due and payable within one year	1381	Note 10.1	381	37.054.889,00	382	130.366.552,00
b) becoming due and payable after more than one year	1383	Note 10.2	383	1.383.061.345,00	384	91.930.828,00
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	Note 11	451	14.303.832,00	452	377.445,00
a) Tax authorities	1393	Note 11.1	393	548.455,00	394	9.110,00
b) Social security authorities	1395		395	0,00	396	3.738,00
c) Other creditors	1397		397	13.755.377,00	398	364.597,00
i) becoming due and payable within one year	1399	Note 11.2	399	8.255.377,00	400	364.597,00
ii) becoming due and payable after more than one year	1401	Note 11.3	401	5.500.000,00	402	0,00
D. Deferred income	1403	Note 12	403	3.501.521,00	404	611.535,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	7.232.269.338,00	406	4.286.598.904,00

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

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2019 **to** 02 31/12/2019 *(in* 03 EUR)

CPI PROPERTY GROUP S.A.

40, rue de la Vallée
L-2661 Luxembourg

PROFIT AND LOSS ACCOUNT

		Reference(s)		Current year		Previous year
1. Net turnover	1701		701		702	
2. Variation in stocks of finished goods and in work in progress	1703		703		704	
3. Work performed by the undertaking for its own purposes and capitalised	1705		705		706	
4. Other operating income	1713	Note 13	713	3.830.632,00	714	531.100,00
5. Raw materials and consumables and other external expenses	1671		671	-2.389.198,00	672	-1.223.747,00
a) Raw materials and consumables	1601		601	0,00	602	-398,00
b) Other external expenses	1603	Note 14	603	-2.389.198,00	604	-1.223.349,00
6. Staff costs	1605	Note 15	605	-181.060,00	606	-168.491,00
a) Wages and salaries	1607		607	-171.511,00	608	-156.462,00
b) Social security costs	1609		609	-9.549,00	610	-10.868,00
i) relating to pensions	1653		653		654	
ii) other social security costs	1655		655	-9.549,00	656	-10.868,00
c) Other staff costs	1613		613	0,00	614	-1.161,00
7. Value adjustments	1657	Note 16	657	684.343,00	658	390.389,00
a) in respect of formation expenses and of tangible and intangible fixed assets	1659		659		660	
b) in respect of current assets	1661		661	684.343,00	662	390.389,00
8. Other operating expenses	1621	Note 17	621	-438.801,00	622	-5.666.860,00

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RCSL Nr. : B102254	Matricule : 2004 2214 745

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715	Note 18	715	40.285.000,00	716	17.344,00
a) derived from affiliated undertakings	1717		717	40.285.000,00	718	17.344,00
b) other income from participating interests	1719		719		720	
10. Income from other investments and loans forming part of the fixed assets	1721	Note 19	721	106.044.630,00	722	42.808.828,00
a) derived from affiliated undertakings	1723		723	106.044.630,00	724	42.808.717,00
b) other income not included under a)	1725		725	0,00	726	111,00
11. Other interest receivable and similar income	1727	Note 20	727	24.863.011,00	728	8.252.876,00
a) derived from affiliated undertakings	1729	Note 20.1	729	723.547,00	730	7.111.265,00
b) other interest and similar income	1731	Note 20.2	731	24.139.464,00	732	1.141.611,00
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663		664	
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	Note 21	665	-8.077.280,00	666	-5.183.915,00
14. Interest payable and similar expenses	1627	Note 22	627	-156.329.910,00	628	-54.932.190,00
a) concerning affiliated undertakings	1629	Note 22.1	629	-15.882.116,00	630	-6.322.049,00
b) other interest and similar expenses	1631	Note 22.2	631	-140.447.794,00	632	-48.610.141,00
15. Tax on profit or loss	1635		635		636	
16. Profit or loss after taxation	1667		667	8.291.367,00	668	-15.174.666,00
17. Other taxes not shown under items 1 to 16	1637	Note 23	637	-8.615,00	638	-9.720,00
18. Profit or loss for the financial year	1669		669	8.282.752,00	670	-15.184.386,00

CERTIFICATION OF THE 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 Giovanni Cerrone, as Manager responsible for the preparation of the corporate accounting documents of NOVA 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 consolidated financial statements during the period 1 January – 31 December 2020.

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, 2021

Chief Executive Officer	Manager responsible for the preparation of the corporate accounting documents
Dott. Stefano Cervone	Dott. Giovanni Cerrone

CERTIFICATION OF THE FINANCIAL STATEMENTS

ANNEXES

Annex 1 - Transactions with related parties

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

(Values in euro)

RELATED PARTY	SHARES HELD IN SUBSIADIARIES	FINANCIAL ASSETS AT FAIR VALUE	RECEIVABLES AND OTHER CURRENT ASSETS	TRADE PAYABLES AND OTHER CURRENT LIABILITIES	COSTS INHERENT TO INVESTMENT PROPERTY	OVERHEADS	DEPRECIATIONS	OTHER COSTS AND CHARGES	FAIR VALUE ADJUSTMENT OF FINANCIAL ASSETS	NET FINANCIAL INCOME/ (EXPENSES)
Fondo Donatello Comparto Tulipano	0	0	0	(4)	0	(506)	0	(13,792)	0	0
Fondo Tiziano Comparto San Nicola	0	0	0	0	0	(2,261)	0	0	0	0
Cortese Immobiliare S.r.l.	2,901,000	0	565,079	0	0	0	0	0	0	(699,595)
Main Source S.A.	0	3,186,000	0	0	0	0	0		(1,855,000)	0
Polimnia Real Estate Systems S.r.l.	0	0	0	(75,563)	(72,372)	0	0	0	0	0
Tiberia S.r.l.	0	0	0	(101,519)	0	(95,227)	(97,981)		0	(115,142)
Directors	0	0	0	(34,785)	0	(405,715)	0	0	0	0
Statutory auditors	0	0	0	(54,600)	0	(83,200)	0	0	0	0
TOTAL	**2,901,000**	**3,186,000**	**565,079**	**(266,471)**	**(72,372)**	**(586,909)**	**(97,981)**	**(13,792)**	**(1,855,000)**	**(814,737)**

The remuneration of the Executive in charge has not been provided as it is included under the cost for employees

Annex 2 - Auditing Firm Fees

The following table, pursuant to Art. 149-duodecies of the Consob Issuers' Regulations, highlights the fees accrued for the 2020 financial year for the statutory audit services for the financial statements of Nova Re SIIQ S.p.A. and the consolidated financial statements of Nova Re Group.

(Values in euro)

TYPE OF SERVICE	AUTHORISED	REMUNERATION
Statutory audit of the financial statements of Nova Re SIIQ S.p.A.	Ria Grant Thornton S.p.A.	38,000
Statutory audit of the consolidated financial statements of Nova Re Group	Ria Grant Thornton S.p.A.	14,000
Statutory audit of the financial statements of Cortese Immobiliare S.r.l.	Ria Grant Thornton S.p.A.	6,500
Fairness opinion of the share issue price	Ria Grant Thornton S.p.A.	20,000
TOTAL		**78,500**

REPORT OF THE INDEPENDENT AUDITORS

Ria Grant Thornton

Ria Grant Thornton S.p.A.
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Independent auditors' report in accordance with article 14 of Legislative Decree n. 39 of January 27, 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of
Nova Re SIIQ S.p.A.

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of Nova Re SIIQ S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2020, the statement of income, the statement of comprehensive income, the statement of changes in shareholders' equity, the 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 December 31, 2020 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 dated February 28, 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 ethical and independence requirements applicable in Italy to audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Società di revisione ed organizzazione contabile - Sede Legale: Via Melchiorre Gioia n.8 – 20124 Milano - Iscrizione al registro delle imprese di Milano Codice Fiscale e P.IVA n.02342440399 - R.E.A. 1965420. Registro dei revisori legali n.157902 già iscritta all'Albo Speciale delle società di revisione tenuto dalla CONSOB al n. 49 Capitale Sociale: € 1.832.610,00 interamente versato Uffici: Ancona-Bari-Bologna-Firenze-Milano-Napoli- Padova-Palermo-Pordenone-Rimini-Roma-Torino-Trento-Verona.
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Key audit matters	*Audit procedures in response to key matters*
Investment property valuation Investment properties are measured at fair value in accordance with the provisions of international accounting standard IAS 40, with revaluations and/or write-downs resulting from changes in fair value recorded in the income statement for the properties of the Parent Company Nova Re SIIQ S.p.A. Fair value measurements of investment properties are made by the Company's directors with the support of appraisals prepared by an independent expert. The estimate of fair value is based on valuation methods that take into account forecasts of future costs and revenues related to each property and assumptions regarding expected trends in the real estate and financial markets, economic conditions affecting rents, tenant reliability and the forecast of future occupancy rates of the properties. The determination of the fair value of the properties, as represented above, is based on a complex process of estimating investment properties and, therefore, was considered by us to be of particular importance to the statutory audit of the Company's consolidated financial statements and is a key audit matter.	As part of the review of the Nova Re Group's consolidated financial statements for the year ended December 31, 2020, the following key activities were performed, including with the support of our property valuation experts, in response to the key aspect: a) an analysis of the company's procedures for selecting and using the independent expert in charge of estimating fair value; a) the analysis of the valuation methods used by the independent expert, taking into account the physical and income characteristics of the individual properties b) analysis of the main valuation parameters applied and the reasonableness of the same on the basis of the indications provided by the available market sources c) a discussion with the Company's management regarding the correspondence between the valuation assumptions used by the independent expert and the current state of the properties. Finally, we have examined the information provided in the notes to the financial statements.
Valuation at fair value of the bond issued by Main Source S.A., on behalf of the Euro Segment of the HTBF Luxembourg fund The estimate of the fair value of the bond loan underwritten by Nova Re SIIQ S.p.A. was carried out by the Company on the basis of valuation approaches applied to impaired financial assets (Non Performing Loan), taking account of available information and reasoned assumptions. The valuations are based on the recovery rate of the impaired loan and the forced disposal value of the assets included in the assets of the issuing Fund. The estimate is based on a complex valuation process and, therefore, we considered the assessment of the fair value of the security to be a key aspect of the audit work.	Our audit procedures included: - An analysis of the valuation methods used, assumptions, and supporting documentation used to determine the fair value of the financial asset; - An examination of the disclosures provided in the notes to the financial statements.

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Responsibilities of Directors and Board of statutory auditors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements 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 dated February 28, 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors 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 Standard 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 the 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 Standard on Auditng (ISA Italia), we have exercised professional judgment and maintain professional skepticism throughout the audit. We have also:

- 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.
- 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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, as properly identified in accordance with 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 also have provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

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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 describe these matters in our auditor's report.

Other information pursuant to article 10 of EU Regulation n.537/14

We were initially engaged by the shareholders of Nova Re SIIQ S.p.A. on April 28, 2017 to perform the audits of the financial statements and the consolidated financial statements of each fiscal year starting from December 31, 2017 to December 31, 2025.
We declare that we did not provide prohibited non-audit service, referred to article 5, par.1, of EU Regulation 537/2014, and that we 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, prepared in accordance with the article 11 of the EU Regulation 537/2014, submitted to the Board of Statutory Auditors.

Report on compliance with other Laws and Regulations

Opinion pursuant to article 14, par.2, subpar. e), of D.Lgs. 39/10 and of article 123-bis, par.4, of D.Lgs. 58/98

The Directors of Nova Re SIIQ S.p.A. are responsible for the preparation of the Director's Report and of the Report on Corporate Governance and Ownership Structure Nova Re SIIQ S.p.A. as at December 31, 2020, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required by auditing standard (SA Italia) no. 720B in order to express an opinion on the consistency of the Director's Report and of the information set out in the Report on Corporate Governance and Ownership Structure referred to in art. 123-bis, paragraph 4 of Legislative Decree n. 58/98, with the financial statements of Nova Re SIIQ S.p.A as at December 31, 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Director's Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Nova Re SIIQ S.p.A. as at December 31, 2020 and are compliant with the applicable laws and regulations.

With reference to the assessment pursuant to art.14, par.2, subpar. 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 nothing to report.

Rome, April 1 2021

Ria Grant Thornton S.p.A.

Fabio Gallassi
Partner

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS

Report of the Board of Statutory Auditors to the Shareholders' Meeting on the Financial Statements as at 31 December, 2020
(pursuant to Art. 153 of Italian Legislative Decree No. 58/1998 and Art. 2429 of the Italian Civil Code)

To the shareholders of NOVA RE SIIQ S.p.A. (the "Company" or "Nova Re")

Dear Shareholders,

The Board of Statutory Auditors, pursuant to Article 153 of Italian Legislative Decree No. 58/1998 (hereinafter also known as the "TUF") and Article 2429, paragraph 2, of the Italian Civil Code, is called upon to report to the Shareholders' Meeting, called to approve the financial statements for the year ended on 31 December, 2020, 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 General Meeting held on 12 September, 2018, and will therefore remain in office until the General Meeting called to approve the financial statements for the year ended on 31 December, 2020; it is made up by the Chairman of the Board of Statutory Auditors, Luigi Mandolesi, and the Statutory Auditors, Anna Rita de Mauro and Giovanni Naccarato.

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 members of the Board of Statutory Auditors, no one has, or has recently had, even indirectly, any relationship with the Company or persons linked to the Company such as to influence their independent judgement. The outcome of the above check was reported in the report on Corporate Governance and Ownership Structure (the "Corporate Governance Report") drawn up pursuant to Article 123-bis of the TUIF.

Each Statutory Auditor also complied with the limit on the number of offices held, as set forth in Article 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 By-laws.

Supervisory activities regarding compliance with the law and the By-laws, 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 Italian Legislative Decree No. 39/2010 and subsequent amendments and additions.

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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 Italian 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 sub-committees, through meetings with the main corporate functions - specifically, the control functions and the Supervisory Board - 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 Audit Firm responsible for auditing the annual accounts and the consolidated accounts, Ria Grant Thorton S.p.A.

The following information is provided in accordance with the provisions of Consob Notice No. DEM 1025564/2001, as amended and supplemented by Notice No. DEM/3021582 of April 4, 2003, and subsequently by Notice No. DEM 6031329 of April 7, 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 Italian Law No. 296/2006 (hereinafter also "Italian 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 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 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, 2020, the directors acknowledge that as at 31

December, 2020, Nova Re met both objective requirements for remaining in the Special Regime and that all 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 2020, even following the execution, on 2 November, 2020, of the capital increase referred to in the resolution of the Board of Directors of 29 October, 2020, the subjective requirements established by the reference provisions are still met, as the new controlling shareholder CPI Property Group S.A. came to hold 50% of the share capital of Nova Re + one share.

However, as mentioned in the section "Events following the reporting period" 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 Nova Re, equal to approximately 92.44% of the relevant share capital and taking into account the 38,205 treasury shares of Nova Re (equal to approximately 0.17% of the relevant share capital), pursuant to and for the purposes of Article 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 participate 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 Italian 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, as already specified in the Offer Document, CPI Property Group S.A. Intends to adopt all initiatives 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 Property Investment Company - the so-called SIIQ regime), under Art. 1, paragraphs 119 and following of the Italian 2007 Finance Act.

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 2020, the Board of Statutory Auditors monitored compliance with the law and the By-laws, 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 By-laws 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 resolutions adopted complied with the applicable laws and the By-laws. During the above 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 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 2020, given that these transactions are fully described in the Directors' Report, to which reference must be made.

Beginning in February 2020, the Company, as part of a holistic process carried out with its financial *advisor Houlihan Lokey,* initiated discussions with a select number of investors and potential strategic partners in order to assess their possible interest in investing in Nova Re's capital.

Considering that the negotiations were not concluded in time to allow the execution of the share capital increase pursuant to the Shareholders' Meeting proxy due to expire on 25 July, 2020, also due to the limitations imposed by the global Covid-19 pandemic, the Shareholders' Meeting - on 27 August, 2020 - granted the Board of Directors, pursuant to Article 2443 of the Italian Civil Code the power to increase the share capital by 31 October, 2020, for a maximum amount of euro 60 million including any share premium, also excluding option rights pursuant to Article 2441, paragraph 4, first sentence, and paragraph 5, of the Italian Civil Code insofar as: i) to be carried out through the contribution of assets in kind relating to the corporate purpose (such as, purely by way of example and without limitation, companies, business units, real estate, equity investments and/or leasing contracts), with the right to make use of the provisions contained in Art. 2343-ter of the Italian Civil Code and possibly to provide - in the event of the existence of any pre-emption rights on the assets to be contributed - any alternative contributions; and/or ii) to be made in favour of institutional investors and/or medium/long-term investors (natural persons and/or legal entities) and/or commercial and/or financial and/or strategic partners, in any event identified by the Board of Directors.

Negotiations with investors resulted in the receipt by the Company, on 2 October, 2020, of four binding offers of which 2 were by way of contribution (i. Castello SGR S.p.A. and ii. Real Estate Services S.p.A) and 2 for cash (iii. Chelsfield Italia Limited and iv. CPI Property Group), reviewed at the Board of Directors' meeting on 7 October, 2020.

The Board of Directors, after noting the lack of attractiveness of the offers in kind, in terms of the Company's value and the quality of the assets contributed, and after underlining, with reference to the cash capital increase offered by Chelsfield, the high *execution* risk of the transaction linked to the condition precedent of obtaining *bridge financing,* has represented the best offer presented by CPI Property Group ("CPI"); a Luxembourg company and leader in the European *real estate* sector.

At the end of the process described above, the Board of Directors, with the abstention of Director Maggini, accepted the binding offer presented by CPI, for a total amount of euro 25,989,629.80, at the price of euro 2.36 for each newly issued ordinary share, for a total of 11,012,555 new shares, to be paid in full by cash contribution.

Following the issuance of the new shares, CPI came to hold 50% plus one share of Nova RE's share capital, thus becoming the Company's new controlling shareholder, with the consequent obligation to launch a public take-over bid for all Nova Re's shares, at a price coinciding with the subscription price of the Capital Increase, equal to euro 2.36 per share.

Subsequently, the Company notified the change and the new composition of the share capital (fully subscribed and paid-up) pursuant to Article 85-bis of the Issuers' Regulations and Article 2.6.2. of the Regulations of the Markets Organised and Managed by Borsa Italiana S.p.A., following the execution of the capital increase as per the resolution of the Board of Directors of 29 October, 2020.

Finally, it is noted that on 4 November, 2020, CPI issued a press release in order to make the market aware of the obligation to promote the public take-over bid (the "Take-Over Bid") concerning all the shares of Nova Re, less the Company's shares already held by CPI and the treasury shares held by Nova Re, for a unit price of euro 2.36, corresponding to the same price paid by CPI to subscribe to the capital increase.

The Take-Over Bid has been launched pursuant to Articles 102 and 106, paragraph 1, of Italian Legislative Decree No. 58 of 24 February, 1998 of the TUF and the applicable implementing provisions contained in the CONSOB Regulations adopted by resolution No. 11971 of 14 May, 1999 (the "Issuers Regulation"). The Offer Document was approved by CONSOB on 9 December, 2020 and Nova Re's Board of Directors approved and published the Issuer's Notice, pursuant to Article 103, paragraph 3, of the TUF on 10 December, 2020, enclosing the reasoned opinion of the independent directors containing their evaluations of the Take-Over Bid and the fairness of the Consideration, pursuant to Article 39-bis of the Issuers' Regulations and the fairness opinion from a financial point of view (the so-called "*Fairness Opinion*") of the consideration for the Take-Over Bid, drafted by Studio Laghi.

Given the above, it must be noted that on 29 October, 2020 the minority shareholder Sorgente Group Italia S.r.l. sent the Company, and all Directors and Statutory Auditors as well as the audit firm Ria Grant Thornton S.p.A, a notice in which, in view of the alleged *"significant profiles of illegitimacy"*, through its legal counsel solicitor Francesco Carbonetti, it warned *"the parties in charge not to resolve, cooperate and/or in any case carry out, to the extent of their remits, the exercise of the Proxy in breach of the above-mentioned rules of law with the express warning that, if they fail to do so, all steps will be taken to enforce their respective financial responsibilities for the damages suffered"*.

Specifically, it is specified that the minority shareholder, Sorgente Group Italia S.r.l., 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 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 informed the market that it considers the challenge and the relevant arguments to be pretentious and groundless, reiterating that the capital increase was resolved in compliance with all legal requirements and in the best interest of the Company and all its shareholders. The Board of Directors also pointed out that the share capital increase was approved with the favourable vote of all Directors present, with the sole exception of the vote against it cast by the Director Elisabetta Maggini, who, according to the documentation available at the Company Register, appears to hold the position i. of Director of Sorgente Group Italia S.r.l. (appointed by document dated 20 April, 2020 and in office until the approval of the financial statements for the year ended on 31 December, 2022) and ii. as a Director of Novare (appointed by document dated 15 July, 2020 and in office until the approval of the financial statements for the year ended on 31 December, 2020).

More specifically, as specified by the Managing Director dott. Cervone in the Board of Directors' meeting of 27 November, 2020, the Director Elisabetta Maggini, therefore, in the context of the meeting of 29 October, 2020, failed to inform the Board of Directors and the Board of Statutory Auditors that she was the bearer (at least on behalf of third parties), of a significant interest pursuant to Article 2391 of the Italian Civil Code; this, taking into account that as a result of the execution of the extraordinary transaction a change of control over Nova Re had taken place, thus breaching the obligation under Article 2391 of the Italian Civil Code, which may also be relevant under the Code of Ethics and the Model of organisation and management pursuant to Italian Legislative Decree No. 231 of 08 June, 2001 ("Model 231") adopted by the Company.

It must be noted that Nova Re's Code of Ethics in Article 4 states that *"The directors, employees and collaborators in various capacities of the company must avoid any situation that could oppose a personal interest to company employees and must refrain from making, in any way and for any reason, of the activities carried out on behalf of the company to obtain, for themselves or others, undue advantages. The occurrence of situations of conflict of interest, in fact, is detrimental to the corporate image and integrity [...]. Therefore, any situations of conflict must be promptly notified by the affected party to his/her hierarchical superior and, if necessary, to the Supervisory Body through the dedicated channel"*.

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The Board of Directors' meeting of 27 November, 2020, with the abstention of Director Maggini, unanimously deemed it appropriate to report the omissive conduct of Director Elisabetta Maggini to the Supervisory Body, requesting that the Body itself carry out all necessary investigations and, draw up a specific report, drafting a possible proposal for penalties against the latter in accordance with and consistent with the provisions of section 7 ("The disciplinary system") of the 231 Model.

The events just described were investigated by the Board of Statutory Auditors during the audit carried out on 30 November, 2020, during which the Board of Statutory Auditors noted that the failure to disclose the conflict of interest did not affect in any way either the adoption of the resolution or the conditions thereof; therefore, the breach does not appear to have caused potential damage to the company or third parties pursuant to paragraphs 4 and 5 of Article 2391 of the Italian Civil Code and Articles 2392 et seq. of the Italian Civil Code.

Subsequently, on 18 January, 2021, the Board of Statutory Auditors met in order to review the final report of the Supervisory Body dated 29 December, 2020 which: i) ascertained the simultaneous existence of the two offices held by the same person; ii) acknowledged the actual situation of conflict of interest and iii) concluded that the lack of communication constituted an omission with respect to the provisions of the Code of Ethics in Art. 4, reserving the right to assess the applicable penalties and referring to the relevant bodies (Board of Directors and Board of Statutory Auditors) the assessment of the possible need to notify the control authority and introduce penalties as this falls outside the scope of its activities.

Specifically, in the aforementioned document, the Supervisory Body states that it did not find "*a declaration of conflict of interest - although the Director's position was known, as she herself pointed it out - (...)*" and that Ms. Maggini "should therefore have disclosed her own position of conflict of interest prior to the expression of the contested vote"; it then concludes that "*while highlighting the absence of a declaration of conflict of interest, it refers to the relevant bodies, the Board of Directors and the Board of Statutory Auditors, the assessment of the possible need for disclosure to the supervisory authority and the introduction of penalties, as this is outside its scope of activities*".

In view of the above, having carried out the necessary in-depth analyses of the reference legislative and regulatory context, the Board of Statutory Auditors deemed it appropriate, to the extent of its remits, to report to the Consob Authority on 1 February, 2021, by means of a notice sent by certified e-mail, the fact that the Director Elisabetta Maggini during the Board of Directors' meeting of 29 October, 2020, failed to report to the Board of Directors and the Board of Statutory Auditors that she was the bearer (at least on behalf of third parties), of a significant interest pursuant to Article 2391 of the Italian Civil Code, taking into account that as a result of the execution of the extraordinary transaction there was a change of control over Nova Re.

Nova Re, in light of the possible effects of the Covid-19 health emergency and related regulatory interventions, from March to May 2020, in fact deemed it appropriate to take advantage of the benefits provided until 30 September, 2020 (benefits that were extended until 30 June, 2021, following the extension that took place with the

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approval of the Budget Law of 30 December, 2020) by the provisions contained in Article 56 of Decree-Law No. 18\2020, (the so-called "Cura Italia" and request the suspension of the payment of instalments on existing loans.

In relation to the financial commitments arising from the loan agreement with Unicredit and specifically with reference to the ISCR covenant (the ratio of EBITDA to net interest), it must be noted that as at 31 December, 2020 the covenant is below the floor (1.35x) envisaged in the broadest legal interpretation that the denominator takes into account the value of the interest recorded and not that paid, which in the latter case would make this indicator incalculable. In fact, it must be noted that, from March 2020, the Company availed itself of the benefits provided until 30 June, 2021 by requesting the suspension of the payment of instalments on existing leasing and mortgage loans (including interest).

In addition, as part of the measures envisaged by the Government pursuant to Article 1 (Temporary measures to support business liquidity) of Decree-Law No. 23 of 8 April, 2020 (the so-called Liquidity Decree) in September 2020 Nova Re obtained a bank loan for an amount of euro 2 million, guaranteed by Mediocredito Centrale, issued by the Banca Centro Lazio institute as part of the Liquidity Decree converted by Italian Law No. 40 of 5 June, 2020.

Among the main events that significantly affected the management and performance of the Company's and Nova Re Group's real estate portfolio in general during the year 2020, worthy of mention is the one related to the health emergency connected to the Covid-19 pandemic, which resulted in a major slowdown in investment transactions caused mainly by a wait-and-see attitude on behalf of investors.
In relation to the effects deriving from the health emergency and in view of the sector difficulties, the Company has undertaken discussions with the tenants OVS (regarding the rents for the property in Milan) and with Hotel alla Salute (for the property in Verona) to renegotiate the lease payments.

In December 2020 given the continuing health emergency situation, the tenant OVS made an inquiry to the owners on the possibility of considering further temporary reductions in lease payments. On the date of this report, it must be noted that discussions are in progress.

In relation to the hotel property in Verona leased to SHG Hotel Verona S.r.l., it must be noted that the Company, after having waived the lease payments for February (in part), March, April, May, June and July 2020 and 50% of the lease payment for August 2020, has initiated legal proceedings aimed at the eventual vacating of the property following the tenant's failure to comply with the lease payment reduction agreements entered into with Nova Re.
On 30 December, 2020 the Company signed the preliminary agreement for the purchase of some of the property units located in the property in Milan, Via Spadari no. 2, adjacent to units already owned by the Company, at a price of euro 7,500,000.00.

Events following the reporting period

Following the necessary in-depth analysis of the events that have had a significant impact on the 2020 financial year, with regard to significant events following the reporting period, the following must be noted.

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 paragraphs 1 and 109 of the TUF, 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 Nova Re were contributed, representing approximately 42.44% of the Issuers' share capital and approximately 85.18% of Nova Re's ordinary shares covered by the Take-Over Bid, at a price of euro 2.36 per ordinary share and, therefore, for a total value of euro 22,061,322.48. Therefore, CPI came to hold a total of 20,360,573 ordinary shares of NOVA RE, equal to approximately 92.44% of its share capital.
In addition, taking into account the 38,205 treasury shares of Nova Re (equal to about 0.17% of the related share capital), within the meanings and purposes of Art. 44-bis, par. 5, of the Issuers' Regulations, reference must 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.
In this regard, it must be noted that CPI, stated in the Offer Document, its willingness to re-establish a free float sufficient to ensure the regular course of trading within ninety days, in accordance with procedures - such as, by way of example, selling off Nova Re's ordinary shares, *Accelerated Book Building (ABB)*, capital increases with partial or total exclusion of option rights reserved for parties other than shareholders who hold significant holdings under Art. 120 of the TUF - which will be deemed most appropriate, among other, in view of the market conditions. In the above mentioned Offer Document, CPI Property Group S.A. further stated it will adopt, all initiatives 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 Property Investment Company - the so-called SIIQ regime), under Art. 1, paragraphs 119 and following of the Italian 2007 Finance Act, within the time-frames set out in applicable regulatory requirements in force.
Furthermore, on 27 January, 2021 Nova Re approved a loan proposal received from the new reference shareholder CPI, for an amount of approximately euro 54.6 million, intended to cover the costs incurred by Nova Re for the purposes of early repayment of the mortgage loan agreement signed on 29 December, 2017 with UniCredit S.p.A..with a duration of five years at a fixed annual rate of 2.1% to be repaid in a single payment on maturity. Consequently, on 29 January, 2021, the Company repaid in advance and voluntarily the residual debt of the mortgage loan agreement signed on 29 December, 2017 with UniCredit S.p.A. for an amount of euro 51.7k including interest accrued as at that date and settled the debt related to the derivative contract to hedge the interest rate fluctuation risk of the aforementioned mortgage loan for an amount of euro 1.9 million.

In February 2021, Nova Re formed Fidelio Engineering S.r.l. a wholly owned subsidiary to support CPI Group's initiatives for real estate development and increase the value of its real estate assets.
In March 2021, the first hearing was held in the case brought by Sorgente Group Italia S.r.l. concerning the challenge to the Board of Directors' resolutions of 29 October, 2020 and 7 October, 2020 and to 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.
Finally, on 24 March, 2021, following a pre-litigation initiated by an employee Nova Re signed a union settlement agreement.
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 2020 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 Committee of Independent Directors ("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 the Corporate Governance Code. On 15 July, 2020 the Board of Directors also resolved to reconstitute the Board's Committee of Independent Directors, comprising Gian Marco Committeri (Chairman), Serena La Torre and Andrea Maria Azzaro, with the duties - from time to time - of Committee for Transactions with Related Parties, Control and Risk Committee, Appointments Committee, Remuneration Committee and Investment Committee.

The Board of Statutory Auditors has analysed 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 Committee of Independent Directors for Transactions with Related Parties;
- with reference to Nova 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 2020 arising from transactions with related parties;
- detailed information on the remuneration due for the year 2020 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 Article 123-ter of the TUF. Specifically, the Shareholders' Meeting - on 27 August, 2020, approved the new Remuneration Policy of Nova Re SIIQ S.p.A. for the year 2020 explained in the Report on the remuneration policy drafted by the Board of Directors pursuant to Articles 123-ter and 125-ter of Italian Legislative Decree No. 58 of 24 February, 1998 as well as revoked the resolution approving the 2019-2021 Performance Share Plan passed by the Shareholders' Meeting on 7 May, 2019, and accordingly revoked the Company's 2019-2021 Performance Share Plan based on financial instruments pursuant to Article 114-bis of Italian Legislative Decree No. 58 of 24 February 1998, taking into account that the new Remuneration Policy of Nova Re SIIQ S.p.A. provides for the postponement of the adoption of the new incentive systems (both short term and medium-long term) following the outcome of the completion of the Company's recapitalisation transaction;
- in the Directors' report and in the notes to the statutory and consolidated financial statements, the directors provide adequate information on intra-group transactions and transactions with related parties.

With regard to significant transactions with related parties, the following updates are given by the Chief Executive Officer from time to time during the meetings held during the 2020 financial year, regarding the evolution of the situation with the related party Main Source S.A. and with the Euro Sub-fund of the Luxembourg-registered Historic & Trophy Building Fund, issuer of the debenture loan subscribed by the Company for a tranche of a nominal value of euro 6,000,000.

During the meeting of 21 January, 2020, the Committee of Independent Directors, having received news: i. of the failure to credit the interest as at 31 December, 2019 relating to the tranche of the debenture loan equal to a nominal euro 6 million subscribed by Nova Re as well as (ii) the suspension of trading of the debenture loan motivated by an event of default, as per the notice published on the Luxembourg Stock Exchange of which Nova Re became aware on 16 January, 2020 and, in the absence of up-to-date information on the HTBF Fund's asset situation, deemed that exercising the right to sell the debenture and the simultaneous implementation of

contractually envisaged guarantees was in the primary interest of the Company and its shareholders and did not hinder any future opportunity to acquire ownership of the debtor fund's assets.
At the end of the meeting, the Board of Directors therefore exercised the right to sell the debenture, prior to the exercise of the first demand surety against the guarantor Fondo Donatello - Tulipano Sub-Fund managed by Sorgente SGR S.p.A. in a.s.
At its meeting of 30 January, 2020, the Board of Directors resolved to proceed with the immediate implementation of the guarantee mechanisms contractually envisaged in relation to the debenture loan issued by the HTBF Fund, namely: i. the right to sell the debentures to the HTBF Fund (put option) and, subsequent to the exercise of this right and ii. the enforcement of the first demand guarantee issued by the Fondo Donatello - Tulipano Sub-Fund, giving ample authorisation to the Managing Director to do so.

Therefore, on 31 January, 2020, the Company exercised the put option, in accordance with the letter of commitment of 13 October, 2017, signed between Main Source and the Company, which also requested the issuer to pay the price equal to the nominal value of the debentures subscribed by the Company (euro 6 million), plus the accrued interest until the effective date of the sale, no later than by 2 March 2020 (corresponding to the 30th day from receipt of the letter).
The letter exercising the put option was also sent, to Sorgente SGR S.p.A. in a.s., in its capacity as manager of the Fondo Donatello, Tulipano Sub-Fund and by reason of the independent first demand guarantee issued by it in favour of the Company on 19 October, 2017.
On 5 February 2020, the Company also sent a notice to the CSSF *Commission de Surveillance du Secteur Financier (*the Luxembourg Commission for the Supervision of the Financial Sector), informing the latter of the exercise of the *put* option by the Company and at the same time requesting the receipt of accurate and exhaustive information on the capital, financial position and operating results of the HTBF Fund;
Not having received any response from Main Source, the Company, on 18 March, 2020, requested with a further notice of 21 February, 2020 - in view of the expiry of the term of thirty days from the exercise of the *put* option where no action has been taken and in view of the failed settlement of the price equal to the nominal value of the debentures subscribed by the Company (euro 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 S.p.A. in a.s, in its capacity as manager, in the name and on behalf of the Fund named "*Donatello - FIA Italiano Immobiliare Comparto Tulipano*" (Donatello - Real Estate Italian AIF, Tulipano Sub-Fund). The Company, by enforcing the guarantee in question, asked Sorgente SGR S.p.A. in a.s. to pay the amount of the nominal value of the debentures subscribed (euro 6 million), by and no later than 17 March, 2020.
In implementation of the resolutions passed by the Board of Directors with a view to recovering the receivable, during the meetings held on 22 May, 2020, the Committee of Independent Directors and the Board of Directors noted that, on 19 May, 2020, the Company, through its legal counsel, sent to Sorgente SGR S.p.A. in a.s. as manager

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of the Fondo Donatello - Tulipano Sub-Fund a letter of warning and formal notice, relating to the enforcement of the surety guarantee provided by the latter in relation to the debenture loan issued by the HTBF Fund.
Legal action to protect Nova Re's rights was taken against the guarantor Sorgente SGR S.p.A. in a.s. and, through the STIBBE law firm in Luxembourg, against the main debtor Main Source.
As for the activities undertaken against Sorgente SGR S.p.A. in a.s., it must be noted that:(i) on 1 July, 2020, an appeal was filed with the Court of Milan for an order to pay the amount due to the Company accrued in the meantime; (ii) on 20 August, 2020, the Court of Milan announced that it had accepted the aforesaid appeal and ordered Sorgente SGR, as manager of the Fondo Donatello -Tulipano Sub-Fund, to pay the plaintiff the sum of euro 6,152,500.00; (iii) following a request for correction of a material error in the decree, filed on the Court of Milan, on 2 October, 2020, processed the acceptance of the decree which, as processed, was notified to Sorgente SGR on 16, October 2020; (iv) on 25 November, 2020, Sorgente SGR S.p.A. in a.s. served a writ of summons in opposition to the injunction with a simultaneous request for a counter-guarantee and summons of the third party (Sorgente Group Italia S.r.l.) and counterclaim; *(v)* the first hearing of the opposition proceedings has been set for 4 March of this year at the Court of Milan.
With reference to the actions taken against the main debtor Main Source S. A., it must be noted that i. a "*formal notice*" was sent to the debtor on 27 July, 2020 enjoining and warning Main Source to pay the amounts due to Nova Re without delay; (ii) having received no response, on 11 September, 2020, a notice was sent to the *Commission de Surveillance du Secteur Financier* to inform it that the Company would take all appropriate legal action to protect its legal rights; (iii) on 19 November, 2020, the enforcement procedure (the so-called "*commercial procedure before the District Court*" was initiated, by due service of process of the "*Assignation devant le Tribunal d'arrondissement de et a Luxembourg*", the first service of the aforementioned judicial proceedings; (iv) on 4 December, 2020, an initial hearing was held in which the Court assigned the case to the relevant section; (v) subsequently, on 7 December, 2020, the Judge, in application of the measures for the containment of the epidemiological emergency from Covid-19 which extended the time of proceedings, announced that the next hearing had been set for 15 June, 2021.
As previously stated, following the execution of the capital increase, which led CPI Property Group S.A. to acquire 50% plus one share of the share capital, CPI, pursuant to Articles 102 and 106, paragraph 1, of Italian Legislative Decree No. 58 of 24 February, 1998, and the applicable implementing provisions contained in the CONSOB Regulations adopted by resolution No. 11971 of 14 May, 1999, launched a public take-over bid for all shares of Nova Re, less the shares of the company already held by CPI and the treasury shares held by Nova Re, for a unit price of euro 2.36, corresponding to the same price paid by CPI to subscribe to the capital increase on the basis of a fairness opinion (the so-called "*Fairness Opinion*") of the consideration for the Take-Over Bid, drafted by Studio Laghi.
Finally, on 27 January, 2021, the new shareholder CPI Property Group S.A. provided a loan of euro 54.6 million aimed at the early repayment of the mortgage loan agreement signed on 29 December, 2017 with UniCredit S.p.A..
The Loan, disbursed by the shareholder in a single tranche, has a duration of

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five years and provides for a fixed nominal interest rate of 2.1% per annum. As CPI 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 also qualifies as a "Significant Transaction with a Related Party" pursuant to Art. 4, paragraph 1, letter a) of Consob Regulation No. 17221/2010.

With regard to transactions with other related parties of greater and lesser importance, it must be pointed out that the Board of Directors, acting upon a recommendation by the Committee of Independent Directors, terminated the relationship with the related party Musa Comunicazione (advisory for media relations services), formalising in respect of the related party the termination of the relationship, which had been de facto extended until the date of establishment of the beauty contest for choosing the new assignee of media relations services. In its meeting of 30 January 2020, the Board of Directors notified the termination of the relationship with the related party, conferring the new assignment of advisory for media relations services for the year 2020 to the company Vera S.r.l.

It must also be noted that, on 18 March, 2020, the Board of Directors, with the favourable opinion of the Committee of Independent Directors i. terminated the Framework Agreement with the related party Nova Res S.r.l., now Polimnia S.r.l., for property and facility management services made necessary in light of Nova Re's 2020-2024 Business Plan, approved by the BoD on 21 November, 2019 and ii. terminated the existing sublease agreement with the related party Tiberia S.r.l, in light of the provisions of Nova Re's 2020-2024 Business Plan, which, with a view to achieving operational efficiencies, provided for the transfer of the registered office to the offices on the first floor of the building, owned by Nova Re, located in Rome, in Via Zara 28, with effect from the date of 12 October, 2020.

With reference to the sublease agreement between the Company and the related party Società Tiberia S.r.l., whereby Tiberia S.r.l. subleased to Nova Re the entire fifth floor and certain parts of the fourth floor of the property located in Rome, Via del Tritone No. 132, the meetings held on 8 April and 13 May, 2020 of the Committee of Independent Directors addressed the issue of centralised Shared Costs by related companies. The Committee took note of the allocation criteria and methods used for the centralised distribution of shared costs and noted the existence of a cost item amounting to euro 49,790, the payment of which was borne by Sorgente REM and reimbursed by Nova Re, which is outside the sublease agreement with Tiberia S.r.l. and for which there is no obvious contractual justification, other than the representation by the management that these are expenses incurred for urgent work actually carried out for the benefit of Nova Re. Consequently, the Committee of Independent Directors took note of the in-depth studies conducted by the Company's relevant departments, reviewing the additional documentation made available, including the opinion, requested by the Managing Director, of the Head of Internal Audit, confirming that the procedure followed for the allocation of non-contracted Shared Costs was correct. At the end of the above activities, the Committee of Independent Directors, while noting that the value of non-contracted shared costs was lower than the threshold of insignificance envisaged by Art. 9.2 of the "RPT" Procedure adopted by the Company (the so-called "Below Threshold" transaction), with the consequent exclusion from the

application of the procedural process prescribed by the RPT Procedure, confirmed its favourable opinion on the criteria and methods for the allocation of shared costs for the year 2019.

Financial Reporting Process. Observations and proposals on the disclosure requirements in the Report of the Audit Firm

Pursuant to Article 19, par. 2, of Italian 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 Italian 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 Italian Legislative Decree No. 58/1998 (TUF) met periodically with the Audit Firm in order to exchange mutual information. During the course of 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 Article 155, paragraph 2, of Italian Legislative Decree No. 58/1998 (TUF).

The Board of Statutory Auditors analysed the methodological framework adopted by the Audit Firm and obtained the necessary information, including information on the audit approach used for the various significant areas of the financial statements, sharing issues related to business risks, as well as receiving updates on the progress of the audit assignment and the main issues that the Audit Firm is concerned with.

The Board of Statutory Auditors then reviewed the reports drafted by the Audit Firm, Ria Grant Thorton S.p.A.

On April 1, 2021, the Audit Firm issued its Audit Reports drafted in accordance with Art. 14 of Italian Legislative Decree No. 39/2010 and Art. 10 of Regulation (EU) No. 537/2014, for the annual financial statements and the consolidated financial statements as at 31 December, 2020, respectively. With regard to opinions and statements, reference must be made to the Reports issued by the Audit Firm.

Specifically, it must be noted that in the above Audit Reports on the financial statements, the Audit Firm has:

- issued an opinion to the effect that the financial statements and the consolidated financial statements of Nova Re SIIQ S.p.A. give a true and fair view of the financial position of the Company and the Group as at 31 December, 2020, and of the results of their operations and their cash flows for the year then ended in accordance with *International Financial Reporting Standards* as adopted by the European Union and with the measures issued in implementation of Article 9 of Italian Legislative Decree No. 38/2005;

- declared, pursuant to Art. 14, paragraph 2, letter e) of Italian Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Italian 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 certain specific information contained in the report on corporate governance and ownership structure as set forth in Article 123-bis, paragraph 4, of Italian Legislative Decree No. 58/98, with the financial statements of Nova Re SIIQ and the consolidated financial statements of the Group as at 31 December, 2020 and on their compliance with the law, as well as issued a statement on any significant errors.

In his/her reports, the Auditor did not highlight any issues or requests for information.

The Auditors 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 issues were analysed in detail and updated during the periodic meetings that the Board of Statutory Auditors held with the Audit Firm.

The Auditor did not report any events or circumstances identified during the course of the audit that 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 matters concerning actual or suspected non-compliance with laws and regulations or statutory provisions identified during the course of the audit.

With regard to 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.

Appointment of the Audit Firm

As set forth in the documentation made available for the Ordinary Shareholders' Meeting, it must be noted that CPI Property Group S.A. following the acquisition of control of the Company, as reported by the Chief Executive Officer, has requested to appoint a single group auditor for the companies within its scope of consolidation, and, to this end, has requested to reach a consensual early termination, with respect to the natural expiry, of the engagement for the legal audit of the accounts, conferred at present to the auditor RGT and to replace the latter with the company in charge of the legal audit of the parent company's accounts, EY; formerly the Company's statutory audit company for the 2008-2016 nine-year period.

On 3 March, 2021, the Company, following the willingness of the parent company CPI to appoint the group's statutory auditor to carry out all statutory audit engagements, sent to the audit firm Ria Grant Thornton S.p.A. ("RGT"), the entity in charge of the statutory audit for the Nova Re SIIQ Group, a proposal for the consensual

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termination of the assignment conferred on it by the Shareholders' Meeting of 28 April, 2017 for the 2017-2025 nine-year period.

In view of the above, the Board of Statutory Auditors issued an opinion on 26 March, 2021, on the legitimacy of the current assignment's early termination of the statutory audit of Nova Re's accounts and the conferral of a new assignment to the parent company's auditor, Ernst & Young ("EY").

On 12 March, 2021 Ria Grant Thornton S.p.A. notified that it had no comments on the early termination proposed by the Company's CEO on 3 March, 2021, and that said termination could be formalised as soon as the procedure provided for by the reference regulations was completed with the resolution of the shareholders' meeting; said notice constitutes the Independent Auditors' Observations pursuant to Art. 7, paragraph of Ministerial Decree No. 261/2012. It must be noted that, pursuant to Article 13, paragraph 6, of Italian Legislative Decree No. 39/2010 and Article 7, paragraph 3, of Italian Ministerial Decree No. 261/2012, the termination will take effect from the effective date of the shareholders' meeting resolution to grant the new audit assignment for the 2021-2029 nine-year period to EY; CPI Group's auditor.

EU legislation on statutory audits, and specifically Article 16, paragraph 2, of the EU Regulation, has strengthened the role of the Board of Statutory Auditors in its role as the Internal Control and Audit Committee in terms of selecting the new statutory audit firm.

In view of the above, the analyses carried out by the Board of Statutory Auditors regarding the legitimacy of the early termination of Nova Re's current engagement for the statutory audit of the accounts and the conferral of a new engagement to EY, considered that Novare's reasons justify the early termination and that the provision of an entity in charge of the statutory audit of the accounts of CPI and of the companies consolidated by it constitutes a legitimate request by CPI in exercising its prerogatives as controlling shareholder.

The opinion of the Board of Statutory Auditors also highlights how the possible termination of the audit engagement currently entrusted to RGT and the simultaneous conferral of the new audit engagement, for the years 2021-2029, to the same auditor appointed by CPI (EY) would be useful, as mentioned, in maintaining the alignment of audit activities under the responsibility of a single group auditor and would in fact allow benefits in terms of effectiveness of audit activities. The principle of the "single group auditor", which is a widespread market practice, is in fact suitable to determine benefits in terms of effectiveness, efficiency and cost-effectiveness of the audit process, consistent with the various and broader responsibility profiles introduced by Regulation (EU) No. 537 of 2014.

Consequently, on the basis of the evidence received, as well as the checks carried out and the reasons set out above, taking into account the guidelines received from the new controlling shareholder CPI and the clarifications provided by the latter in the notice of 23 March, 2021, it proposed to the Ordinary Shareholders' Meeting of Nova Re SIIQ S.p.A. to confer the assignment of the statutory audit of Nova Re SIIQ S.p.A, pursuant to Regulation (EU) No. 537 of 2014 and Italian Legislative Decree No. 39 of 2010, for the duration of nine financial years subject

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to consensual early termination of the statutory audit engagement conferred on RGT by Nova Re's Shareholders' Meeting on 28 April, 2017.

Report of the Audit Firm Information on whether any additional engagements have been assigned to the audit firm or to parties related to the audit firm 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 Italian Legislative Decree No. 39/2010 finding no situations that could compromise the independence of the audit firm during the period from 1 January, 2020 until the date of issue of the statement (1 April, 2021).

Annex 2 to the Company's notes to the financial statements shows the fees paid to the Audit Firm and the schedule, drafted in accordance with Art. 149-duodecies of the Consob Issuers' Regulation, of the fees for the year paid to Ria Grant Thorton S.p.A.

Taking into account:

- the declaration of independence issued by Ria Grant Thorton 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 Article 13 of said Regulation;
- of the tasks assigned to it and the companies belonging to its network by Nova 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 Italian Civil Code and reports

During 2020, no complaints were received pursuant to Article 2408 of the Italian Civil Code and no reports of any kind were filed.

Information on the existence of opinions issued in accordance with the law during the year

During the 2020 financial year, the following were issued:

- 10 opinions of the Committee of Independent Directors, during which the Committee rendered opinions concerning the various items on the Agenda;
- 2 half-yearly reports by the Internal Audit Department, as at 30 June and 31 December, 2020.

Information of the frequency and number of meetings of the Board of Directors, the Executive Committee and the Board of Statutory Auditors.

During the year, the Board of Statutory Auditors took part in:

- 13 meetings of the Board of Directors,
- 10 meetings of Sub-committees;
- 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 audit firm for the purpose of a reciprocal exchange of relevant data and information.

Transactions approved and executed by the Board of Directors appear to comply with the law and the corporate By-laws, are not in conflict with resolutions approved by the Shareholders' Meeting and are consistent with the principles of sound management.

The Directors' Report for the year 2020 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 the consolidated financial statements and with 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 remits, the adequacy of the Company's organisational structure. It also deemed that it was appropriate in terms of the Company characteristics and the activities carried out.

The Company's current Board of Directors consists of 7 (seven) members, 3 (three) of whom are independent, who will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ended on 31 December, 2020. The appointment of the current Board of Directors was resolved by the Shareholders' Meeting to approve the 2019 financial statements on 15 July, 2020 in accordance with Article 16 of the Company's By-laws. Specifically, the Shareholders' Meeting of 15 July, 2020 appointed as members of this body, Mr. Giancarlo Cremonesi, as Chairman, Mr. Stefano Cervone, Mr. Gian Marco Committeri, Ms. Serena La Torre, Ms. Elisabetta Maggini, Ms. Luisa Scovazzo and Mr. Andrea Maria Azzaro.

The newly appointed Board of Directors 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 have been 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.

Also at the Board meeting held on 15 July 2020, the Board also resolved to reconstitute the Board's Committee of Independent Directors, which will serve as the Committee for Transactions with Related Parties, the Audit and Risk Committee, the Appointments Committee, the Remuneration Committee and the Investment Committee.

In compliance with Principle 7.P.3 and Application Criterion 7.C.5 of the Corporate Governance Code, on 18 March, 2020 the Board of Directors, on the proposal of the Director in charge of the internal control and risk management system, together with the Chief Executive Officer, subject to the favourable opinion of the Committee of Independent Directors, and having consulted the Board of Statutory Auditors, appointed Mr. Salvatore De Bellis as Head of the Internal Audit Department, until the date of approval of the Internal Audit Report for the year 2020, then confirmed on 3 March, 2021 until the date of the Board meeting in which the Half-Yearly Financial Report as at 30 June, 2021 will be approved.

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 the Report on Corporate Risk Factors drafted by the director in charge of the SCIGR, solicitor Giancarlo Cremonesi, on 3 March, 2021.

In addition, it must be noted that the Board of Directors 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 2020 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;

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- the results of audits and assessment activities received by the Board of Statutory Auditors from the *Internal Audit* Department and the Audit Firm;
- the report on risk factors drafted by the director in charge of the SCIGR pursuant to Article 5, paragraph 1), letter a) of the SCIGR Guidelines of Nova 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 sub-committees;
- the exchange of information with the Statutory Auditor and the 231/2001 Supervisory Board.

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 remits, 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, the Audit Firm and the Manager in charge of drafting the company's financial reports; ii) participating in the work of the Committee of Independent Directors; iii) reviewing the results of activities carried out by the Internal Audit department.

The Board of Statutory Auditors also acknowledged the Certifications, dated 15 March, 2021, on the statutory and consolidated financial statements as at 31 December, 2020, pursuant to Art. 154-bis, par. 5 of Italian Legislative Decree No. 58/1998 and 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 effective application of the administrative and accounting procedures referred to in Article 154-bis, paragraph 3 of the TUIF;
- that the financial statements and the consolidated 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 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 and of all companies included in the consolidation.

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 result from operations and of the position of the issuer and all of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

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Observations on the adequacy of the instructions given by the company to its subsidiaries pursuant to Art. 114, paragraph 2, Italian Legislative Decree No. 58/1998

The Board of Statutory Auditors has obtained knowledge of and supervised, to the extent of its remits, the instructions given by the Company to its subsidiaries, pursuant to Article 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 Article 150, paragraph 2, of Italian Legislative Decree No. 58/1998

The Audit Firm, which meets periodically with this Board of Statutory Auditors, in compliance with the provisions of Art. 150, paragraph 3, of Italian Legislative Decree No. 58/1998 (TUF) for the purpose of exchanging reciprocal 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 Italian Legislative Decree No. 58/1998 (TUF).

On 1 April, 2021, the Audit Firm 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 course of the audit that could cast significant doubt on the Company's or the Group's ability to continue as a going concern, nor did he/she report any significant deficiencies in the internal control system in relation to the financial reporting process and/or accounting system or any significant matters relating to actual or suspected non-compliance with laws and regulations or statutory provisions identified during the course of the audit.

The Reports on the audit of the statutory and consolidated financial statements set out the key matters that in the Auditor's professional opinion were most significant during the audit of the statutory and consolidated financial statements, namely

- the valuation 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 valuations 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, 2020, the Audit Firm performed the following main activities: i. analysis of the procedures for selecting and using the independent expert in charge of estimating fair value; ii. analysis of the valuation methods used by the independent expert, taking into account the physical and income characteristics of the individual properties; iii. analysis of the main valuation parameters applied and their reasonableness on the basis of information provided by the available market sources; iv. discussion with the Company's management of the correspondence between the valuation assumptions used by the expert and the current state of the properties. The audit firm also reviewed the disclosures provided in the notes to the financial statements;
- fair value valuation of the debenture loan underwritten by the Company and issued by Main Source S.A., on behalf of the Euro Sub-fund of the HTBF Fund under Luxembourg law: the auditors audited i. the analysis of the valuation methods used, the *assumptions* and the supporting documentation used to determine the fair value of the financial asset, ii. the review of the information provided in the notes to the financial statements.
- the Report on the Audit of the Consolidated Financial Statements contains an explanation of the key aspects which, in the Auditor's professional opinion, were most significant during the audit of the consolidated financial statements for the financial year, in addition to those mentioned above: the valuation of property investments, measured at fair value in accordance with the provisions of international accounting standard IAS 40, with recognition of write-ups and/or write-downs resulting from changes in fair value in the profit and loss account for the properties of the company Nova Re Siiq S.p.A. The property owned by the subsidiary Cortese Immobiliare S.r.l., is also valued at fair value in the consolidated financial statements, with the first recognition of the effects in the shareholders' equity, on the date of acquisition of the investment, in accordance with IFRS 3 (Business Combination).

Company's adherence to the Corporate Governance Code of the Committee for the Corporate Governance of Listed Companies

In relation to the provisions of Art. 149, paragraph 1, letter c-bis, of the Consolidated Finance Act (TUF) regarding the supervision by the Board of Statutory Auditors "on the procedures for the specific implementation of the corporate governance rules 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 to comply with", the Board of Statutory Auditors points out that:

- Nova Re adheres to the Corporate Governance Code; the Board of Statutory Auditors has monitored the specific implementation of the corporate governance rules 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. It must be noted that, on 15 March, 2021, the Board carried

out a new assessment of the independence of its members, ascertaining whether or not they continued to meet the independence requirements envisaged by Articles 147-ter, paragraph 4 and 148, paragraph 3 of the TUF, by Art. 2 of the New Code, as well as by Art. 16 of the Market Regulations for Directors Gian Marco Committeri, Serena La Torre and Andrea Maria Azzaro, and the meeting of the independence requirements as envisaged by Articles 147-ter, paragraph 4 and 148, paragraph 3 of the TUF for Director Luisa Scovazzo.

- in relation to the assessment to be carried out pursuant to Article 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 Consolidated Finance Act (TUF), on 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 nine meetings for which it is responsible, attended the meetings of the Board of Directors and the meetings of the Sub-committees, as well as the Shareholders' Meetings, attending a total of 25 (twenty-five) meetings, of which thirteen were of the Board of Directors, ten of the Sub-committees and two of the Shareholders' Meetings.

The Board of Statutory Auditors, to the extent of its remits, in accordance with the provisions of the Corporate Governance Code, verified the contents of the Corporate Governance Report drafted in accordance with the instructions contained in the Regulation of Markets Organised by Borsa Italiana S.p.A. and in the Consolidated Finance Act (TUF) and approved by the Board of Directors on 15 March, 2020; the Board of Statutory Auditors, to the extent of its remits, in accordance with the provisions of the Corporate Governance Code, also verified the contents of the Remuneration Report drafted by the Directors. With regard to section I of the above report, which was expressly approved by the Shareholders' Meeting, it was drafted in compliance with the instructions contained in the Regulations of the Markets Organised by Borsa Italiana S.p.A. and in the consolidated Finance Act (TUF).

During the 2020 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 Committees of Nova 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 its Committee of Independent Directors relating to the 2020 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 requisites provided for by both the Consolidated Finance Act (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 2020 financial year, also through the Committee of Independent Directors, 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 his/her letter of suggestions and report on key issues to the financial statements;
- assessment of the correct use of accounting principles and their uniformity for the purposes of drafting the consolidated financial statements;

It must be noted that the Board of Directors, most recently with the Framework Resolution of 15 July, 2020, deemed it appropriate to align the Issuer's corporate governance system with the principles set out in the Corporate Governance Code in the then current and applicable version of July 2018, bringing the corporate organisational model in line with national and international *best practices*.

In addition, in 2021, activities to comply with the new *Corporate Governance Code* approved on 30 January, 2020 were initiated.

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 Italian Legislative Decree No. 58/1998

In accordance with the provisions of Art. 19 of Italian 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 audit firm Ria Grant Thornton S.p.A. (the "Audit Firm" or "Ria Grant Thornton"), 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 Audit Firm 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 and the consolidated financial statements as at 31 December, 2020. The notes to the financial statements contain the information on fees required by Art. 149 *duodecies* of the Issuers' Regulation.

Ria Grant Thornton issued, on 1 April, 2021, its audit reports on the financial statements and the consolidated 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, 2020, of its results of operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the measures issued in implementation of Article 9 of Italian Legislative Decree No. 38/2005.

Ria Grant Thorton also expressed its opinion in accordance with Art. 14, paragraph 2, letter e), of Italian Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Italian Legislative Decree No. 58/98 on the consistency of the directors' report and certain specific information contained in the report on corporate governance and ownership structures pursuant to Art. 123-bis, paragraph 4, of Italian Legislative Decree No. 58/98, with the financial statements of Nova Re SIIQ S.p.A. as at 31 December, 2020 and on the conformity of the latter with the law, declaring that they are consistent with the financial statements of Nova Re SIIQ S.p.A. as at 31 December, 2020 and are drafted in accordance with the law.

Lastly, on 1 April, 2021, the Board of Statutory Auditors received from the audit firm the annual confirmation of independence pursuant to Article 6, Section 2, Letter a), of the Reg. EU 537/2014 and analysed the risks relating to the independence of the audit firm and the measures taken by the audit firm to limit their occurrence, also taking into account non-audit service engagements as described above. During the year, no critical issues arose with regard to the independence of the Audit Firm.

On 1 April, 2021, the Audit Firm 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 course of the audit that cast significant doubt on the Company's or the Group's ability to continue as a going concern, or any significant deficiencies in the internal control system in relation to the financial reporting process and/or accounting system, or any significant matters concerning actual or alleged non-compliance with laws and regulations or statutory provisions identified during the course of the audit.

The Reports on the Audit of the statutory and consolidated financial statements set out the key matters that in the Auditor's professional opinion were most significant during the audit of the individual and consolidated financial statements for the year: (i) *fair value* (IAS 40) valuation of real estate *assets* , (ii) *fair value* valuation of the financial instruments already expressly described in the section.

Observations on any significant aspects that emerged during the meetings held with the auditors pursuant to Article 150, paragraph 2, of Italian Legislative Decree No. 58/1998.

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The Auditor does not express a separate opinion on the above key matters, 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 issues were analysed in detail and updated during the periodic meetings that the Board of Statutory Auditors held with the Audit Firm.

The Board of Statutory Auditors recommends that the Board of Directors carry out periodic monitoring, even on a half-yearly basis, of these areas of the financial statements.

Self-assessment process of the Board of Statutory Auditors

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 12 September, 2018 during its appointment the self-assessment review of its adequacy in terms of powers and composition and on 15 February, 2021 (with reference to the 2020 financial year) carried out 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 Italian 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, the internal audit system or 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 contents of the reports drafted by the Audit Firm, having acknowledged the certifications issued jointly by the Chief Executive Officer and the Manager in charge of drafting the company's financial reports, finds no reasons, within its remits, to prevent the approval of the financial statements of Nova Re SIIQ S.p.A. and the consolidated financial statements of the Nova Re Group as at 31 December, 2020.

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Rome, 2 April 2021

The Board of Statutory Auditors

Luigi Mandolesi (Chairman)

Anna Rita de Mauro (Standing Statutory Auditor)

Giovanni Naccarato (Standing Statutory Auditor)

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This report has been translated into the English language only for the convenience of International readers.

Section 5:
ANNEX

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ANNEX

VALUATIONS OF INDEPENDENT EXPERTS

AXIA.RE
Reliability Transparency Independence

To Whom It May Concern

Nova Re SIIQ S.p.A.

Via del Tritone n. 132

00187 – Roma

To the attention of Ing. Claudio Carserà

Roma, 31 December 2020

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 2020.

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

Iscritto all'Ordine degli Architetti
della Provincia di Cuneo
al Numero 437

AxiA.RE è una Business Unit di RINA Prime Value Services S.p.A.
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RICS

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Reliability Transparency Independence

APPRAISAL REPORT

Market Value Determination as of 31 December 2020
regarding the Real Estate Assets belonging to the Nova 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:

- Via Spadari 2, Milano
- Corso San Gottardo 29/31, Milano
- Via Cuneo 2, Milano
- Via Zara 22/32, Roma
- Via Vinicio Cortese 147, Roma
- Viale Saverio Dioguardi 1, Bari
- 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 December 2020**.

Date of Valuation

The present Valuation is referred to the date of **31 December 2020**.

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:

€ 122.350.000,00

(€ Onehundredtwentytwomillionthreehundredfiftythousand,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 Nova 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 2020.

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).

APPRAISAL REPORT as of 31 December 2020
Portfolio - Nova Re SIIQ S.p.A.

- 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.

APPRAISAL REPORT as of 31 December 2020
Portfolio - Nova Re SIIQ S.p.A.

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 31.12.2020
01	MI	Milano	Via Spadari 2	July 2020	DESK
02	MI	Milano	Corso San Gottardo 29/31	July 2020	DESK
03	MI	Milano	Via Cuneo 2	Nov. 2020	FULL
04	RM	Roma	Via Zara 22/32	Nov. 2020	FULL
05	RM	Roma	Via Cortese 147	July 2020	DESK
06	BA	Bari	Viale Saverio Dioguardi 1	Nov. 2020	FULL
07	BA	Verona	Via Unità d'Italia 346	July 2020	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;

APPRAISAL REPORT as of 31 December 2020
Portfolio - Nova Re SIIQ S.p.A.

- 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.

APPRAISAL REPORT as of 31 December 2020
Portfolio - Nova Re SIIQ S.p.A.

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	1.991
2	MI	Milano	Corso S.Gottardo 29/31	Retail	4.234
3	MI	Milano	Via Cuneo 2	Retail	5.476
4	RM	Roma	Via Zara 22/31	Office	4.208
5	RM	Roma	Via Cortese 147	Office	3.870
6	BA	Bari	Via Dioguardi 1	Office	15.410
7	VE	Verona	Via Unità d'Italia 346	Hotel	6.640

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

APPRAISAL REPORT as of 31 December 2020
Portfolio - Nova Re SIIQ S.p.A.

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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 2020**, as follows:

ID	Province	Municipality	Address	Main intended use	Saleable Area (sq. m)	Market Value (Euro)
1	MI	Milano	Via Spadari 2	Retail	1.263	40.500.000
2	MI	Milano	Corso S.Gottardo 29/31	Retail	2.523	15.200.000
3	MI	Milano	Via Cuneo 2	Retail	3.360	25.150.000
4	RM	Roma	Via Zara 22/32	Office	3.028	14.600.000
5	RM	Roma	Via Cortese 147	Office	2.461	5.400.000
6	BA	Bari	Via Dioguardi 1	Office	10.650	14.900.000
7	VE	Verona	Via Unità d'italia 346	Hotel	4.590	6.600.000
	TOTALE					**122.350.000**

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:

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  Market Research and Analysis

APPRAISAL REPORT as of 31 December 2020
Portfolio - Nova Re SIIQ S.p.A.

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

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NOVA RE SIIQ S.P.A.
Annual Financial Report

2020

NOVA RE SIIQ SPA

Registered Office
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€ 63,264,527.93 fully paid

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RM – 1479336

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