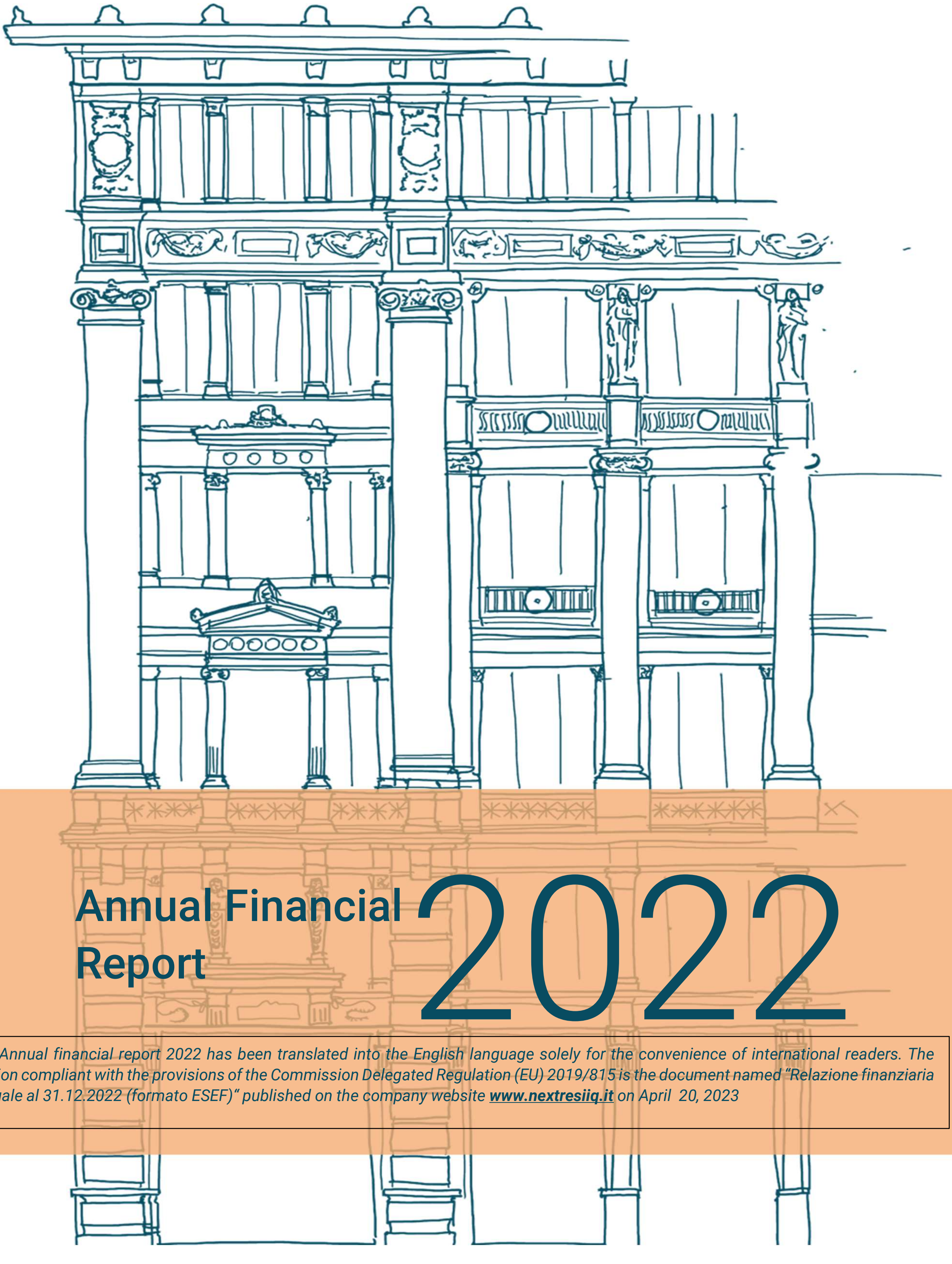


Annual Financial Report 2022

The Annual financial report 2022 has been translated into the English language solely for the convenience of international readers. The version compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815 is the document named "Relazione finanziaria annuale al 31.12.2022 (formato ESEF)" published on the company website **www.nextresiiq.it** on April 20, 2023

CONTENTS

1. COMPANY PROFILE

Company information and structure

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

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

Group structure

The NEXT RE group (hereinafter also referred to as the "Group") includes, in addition to the Parent Company, the wholly-owned subsidiary Fidelio Engineering S.r.l. (hereinafter also "Fidelio" or the "Subsidiary").

The corporate purpose of the Subsidiary is to carry out activities in Italy and abroad aimed at redeveloping and enhancing the value of areas subject to real estate development or existing buildings subject to redevelopment. The Subsidiary commenced operations in the fourth quarter of 2022.

Company offices/positions

Board of Directors

At the date of approval of this Report, the composition of the Board of Directors was as follows:

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

Board of Statutory Auditors

At the date of approval of this Report, the composition of the Board of Statutory Auditors was as follows:

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

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

Francesca Rossi

Independent Auditors

EY S.p.A. is appointed as statutory auditor for the period 2021-2029.

Shareholding structure as at 31 December 2022

Shareholder	Percentage % on capital
CPI Property Group S.A.	77.10%
Dea Capital Partecipazioni S.p.A.	4.99%
National Association of Pensions and Assistance for Accountants and Commercial Experts	2.76%
Other shareholders	14.98%
Treasury shares	0.17%
TOT.	**100.00%**

2. DIRECTORS' REPORT ON OPERATIONS

Consolidated financial highlights

The following are the key indicators of the NEXT RE Group as at 31 December 2022 compared to 31 December 2021.

PERFORMANCE		31/12/2022	31/12/2021
Rental income	*Euro/million*	5.8	5.9
Net operating income (NOI)	*Euro/million*	4.3	3.3
Fund from operation (FFO)	*Euro/million*	-2.7	-2.5
EBITDA	*Euro/million*	0.03	-1.7
EBIT (Operating income)	*Euro/million*	2.7	2.7
Consolidated profit/(loss) for the year	*Euro/million*	0.35	0.43

ASSETS		31/12/2022	31/12/2021
Total assets	*Euro/million*	157.2	155.6
Investment property	*Euro/million*	135.9	138.3
Commercial surface	*m²*	43,879	55,526
Occupancy	%	98%	82%
WALT	*Years*	3.8	4.7
Portfolio assets	*No.*	6	7

INDEBTEDNESS		31/12/2022	31/12/2021
Consolidated shareholders' equity	*Euro/million*	85.9	85.5
EPRA NRV	*Euro/million*	85.9	85.5
Total financial indebtness	*Euro/million*	53.17	61.03
Net loan to value (NET LTV)	%	39%	44%
EPRA LTV	%	40%	44%
Portfolio Loan to value (LTV)	%	44%	46%

The main results of the 2022 financial year are shown below:

- the **Consolidated net result** for the year 2022 was equal to a profit of € 0.35 million, compared to a profit of € 0.43 million as at 31 December 2021;
- **EBITDA** for the year 2022 broke even and amounted to € 30 thousand compared to € -1.7 million in 2021;
- **Shareholders' equity** was € 85.9 million as at 31 December 2022 compared to € 85.5 million as at 31 December 2021;
- **Total financial debt** was € 53.17 million as at 31 December 2022 compared to € 61.04 million as at 31 December 2021;
- the **Net Loan to Value** was 39% as at 31 December 2022 compared to 44% as at 31 December 2021.

Consolidated profit/(loss) for the year is about € 0.35 million and reflects the positive adjustment to fair value of Investment Properties of about € 2.9 million, the net proceeds of € 0.7 million realised in connection with the sale of the property for hotel use located in Verona, the proceeds of € 0.47 million from the settlement agreement concerning, inter alia, the transfer of the bonds issued by the Euro Sub-fund of the Luxembourg-law Fund "Historic & Trophy Building Fund" managed by Main Source S.A. "HTBF-€ Fund". The result for the year also reflects the impact of the write-down of deferred tax assets in the amount of € 0.6 million.

Consolidated EBITDA of about € 30 thousand includes, in addition to the aforementioned net income realised with reference to real estate and financial divestments: i) lower costs related to real estate assets of about € 1 million, ii) costs for asset advisory fees to Dea Capital Real Estate SGR of about € 0.7 million, and iii) costs for MBO variable remuneration of € 0.9 million.

Total financial debt improved by approximately € 7.8 million compared to 31 December 2022.

The **Net Loan to Value** is 39% and decreased due to the increasing of cash and cash equivalents for the effects indicated above. The value of **Investment property** decreased by approximately 2% compared to 31 December 2021 following the divestment carried out during the year and the recognition of positive fair value adjustments for a total of € 2.9 million.

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

Alternative performance measures

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

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

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

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

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

EPRA LTV: The indicator is calculated in accordance with EPRA guidelines and is the ratio of the Group's net debt to the market value of the assets held. The indicator expresses the leverage of the company from the shareholders' perspective.

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

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

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

WALT: index relating to the overall weighted average lease term on the outstanding annual leases of NEXT RE's real estate portfolio as at 31 December 2022. The above index was calculated on the first contractual expiry date of the individual lease contracts in place, not taking into account any early termination options.

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

Relevant events during the year

The main relevant events of the 2022 financial year are shown below.

On **7 February 2022**, the Board of Directors approved the preliminary results for the financial year 2021.

On **15 March 2022,** the Board of Directors approved the Annual Financial Report for the year ended on 31 December 2021, drawn up in accordance with International Financial Reporting Standards (IAS/IFRS).

On the same date, the Board of Directors resolved to convene the Ordinary Shareholders' Meeting on first call for 26 April 2022 and, if necessary, on second call for 27 April 2022 to resolve regarding: (i) the approval of the financial statements for the year ended 31 December 2021; (ii) the advisory vote on the second section of the Report on remuneration policy and compensation paid pursuant to Article 123-*ter* of the TUF; (iii) the renewal of the authorisation to purchase and dispose of treasury shares pursuant to Articles 2357 et seq. of the Italian Civil Code and Article 132 of the TUF.

During the same meeting, the Board of Directors approved the Report on Corporate Governance and Ownership Structure for the 2021 financial year drafted pursuant to Article 123-*bis* of the TUF as well as the Report on remuneration policy and compensation paid pursuant to Article 123-*ter* of the TUF.

Also on **15 March 2022**, the Board of Directors, acknowledging the continuation of the Covid-19 pandemic and its impact on the market in which the Company operates, as well as the situation of geopolitical, macroeconomic and financial market instability arising from the conflict between Russia and Ukraine, informed the market that it did not consider that the conditions existed for the implementation, within the timeframe communicated to the market on 5 August 2021, of the capital increase for an amount up to € 1.000.000,000 (the "**Capital Increase**"), in partial execution of the proxy granted by the Shareholders' Meeting on 26 April 2021, which envisages a capital increase for a total maximum amount of € 2,000,000,000, including any share premium, to be carried out also in divisible form, in one or more tranches, also excluding option rights pursuant to Article 2441, paragraphs 4 and 5 of the Italian Civil Code, also through contributions in kind (the "**Delegated Capital Increase**"). It should be noted that, on 5 August 2021, an agreement was signed between the Company, the controlling shareholder and certain companies of the DeA Capital Group setting forth the terms and conditions of a joint project through the creation of a strategic operating partnership in the Italian real estate market (the "**Framework Agreement**").

Therefore, on the same date, the Board of Directors updated the Strategic Guidelines for the period 2022-2024, noting that, also in light of the consequences of the aforementioned extraordinary and unforeseeable events (firstly, the war in Ukraine), the Company's expected growth in size should be spread over the 2022-2024 horizon.

On **26 April 2022**, the Shareholders' Meeting of NEXT RE unanimously: (i) approved the financial statements for the year ended 31 December 2021; (ii) issued a favourable opinion on the second section of the Report on remuneration policy and compensation paid prepared by the Company's Board of Directors pursuant to Art. 123-*ter* of the TUF; as well as (iii) having revoked the shareholders' resolution of 26 April 2021 authorising the Board of Directors to purchase and dispose of treasury shares, to the extent not used, authorised the Board of Directors to purchase and dispose of treasury shares pursuant to Article 2357 et seq. of the Italian Civil Code and Article 5 of the Reg. EU no. 596/2014, of art. 132 TUF, art. 144-*bis* of the Regulation adopted with Consob resolution no. 11971/99 (as amended) (the "**Issuers' Regulation**").

On **27 April 2022**, the Company's Board of Directors approved the Additional Financial Information as at 31 March 2022.

On **1 June 2022**, the Company signed a preliminary contract with AHC International Consulting AG, a leading Austrian company in the hotel sector, for the sale of the property in Verona for hotel use, at a sales price of € 7,400,000 plus tax.

On **28 June 2022**, in consideration of the unfavourable market situation due, on the one hand, to the uncertainties linked to the tail end of the pandemic crisis and, on the other hand, to the changed geopolitical, macroeconomic and financial framework resulting from the outbreak of the conflict in Ukraine, the Board of Directors took note of the presumable failure to realise, within the foreseen timeframe, the prerequisites for the execution of the Capital Increase. At the same time, on the same date, the Board of Directors informed the market of the existence of negotiations underway to postpone the deadline, set by 30 June 2022, for the occurrence of the conditions precedent as well as the fulfilment of the commitments in relation to the Capital Increase undertaken by the Company, by the controlling shareholder CPI Property Group S.A., DeA Capital S.p.A., De Agostini S.p.A. and DeA Capital Real Estate SGR S.p.A. (the "**DeA Capital Group Companies**") under the framework agreement signed on 5 August 2021 and subsequently amended on 23 September 2021.

On the same date, the Company announced that it had entered into a settlement agreement concerning, *inter alia,* the transfer of the bonds issued by the Euro Sub-Fund of the Luxembourg-law Fund "Historic & Trophy Building Fund" managed by Main Source S.A. "HTBF-€ Fund", subscribed by NEXT RE for a nominal tranche of € 6,000,000 (the "**Bond**"), as well as the settlement of the judicial proceedings, ordinary and executive, relating to the recovery of the debts connected to the Bond, pending before the Court of Appeal of Milan, the Court of Rome and the Court of Belluno.

On **5 July 2022**, the Company, subject to the favourable opinion of the Related Parties and Investments Committee and in full compliance with the procedure prescribed by current regulatory and company rules on significant related-party transactions, signed with the controlling shareholder CPI Property Group S.A, and the companies of the DeA Capital Group, the agreement that confirmed the commitments set out in the Framework Agreement (the "**Deed of Reinstatement**"), in order to postpone to 31 December 2022 the deadline - previously set at 30 June 2022 - for fulfilment of the conditions precedent contained in the Framework Agreement, including, in particular, the execution of the Capital Increase, as well as the renewal of the shareholders' agreements contained in the Framework Agreement (which had expired on 30 June 2022 due to the failure to fulfil, by such date, the relevant conditions precedent).

On **28 July 2022**, the Company's Board of Directors approved the Condensed Half-Year Financial Report as at 30 June 2022.

On **15 September 2022**, the Company's Board of Directors adopted the sustainability policy that formalises the Company's commitment to integrate ESG (Environmental, Social, Governance) objectives into its business strategy. In this context, the Company has set up a special technical committee with functions of guidance, monitoring and support to the Board of Directors in relation to ESG issues, composed of the CEO, Stefano Cervone, the CIO, Claudio Carserà and the CFO, Giovanni Naccarato.

On **30 September 2022**, the Company entered into an agreement amending the preliminary purchase and sale contract entered into on 1 June 2022 with AHC International Consulting AG relating to the hotel property located in Verona, concerning a postponement of the closing date - originally scheduled by 30 September 2022 - by 30 November 2022.

On **25 October 2022**, the Company's Board of Directors approved the Additional Financial Information as at 30 September 2022.

On **30 November 2022**, the Company entered into a further agreement amending the preliminary purchase and sale contract entered into on 1 June 2022 with AHC International Consulting AG, concerning a further postponement of the closing date, which was finally realised on **28 December 2022** with the signing of the definitive purchase and sale contract for the property in Verona.

On **19 December 2022**, also in consideration of the continuation of the unfavourable market situation due to the persistent instability of the geopolitical, macroeconomic and financial framework due to the Russian-Ukrainian conflict, which has led to negative consequences on the international markets and the significant increase in the costs of energy and raw materials, the Board of Directors acknowledged and communicated to the market that the conditions for the fulfilment of the conditions precedent provided for under the Framework Agreement as amended by the Deed of Reinstatement, would not be met within the timeframe envisaged (i.e. by 31 December 2022). At the same time, the Company informed the market: (i) that there was no evidence of renegotiation activities underway, aimed at further extending the deadline for the fulfilment of the aforesaid conditions precedent and/or the renewal of the agreements; and (ii) that the Board of Directors, in execution of the Capital Increase, would continue to examine alternative paths with respect to the project initially outlined in the Framework Agreement, aimed at safeguarding the Company's value and expanding its capital base, to be implemented during 2023.

On **31 December 2022,** as anticipated on 19 December 2022, the term for the fulfilment of the conditions precedent set forth in the Framework Agreement, as amended by the Deed of Reinstatement, expired, and therefore it and the shareholders' agreements contained therein became ineffective on the same date.

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

Events following the reporting period

On 6 February 2023, the Company's Board of Directors examined and approved the preliminary figures as at 31 December 2022, as follows:

- the Preliminary net result for the year 2022 is equal to a profit of € 0.3 million, compared to a profit of € 0.4 million as at 31 December 2021;
- preliminary EBITDA for the year 2022 is positive and estimated at € 1 thousand compared to € -1.7 million in 2021;
- Preliminary shareholders' equity is estimated at € 85.9 million as at 31 December 2022 compared to € 85.5 million as at 31 December 2021;
- Total preliminary financial debt is estimated at € 53.22 million as at 31 December 2022 compared to € 61.04 million as at 31 December 2021;
- the preliminary Net Loan to Value is estimated at 39% as at 31 December 2022 compared to 44% as at 31 December 2021.

Also on 6 February 2023, the Board of Directors approved the new 2023-2026 Business Plan, which includes the following three strategic objectives:

- stabilisation of the Company's operating cash flows and economic results;

- increasing the profitability of the real estate portfolio, including by implementing the process of its valorisation and turnover;

- rationalisation and streamlining of the Company's economic and financial structure in order to facilitate, and better convey, the capital increase project, according to a timeframe consistent with that of the proxy granted to the Board of Directors by the Shareholders' Meeting of 26 April 2021, to be exercised by the date of the Shareholders' Meeting's approval of the financial statements as at 31 December 2023, pursuant to Article 2443 of the Italian Civil Code, also excluding option rights pursuant to Article 2441, paragraphs 4 and 5, of the Italian Civil Code.

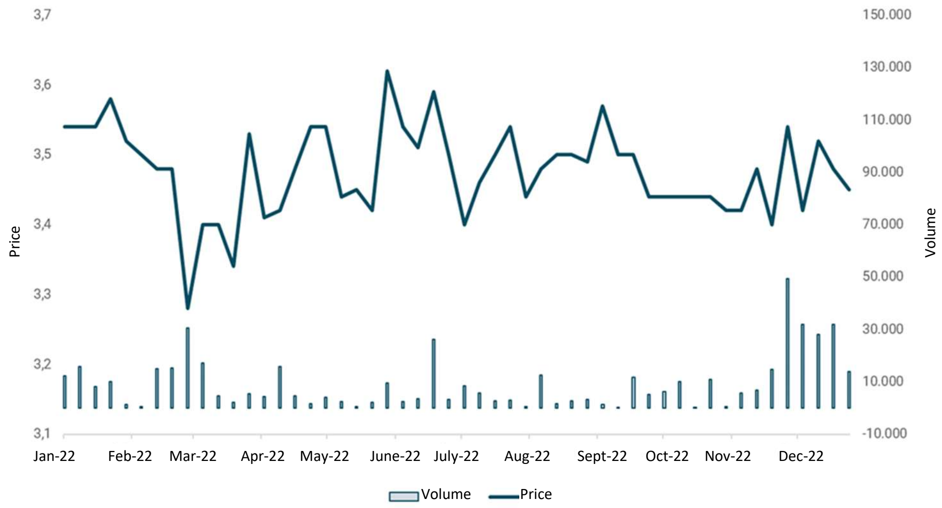
On 2 March 2023, the Company, as part of the aforementioned strategic objective of rationalising and streamlining its economic and financial structure, repaid, in advance and voluntarily, the loan disbursed on 24 September 2020 by Banca Centro Lazio for € 1,467 thousand (residual debt as at that date); the cost of this transaction was approximately € 5 thousand.

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

Stock performance

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

The following graph shows the performance of NEXT RE stock over the period 3 January 2022 - 30 December 2022 and the volumes traded on the Euronext Milan in 2022.



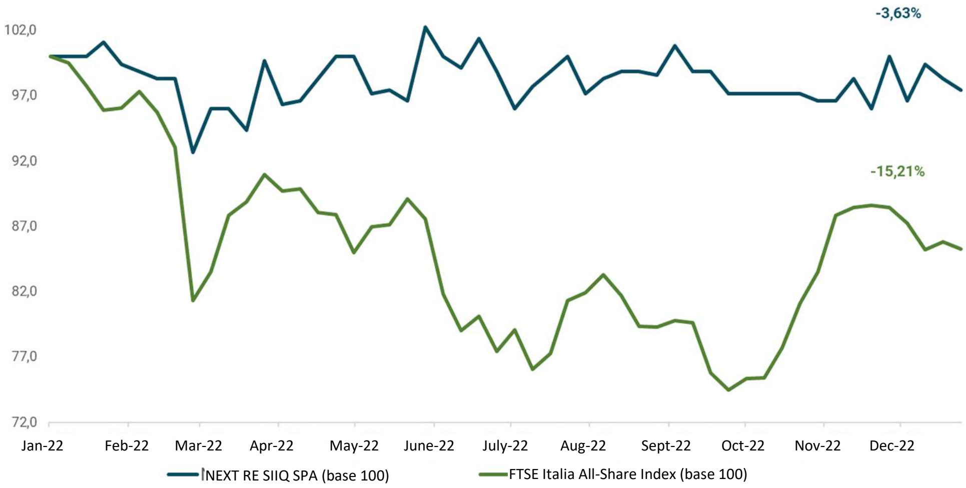
Source: Bloomberg

NEXT RE's share price performance in 2022 was influenced, *inter alia*, by the following elements: (i) the publication, on 7 February 2022, of the preliminary results for the year ended 31 December 2021; (ii) the approval, on 15 March 2022, of the business guidelines for the period 2022 - 2024; (iii) the approval, on 26 April 2022, of the financial statements for the year ended 31 December 2021 and the authorisation to purchase treasury shares to be carried out, also in several instalments, up to a maximum of 20% of the Company's total outstanding ordinary shares *pro tempore*; (iv) the communication to the market, on 1 June 2022, of the signing of a preliminary agreement for the sale of the property for hotel use located in Verona; (v) the announcement to the market, on 5 July 2022, of the signing of the agreement confirming the provisions of the framework agreement dated 5 August 2021 with the controlling shareholder CPI Property Group SA and certain companies of the DEA Capital group; (vi) the publication, on 2 August 2022, of the Half-Year Financial Report as at 30 June 2022; (vii) the communication to the market, on 30 September 2022, of the postponement of the Closing for the sale of the property located in Verona; (viii) the communication to the market, on 19 December 2022, of the updates regarding the Deed of Reinstatement of the framework agreement signed on 5 July 2022; (ix) the communication to the market, on 28 December 2022, of the completion of the Closing for the sale of the property for hotel use located in Verona.

In 2022, the total volumes traded on Euronext Milan amounted to approximately 488 thousand ordinary shares for a total value of approximately € 1,694 thousand, corresponding to a weighted average price for volumes traded on Euronext Milan of € 3.48 per share. Average weekly volumes were approximately 9,376 shares, with a high of 49,402 shares traded in the week between 28 November and 2 December 2022.

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

The graph below shows the performance of the NEXT RE share and the FTSE Italia All-Share index (base 100), over the period 3 January 2022 - 30 December 2022.



Source: Bloomberg

In 2022, the NEXT RE share recorded a significantly smaller decrease (-3.63%) than the FTSE Italia All-Share index (-15.21%).

Reported below is the data recorded by the NEXT RE share during the 3 January 2022 - 30 December 2022 period (inclusive).

		Date
Maximum official price (Eu)	3.65	07/06/2022
Minimum official price (Eu)	3.26	08/03/2022
Last official price (Eu)	3.45	30/12/2022
No. of listed ordinary shares[1]	10,974,849	30/12/2022
Capitalisation of listed ordinary shares[1] (Eu)	37,863,229	30/12/2022
Free float percentage of listed ordinary shares[2.3] (%)	35.56%	26/04/2022

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

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

The economic context and the real estate market

Macroeconomic framework and real estate market

The global business cycle continued to be affected by the effects of the COVID 19 pandemic, exceptionally high inflation, worsening financial conditions, uncertainty related to the conflict in Ukraine, weakening activity in China and, to a lesser extent than at the beginning of the year, supply difficulties along value chains.
During the second half of 2022, inflation in Italy rose further, continuing to be affected by the exceptional prices increases in energy goods, which were passed on to the prices of other goods and services the twelve-month changes in the harmonised consumer price index averaged over 8%, sustained above all by the energy component; the drop in petrol prices, mainly due to the reduction in oil prices, only partly offset the sharp increases in gas and electricity prices observed in August and remained more or less stable the following month.

Real estate market trends in Italy

The transaction activity recorded in the last months of the year is still high thanks to the closing of a number of large deals (in Rome and especially in Milan), which, however, in many cases represented the finalisation of transactions initiated before the summer. The data, in fact, have not yet shown the reduction linked to the new macroeconomic context, influenced by rising interest rates, which is likely to be evident in the first months of the year 2023.
Thanks to the large transactions recorded, the city of Milan recorded a very high volume reaching € 4 billion in the year. The office sector remains the most interesting one for the city of Milan because it offers new products or products that have been renovated in recent years.
While activity in Milan was very high, the investment recorded in Rome was less than € 100 million. The city awaits the closing of some large transactions, in the hotel and office sector. However, the latter are considered somewhat risky for real estate located outside the CBD and Eur Centro. Some major investors are looking with strong interest at the residential asset class, seeking to replicate what CBRE GI did in Q2 2022 with the BTR deal in the Talenti district.
Yields in the first part of the year are still low with some transactions finalised with yields at 3.1% net, while the yields of second-half operations were higher on average.

The Office Market in Rome

The Rome office market, which is small compared to the residential sector, performed well in 2022. Trade increased at a sustained growth rate and the trend in time and discount indicators points in the direction of increased market liquidity. The average time to sell an office is 8 months, which drops to 6 to rent it. The average discount on the asking price fell to an average of 13%.
The slowdown in the annual growth of office prices compared to last year (+0.7%) is attributable to the performance of values in the last six months of 2022. It went from a positive change of 1.6% in the first half of the year to -0.9% in the second. All urban sub-markets contributed almost equally to the decline. Stability on the rent front with differences, however, between urban areas. In the second half of the year, rents in central and semi-central offices continued to fall, while in the tertiary districts and suburbs, where rental demand is most concentrated, rents held up, with slight increases.

The Office Market in Milan

By the end of the first half of 2022, office settlement activity in Milan had definitely recovered to pre-pandemic levels.
The rebound in average office prices, which moved into positive territory for the first time since the pandemic in the first half of the year, weakened slightly in the second half of 2022, which nevertheless recorded positive half-yearly changes (+1.2%) and was above the average for the major Italian markets (-0.6%) and posted an interesting +3.1% year-on-year. In particular, properties located in business districts and in the semi-centre are appreciated. The average discounts applied on the asking price in the most attractive areas (9-10%) were stable on a half-yearly basis, slightly smaller than in the suburbs (11%), where there was, however, a reduction.
The increase in average rents from the second half of 2021 is confirmed, with an average growth rate of +1.5%

half-yearly and +2.9% yearly. The result was supported in particular by the performance of the periphery (+2.1% and 3.7% respectively).
In this context, absorption times, both for sales (5.5 months) and for rentals (4.2 months), shorten further, albeit by a few weeks. The average annual gross rental yield is almost stable at 5.2%, in line with the benchmark of the average panel monitored.

The Office Market in Bari

The trend of office sales continues to be stable in 2022, reflecting a market still benefiting from the post-pandemic rebound that does not seem to be affected by the unfavourable macroeconomic framework.
Office transactions settled at the numbers seen in 2021. Prices are stable, as are average sales times. Discounts were further reduced, bringing the gap between asking prices/actual prices down from 15.5% to around 13.5%. Centre and semi-centre are the areas that most drive this reduction and most demonstrate convergence of expectations between owners and buyers.
As far as the rental market is concerned, there is general stability, with the main average indicators remaining substantially unchanged. Of note for offices is the return to a greater gap in rental times between the centre and the suburbs. This was reflected in a slight increase in the city average (from 5.5 months to 6). Concerns about the possible reaction of the real estate market to recent political and economic dynamics are fully reflected in the forecast sentiments gathered: operators expect a sharp generalised decline in non-residential sales, particularly of offices, accompanied by a slight to moderate reduction in prices.

The Retail Market in Rome

The Rome retail market performed well in 2022. Trade increased at a sustained growth rate and the trend in time and discount indicators points in the direction of increased market liquidity.
The average time to sell a shop is 8 months, which drops to 6 to rent it. The average discount on the asking price has fallen for both and stands at an average of 13%.
In the second half of 2022, retail prices slowed down the growth recorded in the first part of the year, due to the central market whose average prices dropped by 1.1 %. On the other hand, rents for central and semi-central retail increased in the second half of the year after the negative performance in the first part of the year. This is reflected in gross yields, which rose by a few dozen basis points.

The Retail Market in Milan

During the first half of 2022, transactional activity in Milan definitely recovered to pre-pandemic levels.
In the retail sector, the price trend is further upwards thanks to the full recovery of business activity and consumption. The Milan market confirms its uniqueness in the national panorama in terms of attractiveness, showing half-yearly average price increases well above the average for large Italian cities, with better results in central areas. The absorption rate decreases for progressively more central locations, where the average sales time (3.8 months) is almost halved compared to the periphery. The new-found vitality of the sector also has the effect of reducing the average discount granted on the asking price (8-9%), which remains the smallest among the large cities (13%) and the only one in single figures (8.5%). The same dynamic also applies to the rental segment, with average rents growing at average rates of 1.7% half-yearly and 4.2% yearly. Performance in Milan is far superior to the stationary result of the average of the panel of the 13 largest cities (-0.2%), which show negative half-yearly changes, albeit slight, or at most stationary. On a six-monthly comparison, the market is more liquid in the centre, where absorption times are even shorter (2.6 months), which, by contrast, show a slightly lengthening trend in the other locations. Average annual gross returns remain stable.

Real estate portfolio

As at 31 December 2022, the NEXT RE portfolio consisted of 6 assets, of which 3 for commercial use and 3 for mainly office use, for a total market value, as at 31 December 2022, of € 137.85 million of which € 135.9 million classified, in the Separate Financial Statements and in the Consolidated Financial Statements, under the item Investment property and € 1.9 million classified under the item Other tangible assets, however recognised for € 1.8 million net of the related depreciation (as an instrumental portion and not an investment one). It should be noted that on 28 December 2022, the property for hotel use located in Verona, Via Unità d'Italia 346 was sold to IHC Verona S.r.l. (a company subject to management and coordination by AHC International Consulting AG) for a sales price of € 7,400,000 plus tax.

The properties are located in Milan (3), Rome (2) and Bari (1). The total gross area of the portfolio is of 43,879 sqm, while the commercial area is of 24,819 sqm.

No new investments were made by Next Re SIIQ during the financial year 2022.

As at 31 December 2022, all the properties in the Company's portfolio were fully leased/used, with the exception of the office portion of the third floor of the building in Milan, Via Spadari 2, which is currently being renovated, for which a binding Head of Terms has been signed with LUISAVIAROMA S.p.A. and the signing of the lease agreement is currently being negotiated. Thus if, as at 31 December 2022, there is a vacancy position of 541 commercial sqm, as at 2023 the occupancy rate of the portfolio (considering the following) will be 100%.

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

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

There are therefore 6 tenants/users of the properties in the portfolio as at 31 December 2022 - net of NEXT RE: OVS S.p.A., Ministry of Justice, Guardia di Finanza, Embassy of Canada, Dico S.p.A. and ITX Italia S.r.l.

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

Property Number	City	Address	Intended use	Gross area (sqm)	Commercial area (sqm)	Tenants	Market value as at 31/12/2021
1A	Milan	Via Spadari, 2	Commercial	2.858	2.014	OVS S.p.A.	53.300
1B	Milan	Via Spadari, 2	Management offices	285	267	ITX Italia S.r.l.	
1C	Milan	Via Spadari, 2	Management offices	591	541	vacant (under renovation)	8.150
1D	Milan	Via Spadari, 2	Non-leasable areas	65	-	n.a.	
2	Milan	Via Cuneo 2	Commercial	6.395	3.327	OVS S.p.A.	25.850
3	Milan	Corso San Gottardo 29/31	Commercial	4.928	2.620	OVS S.p.A.	15.900
4A	Rome	Via Zara 22/32	Commercial	523	492	Dico S.p.A.	
4B	Rome	Via Zara 22/32	Management offices (Investment)	3.113	2.189	Embassy of Canada	13.193
4C	Rome	Via Zara 22/32	Non-leasable areas	946	-	n.a.	
4D	Rome	Via Zara 22/32	Management offices (Accessory)	476	388	NEXT RE SIIQ	1.907
5	Bari	Viale Saverio Dioguardi, 1	Management offices	19.118	10.485	Ministry of Justice	14.700
6	Rome	Via Vinicio Cortese 147	Management offices/Archive	4.580	2.496	Guardia di Finanza (Finance Police)	4.850
				43.879	24.819		137.850

Key events in 2022 relating to NEXT RE's real estate portfolio

In general, it should be noted that during 2022, the management and performance of the NEXT RE real estate portfolio was affected by: (i) the tail end of the health emergency related to the COVID-19 pandemic; (ii) the conflict between Ukraine and Russia that broke out in the early months of the year, which caused global tensions, negative effects in the global macroeconomic framework and a sharp increase in the price of raw materials that directly affected all the main sectors of the economy; (iii) the significant increase in inflation, which averaged over 8% per year in 2022.

In 2022, the asset management activities detailed below were however implemented on a property-by-property basis.

Milan – Via Spadari, 2

It is recalled that, in 2021, NEXT RE increased its investment position in the Milan Via Spadari 2 property through the acquisition of the floors: first, second and third.

In relation to the commercial portion of NEXT RE (floors from second basement to second above ground - part) fully leased to OVS, it should be noted that during the first half of 2022, the two existing lease agreements (deriving from the previous different ownership structure of the units) were merged and, under the same agreements, considering:

(i) the continuation of the COVID-19 emergency situation;
(ii) the war between Ukraine and Russia;
(iii) rising commodity prices and inflation;
(iv) redevelopment works of the entire building resolved by the condominium assembly and planned for 2022/2023 and their potential effects on the performance of the business in the period of their execution;

a further package of contributions was defined with which Next RE SIIQ intended to support the tenant OVS S.p.A. in managing the negative economic-financial effects due to the above-mentioned issues.

In particular, in addition to a number of different covenants to supplement the existing contracts, from an economic point of view, these agreements provide:

- the waiver by NEXT RE of the fee for the months of October, November and December 2022 and January 2023 for a total amount of € 350,000 plus VAT;
- the reduction of the percentage of application of the ISTAT index to the rent from 100% to 75% for the yearly period from 28 December 2022 to 27 December 2023 only.

In relation to the office portion of the third floor of NEXT RE, it should be noted that work continued on the valorisation and redevelopment of the area, which will be completed in the first half of 2023. In December 2022, a binding Head of Terms for the lease was also signed with LUISAVIAROMA S.p.A.. The main terms of the contract, which will be signed in the first half of 2023, envisage a contract term of 6 years and 4 months + 6 years starting on 01/09/2023, step-up fees from 2024 to 2028 and a yearly fee when fully implemented (from 2028) of € 300,000 plus VAT and ancillary charges.

In relation to the entire property, it should be noted that in the course of 2022, NEXT RE, in conjunction with the other owners of the other property units, initiated a major investment programme on the common portions of the complex relating to the upgrading of the common areas of the property - façades, porter's lodge, vertical connections - resolved by the condominium assembly at the end of 2021. Work started in the second half of 2022 and will be completed in the second half of 2023.

Milan – Via Cuneo, 2

For the property in question, given the continuation of the COVID-19 emergency situation, the war between Ukraine and Russia and the increase in commodity prices and inflation, in the course of 2022, a supplementary agreement to the lease agreement was defined in which an additional contribution package was agreed with which Next RE SIIQ intended to support the tenant OVS S.p.A. in managing the negative economic-financial effects due to the aforementioned issues.
This agreement envisaged, in addition to a number of other agreements supplementing the contract in force between the parties, from an economic point of view the reduction of the percentage of application of the

ISTAT index to the rent fee from 100% to 75% for the yearly period from 28 December 2022 to 27 December 2023 only.

Milan – Corso San Gottardo, 29/31

For the property in question, given the continuation of the COVID-19 emergency situation, the war between Ukraine and Russia and the increase in commodity prices and inflation, in the course of 2022, a supplementary agreement to the lease agreement was defined in which an additional contribution package was agreed with which Next RE SIIQ intended to support the tenant OVS S.p.A. in managing the negative economic-financial effects due to the aforementioned issues.
This agreement envisaged, in addition to a few other agreements supplementing the contract in force between the parties, from an economic point of view the reduction of the percentage of application of the ISTAT index to the rent fee from 100% to 50% for the yearly period from 1 July 2022 to 30 June 2023 only.

Rome – Via Zara 22/32

During 2022, the following continued without any particular critical elements related to the global pandemic and economic situation (i) rental relations with the Embassy of Canada and DICO S.p.A. (ii) the instrumental use of certain premises by NEXT RE.
With regard to the lessee DICO S.p.A., it should be noted that during the second half of 2022, the latter leased the business unit to Agrifarma S.p.A. (ARCAPLANET trademark) for the sale of pet products. DICO S.p.A. shall however remain jointly and severally liable and obliged with Agrifarma S.p.A. for the fulfilment of all contractual obligations.

Bari – Viale Saverio Dioguardi, 1

During 2022, the rental relationship with the Ministry of Justice continued without any particular critical elements related to the global pandemic and economic situation.

Rome - Via Vinicio Cortese 147

With regard to the property, it should be noted that the lease expired on 30 September 2021. Negotiations with the tenant Guardia di Finanza on a possible new lease agreement were continued in the course of 2022. Currently, as noted above, the Guardia di Finanza continues to conduct/use the property under occupancy allowance.
During 2022, NEXT RE carried out targeted upgrading/enhancement works on the property, also in view of the planned upgrading/enhancement works on the property related to the possible signing of the new lease agreement with the Guardia di Finanza.

Verona – Via Unità d'Italia, 346

During 2022, the sale of the property was finalised at a price of € 7.4 million plus taxes to the company IHC Verona S.r.l. (company subject to the management and coordination of AHC International Consulting AG).

Events subsequent to 31 December 2022 relating to the real estate portfolio

In the first months of 2023, the preparatory activities for the signing of the lease agreement with LUISAVIAROMA S.p.A. continued, and are still ongoing, in relation to the office portion of the third floor of the building in Milan, Via Spadari 2.

Summary of the real estate portfolio as at 31 December 2022

The table below summarises the main characteristics of the real estate portfolio owned by the company NEXT RE. The average gross yield has been calculated on the annual rents outstanding as at 31 December 2022, established in accordance with the information provided later in this section.

Real estate portfolio	Market value as at 31/12/2022 (A)	Lease fees as at 31/12/2022 (B)	Gross average yield as at 31/12/2022 (B/A)	Gross area (sqm)	Leasable area (sqm)	Leased area (sqm)	Vacant area (sqm)	Occupancy rate
Milan, Via Spadari 2 (Commercial)	53.300	1.969	3,69%	2.858	2.014	2.014	0	100%
Milan, Via Spadari 2 (Management offices)	8.150	101	1,24%	941	809	267	541*	33%
Milan, Via Cuneo 2	25.850	1.321	5,11%	6.395	3.327	3.327	0	100%
Milan, Corso San Gottardo 29/31	15.900	559	3,51%	4.928	2.620	2.620	0	100%
Rome, Via Zara 22/32 (Investment)	13.193	674	5,11%	4.582	2.681	2.681	0	100%
Rome, Via Zara 28 (Accessory)	1.907	n.a.	n.a.	476	388	388	0	100%
Bari, Viale Saverio Dioguardi 1	14.700	963	6,55%	19.118	10.485	10.485	0	100%
Rome, Via Vinicio Cortese 147	4.850	586	12,08%	4.580	2.496	2.496	0	100%
TOTAL	**137.850**	**6.173**	**4,48%**	**43.879**	**24.819**	**24.278**	**541***	**98%**

** for this Real Estate Portion, the contract with LUISAVIAROMA is being signed and will be leased in 2023*

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

Main real estate indicators

Market value of the real estate portfolio

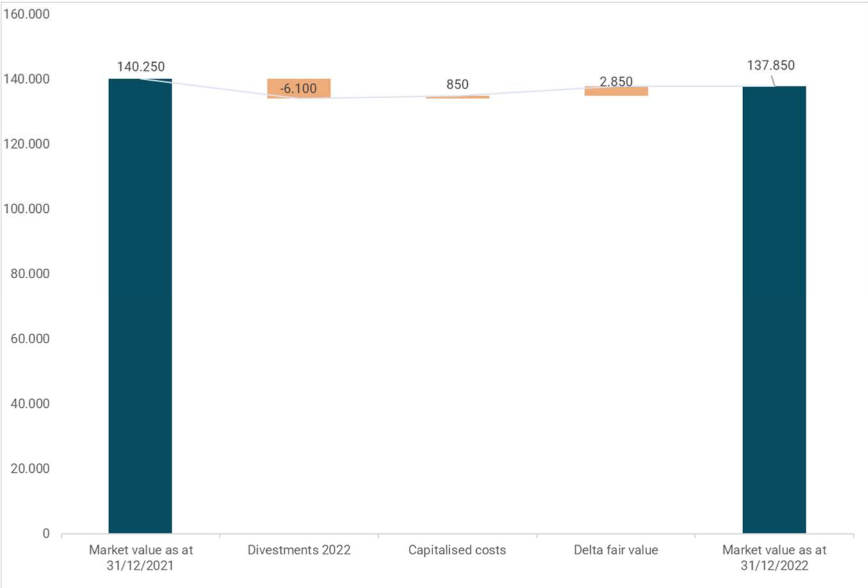
As at 31 December 2022, NEXT RE owns a real estate portfolio of 6 assets for a total value of € 137.85 million. Compared to 31 December 2021, the value of the real estate portfolio held decreased by € 2.4 million, mainly due to the change in the perimeter due to the sale of the property in Verona, Via Unità d'Italia 346, which took place in the second half of 2022.

Specifically, the change in the total value of the portfolio between 31 December 2022 and 31 December 2021 of € -2.4 million is attributable to the following components (rounded to one decimal place):

- divestments of € 6.1 million;
- capitalised costs of € 0.9 million;
- fair value adjustment of € 2.9 million.

An analysis of the changes in the values for each asset is provided in the Notes to the Consolidated Financial Statements and Annual Financial Statements at 31 December 2022.

The following chart and table, here below, show the changes in the market value of the real estate portfolio, owned by the NEXT RE Group, between 31 December 2022 and 31 December 2021.



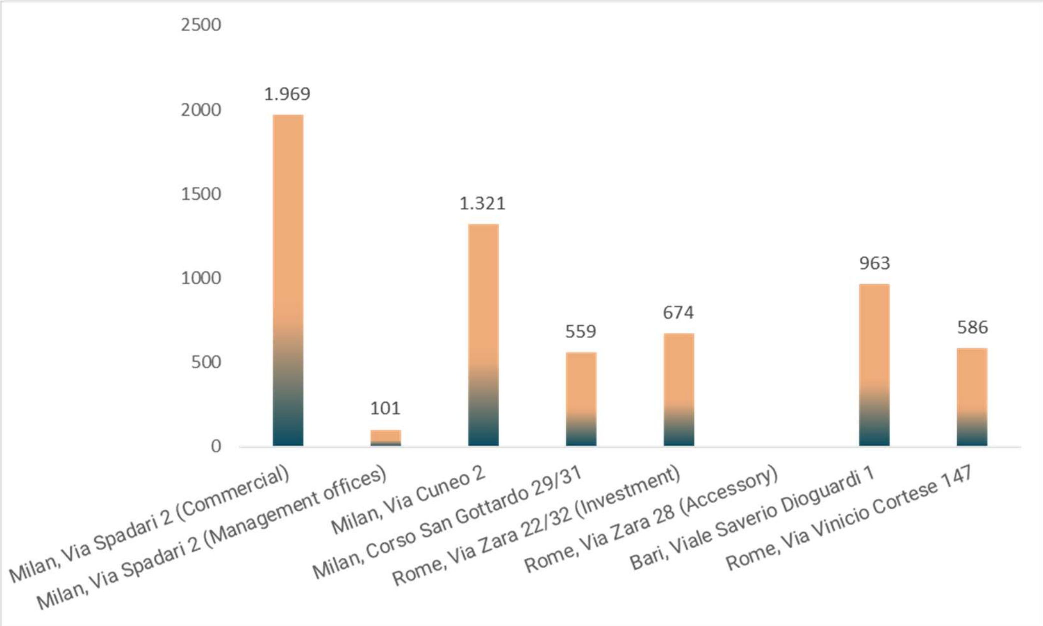
Real estate portfolio	Market value as at 31/12/2021	Divestments 2022	Capitalised costs	Delta fair value	Market value as at 31/12/2022
Milan, Via Spadari 2 (Commercial)	50.900	-	119	2.281	53.300
Milan, Via Spadari 2 (Management offices)	7.000	-	694	456	8.150
Milan, Via Cuneo 2	25.550	-	-	300	25.850
Milan, Corso San Gottardo 29/31	15.600	-	-	300	15.900
Rome, Via Zara 22/32 (Investment)	12.950	-	7	235	13.193
Rome, Via Zara 28 (Accessory)	1.950	-	-	- 43	1.907
Bari, Viale Saverio Dioguardi 1	15.050	-	30	- 380	14.700
Rome, Via Vinicio Cortese 147	5.150	-	-	- 300	4.850
Verona, Via Unità d'Italia 346	6.100	- 6.100	-	-	-
TOTAL	**140.250**	**- 6.100**	**850**	**2.850**	**137.850**

It should be noted that the above market values also include the value attributed by the independent expert to the portion for instrumental use of the property in Rome, Via Zara, equal to € 1,907 thousand as at 31 December 2022 (€ 1,950 thousand as at 31 December 2021). This portion is not recognised at fair value under Investment Property but is depreciated and recognised under Other tangible assets in the amount of € 1,780 thousand as at 31 December 2022 (€ 1,838 thousand as at 31 December 2021).

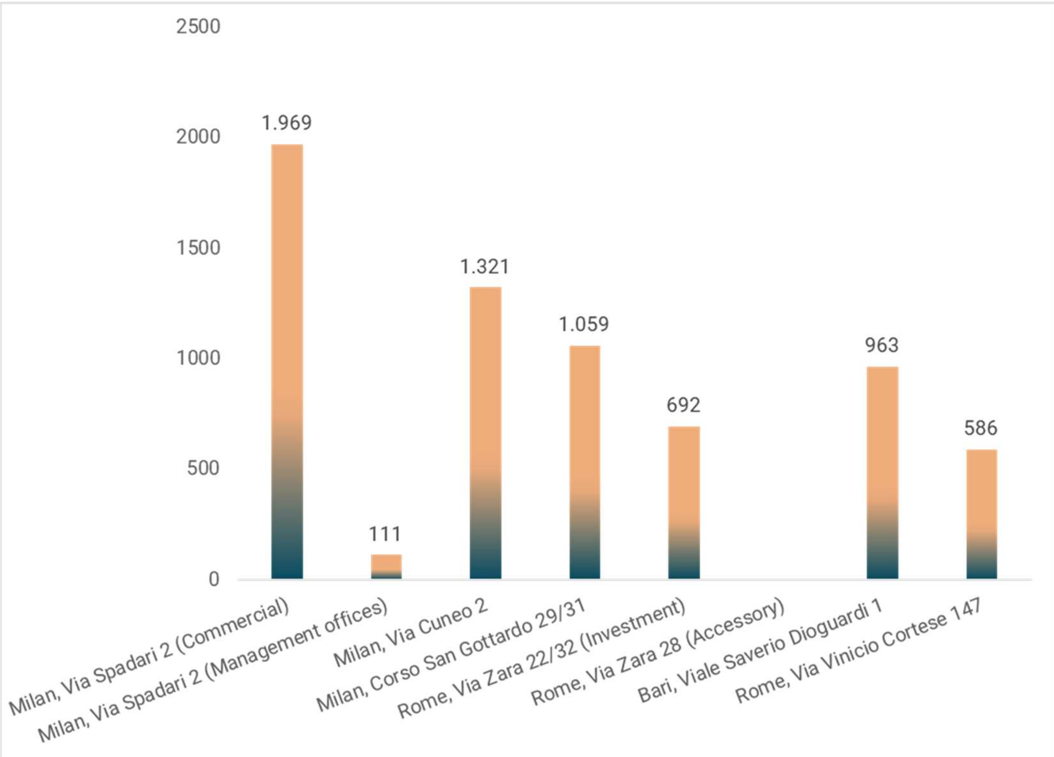
Value of outstanding annual lease payments and stabilised annual lease payments as at 31 December 2022

Existing yearly rents shall mean the annual leases in effect on the date of reference. ***Stabilised yearly lease fees*** are effective lease fees under various contracts (thus taking into account the maximum value of the fee contractually envisaged on the basis of any step-up) known and contracted at the reference date. The rents indicated do not include the market rents for vacant and/or leased property units and do not include uncertain items such as the ISTAT adjustment (calculated beyond 28 February 2023) and any variable component of the fee. Only for the property in Rome, Via Vinicio Cortese, was the last rent paid before expiry of the contract, on the basis of which the occupancy indemnity is still paid by the tenant, was considered.

The value of *existing yearly rents* as at 31 December 2022 is € 6.17 million distributed among the various properties as shown in the following chart.



The value of *stabilised yearly rents* is equal to € 6,7 million as shown in the chart below.



Net rental income for the year 2022

The net rental income attributable to the 2022 financial year resulting from the Profit and loss account is:

Description	31/12/2022 (€/000)
Rental income	5,821
Net real estate costs	(1,526)
Net rental income	**4,295**

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

- the item Net rental income also includes revenue from charge-backs to tenants;
- revenues relating to the property in Milan, Via Spadari and the property in Milan, Via Cuneo are recorded, on the other hand, net of the annual portion of the capex contribution paid to the tenant in 2018 and 2021 and net of temporary rent reductions granted to the tenant for the applicable period;
- rental income is recognised in the income statement on a straight-line basis.

Property data by intended use

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

Prevalent intended use	Leasable area (sqm)	Leased area (sqm)	Market value as at 31/12/2022 (A)	% value of total portfolio	Lease fees as at 31/12/2022 (B)	Gross average yield as at 31/12/2022 (B/A)	Occupancy rate
Commercial	7.962	7.962	95.050	68,95%	3.849	4,05%	100%
Management offices (Investment)	16.470	15.929	40.893	29,66%	2.324	5,68%	97%
Management offices (Accessory)	388	388	1.907	1,38%	-	n.a.	100%
	24.819	**24.278**	**137.850**	**100%**	**6.173**	**4,48%**	**98%**

The changes in 2022 in the book value of the portfolio by intended use are shown in the table below; also in this case, the book value of the item Investment property in the consolidated financial statements and annual financial statements does not include the value of the portion for business use of the property in Rome, Via Zara, amounting to € 1,780 thousand (fair value € 1,907 thousand).

(Euro thousands)	Commercial	Management offices	Hotel	Total Portfolio
Real estate assets as at 1 January 2022	**92,050**	**40,150**	**6,100**	**138,300**
Purchases	0	0	0	0
Capitalised costs	119	731	0	850
Decreases	0	0	(6,100)	(6,100)
Balance prior to the valuation of real estate assets	**92,169**	**40,881**	**0**	**133,050**
Net write-ups/(write-downs) for the year	2,881	12	0	2,892
Balance as at 31 December 2022	**95,050**	**40,893**	**0**	**135,943**

Duration of lease contracts (WALT)

The index relating to the overall weighted average lease term (WALT) on annual leases of NEXT RE's real estate portfolio owned as at 31 December 2022 is equal to 3.8 years. The above index was calculated on the first contractual expiry date of the individual lease contracts in place, not taking into account any early termination options.

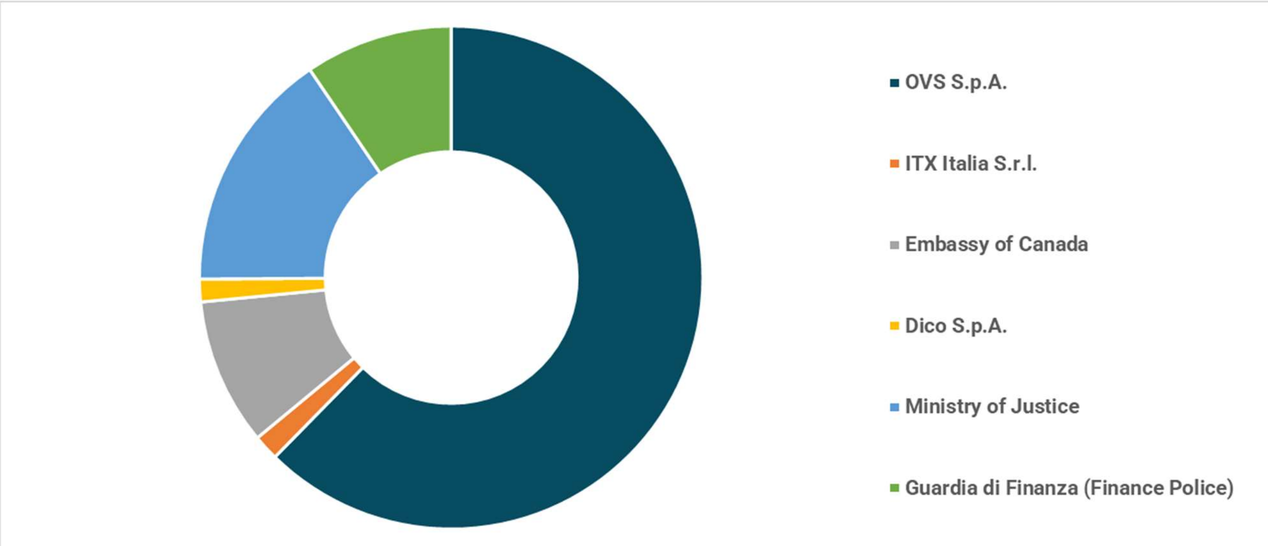
CITY	PROPERTY	TENANT	WALT on lease fees as at 31/12/2021	WALT on lease fees as at 31/12/2022
Milan	Via Spadari 2 - Management offices	ITX Italia S.r.l.	1,8	0,8
	Via Spadari 2 - Commercial	OVS S.p.A.	6,0	5,0
	Via Cuneo 2		6,0	5,0
	Corso San Gottardo 29/31		6,5	5,5
Rome	Via Zara 22/30	Embassy of Canada	4,1	3,1
		DICO S.p.A.	5,3	4,3
	Via Vinicio Cortese 147	Guardia di Finanza (Finance Police)	0,0	0,0
Bari	Viale Saverio Dioguardi, 1	Ministry of Justice	3,0	2,0
WALT ON APPLICABLE LEASE FEES REAL ESTATE PORTFOLIO			**4,7**	**3,8**

It should be noted that, as at 31 December 2021, the Group also held the asset for hotel use in Verona. However, as at that date, it was not leased.

Tenants

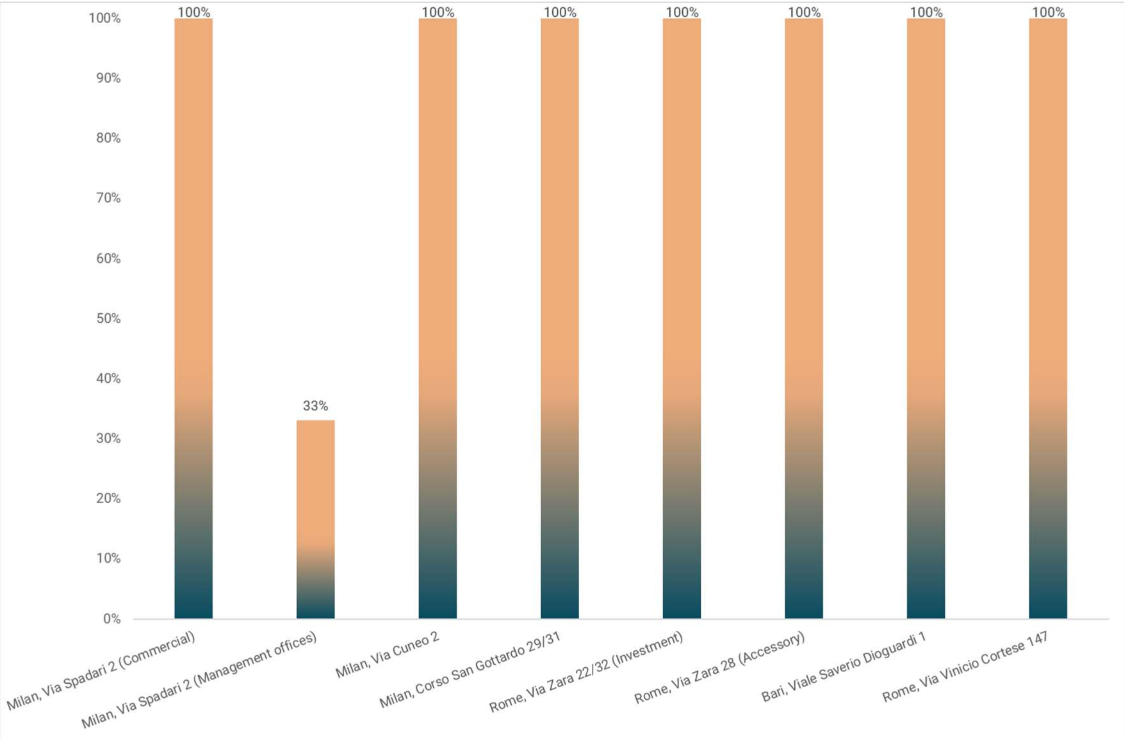
NEXT RE's real estate portfolio is leased to/used by, as at 31 December 2022, 6 (six) different tenants/users (net of NEXT RE for the accessory portion): OVS S.p.A., Ministry of Justice, Guardia di Finanza, Embassy of Canada, Dico S.p.A. and ITX Italia S.r.l.

The following graph shows the analysis of the concentration by individual tenant based on *existing annual rents* as at 31 December 2022 (for the property in Rome Via Cortese the occupation indemnity paid by the Guardia di Finanza was considered).



Occupancy rate

The occupancy rate of NEXT RE's real estate portfolio as at 31 December 2022 was 98%, up from the figure as at 31 December 2021, due to the sale of the property in Verona, Via Unità d'Italia 346.

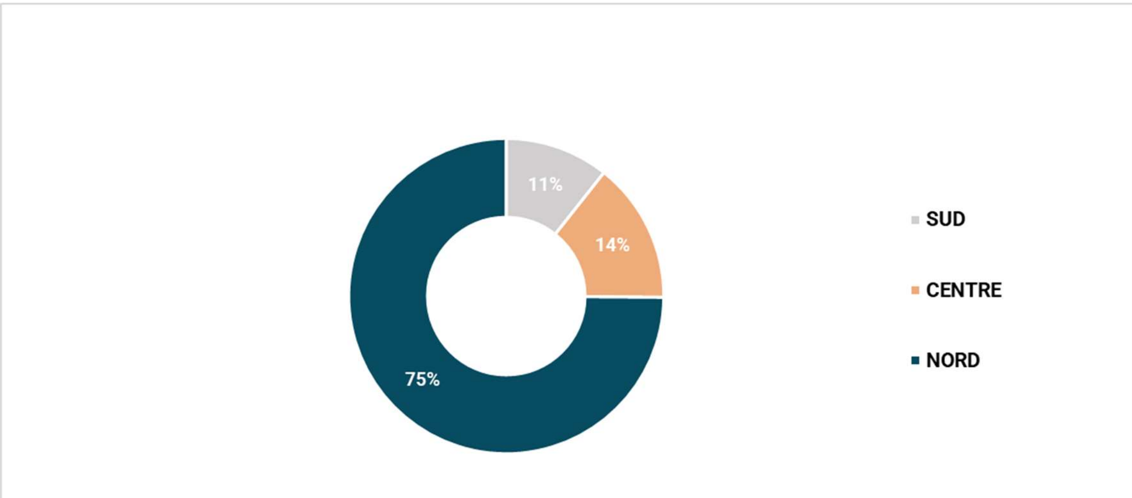


Geographical allocation

As at 31 December 2022, NEXT RE's real estate portfolio is distributed across 3 (three) different cities: Milan, Rome and Bari.

The following graph shows the geographical allocation analysis (NORTH - CENTRE - SOUTH) of the portfolio based on the *market values of the properties* as at 31 December 2022

Geographical allocation of properties on the market value as at 31 December 2022



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*".

Economic performance analysis

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

(Values in Euro thousands)	31/12/2022	31/12/2021
Rental income	5.821	5.983
Costs relating to property assets	(1.526)	(2.656)
Net Operating Income	**4.295**	**3.327**
Net income/(expenses) from property disposal	**676**	**0**
Other revenues and income	501	105
Personnel costs	(2.059)	(1.755)
Overhead costs	(3.134)	(2.664)
Other costs and expenses	(248)	(701)
EBITDA	**30**	**(1.687)**
Amortisation and write-downs	(200)	(383)
Fair value adjustment of property investments	2.892	4.755
EBIT	**2.722**	**2.685**
Fair value adjustment of financial instruments	(53)	(808)
Financial income/(expenses)	(1.653)	(1.454)
EBT (Earnings Before Taxes)	**1.017**	**423**
Taxes	(665)	4
Consolidated net result for the period	**352**	**427**

Net Operating Income: the real estate management margin amounted to € 4,295 thousand and increased compared to that achieved in 2021 by approximately € 968 thousand. Rental income showed a net decrease of € 162 thousand mainly due to lower revenues related to the Verona property for € 278 thousand and higher revenues related to the new portions acquired in the first half of 2021 of the Milan property, Via Spadari, and to ISTAT revaluations for a total of € 115 thousand. The balance of the item Costs relating to property assets as at 31 December 2022 was € 1,526 thousand, significantly lower than the balance as at 31 December 2021 of € 2,656 thousand, which included the costs arising from the settlement agreement with the former tenant of the asset located in Verona for € 1,156 thousand.

The item **Net income/(expenses) from the sale of real estate** includes the result of the sale of the Verona asset. The property was transferred at a price of € 7.4 million against a carrying value of € 6.1 million as at 31 December 2022. The item includes costs incurred in connection with the sale (agency fees and legal assistance costs), costs incurred in the interim period from the preliminary agreement until 28 December 2022, write-off of the value of furniture and furnishings, and additional costs for technical consultancy incurred in connection with the aforementioned sales process.

The item **Other revenues and income** includes the net proceeds of € 469 thousand arising from the agreement entered into on 28 June 2022 concerning the transfer of the HTBF stock and the settlement of the ordinary and enforceable legal proceedings related to the recovery of receivables connected to the stock.

Personnel costs: amounted to € 2,059 thousand (€ 1,755 thousand as at 31 December 2021) and included wages and salaries, contributions, severance indemnities, and the provision for the short-term MBO variable remuneration component in the amount of € 748 thousand.

Overhead costs: this item showed a balance of € 3,134 thousand at 31 December 2022 and increased by a net € 470 thousand compared to 31 December 2021, mainly in relation to i) costs for asset advisory fees accrued to Dea Capital Real Estate SGR for a total of € 704 thousand (in the 2021 income statement, the fee was recognised with reference to the last four months for € 252 thousand); ii) higher consulting fees for the updating and preparation of corporate systems and procedures in the amount of € 84 thousand; iii) higher costs for directors' fees in the amount of € 327 thousand as a result of the increase in the number of board members, the redefinition of Board committees, the remuneration of the Chief Financial Officer and the provision for incentive remuneration; iv) lower costs for legal advice, IAS/IFRS accounting advice and communication for € 262 thousand; v) lower costs for technical and IT collaboration for € 44 thousand and vi) lower bank fees for € 71 thousand.

The item **Amortisation, depreciation and write-downs** includes, among other things, i) depreciation of € 93 thousand relating to the item Furniture and Fittings of the Verona asset and ii) the depreciation of the portion of the Rome, Via Zara asset used for business purposes for € 57 thousand.

The item **Other costs and expenses** includes a provision for risks in the amount of € 74 thousand in addition to ordinary costs for CONSOB and stock exchange contributions and membership fees.

The item **Fair value adjustment of financial instruments** amounting to € 53 thousand refers primarily to the fair value adjustment of securities in the portfolio for a nominal € 600 thousand recorded under the item Financial assets at fair value.

The item **Fair value adjustments of property investments** includes fair value adjustments of investment properties derived from the Independent Expert's valuations. The item includes write-downs of € 680 thousand and revaluations of € 3,572 thousand.

The item **Financial income/(expenses)** is mainly composed of interest expense on loans disbursed by the parent company CPI PG for € 1,432 thousand and interest on bank loans and leasing for € 218 thousand.

The item **Taxes** as at 31 December 2022 mainly includes the write-down of deferred tax assets in the amount of € 650 thousand not considered recoverable in future years based on the assumptions of the 2023-2026 Business Plan.

Balance sheet analysis

The following table shows the composition of the Group's invested capital and sources of financing as at 31 December 2022 and 31 December 2021.

Values in Euro thousands		31/12/2022	31/12/2021
A.	Fixed capital	137.893	140.571
B.	Financial instruments	544	3.378
C.	Net working capital	(1.806)	(147)
D=A.+B.+C.	Invested capital	136.630	143.802
E.	**Shareholders' equity**	**(85.915)**	**(85.499)**
F.	**Other non-current assets and liabilities**	**2.459**	**2.722**
G.	Long-term payables to banks and other lenders	(66.663)	(66.700)
H.	Long-term financial derivative liabilities	0	0
I.	Short-term payables to banks and other lenders	(1.569)	(1.172)
J.	Short-term financial derivative liabilities	0	0
K.	Securities held for trading	0	0
L.	Available cash and cash equivalents	15.059	6.846
M.=G.+H.+I.+J.+K.+L.	**Total financial debt**	**(53.174)**	**(61.026)**
N.=E.+F.+M.	Sources of financing	(136.630)	(143.802)

COMPOSITION OF ITEMS:

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

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

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

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

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

The net working capital is negative equal to € 1,806 thousand.

Shareholders' equity, including the profit for the period of € 352 thousand, amounted to € 85,915 thousand.

The balance of Other net non-current assets and liabilities amounted to € 2,459 thousand and related to: i) deferred tax assets of € 190 thousand, ii) other non-current assets of € 2,436 thousand, iii) employee severance indemnity fund of € -66 thousand, iv) risk provisions of € -74 thousand and v) non-current tax liabilities of € -27 thousand.

The following tables show the Total Financial Debt of the Group as at 31 December 2022 and 31 December 2021, as required by Consob in Attention Notice no. 5/21 with evidence of the method of representation indicated in the Guidelines on disclosure requirements under EU Regulation 2017/1129 (so-called Prospectus Regulation) published by ESMA. As of 5 May 2021, the Guidelines update the previous CESR

Recommendations (including references in Communication no. DEM/6064293 of 28-7-2006 on net financial position).

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

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

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

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

Values in Euro thousands		31/12/2022	31/12/2021
A.	Cash and cash equivalents	15.059	3.846
B.	Cash equivalents	0	3.000
C.	Other current financial assets	0	0
D.	**Liquidity**	**15.059**	**6.846**
E.	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	0	0
F.	Current portion of the non-current financial payable	(1.569)	(1.172)
G.= (E+F)	**Current financial debt**	**(1.569)**	**(1.172)**
H.= (G-D)	**Net current financial debt**	**13.489**	**5.674**
I.	Non-current financial debt (excluding current portion and debt instruments)	(66.663)	(66.700)
J.	Debt instruments	0	0
K.	Trade payables and other non-current payables	0	0
L.=(I+J+K)	**Non-current financial debt**	**(66.663)**	**(66.700)**
H+L	**Total financial debt**	**(53.173)**	**(61.026)**

*values restated on the basis of Consob "Attention Notice no. 5/21"

Total financial debt improved by € 7.8 million compared to 31 December 2021. The change is mainly attributable to i) the collection of the consideration for the settlement agreement signed on 28 June 2022 in relation to the HTBF position for € 3.5 million including VAT, ii) the collection of the proceeds in relation to the signing of the contract for the sale of the Verona asset for € 7.4 million, iii) the recognition of interest accrued in the year for € -1.4 million in relation to the credit facility agreements granted by CPI PG for which the Company has the right to repayment at maturity in 2026, and iv) the repayment of mortgages and loans for € -1.2 million.

Transactions with related parties

Information on transactions with related parties is provided below.

SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

On **5 July 2022**, subject to the favourable opinion of the Related Parties and Investment Committee, the Company signed the Deed of Reinstatement, through which the controlling shareholder CPI Property Group S.A. and the companies of the DeA Capital Group (the "**Parties**") confirmed the commitments undertaken as per the Framework Agreement.

It is recalled that the Framework Agreement set forth the terms and conditions of a joint project through the realisation of a strategic operating partnership in the Italian real estate market and provided for the execution of the Capital Increase (for an amount of up to € 1,000,000,000). It is also recalled that, with regard to the signing of the Framework Agreement, on 6 August 2021, the information document on a transaction of greater significance with related parties was published, subsequently supplemented on 29 September 2021, prepared pursuant to Article 5 of the RPT Regulation and Article 7 of the Related Parties Procedure.

Consistent with the analysis conducted with regard to the signing of the Framework Agreement, the signing of the Deed of Reinstatement was qualified as a transaction of greater significance under the RPT Regulation.

In particular, with the signing of the Deed of Reinstatement, the Parties agreed to postpone to 31 December 2022 the deadline, previously set at 30 June 2022, for the fulfilment of the conditions precedent contained in the Framework Agreement - including, in particular, the execution of the Capital Increase pursuant to the proxy granted on 26 April 2021 by the Extraordinary Shareholders' Meeting of the Company to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, which provides for a capital increase for a total maximum amount of € 2,000,000,000, inclusive of any share premium, to be executed also in divisible form, in one or more instalments, also excluding option rights pursuant to Article 2441, Sections 4 and 5 of the Italian Civil Code, also through contributions in kind. The Deed of Reinstatement also provided for the renewal of the shareholders' agreements contained in the Framework Agreement (which had expired on 30 June 2022 due to the non-fulfilment, by that date, of the relevant conditions precedent).

Therefore, in compliance with the procedure prescribed by the laws and company regulations in force on transactions of greater significance with related parties, the signing of the Deed of Reinstatement was approved by the Board of Directors after the Related Parties and Investments Committee had issued a favourable reasoned opinion on the existence of the Company's interest in signing the Deed of Reinstatement and on the appropriateness and substantial correctness of the provisions contained therein.

For the purpose of issuing its opinion, the Committee received a complete, adequate and timely flow of information on the Deed of Reinstatement from the relevant corporate structures.

The contents of the Deed of Reinstatement were reviewed by the Committee at its meetings held on 28 June and 4 July 2022.

In particular, at the meeting of 28 June 2022, attended by all members of the Committee and all members of the Board of Statutory Auditors, the Committee *(i)* acknowledged that the conditions for carrying out the Capital Increase were not met within the planned timeframe and *(ii)* received an update on the status of the negotiations underway with the other parties to the Framework Agreement, aimed at concluding an agreement to postpone the deadline of 30 June 2022 for the occurrence of the conditions precedent and the fulfilment of the commitments in relation to the Capital Increase undertaken by the company, the controlling shareholder CPI and the companies in the group headed by DeA Capital.

Following this, a further meeting of the Committee was held on 4 July 2022, attended by all members of the Committee as well as the CEO and all members of the Board of Statutory Auditors. During the aforesaid meeting, the Committee requested the CEO to provide certain detailed explanations on the contents of the Deed of Reinstatement, with particular reference to the timing of its signing, and unanimously expressed its favourable opinion on the signing of the Deed of Reinstatement and on the appropriateness and substantial correctness of the related terms, drafted pursuant to Article 5 of the RPT Regulation, as well as Article 5.2 of the Related Parties Procedure.

At its meeting of 4 July 2022, having noted the favourable opinion expressed by the Related Parties and Investment Committee, the Board of Directors then unanimously approved the signing of the Deed of Reinstatement.

On 11 July 2022, the Information Document relating to a major transaction with related parties was published, prepared pursuant to Art. 5 of Consob Regulation 17221/10 as amended and Art. 7 of the RPT Procedure of the Company, to which reference should be made.

In the margin, it should be noted that on 31 December 2022, the term for the fulfilment of the conditions precedent set forth in the Framework Agreement, as amended by the Deed of Reinstatement, expired, and therefore it and the shareholders' agreements contained therein became ineffective on the same date.

TRANSACTIONS AND RELATION WITH RELATED PARTIES OF LESSER IMPORTANCE

There were no minor related party transactions during the financial year 2022.

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

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

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

Requirements of the Special Regime for SIIQs

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

(i) Subjective requirements

The Special Regime is available to companies that:

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

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

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

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

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

(ii) Statutory Requirements

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

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

(iii) Shareholding Structure Requirements

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

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

(iv) Objective requirements

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

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

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

(v) Additional provisions

a. Companies that opt for the Special Regime have the obligation, in each financial year, to distribute to shareholders (i) at least 70% of the net profit deriving from real estate leasing activities, from the ownership of investments in SIIQ/SIINQ and in SICAF and qualified real estate funds (as resulting from the Income Statement of the relevant annual financial statements), if the total profit for the year available for distribution is equal to or higher than the exempt operating income, or (ii) at least 70% of the total profit for the year available for distribution, if this is lower than the profit deriving from the leasing activity and from the ownership of equity investments in SIIQ, SIINQ and qualified real estate funds or SICAF (so-called exempt management).
b. Furthermore, there is the obligation to distribute, in the two financial years following the year of realisation, 50% of the income deriving from net capital gains realised on real estate properties intended for lease and on investments in SIIQ, SIINQ and qualified real estate funds or SICAF.

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

Causes of immediate termination of the Special Regime

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

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

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

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

The Company's exercise of the option and maintenance of the SIIQ regime for the tax period ending 31 December 2022.

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

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

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

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

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

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

Risk management

MAIN RISKS AND UNCERTAINTIES TO WHICH NEXT RE IS EXPOSED

During the financial year relating to the year 2022 NEXT RE faced a number of risks, identified as financial, operational, strategic and compliance risks. In order to control, prevent and minimise these risks, the company uses the international principles of Enterprise Risk Management (ERM), a risk management technique that tends to safeguard NEXT RE, through the use of tools of various kinds, from the possible materialisation of these risks. In accordance with the principles of the Corporate Governance Code for Listed Companies, the Board of Directors: (i) appointed the Director in charge of the Internal Audit System and (ii) set up the "Control, Risks, Remuneration and Related Parties Committee" (also known as the "Control and Risks Committee"). The Committee is made up of "*Independent*" Directors who monitor the identification process of the main corporate risks, according to which the risk factors for the Issuer are identified, including all risks that may be relevant for the sustainability of the company's activities in the medium/long term. The Internal Control and Risk Management System is a *set of rules, procedures and organisational structures* whose purpose is to *monitor* compliance with corporate strategies, the effectiveness and efficiency of corporate processes, compliance with laws and regulations, and compliance with the Company's Articles of Association, standards and procedures. This System must aim to facilitate the *identification, measurement, management and* adequate *monitoring* of the risks assumed by the Issuer and the degree of its exposure to risk factors, taking into account the possible correlations between the various risk factors, the significant probability that the risk will occur, the impact of the risk on the company's operations and, finally, the extent of the risk as a whole. Basically, it must make it possible to deal with the various types of risk to which the company is exposed over time, such as operational, market, liquidity, credit, settlement, legal and reputational risks, etc., in a reasonably timely manner.

1. FINANCIAL RISKS

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

1.1 Market risks

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

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

1.2 Interest rate risk

The risk of losses deriving from the financing of operations, in particular, consists of the increase in financial expenses deriving from the rise in interest rates. Fixed-rate intercompany loans mitigate the Company's exposure to the risk of interest rate fluctuations. With reference to the existing loans stipulated in the past at variable rates, the Group, within the guidelines of the Business Plan approved by the Board of Directors on 6 February 2022, has initiated a rationalisation of the Company's economic and financial structure that will provide for the early repayment of variable-rate loans through the use of existing cash.

1.3 Credit risk

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

1.4 Liquidity risk

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

The Group carefully plans its cash flows and monitors the level of liquidity within the framework of its treasury activities, also making use of scenario analyses and stress tests.

The Group has cash on hand as at 31 December 2022 for € 15,059 thousand and financial debt for € 68,232 thousand, of which € 1,569 thousand beyond one year.

2. OPERATIONAL RISKS

This is the risk of incurring in losses from inadequate or failed internal processes, human resources and internal systems or from external events. Operational risks are addressed through the adoption of appropriate internal procedures and the articulation of the internal control system.

2.1 Tenants risk

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

2.2 Reputational risk

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

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

2.3 Climate change risk

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

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

In the course of 2021, a path was started to integrate ESG issues into its business model.

On 15 September 2022, the Sustainability Policy was approved, which responds to the purpose of gathering, organising and implementing the actions and processes necessary to integrate the ESG sustainability principles to which the Company intends to refer, identifying the specific transversal actions needed to implement these ESG components in Next Re's strategy and operations. Next Re has also set up a special technical committee with the function of guiding, monitoring and supporting the Board of Directors in relation to ESG issues (the "ESG Committee"), composed of the CEO, Stefano Cervone, the CIO, Claudio Carserà and the CFO, Giovanni Naccarato; the ESG Committee is in charge of setting the priorities, the programme and the objectives that, on a two-yearly basis, must be pursued by the Company for the development of ESG factors, as well as supporting the Board of Directors in the implementation of the Sustainability Policy and in the analysis of issues relevant to the generation of long-term value.

As at the date of this report, in line with the sustainability path that has been initiated, certification in accordance with the BREEAM In Use protocol has been obtained for the entire real estate portfolio.

3. STRATEGIC RISKS

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

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

4. COMPLIANCE AND LEGAL RISK

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

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

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

- *Liability pursuant to Italian Legislative Decree 231/01*: the Company has adopted an Organisational Model pursuant to Italian Legislative Decree 231/01 as more fully described in the section "Organisational Model and Code of Ethics" relating to Compliance with Italian Legislative Decree no. 231/2001.
- *Penalties for breaches of the regulations governing listed companies*: the Company ensures constant monitoring of compliance with the regulatory provisions that apply to it as a listed company, with specific reference to the rules on market abuse (Reg. EU 596/2014 and its implementing European and national provisions including Italian Legislative Decree no. 107 of 10 August 2018), to the regulations on transactions with related parties pursuant to Consob 17221/10 (as amended) and the disclosure requirements prescribed by the TUF and the Issuers' Regulation. It is also planned to constantly monitor the evolution of legislation and market regulations and the possible effects on the Company's obligations.
- *Liabilities pursuant to Law 262/05*: application of penalties related to the liabilities of the Manager responsible for drafting the company's financial reports.

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

Maintenance of SIIQ regime requirements

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

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

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

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

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

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

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

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

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

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

It is noted that, as at 31 December 2022, all the Objective Requirements, both the capital and income requirements, have been met. In fact, with regard to the Asset Test, the value of real estate owned and used for lease purposes is greater than 80% of the total value of assets and, with regard to the Profit Test, the amount of revenues deriving from the lease of real estate owned or other real estate rights is greater than 80% of the positive components of the income statement. For purposes of verifying the conditions of prevalence, data resulting from the financial statements of each year is relevant and therefore for the year 2022 the check was carried out on the basis of data updated as at 31 December 2022.

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

(1) Rules in terms of investments

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

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

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

(3) Maximum financial leverage level

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

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

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

Corporate Governance

Information on the corporate governance system of NEXT RE can be found in the Corporate Governance Report for the year 2022, approved by the Board of Directors on 21 March 2023 also - among other things - for the approval of the draft Financial Statements as at 31 December 2022. The Report provides a description of the corporate governance system adopted by the Company and the specific procedures for adherence to the Corporate Governance Code, in compliance with the obligations set forth in Article 123-bis of the TUF.

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

BODIES

Board of Directors

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

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

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

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

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

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

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

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

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

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

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

Board of Statutory Auditors

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

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

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

Commercial Experts), which received favourable votes equal to approximately 3.06% of the share capital present and voting.

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

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

Independent Auditors

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

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

Remuneration report

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

Organisational model & Code of Ethics

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

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

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

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

As at 31 December 2022, the Chair of the Board of Directors, Giancarlo Cremonesi, held 0.0015% of the share capital with 335 shares.

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

Other information on the management

Personnel and organisational structure

As at 31 December 2022, the workforce consisted of 7 employees, including 4 executives, including the Chief Executive Officer and General Manager Stefano Cervone, the Head of Real Estate Claudio Carserà and the Manager responsible for drafting the company's financial reports, pursuant to and for the purposes of Articles 154-*bis* of the TUF and 21-*bis* of the Articles of Association, Ms Francesca Rossi.

Research and development activities

The Company did not engage in any research and development activities during 2022.

Treasury shares and/or shares of parent companies

As at 31 December 2022, 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 Consolidated Financial Statements and Annual Financial Statements.

Secondary offices

Pursuant to the provision set forth in Article 19, paragraph 2, of the Company's Articles of Association, by resolution of the Board of Directors dated 20 December 2021, filed with the Rome Companies Register on 23 December 2021, the Company established a local unit at the property in Milan, Via Spadari 2.

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

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

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

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

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

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

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

Definition of SME

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

Disclosure of non-financial information

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

Certifications

On 7 August 2019, the Company achieved the ISO 9001:2015 certification, effective from 25 July 2019; this was renewed on 10 June 2022.

ESG

The Group has embarked on the path of integrating ESG (Environmental, Social, Governance) objectives into its business strategy, believing that adherence to and promotion of environmental, social and corporate governance standards contributes, *inter alia*, to increasing the value of its real estate portfolio, improving its performance over time and fostering the creation of shared value for all stakeholders and the sustainable success of the Company.

The first important step in this direction was to obtain certification according to the BREEAM In Use protocol for the entire real estate portfolio, thus highlighting the company's effective commitment to sustainability. This important achievement was followed by the adoption of the Sustainability Policy, on 15 September 2022, which identifies the sustainability principles adopted by the Company and identifies the specific transversal actions required to implement ESG components in the Group's strategy and operations, helping to improve the impact on all operational areas of the Company's business. With the approval of the above-mentioned procedure, Next Re has also set up a special technical committee with the function of guiding, monitoring and supporting the Board of Directors in relation to ESG issues (the "ESG Committee"), composed of the CEO, Stefano Cervone, the CIO, Claudio Carserà and the CFO, Giovanni Naccarato; the ESG Committee is in charge of setting the priorities, the programme and the objectives that, on a two-yearly basis, must be pursued by the Company for the development of ESG factors, as well as supporting the Board of Directors in the implementation of the Sustainability Policy and in the analysis of issues relevant to the generation of long-term value.

Update on the impact of COVID-19

As described above, for properties for commercial use, given the continuation of the COVID-19 emergency situation, during the first half of 2022, supplementary agreements were signed with which the property supported the tenants in managing the negative economic and financial effects of the pandemic by waiving the fees for an additional € 350 thousand.

With reference to the impact of the COVID-19 pandemic on the income statement for 2022, it should be noted that rental income takes into account a reduction of € 204 thousand related to the release of temporary fee reductions granted to OVS.

With reference, instead, to future impacts, it must be noted that the decrease in lease payments granted to the client OVS will have a negative impact for a total of € 997 thousand due to the IFRS 16 accounting treatment which provides for the linearisation of these effects over the contractual duration.

Foreseeable performance trend

The outlook is strongly impacted by the evaluations expressed by the controlling shareholder CPI Property Group S.A., in exercising its management and coordination activities in relation to the downsizing of Next Re's growth prospects. These assessments are a consequence of the conditions - which remain critical - of the market context, and which were also the basis for the termination of the capital strengthening programme contained in the Framework Agreement, which expired on 31 December 2022.

In this context, in February, the “2023 - 2026 Business Plan” was approved, which envisages that the Company, also through the implementation of certain extraordinary operations, will pursue the rationalisation of its financial structure, and that the production of operating flows from ordinary operations will guarantee the achievement of a condition of stable economic-financial balance.

In particular, the above-mentioned objectives will be pursued, *inter alia*, by implementing the following actions:

- early repayment, in line with what has already been reported in the section Events after year-end, of total exposure to credit institutions;
- rationalisation of corporate costs according to the necessary efficiency targets;
- sale of a property held in portfolio.

Consistent with the new 2023-2026 Business Plan, management will therefore move along the following strategic guidelines:

- stabilisation of the Company's operating cash flows and economic results;
- increasing the profitability of the real estate portfolio, including by implementing the process of its valorisation and turnover;
- rationalisation and streamlining of the Company's economic and financial structure.

The aforementioned levers are aimed, as mentioned, at pursuing conditions of stable equilibrium at the level of the company's operating profitability, in a situation of unchanged asset size.

Lastly, it should also be pointed out that, within the framework of the path outlined above, i) the official willingness on the part of the structure to allow, through the settlement agreements concerning the terms and conditions of the consensual early termination of the executive employment relationships of the General Manager and the Chief Investment Officer, as well as the termination of the respective offices of the Chair and the Chief Executive Officer, significant corporate cost savings, and ii) the substantial financial resources available to the Company will allow the implementation of the strategies outlined above in maintaining the postulate of business continuity.

Next RE SIIQ S.p.A. - Significant data

The reclassified income statement of the parent company NEXT RE SIIQ S.p.A. is shown below with a comment on the main items:

(Values in Euro thousands)	31/12/2022	31/12/2021
Rental income	5.821	5.983
Costs relating to property assets	(1.526)	(2.656)
Net Operating Income	**4.295**	**3.327**
Net income/(expenses) from property disposal	**676**	**0**
Other revenues and income	501	105
Personnel costs	(2.059)	(1.755)
Overhead costs	(3.142)	(2.663)
Other costs and expenses	(248)	(701)
EBITDA	**23**	**(1.687)**
Amortisation and write-downs	(200)	(383)
Fair value adjustment of property investments	2.892	4.755
EBIT	**2.716**	**2.685**
Fair value adjustment of financial instruments	(53)	(808)
Financial income/(expenses)	(1.653)	(1.454)
EBT (Earnings Before Taxes)	**1.010**	**423**
Taxes	(664)	4
Net result for the period	**346**	**427**

Net Operating Income: The real estate management margin amounted to € 4,295 thousand and increased compared to that achieved in 2021 by approximately € 968 thousand. Rental income showed a net decrease of € 162 thousand mainly due to lower revenues related to the Verona property for € 278 thousand and higher revenues related to the new portions acquired in the first half of 2021 of the Milan property, Via Spadari, and to ISTAT revaluations for a total of € 115 thousand. The balance of the item Costs relating to property assets as at 31 December 2022 was € 1,526 thousand, significantly lower than the balance as at 31 December 2021 of € 2,656 thousand, which included the costs arising from the settlement agreement with the former tenant of the asset located in Verona for € 1,156 thousand.

The item **Net income/(expenses) from the sale of real estate** includes the result of the sale of the Verona asset. The property was transferred at a price of € 7.4 million against a carrying value of € 6.1 million as at 31 December 2022. The item includes costs incurred in connection with the sale (agency fees and legal assistance costs), costs incurred in the interim period from the preliminary agreement until 28 December 2022, write-off of the value of furniture and furnishings, and additional costs for technical consultancy incurred in connection with the aforementioned sales process.

The item **Other revenues and income** includes the net proceeds of € 469 thousand arising from the agreement entered into on 28 June 2022 concerning the transfer of the HTBF stock and the settlement of the ordinary and enforceable legal proceedings related to the recovery of receivables connected to the stock.

Personnel costs: amounted to € 2,059 thousand (€ 1,755 thousand as at 31 December 2021) and included wages and salaries, contributions, severance indemnities, and the provision for the short-term MBO variable remuneration component in the amount of € 748 thousand.

General costs: this item showed a balance of € 3,142 thousand at 31 December 2022 and increased by a net € 479 thousand compared to 31 December 2021, mainly in relation to i) costs for asset advisory fees accrued to Dea Capital Real Estate SGR for a total of € 704 thousand (in the 2021 income statement, the fee was recognised with reference to the last four months for € 252 thousand) ii) higher consulting fees for the updating and preparation of corporate systems and procedures in the amount of € 84 thousand iii) higher costs for directors' fees in the amount of € 327 thousand as a result of the increase in the number of board members, the redefinition of Board committees, the remuneration of the Chief Financial Officer and the provision for incentive remuneration iv) lower costs for legal advice, IAS/IFRS accounting advice and communication for € 262 thousand, v) lower costs for technical and IT collaboration for € 44 thousand and vi) lower bank fees for € 71 thousand.

The item **Amortisation, depreciation and write-downs** includes, among other things, i) depreciation of € 93 thousand relating to the item Furniture and Fittings of the Verona asset and ii) the depreciation of the portion of the Rome, Via Zara asset used for business purposes for € 57 thousand.

The item **Other costs and expenses** includes a provision for risks in the amount of € 74 thousand in addition to ordinary costs for CONSOB and stock exchange contributions and membership fees.

The item **Fair value adjustment of financial instruments** amounting to € 53 thousand refers primarily to the fair value adjustment of securities in the portfolio for a nominal € 600 thousand recorded under the item Financial assets at fair value.

The item **Fair value adjustments of property investments** includes fair value adjustments of investment properties derived from the Independent Expert's valuations. The item includes write-downs of € 680 thousand and revaluations of € 3,572 thousand.

The item **Financial income/(expenses)** is mainly composed of interest expense on loans disbursed by the parent company CPI PG for € 1,432 thousand and interest on bank loans and leasing for € 218 thousand.

The item **Taxes** as at 31 December 2022 mainly includes the release of deferred tax assets in the amount of € 650 thousand not considered recoverable in future years based on the assumptions of the 2023-2026 Business Plan.

The following tables show the total financial debt of NEXT RE as at 31 December 2022.

(Values in Euro thousands)		31/12/2022	31/12/2021
A.	Cash and cash equivalents	15.015	3.837
B.	Cash equivalents	0	3.000
C.	Other current financial assets	0	0
D.	**Liquidity**	**15.015**	**6.837**
E.	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	0	0
F.	Current portion of the non-current financial payable	(1.569)	(1.172)
G.= (E+F)	**Current financial debt**	**(1.569)**	**(1.172)**
H.= (G-D)	**Net current financial debt**	**13.445**	**5.665**
I.	Non-current financial debt (excluding current portion and debt instruments)	(66.663)	(66.700)
J.	Debt instruments	0	0
K.	Trade payables and other non-current payables	0	0
L.=(I+J+K)	**Non-current financial debt**	**(66.663)**	**(66.700)**
H+L	**Total financial debt**	**(53.217)**	**(61.035)**

*values restated on the basis of Consob "Attention Notice no. 5/21"

Total financial debt improved by € 7.8 million compared to 31 December 2021. The change is mainly attributable to i) the collection of the consideration for the settlement agreement signed on 28 June 2022 in relation to the HTBF position for € 3.5 million including VAT, ii) the collection of the proceeds in relation to the signing of the contract for the sale of the Verona asset for € 7.4 million, iii) the recognition of interest accrued in the year for € -1.4 million in relation to the credit facility agreements granted by CPI PG for which the Company has the right to repayment at maturity in 2026, and iv) the repayment of mortgages and loans for € -1.2 million.

The reclassified statement of invested capital and funding sources as at 31 December 2022 compared with 31 December 2021 is shown below.

(Values in Euro thousands)		31/12/2022	31/12/2021
A.	Fixed capital	137.901	140.581
B.	Financial instruments	544	3.378
C.	Net working capital	(1.775)	(146)
D=A.+B.+C.	**Invested capital**	**136.670**	**143.813**
E.	**Shareholders' equity**	**(85.911)**	**(85.499)**
F.	**Other non-current assets and liabilities**	**2.459**	**2.721**
G.	Long-term payables to banks and other lenders	(66.663)	(66.700)
H.	Long-term financial derivative liabilities	0	0
I.	Short-term payables to banks and other lenders	(1.569)	(1.172)
J.	Short-term financial derivative liabilities	0	0
K.	Securities held for trading	0	0
L.	Available cash and cash equivalents	15.015	6.837
M.=G.+H.+I.+J.+K.+L.	**Total financial debt**	**(53.218)**	**(61.035)**
N.=E.+F.+M.	**Sources of financing**	**(136.670)**	**(143.813)**

COMPOSITION OF ITEMS:

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

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

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

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

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

The net working capital is negative equal to € 1,775 thousand.

Shareholders' equity, including the profit for the period of € 346 thousand, amounted to € 85,911 thousand.

The balance of Other net non-current assets and liabilities amounted to € 2,459 thousand and related to: i) deferred tax assets of € 190 thousand, ii) other non-current assets of € 2,436 thousand, iii) employee severance indemnity fund of € -66 thousand, iv) risk provisions of € -74 thousand and v) non-current tax liabilities of € -27 thousand.

The following tables show the Total Financial Debt of the Company as at 31 December 2022 and 31 December 2021, as required by Consob in Attention Notice no. 5/21 with evidence of the method of representation indicated in the Guidelines on disclosure requirements under EU Regulation 2017/1129 (so-called Prospectus Regulation) published by ESMA. As of 5 May 2021, the Guidelines update the previous CESR

Recommendations (including references in Communication no. DEM/6064293 of 28-7-2006 on net financial position).

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

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

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

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

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 NEXT RE SIIQ S.p.A. with the consolidated results and shareholders' equity as at 31 December 2022.

Values in Euro	31/12/2022		31/12/2021	
	Shareholders' equity	Results	Shareholders' equity	Results
Values of the Parent Company	**85.910.546**	**346.304**	**85.498.576**	**427.336**
Recognition of shareholders' equity of subsidiary	9.184	0	10.000	0
Adjusted results for the year of the subsidiary	5.263	5.263	(816)	(816)
Elimination of the carrying value of investments	(10.000)	0	(10.000)	0
Consolidated values	**85.914.993**	**351.567**	**85.497.760**	**426.520**

Proposed allocation of operating results for the period

The financial statements of NEXT RE SIIQ S.p.A., as at 31 December 2022, show a profit of € 346,303.60.

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

“The Shareholders' Meeting,

- 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;

resolved:

- to approve the financial statements for the year ended on 31 December 2022 and the Board of Directors' Report on Operations;
- to allocate the profit for the year amounting to € 346,303.60 as follows:

  for € 17,315.18

  - to legal reserve

  for € 328,988.42

  - to fair value reserve.”

EPRA performance indicator

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

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

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

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

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

NET TANGIBLE ASSETS (NTA): the assumption underlying the calculation of indicator ratio is that the company buys and sells real estate, which impacts the company's deferred tax liability. It represents a scenario where some properties could be subject to sale. As at 31 December 2022 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 recorded in the financial statements are also excluded from shareholders' equity attributable to the Group.

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 costs and overheads, net of management fees and other limited items that do not represent the company's business, of gross lease 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.

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

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

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

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

Like for like Rental Growth: measures the growth rate of revenues from rental activities relative to the homogeneous perimeter (assets present for the entire period of the current and previous year).

In February 2022, EPRA, through an update of the Best Practices Recommendations Guidelines 2022, introduced a new financial indicator, the **EPRA LTV (Loan-to-Value)**, which expresses the company's leverage from the shareholders' perspective.

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: In this regard, it should be noted that the Company prepared, until 31 December 2020, the annual financial statements and the consolidated financial statements in which Next RE SIIQ and the subsidiary Cortese Immobiliare were included. As a result of the merger of Cortese into Next RE, which was finalised during the financial year 2021, as at 31 December 2021 the Company only prepared annual financial statements.

During the last months of 2022, the subsidiary Fidelio Engineering S.r.l. started its operations and therefore the Company, as at 31 December 2022, returns to prepare its annual financial statements and consolidated financial statements, whose perimeter includes Next RE and Fidelio Engineering. Therefore, in order to present comparative data for the financial year 2021, the Company has, in accordance with the so-called repeated application of IFRS 1, prepared 2021 consolidated financial statements, with a perimeter aligned to the one in place as at 31 December 2022.

	31 December 2022		31 December 2021		Δ Y-Y	Δ Y-Y (%)
	€ million	€ per share	€ million	€ per share		
EPRA Earning	(3,2)	(0,1)	(3,5)	(0,2)	0,3	9,4%
	%		%			
EPRA Cost Ratio (including direct vacancy costs)	120,1%		129,7%		-9,6%	
EPRA Cost Ratio (excluding direct vacancy costs)	115,2%		124,9%		-9,7%	
EPRA NRV	85,9	3,9	85,5	3,9	0,4	0,5%
EPRA NTA	85,9	3,9	85,4	3,9	0,5	0,5%
EPRA NDV	91,3	4,1	86,7	3,9	4,6	5,3%
	31 December 2022		**31 December 2021**		**Δ Y-Y**	**Δ Y-Y (%)**
	€ million	€ per share	€ million	€ per share		
	%		%			
EPRA LTV	39,8%		43,7%		-3,9%	
EPRA Net Initial Yield	3,5%		3,2%		0,3%	
EPRA Topped-up Net Initial Yield	3,9%		3,5%		0,4%	
EPRA vacancy rate	3,4%		9,3%		-6,0%	
LIKE FOR LIKE RENTS	0,1%		-4,8%		4,9%	

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

EPRA Earnings (Euro/000)	31 December 2022	31 December 2021
Net result on IFRS basis	**352**	**427**
Variations to calculate EPRA Earnings:		
Changes in value of investment properties, development properties held for investment and other interests	(2.892)	(4.755)
Profits or losses on disposal of investment properties, development properties held for investment and other interests	(676)	
Profits or losses on sales of trading properties including impairment charges in respect of trading properties		
Tax on profits or losses on disposals		
Negative goodwill / goodwill impairment		
Changes in fair value of financial instruments and associated close-out costs	53	837
Acquisition costs on share deals and non-controlling joint venture interests		
Deferred tax in respect of EPRA adjustments	0	0
Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)		
Non-controlling interests in respect of the above		
EPRA Earnings	**(3.163)**	**(3.491)**
Basic number of shares	*22.025.109*	*22.025.109*
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.

As at 31 December 2022, this indicator showed a negative value of € 3,163 thousand and decreased compared to last year by about € 328 thousand. The change was mainly attributable to, i) the increase in the real estate management margin of about € 967 thousand due to lower rental income for € 162 thousand and lower costs related to real estate assets, significantly lower than the balance as at 31 December 2021, which included costs arising from the settlement agreement with the former tenant of the asset located in Verona for € 1,156 thousand, ii) net proceeds from the sale of real estate for € 676 thousand, iii) the increase in personnel expenses for € 304 thousand, attributable to the MBO short-term variable compensation component and to the increase in costs for asset advisory fees accrued to Dea Capital Real Estate SGR for € 455 thousand (in the 2021 income statement, the fee was recognised with reference to the last four months for € 252 thousand), iv) higher costs for directors' fees totalling € 327 thousand as a result of the increase in the number of board members, the redefinition of the Board committees, the remuneration of the Chief Financial Officer and the provision for incentive remuneration v) higher other revenues and income that included the net proceeds of € 469 thousand arising from the agreement signed on 28 June 2022 concerning the transfer of the HTBF stock and the settlement of the judicial, ordinary and enforceable proceedings, relative to the recovery of receivables linked to the same security vi) lower other costs and charges for € 500 thousand arising from lower aborted costs, vii) a negative change in taxes for € 661 thousand.

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

	EPRA Cost Ratios (Euro/000)			31 December 2022	31 December 2021
	Include:	**Include:**			
(i)	Administrative/operating costs reported in the IFRS income statement	Administrative/operating costs reported in the IFRS income statement		6.834	7.369
(ii)	Net service charge costs/fees	Net service charge costs/fees			
(iii)	Management fees net of realised/estimated returns	Management fees net of realised/estimated returns			
(iv)	Other income/charge-backs to cover costs net of related income	Other income/charge-backs to cover costs net of related income			
(v)	Share of general real estate costs of real estate investments accounted for using the equity method	Share of general real estate costs of real estate investments accounted for using the equity method			
	Exclude:	**Exclude:**			
(vi)	Write-downs of investment properties	Write-downs of investment properties			
(vii)	Land annuity costs	Land annuity costs			
(viii)	Charges to be charged back to tenants not separately invoiced	Charges to be charged back to tenants not separately invoiced			
	EPRA costs (including direct costs on the vaca	**EPRA costs (including direct costs on the va**	**A**	**6.834**	**7.369**
(ix)	Direct costs on the vacant portfolio	Direct costs on the vacant portfolio		(283)	(275)
	EPRA costs (excluding direct costs on the vac	**EPRA costs (excluding direct costs on the va**	**B**	**6.550**	**7.094**
(x)	**Gross rental income (net of land rent costs)**	**Gross rental income (net of land rent costs)**		**5.688**	**5.682**
(xi)	Less: other overhead costs included in gross rental income (if significant)	Less: other overhead costs included in gross rental income (if significant)			
(xii)	Plus: share of real estate revenues of real estate investments accounted for using the equity method	Plus: share of real estate revenues of real estate investments accounted for using the equity method			
	Gross rental fees	**Gross rental fees**	**C**	**5.688**	**5.682**
	EPRA Cost Ratio (including direct costs on the vacant portfolio)	**EPRA Cost Ratio (including direct costs on the vacant portfolio)**	**A/C**	**120,1%**	**129,7%**
	EPRA Cost Ratio (excluding direct costs on the vacant portfolio)	**EPRA Cost Ratio (excluding direct costs on the vacant portfolio)**	**B/C**	**115,2%**	**124,9%**

The EPRA Cost Ratio as at 31 December 2022 showed a decrease from 129.7% of last year to 120.1% (115.1%, excluding vacancy costs) mainly due to lower costs related to real estate assets as compared to the balance as at 31 December 2021, which included costs arising from the settlement agreement with the former tenant of the asset located in Verona for € 1,156 thousand.

Specifically, administrative and operating costs consisted of i) net real estate costs of € 1,393 thousand, ii) personnel costs of € 2,059 thousand and iii) overhead costs of € 3,382 thousand.

Direct costs on the vacant portfolio also include the portion of costs, amounting to € 215 thousand, incurred by the Group in connection with the Verona property sold on 28 December 2022.

As at 31 December 2022, there were no capitalised operating expenses on the value of property.

The following table shows the EPRA NAV indicators that are compared to those measured as at 31 December 2021.

EPRA Net Asset Value Metrics (Euro/000)	EPRA NRV 2022	EPRA NRV 2021	EPRA NTA 2022	EPRA NTA 2021	EPRA NDV 2022	EPRA NDV 2021
Shareholders' equity IFRS	**85.915**	**85.499**	**85.915**	**85.499**	**85.915**	**85.499**
Include / Exclude:						
i) Hybrid instruments						
Diluted NAV	**85.915**	**85.499**	**85.915**	**85.499**	**85.915**	**85.499**
Include*:						
ii.a) revaluations in investment property (if IAS 40 cost option is used)						
ii.b) revaluations of properties under construction (IPUC) (if IAS 40 cost option is used)						
ii.c) Revaluations of other non-recurring investments						
iii) Revaluations of lease contracts held as finance leases						
iv) Revaluations trading properties						
Diluted NAV at Fair Value	**85.915**	**85.499**	**85.915**	**85.499**	**85.915**	**85.499**
Exclude:						
v) Deferred taxes in connection with FV gains on investment property						
vi) Fair value of financial instruments						
vii) Goodwill arising from deferred taxes						
viii.a) Goodwill as per IFRS financial statements						
viii.b) Intangible assets as per IFRS financial statements			(63)	(86)		
Include:						
ix) Fair value of fixed-rate debt					5.420	1.178
x) Revaluations of Intangible assets at FV						
xi) Taxes on transfers of real estate						
NAV	**85.915**	**85.499**	**85.852**	**85.413**	**91.335**	**86.676**
Number of fully diluted shares	22.025.109	22.025.109	22.025.109	22.025.109	22.025.109	22.025.109
NAV per share	**3,9**	**3,9**	**3,9**	**3,9**	**4,1**	**3,9**

The NRV/NAV increased slightly compared to 31 December 2021 mainly due to the change in shareholders' equity which increased following the estimated net result of € 352 thousand; for the same reason, the NTA also increased compared to the result for the same period of the previous year. The difference between the latter indicator and the NRV relates to the exclusion of intangible assets recorded in the financial statements.

The NDV increased slightly compared to the previous year by around 5.4%. This change, in addition to that stated above, reflects the positive effect of the measurement at fair value of financial debt, determined by discounting the flows at a rate consisting of the base rate inferred from the forward rate structure, and the market spread.

This is due to the use of an updated rate curve and market spread rate with the conditions in place as at 31 December 2022, as well as the different composition of the debt, both in terms of duration and in terms of cost.

The following table shows the EPRA LTV indicator that is compared to that measured at 31 December 2021. The indicator is obtained by relating the Group's net debt to the market value of the assets held by the Group and measures the sustainability of financial debt related to real estate assets.

EPRA LTV	Group Values	Proportional consolidation			Aggregate 31/12/2022	Aggregate 31/12/2021
		Investments in Joint Ventures	Significant investments	Minority investments		
Include:						
Funding from Financial Institutions	68.022				68.022	67.996
Financial bills of exchange						
Hybrid Instruments (including Convertible Securities, Preference Shares, Options, Perpetuals Bonds)						
Bonds						
Currency derivatives (futures, swaps, options and forwards)						
Net current payables	1.809				1.809	147
Real estate for business use (debt)						
Current accounts (with equity features)						
Excluding:						
Cash and cash equivalents	15.059				15.059	6.846
Net debt (a)	**54.772**	**0,0**	**0,0**	**0,0**	**54.772**	**61.297**
Include:						
Real estate for business use	1.780				1.780	1.838
Real estate investments at fair value	135.943				135.943	138.300
Properties for sale						
Development properties						
Intangible assets						
Net current receivables						
Financial assets						
Total value Investment property (b)	**137.723**	**0,0**	**0,0**	**0,0**	**137.723**	**140.138**
LTV (a/b)	**39,8%**	**0,0%**	**0,0%**	**0,0%**	**39,8%**	**43,7%**

The EPRA LTV stood at 39.8% (compared to 43.7% as at December 2021), down 3.98 p.p. due to the combined effect of the decrease in net debt that was more than proportional to the reduction in the value of Investment Properties, which, in turn, reflected the effects of the sale of the Verona property and the fair value adjustment.

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

EPRA NIY and topped-up NIY (Euro/000)			31/12/2022	31/12/2021
Market value of the wholly-owned portfolio		x	135.943	138.300
Market value of the partially-owned portfolio (share of JVs/Funds)		x		
Assets held for sale (including those held partially)		x		
Minus: Development properties		(x)		
Market value of the overall portfolio		**xxx**	**135.943**	**138.300**
Estimation of transfer costs		x		
Market value of the real estate portfolio	**B**	**xxx**	**135.943**	**138.300**
Annualised gross rent fees		x	6.173	5.764
Non-recoverable real estate costs		(x)	(1.391)	(1.383)
Annualised net rent fees	**A**	**xxx**	**4.782**	**4.381**
Plus: Increases for rent fee changes and other temporary incentives to tenants		x	520	506
Annualised net topped-up rent fees	**C**	**xxx**	**5.302**	**4.887**
EPRA NIY	**A/B**	**x%**	**3,5%**	**3,2%**
EPRA topped-up NIY	**C/B**	**x%**	**3,9%**	**3,5%**

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

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

The increase in the indices is attributable to the combined effect of the reduction in the value of the real estate portfolio, for the reasons mentioned above, and the increase in annualised rents.

The EPRA vacancy rate, calculated as per Epra guidance on non-development properties, was 3.4% as at 31 December 2022 (it was 9.3% as at 31 December 2021). The reduction is attributable to the sale of the property located in Verona that, as at 31 December 2021 and until the closing date of the sale, was vacant. As at the date of these financial statements, the vacant real estate unit refers to the portion of the third floor for office use of the property located in Milan, via Spadari.

EPRA Vacancy Rate		31 DECEMBER 2022	31 DECEMBER 2021
Estimated rent fees on vacant spaces	A	238	730
Estimated rent fees on the overall portfolio	B	7.035	7.817
EPRA Vacancy Rate	**A/B**	**3,4%**	**9,3%**

The following table shows the reconciliation of the rents recorded in 2022 and 2021 with the rents calculated on a like-for-like basis (assets present for the entire period of the current and previous year) taking into account the use of the properties and their location.

Like for like rent (Euro/000)	commercial properties	office properties	hotel properties	change in property portfolio perimeter	total
Lease fees as at 31 December 2021	**3.434**	**2.146**	**6**	**95**	**5.682**
Fees for properties acquired/disposed of in 2021	0	0	0	0	0
Fees for properties acquired/disposed of in 2022	0	0	0	(95)	(95)
Like-for-like fees as at 31 December 2021 (B)	**3.434**	**2.146**	**6**	**0**	**5.587**
New contracts signed					0
Closed contracts			(95)		(95)
Renegotiation					0
Inflation	65	21			86
Other changes	(21)	33			13
Like-for-like fees as at 31 December 2022 (A)	**3.479**	**2.201**	**(89)**	**0**	**5.591**
Fees for properties acquired/disposed of in 2021					
Fees for properties acquired/disposed of in 2022			2	95	
Lease fees as at 31 December 2022	**3.479**	**2.201**	**(87)**	**95**	**5.688**
like for like (A) - (B)	45	54	(95)	0	4
like for like rental Growth %	1%	3%	N/A	N/A	0,1%

Like for like rents (Euro/000)	Milan	Rome	Other cities	change in property portfolio perimeter	total
Lease fees as at 31 December 2021	**3.373**	**1.245**	**969**	**95**	**5.682**
Fees for properties acquired/disposed of in 2021	0	0	0	0	0
Fees for properties acquired/disposed of in 2022	0	0	0	(95)	0
Like-for-like fees as at 31 December 2021 (B)	**3.373**	**1.245**	**969**	**0**	**5.587**
New contracts signed					0
Closed contracts			(95)		(95)
Renegotiation					0
Inflation	66	20			86
Other changes	13	0			13
Like-for-like fees as at 31 December 2022 (A)	**3.452**	**1.265**	**874**	**0**	**5.591**
Fees for properties acquired/disposed of in 2021					
Fees for properties acquired/disposed of in 2022			2	95	97
Lease fees as at 31 December 2022	**3.452**	**1.265**	**876**	**95**	**5.688**
like for like (A) - (B)	79	20	(95)	0	4
like for like rental Growth %	2%	2%	-10%		0,1%

The like-for-like rents for 2022 are substantially unchanged from those recorded in 2021, due to the combined effect of (i) the reduction in the rent received only until the first few months of 2021 on the property located in Verona that remained vacant until the closing date of the sale, which took place at the end of 2022, and (ii) the increase in rents due to the adjustment of Istat (Italian Statistics Institute) and other changes.

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 - EUR/1000	31 December 2022	31 December 2021
Purchases	-	12.441
Development	-	-
Investment property	851	654
Increase leasable area	658	96
No Increase leasable area	193	8
Tenant incentives		550
Other unallocated expenses		
Capitalised interest (if applicable)	-	-
Total CapEx	**851**	**13.095**
Conversion from accrual to cash basis		(46)
Total CapEx on cash basis	**851**	**13.049**

The item Costs incurred to increase leasable area refers to the renovation costs in relation to the office portion of the third floor of the property located in Milan, Via Spadari, acquired in the previous year, for the works to enhance and upgrade the area, which will be completed in the first half of 2023.

The Company also incurred costs, classified among those not to increase leasable surfaces, in relation to i) the Rome Via Zara asset for € 7 thousand, ii) the Bari Via Dioguardi asset for € 30 thousand and iii) the entire Milan Via Spadari property for € 155 thousand, in relation to which an important investment programme was started in 2021, together with the owners of the other property units, on the common portions of the complex, relative to the requalification of the common surfaces of the building - façades, porter lodge, vertical connections.

There are no joint ventures in the Group.

The estimated Rental Value of Vacant Space is given in the previous paragraph on the Epra Vacancy Rate.

Please refer to Notes 1 and 2 to the Consolidated Financial Statements for the accounting policies adopted for the various accounting categories of real estate.

On the other hand, with reference to the valuation of the real estate portfolio, the choice of independent experts and the valuation criteria used, please refer to the paragraph Real estate portfolio in the Directors' Report on Operations and the paragraph Use of estimates and assumptions in the Notes to the Consolidated Financial Statements.

3. CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXT 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	31/12/2022	of which with related parties	31/12/2021(*)	of which with related parties
ASSETS					
Non-current assets					
Investment property	1	135,942,648	0	138,300,000	0
Other tangible fixed assets	2	1,813,815	0	2,176,845	0
Rights of use	3	73,542	0	8,343	0
Intangible assets	4	62,753	0	85,768	0
Deferred tax assets	5	190,329	0	854,166	0
Other non-current assets	6	2,435,583	0	2,221,519	0
Total non-current assets		**140,518,670**	**0**	**143,646,641**	**0**
Current assets					
Financial assets at fair value	7	543,578	0	3,378,210	0
Receivables and other current assets	8	1,101,887	0	1,696,205	0
Cash and cash equivalents	9	15,058,512	0	6,846,154	0
Total current assets		**16,703,977**	**0**	**11,920,569**	**0**
TOTAL ASSETS		**157,222,647**	**0**	**155,567,210**	**0**
SHAREHOLDERS' EQUITY					
Share capital		63,264,528	0	63,264,528	0
Share premium reserve		22,931,342	0	22,931,342	0
Other reserves		12,111,652	0	11,684,316	0
Profits/(Losses) carried forward		(12,785,995)	0	(12,785,179)	0
Other items of the comprehensive income statement		41,899	0	(23,767)	0
Profit/(loss) for the year		351,567	0	426,520	0
GROUP SHAREHOLDERS' EQUITY		**85,914,993**	**0**	**85,497,760**	**0**
Minorities' equity		0	0	0	0
TOTAL SHAREHOLDERS' EQUITY	**10**	**85,914,993**	**0**	**85,497,760**	**0**
LIABILITIES					
Non-current liabilities					
Employee benefits	11	66,393	0	189,302	0
Provisions for risks	12	74,224	0	0	0
Payables to banks and other lenders	13	66,662,960	60,460,161	66,699,986	59,028,273
Trade payables and other non-current payables	14	26,876	0	165,341	0
Total non-current liabilities		**66,830,453**	**60,460,161**	**67,054,629**	**59,028,273**
Current liabilities					
Payables to banks and other lenders	13	1,569,018	0	1,171,829	0
Trade payables and other payables	14	2,908,183	819,058	1,842,992	336,411
Total current liabilities		**4,477,201**	**819,058**	**3,014,821**	**336,411**
TOTAL LIABILITIES		**71,307,654**	**61,279,219**	**70,069,450**	**59,364,684**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**157,222,647**	**61,279,219**	**155,567,210**	**59,364,684**

(*) IFRS 1 repeated application

Consolidated statement of profit/(loss)

	Note	31/12/2022	of which with related parties	31/12/2021(*)	of which with related parties
Rental income	15	5,821,399	0	5,983,752	0
Costs relating to property assets	16	(1,526,490)	0	(2,656,323)	0
Net rental income		**4,294,909**	**0**	**3,327,429**	**0**
Revenues from disposal of real estate		1,420,000	0	0	0
Expenses incurred for disposal of real estate		(744,350)	0	0	0
Total income/(expenses) from disposal of real estate	**17**	**675,650**	**0**	**0**	0
Personnel costs		(2,058,978)	0	(1,754,572)	0
Wages and salaries		(908,290)	0	(1,115,834)	0
Social contribution		(477,870)	0	(482,640)	0
Severance indemnity fund (TFR)		(80,737)	0	(94,401)	0
Other personnel costs		(592,081)	0	(61,697)	0
Overhead costs		(3,134,469)	(1,476,034)	(2,663,793)	(746,456)
Amortisation, depreciation and write-downs of fixed assets		(199,797)	0	(382,891)	0
Total operating costs	**18**	**(5,393,244)**	**(1,476,034)**	**(4,801,256)**	**(746,456)**
Other revenues and income	19	501,167	0	104,655	0
Other costs and expenses	20	(248,291)	0	(701,824)	0
Total other revenues and income/other costs and expenses		**252,876**	**0**	**(597,169)**	**0**
Positive fair value of investment property		3,572,167	0	6,055,430	0
Negative fair value of investment property		(680,000)	0	(1,300,000)	0
Positive/(negative) fair value of investment property	**21**	**2,892,167**	**0**	**4,755,430**	**0**
Operating income		**2,722,358**	**(1,476,034)**	**2,684,434**	**(746,456)**
Fair value adjustment of financial assets	22	(52,908)	0	(808,260)	0
Financial income	23	4,543	0	17,212	0
Financial expenses	23	(1,657,159)	(1,431,888)	(1,471,381)	(1,056,938)
Profit before tax		**1,016,834**	**(2,907,922)**	**422,005**	**(1,803,394)**
Taxes	24	(665,267)	0	4,515	0
Profit/(Loss) for the year		**351,567**	**(2,907,922)**	**426,520**	**(1,803,394)**
Group Profit/(Loss)		**351,567**	**(2,907,922)**	**426,520**	**(1,803,394)**
Minorities' Profit/(Loss)		**0**	**0**	**0**	**0**

(*) IFRS 1 repeated application

Consolidated statement of other comprehensive income

	31/12/2022	31/12/2021(*)
Profit/(Loss) for the year	**351,567**	**426,520**
Actuarial gains/(losses) (**)	65,666	(6,440)
Total other items of the comprehensive income statement	**65,666**	**(6,440)**
Total comprehensive profit/(loss)	**417,233**	**420,080**
Total Group comprehensive profit/(loss)	**417,233**	**420,080**
Total Minorities' comprehensive profit/(loss)	**0**	**0**

(*) IFRS 1 repeated application

(**) items not reclassifiable to the income statement

Consolidated statement of changes in shareholders' equity

	Notes	Share capital	Share premium reserve	Fair value reserve	Legal reserve	Other reserves	Other items of the comprehensive income statement	Profits (losses) carried forward	Group profit/(loss) for the year	Total Group shareholders' equity	Minorities' equity	Total Shareholders' Equity
Balance as at 01/01/2021		**63,264,528**	**22,931,342**	**8,139,414**	**7,122,550**	**(3,508,695)**	**(17,327)**	**(3,464,694)**	**(9,320,485)**	**85,146,634**	**0**	**85,146,634**
Allocation of 2020 result		0	0	0	0	0	0	(9,320,485)	9,320,485	0	0	0
Capital increase costs		0	0	0	0	(68,954)	0	0	0	(68,954)	0	(68,954)
Other items of comprehensive income		0	0	0	0	0	(6,440)	0	0	(6,440)	0	(6,440)
Result for the year		0	0	0	0	0	0	0	426,520	426,520	0	426,520
Total comprehensive profit/(loss)		***0***	***0***	***0***	***0***	***0***	***(6,440)***	***0***	***426,520***	***420,080***	***0***	***420,080***
Minorities' result for the period		0	0	0	0	0	0	0	0	0	0	0
Balance at 31/12/2021(*)	**10**	**63,264,528**	**22,931,342**	**8,139,414**	**7,122,550**	**(3,577,649)**	**(23,767)**	**(12,785,179)**	**426,520**	**85,497,760**	**0**	**85,497,760**

(*) IFRS 1 repeated application

	Notes	Share capital	Share premium reserve	Fair value reserve	Legal reserve	Other reserves	Other items of the comprehensive income statement	Profits (losses) carried forward	Profit (Loss) for the year	Total Group shareholders' equity	Minorities' equity	Total Shareholders' Equity
Balance as at 01/01/2022		**63,264,528**	**22,931,342**	**8,139,414**	**7,122,550**	**(3,577,649)**	**(23,767)**	**(12,785,179)**	**426,520**	**85,497,760**	**0**	**85,497,760**
Allocation of 2021 result		0	0	405,969	21,367	0	0	(816)	(426,520)	0	0	0
Other items of comprehensive income		0	0	0	0	0	65,666	0	0	65,666	0	65,666
Share-based payments reserve		0	0	0	0	0	0	0	0	0	0	0
Result for the year		0	0	0	0	0	0	0	351,567	351,567	0	351,567
Total comprehensive profit/(loss)		***0***	***0***	***0***	***0***	***0***	***65,666***	***0***	***351,567***	***417,233***	***0***	***417,233***
Minorities' result for the period		0	0	0	0	0	0	0	0	0	0	0
Balance as at 31/12/2022	**10**	**63,264,528**	**22,931,342**	**8,545,384**	**7,143,917**	**(3,577,649)**	**41,899**	**(12,785,995)**	**351,567**	**85,914,993**	**0**	**85,914,993**

Consolidated Cash-flow Statement

	31/12/2022	of which with related parties	31/12/2021*	of which with related parties
Profit before tax	**1,016,834**	**(2,907,922)**	**422,005**	**(1,803,394)**
Adjustments:				
Amortisation, depreciation and write-downs of fixed assets	199,797	0	382,891	0
Total income/(expenses) from disposal of real estate	(675,650)	0	0	0
Extraordinary income from financial assets	(468,750)	0	0	0
Positive/(negative) fair value of investment properties	(2,892,167)	0	(4,755,430)	0
Fair value adjustment of financial assets	52,908	0	808,260	0
Financial income	(4,543)	0	(17,212)	0
Financial expenses	1,657,159	1,431,888	1,471,381	1,056,938
Financial expenses paid	(244,323)	0	(270,133)	0
Financial income collected	4,536	0	9,347	0
Provision for severance and other risks	154,961	0	94,401	0
Provision for/ (Release of) provision for bad debts	0	0	(185,252)	0
Cash flow generated by operations	**(1,199,238)**	**(1,476,034)**	**(2,039,742)**	**(746,456)**
Taxes (net of deferred taxes)	0	0	0	0
Cash flow generated by operations net of taxes	**(1,199,238)**	**(1,476,034)**	**(2,039,742)**	**(746,456)**
Other assets/other liabilities	**1,386,390**	**482,647**	**(1,477,452)**	**65,746**
Change in trade receivables	*336,939*	*0*	*(81,750)*	*0*
Change in trade payables	*305,796*	*482,647*	*113,885*	*65,746*
Change in other current assets	*(247,259)*	*0*	*(661,144)*	*0*
Change in other current liabilities	*1,025,382*	*0*	*(923,707)*	*0*
Change in other non-current assets	*(214,064)*	*0*	*220,012*	*0*
Change in tax receivables	*504,639*	*0*	*(292,260)*	*0*
Change in tax payables	*(200,455)*	*0*	*307,385*	*0*
Change in severance indemnity fund (TFR)	*(124,588)*	*0*	*(159,873)*	*0*
Cash flow before investments and financing	**187,152**	**(993,387)**	**(3,517,194)**	**(680,710)**
Investments and divestments	**9,226,418**	**0**	**(14,618,280)**	**(10,000)**
(Increase)/decrease in capital goods and other assets	*0*	*0*	*(568,980)*	*0*
(Increase)/decrease in properties	*5,975,943*	*0*	*(13,049,300)*	*0*
(Increase)/decrease in financial instruments	*3,250,475*	*0*	*(1,000,000)*	*0*
(Increase)/decrease in equity investments and securities	*0*	*0*	*0*	*(10,000)*
Financial assets	**(1,201,212)**	**0**	**59,007**	**57,971,334**
Other changes in equity	*0*	*0*	*(68,952)*	*0*
Increase in financial payables	*0*	*0*	*57,971,334*	*57,971,334*
Decrease in financial payables	*(1,201,212)*	*0*	*(57,843,375)*	*0*
Cash and cash equivalents generated during the year Note 25.	**8,212,358**	**(993,387)**	**(18,076,467)**	**57,280,624**
Initial cash and cash equivalents	**6,846,154**		**24,922,621**	
Final cash and cash equivalents	**15,058,512**		**6,846,154**	

(*) IFRS 1 repeated application

Consolidated profit (loss) per share

	31/12/2022	31/12/2021(*)
Profit/(Loss) for the period	351,567	426,520
Weighted average number of ordinary shares outstanding	21,987,004	21,986,904
Basic profit (loss) per share Note 26.	**0.0160**	**0.0194**

	31/12/2022	31/12/2021(*)
Profit/(Loss) for the period	351,567	426,520
Weighted average number of ordinary shares for diluted earnings per share purposes	21,987,004	21,986,904
Diluted profit (loss) per share Note 26.	**0.0160**	**0.0194**

(*) IFRS 1 repeated application

Notes to the consolidated financial statements

GENERAL INFORMATION

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

NEXT RE SIIQ S.p.A. is a subsidiary and subject to the Management and Coordination of CPI Property Group S.A.. For more information, please refer to the chapter Management and coordination activities.

NEXT RE SIIQ is the Parent Company of the NEXT RE SIIQ Group formed by itself and its wholly-owned subsidiary Fidelio Engineering S.r.l..

NEXT RE's Consolidated Financial Statements as at 31 December 2022 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 Company prepared, until 31 December 2020, the annual financial statements and the consolidated financial statements in which Next RE SIIQ and the subsidiary Cortese Immobiliare S.r.l. were included. As a result of the merger of Cortese Immobiliare S.r.l. into Next RE, which was finalised during the financial year 2021, as at 31 December 2021, the Company only prepared annual financial statements. In fact, the subsidiary Fidelio Engineering S.r.l. was not operational at the end of the year. During the last months of 2022, the aforementioned subsidiary started its operations and therefore, the Company, as at 31 December 2022, returns to prepare its annual and consolidated financial statements, the scope of which includes Next RE and Fidelio Engineering. In order to present the comparative figures for the financial year 2021 required by IAS 1, the Parent Company carried out the so-called repeated application of IFRS 1, preparing a consolidated 2021, with a scope aligned to that in place as at 31 December 2022.

The Board of Directors on 21 March 2023 authorised the publication of these consolidated financial statements.

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

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

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. On 6 February 2023, the Parent Company's Board of Directors approved the new 2023-2026 Business Plan, which includes the following three strategic objectives (i) stabilisation of operating cash flows and economic results; (ii) increase in the profitability of the real estate portfolio, including through the implementation of the latter's valorisation and rotation process; iii) rationalisation and streamlining of the Group's economic and financial structure in order to facilitate, and better convey, the capital increase project, according to a timeframe consistent with that of the proxy granted to the Board of Directors by the Shareholders' Meeting of 26 April 2021, to be exercised by the date of the Shareholders' Meeting's approval of the financial statements as at 31 December 2023, pursuant to Article 2443 of the Italian Civil Code, also excluding option rights pursuant to Article 2441, paragraphs 4 and 5, of the Italian Civil Code. Moreover on 6 February 2023, the Board of Directors, also following the recent regulatory changes introduced by the new Corporate Crisis and Insolvency Code, conducted a self-assessment pursuant to Article 2086, second paragraph, of the Italian Civil Code, which was positive.

In light of the forecasts contained in the aforementioned Plan and the substantial cash on hand in the Company's accounts, the Directors believe that there are no elements that could adversely affect the Company's ability to continue as a going concern in the twelve months following the date of 31 December 2022. Lastly, please also refer to as stated in the chapter "Foreseeable performance trend" included in the Directors' Report on Operations.

PRINCIPLES OF NEW APPLICATION

The Group has not proceeded with early adoption of any new standards, interpretations or amendments issued but not yet effective. A number of amendments and interpretations apply for the first time in 2022 but have not had an impact on the 2022 consolidated financial statements.

FORMAT OF THE FINANCIAL STATEMENTS ADOPTED BY THE GROUP AND BASIC CRITERIA

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

The consolidated financial statements as at 31 December 2022 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 beyond 12 months following the reporting date;
- Consolidated statement of profit or loss for the year, showing separately the Costs relating to real estate assets that contribute to "Net rental income" and other costs classified by nature;
- 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.

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

CONSOLIDATION PRINCIPLES

The consolidated financial statements have been drafted on the basis of the financial statements as at 31 December 2022 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 the Parent Company, whose financial statements are prepared in accordance with IAS/IFRS, and Fidelio Engineering S.r.l., which prepares simplified financial statements as a micro enterprise.

Subsidiaries are all companies over which the Group has control, directly or indirectly, to determine significant activities (i.e. financial and management policies).

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;
- 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.

VALUATION CRITERIA AND ACCOUNTING PRINCIPLES

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

Investment property

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

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

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

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

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

In particular, when measuring the fair value of investment property, in accordance with IFRS 13 the 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 Parent 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.

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

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

Tangible assets

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

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

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

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

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 Group established an incremental borrowing rate comparable to the interest rate at which the tenant would finance itself through a contract with similar terms and guarantees in order to obtain an asset with a value similar to the right of use in a similar economic environment.

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

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

Intangible assets

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

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

Amortisation is recognised from the moment the asset is available for use or is capable of operating in accordance with the 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.

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

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

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

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

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

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

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

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

Impairment of financial assets

IFRS 9 requires the Group to recognise expected credit losses on all items such as loans and trade receivables deriving from lease activities, using either a 12-month period or the entire contractual life of the instrument as a reference. The Parent 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 Parent 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, where present, are classified as follows:

- derivatives that qualify as hedges in accordance with IFRS 9: this category includes transactions executed to hedge any oscillation of cash flows (*Cash Flow Hedge* - CFH) on interest rates;

- derivative instruments that do not qualify as hedges pursuant to IFRS 9, which meet the requirements of the company's credit risk management policies.

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

Fair value hierarchy according to IFRS 13

The 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 2022, the fair value of investment properties is included in this level.

It should be noted that the valuation of financial instruments may involve significant discretion even though, where available, prices quoted in active markets are used as the best estimate of the fair value of all derivative instruments.

Cash and cash equivalents

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

Shareholders' equity

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

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

Share-based payments

In the case of share-based payment transactions settled with equity instruments of the Group, 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 relevant restructuring costs are recognised.

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 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.

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

Financial liabilities

Borrowings are initially recognised at fair value less transaction costs incurred, and subsequently measured at amortised cost using the effective interest rate method. Loans are classified as current liabilities unless the 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.

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

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

Derecognition of financial assets and liabilities

Financial assets are derecognised from the balance sheet when the right to receive the cash flows is extinguished and substantially all the risks and rewards of ownership of the asset are transferred (so-called Derecognition) or when an asset is deemed to be totally non-recoverable after all necessary recovery procedures have been carried out.

Financial liabilities are derecognised from the balance sheet when the specific contractual obligation has been settled. A modification of existing contractual terms also qualifies as settlement, if the new terms have significantly changed the original agreements and in any case when the present value of the cash flows to be generated by the revised agreements deviates by more than 10% from the value of the discounted cash flows of the original liability.

Financial assets and liabilities are offset in the balance sheet when there is a legal right of set-off, which is currently exercisable, and there is an intention to settle the relationship on a net basis (i.e. to realise the asset and settle the liability at the same time).

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:

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

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

Costs

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

Financial income and expenses

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

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

Current taxes

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

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

Profit /(loss) per share

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

Use of estimates and assumptions

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

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

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

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

The Board of Directors of NEXT RE SIIQ S.p.A. on 22 June 2022, in compliance with the Parent Company's Independent Experts procedure, appointed the company Colliers Valuation Italy S.r.l. for the three-year assignment to carry out a six-monthly valuation of Group assets for a fee of € 10,000 for the first valuation as at 30 June 2022 and € 6,000 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, the Parent Company has adopted a specific company procedure which, on the basis of current legislation, establishes, among other, the rules for selecting and appointing independent experts, providing (as specified above) that only persons who meet pre-established professional, independence and integrity requirements can be appointed.

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

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

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

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

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

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

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

- information supplied to the experts by the Parent Company, such as current lease payments, terms and conditions of existing leases, property taxes, costs related to property management, including any envisaged incremental costs (capital expenditure);

- assumptions made directly by the experts (typically linked to the reference market, such as the discount rate, the capitalisation rate, the inflation curve, etc.). The definition of the above evaluation elements is based on their professional opinion, taking into account a careful observation of the reference market.

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

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

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

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

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

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

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

Segment reporting

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

Comments to the Notes to the consolidated financial statements

ASSETS

Note 1. Investment property

	31/12/2022	31/12/2021
Investment property	135,943	138,300
Investment property	**135,943**	**138,300**

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

	Buildings
Net carrying amount as at 31/12/2021	**138,300**
Increases	851
Decreases	(6,100)
Write-ups (write-downs)	2,892
Net carrying amount as at 31/12/2022	**135,943**

The Real Estate Portfolio directly held by the NEXT RE Group recorded a total valuation of € 135,943 thousand as at 31 December 2022.

The table below describes the changes in the values of each property that occurred during 2022.

Property	31/12/2021	Increases	Decreases	Carrying amount before adjustment	Market value	Adjustment to market value	31/12/2022
Milan, Via Spadari	57,900	813	0	58,713	61,450	2,737	61,450
Milan, Via Cuneo	25,550	0	0	25,550	25,850	300	25,850
Milan, C.S. Gottardo	15,600	0	0	15,600	15,900	300	15,900
Rome, Via Zara	12,950	8	0	12,958	13,193	235	13,193
Rome, Via Vinicio Cortese	5,150	0	0	5,150	4,850	(300)	4,850
Bari, V. Dioguardi	15,050	30	0	15,080	14,700	(380)	14,700
Verona, Via Unità d'Italia	6,100	0	(6,100)	0	0	0	0
	138,300	**851**	**(6,100)**	**133,051**	**135,943**	**2,892**	**135,943**

The value of the item Investment properties as at 31 December 2022 is € 135,943 thousand. The item decreased as a result of the combined effect of the sale of the Verona asset on 28 December 2022 (value as at 31 December 2021 equal to € 6,100 thousand) and the fair value adjustment of the real estate portfolio, which was positive in the amount of € 2,892 thousand. The value of the Milan, Via Spadari asset also increased as a result of the capitalisation of costs for renovation and enhancement works on the third floor for office use and for extraordinary condominium works for façade refurbishment for a total of € 813 thousand. It should be noted that the value of the instrumental portion of the asset located in Rome, Via Zara - appraised by the independent expert at € 1,909 thousand - is recognised in the item Other tangible assets in the amount of € 1,780 thousand, net of the related accumulated depreciation.

With reference to the aforesaid extraordinary condominium works at the building in Milan, Via Spadari, the Group's resolved costs amounted to approximately € 686 thousand, of which € 530 thousand pertaining to the following year.

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 € 680 thousand and written up by € 3,572 thousand, with a net positive impact of € 2,892 thousand.

The fair value adjustment incorporates the results of the market value appraisals on the properties drafted by the independent expert, in compliance with the RICS Valuation - Professional Standards, which incorporate the IVS (International Valuation Standards), and in accordance with applicable regulations and recommendations of the regulators.

As required by IFRS 13, a disclosure of the fair value hierarchy is provided below.
The fair value hierarchy classifies the inputs of valuation techniques used to establish the fair value based on three levels. In particular:

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

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

The following table shows NEXT RE Group's real estate portfolio broken down by legal form type of the property, measured at fair value as at 31 December 2022:

Property	Legal nature	Accounting criteria	Last appraisal date	Significant inputs not observable on the market (level 3) Euro/000
Milan, Via Spadari	Full ownership	IAS 40, fair value	31/12/2022	61,450
Milan, Via Cuneo	Full ownership	IAS 40, fair value	31/12/2022	25,850
Milan, C.S. Gottardo	Full ownership	IAS 40, fair value	31/12/2022	15,900
Rome, Via Zara	Full ownership	IAS 40, fair value	31/12/2022	13,193
Rome, Via Vinicio Cortese	Full ownership	IAS 40, fair value	31/12/2022	4,850
Bari, V. Dioguardi	Property Leasing	IAS 40, fair value	31/12/2022	14,700
				135,943

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

The following table shows unobservable inputs used for each asset as at 31 December 2022:

Property	Legal nature	Method	Discount rate	Gross Cap Rate	ERV €/sqm/y
Milan, Via Spadari	Full ownership	Income (DCF)	5.16% for retail portion and 5.31% for office portion	3.85% for retail portion and 4.51% for office portion	1,050 per retail portion and 440 for office portion
Milan, Via Cuneo	Full ownership	Income (DCF)	5.91%	5.09%	400
Milan, C.S. Gottardo	Full ownership	Income (DCF)	6.67%	5.18%	350
Rome, Via Zara	Full ownership	Income (DCF)	6.22%	5.32%	300
Rome, Via Vinicio Cortese	Full ownership	Income (DCF)	7.75%	7.12%	155
Bari, V. Dioguardi	Property Leasing	Income (DCF)	6.35%	6.38%	100

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

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

To confirm the soundness of the valuation process, a sensitivity analysis was carried out with the support of the independent expert on the value of the real estate portfolio in relation to changes in the ERV and the Gross Cap rate. Specifically, the fluctuation in the value of the Group's real estate portfolio was determined by varying the ERV of individual properties by +/- 5% and the Gross Cap rate by +/- 0.25 bps. The fluctuation recorded is included in a range of +/- 6% of the value of the real estate portfolio.

Finally, the following table shows the value of the Group's real estate portfolio, the residual debt relating to outstanding loans referring to the assets, the Net Asset Value (indicated on a voluntary basis and calculated as the ratio between the nominal residual debt of the loans and the fair value of the assets), and the real estate Loan to value indicator calculated as the ratio between the residual debt of the loans referring to the assets and the related fair values as at 31 December 2022.

Property	Legal nature	Lending counterparty	Values as at 31 December 2022	Remaining debt as at 31 December 2022*	Net asset value Euro	Loan to Value	Maturity	Duration (years)
Milan, Via Spadari	Full ownership	CPI PG S.A.	61,450	22,687	38,763	37%	27/01/2026	3.1
Milan, Via Cuneo	Full ownership	CPI PG S.A.	25,850	14,481	11,369	56%	27/01/2026	3.1
Milan, C.S. Gottardo	Full ownership	CPI PG S.A.	15,900	10,861	5,039	68%	27/01/2026	3.1
Rome, Via Zara**	Full ownership	CPI PG S.A.	15,100	6,577	8,523	44%	27/01/2026	3.1
Rome, Via Vinicio Cortese	Full ownership	Intesa San Paolo	4,850	906	3,469	28%	05/12/2025	2.9
		Intesa San Paolo		475			01/07/2025	2.5
Bari, V. Dioguardi	Property Leasing	Unicredit Leasing	14,700	4,810	9,890	33%	10/01/2024	1.0
			137,850	**60,797**	**77,053**	**44%**		

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

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

Note 2. Other tangible fixed assets

	31/12/2022	31/12/2021
Instrumental building	1,780	1,838
Verona Hotel furniture and fittings	0	280
Other assets	34	59
Other tangible assets	**1,814**	**2,177**

The main changes during the year were as follows:

	Instrumental building	Other assets	Verona Hotel furniture and fittings	Total
Net carrying amount as at 01/01/2022	1,838	59	280	2,177
Increases	0	0	0	0
Decreases	0	0	0	0
Amortisation and write-downs	(58)	(25)	(280)	(363)
Final balance as at 31/12/2022	1,780	34	0	1,814
Historical cost	1,909	80	544	2,533
Accumulated amortisation	(129)	(16)	(156)	(301)
Depreciation of furniture and fittings	0	(30)	(388)	(418)
Net carrying amount	**1,780**	**34**	**0**	**1,814**

The balance of the item as at 31 December 2022 is € 1,814 thousand. This item mainly includes the value, net of the relative depreciation provision, of the instrumental portion of the building in Rome, Via Zara 28 (headquarters of the Parent Company) for € 1,780 thousand. The significant decrease compared to 31 December 2021 of € 363 thousand is mainly attributable to the write-off of the value of the furniture and furnishings of the Verona asset recorded at 31 December 2021 for € 280 thousand.

The Group has no commitments to purchase new fixed assets.

Note 3. Rights of use

	31/12/2022	31/12/2021
Rights of use	74	8
Rights of use	**74**	**8**

	Rights of use
Net carrying amount as at 01/01/2022	8
Increases	79
Decreases	0
Amortisation and write-downs	(13)
Net carrying amount as at 31/12/2022	**74**

The item as at 31 December 2022 includes the value of the rights of use with reference to the leasing contracts relating to three company cars stipulated during the year; the value as at 31 December 2021 referred to a lease contract closed during the year.

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 H2 2020. The change refers to the recognition of amortisation for the year.

Note 5. Deferred tax assets

The item includes deferred tax assets of € 190 thousand accrued in the 2018- 2021 three-year period and which will be recovered in subsequent years against taxable income from non-exempt management of the Group. In particular, without prejudice to the prevalence of exempt management imposed by the SIIQ regime, taxable management is deemed to contribute to the utilisation of deferred tax assets in subsequent years.

Note 6. Other non-current assets

The table below summarises the status of Other non-current assets as at 31 December 2022 and 31 December 2021.

	31/12/2022	31/12/2021
Capex contribution Milan, Via Spadari	489	611
Capex contribution Milan, Via Cuneo	371	464
Covid Concessions Milan, Via Spadari	499	471
Covid Concessions Milan, Via Cuneo	274	343
Linearisation of fees	803	332
Other non-current assets	**2,436**	**2,221**

The item as at 31 December 2022 amounted to € 2,436 thousand and mainly refers to:

- the long-term portion of the capex contribution disbursed to the customer OVS in 2018 for the property in Milan, Via Spadari for € 489 thousand and in the second half of 2021, for the property in Milan, Via Cuneo for € 371 thousand; these contributions disbursed to the tenant for property upgrading works are deducted from future rents over the term of the contract;
- the portions related to temporary rent reductions granted to the tenant OVS for € 773 thousand, with reference to the lease agreements of the Milan Via Cuneo and Via Spadari assets, which will be recognised in the income statement in the years beyond the following year as a reduction of rental income;
- the effects arising from the linearisation of rents in the amount of € 803 thousand, which will be reflected in the income statement in the years beyond the following year.

Note 7. Financial assets at fair value

	31/12/2022	31/12/2021
HTBF Euro Sub-Fund Bond	0	2,381
Other financial investments	544	997
Financial assets at fair value	**544**	**3,378**

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 23. Fair value adjustment of financial assets.

	Bonds	UCITS	Total
Net carrying amount as at 01/01/2022	2,381	997	3,378
Increases	0	500	500
Decreases	(2,381)	(900)	(3,281)
Reclassifications	0	0	0
Fair value adjustment	0	(53)	(53)
Net carrying amount as at 31/12/2022	**0**	**544**	**544**

The item Financial assets at fair value decreased by € 2,834 thousand, of which i) € 2,381 thousand related to the sale of the HTBF security, as further detailed below, ii) € 400 thousand related to the divestment in mutual fund units, and iii) negative € 53 thousand related to the fair value measurement at 31 December 2022 of other financial investments of cash on the basis of market prices at the reporting date.

On 28 June 2022, the Company signed a settlement agreement concerning, *inter alia*, the transfer of the bonds issued by the HTBF Euro Fund, subscribed by the Parent Company Next RE for a nominal tranche of € 6,000,000, as well as the settlement of the ordinary and executive judicial proceedings related to the recovery of the credits connected to the Bond for a total consideration of € 2,850 thousand. This agreement resulted in a net gain of € 469 thousand being recognised in the Group's income statement under item 21. Other revenues and income.

The item Financial assets at fair value also includes the value as at 31 December 2022 of investments of temporary surplus cash in mutual fund units (funds of UCITS, units of UCITS or portfolios of units of UCITS) managed by leading qualified asset managers. The above financial assets have been valued on the basis of the market price as at 31 December 2022 of € 544 thousand.

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.

	31/12/2022	31/12/2021
Receivables from tenants	319	655
Provision for bad debts	(251)	(251)
Net customer receivables	**68**	**404**
Tax receivables	309	807
Accruals and deferrals	265	81
Concessions to customers - COVID-19	224	163
Capex contribution - current portion	215	215
Security deposits	1	1
Other receivables	20	25
Total	**1,102**	**1,696**

Net customer receivables

Net customer receivables showed a balance of € 68 thousand (€ 404 thousand as at 31 December 2021) and consisted mainly of:

- receivables from tenants of owned properties for € 68 thousand; the amount includes receivables for invoices and credit notes to be issued for € 44 thousand;
- receivables completely written down for € 251 thousand.

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

	Provision for bad debts
Balance as at 01/01/2022	(251)
Provisions	0
Releases	0
Use	0
Balance as at 31/12/2022	**(251)**

The provision for bad debts did not change from the previous year.

The Parent 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. At the date of this report, the trade receivables invoiced as at 31 December 2022 had been fully collected.

Tax receivables

	31/12/2022	31/12/2021
Receivables from Revenue for VAT	290	754
Receivables from Revenue for taxes	4	38
Other tax receivables	15	15
Current tax receivables	**309**	**807**

Tax receivables show a balance of € 309 thousand (€ 807 thousand as at 31 December 2021) and consist mainly of:

- receivable from the tax authorities resulting from the VAT settlement for the month of December 2022 for € 290 thousand (€ 754 thousand as at 31 December 2021). The receivable as at 31 December 2021 was used to offset payments due for withholding taxes on employees, self-employed persons and IMU during the year;
- IRES receivables for € 4 thousand;
- tax receivables due to others for € 15 thousand.

Accruals and deferrals

This item, amounting to € 265 thousand (€ 81 thousand as at 31 December 2021), mainly refers to the deferral of costs pertaining to the following year, including leasing installments of € 180 thousand and insurance costs of € 50 thousand.

Deferred costs for concessions to customers - COVID-19

The item refers to the temporary reductions granted to the customer OVS with reference to lease fees covered by specific agreements signed in July 2020, March 2021, August 2021 and May 2022. The above-mentioned temporary rent reductions will be charged to the income statement, as a reduction of rental income, in the year 2023; the portion that will be charged in subsequent years is recorded under Receivables and other non-current assets.

Capex contribution - current portion

The item refers to the portion within the next financial year of the capex contribution disbursed in 2018 to the customer OVS for the property in Milan, Via Spadari and for the property in Milan, Via Cuneo disbursed during the second half of 2021. The above amount refers to the portion that will be deducted from rental income over the next 12 months.

Note 9. Cash and cash equivalents

	31/12/2022	31/12/2021
Bank deposits	15,059	3,846
Time deposit	0	3,000
Restricted current accounts	0	0
Cash and cash in hand	0	0
Total	**15,059**	**6,846**

Cash and cash equivalents totalled € 15,059 thousand (€ 6,846 thousand as at 31 December 2021) and consist of bank deposits. The significant change was mainly due to the collection of the consideration from the sale of the asset for hotel use located in Verona for € 7,400 thousand and the consideration from the settlement agreement concerning, *inter alia*, the transfer of the bonds issued by the HTBF-€ Fund, as well as the settlement of the judicial, ordinary and executive proceedings related to the recovery of receivables connected to the aforesaid securities.

The time deposits outstanding as at 31 December 2021 in the amount of € 3,000 thousand were settled during the year.

SHAREHOLDERS' EQUITY

Note 10. Shareholders' Equity

The share capital, fully subscribed and paid up, amounted to € 63,265 thousand as at 31 December 2022 and consisted of 11,013,054 ordinary shares, with no par value, of which 11,012,055 class B shares, with no right to participate in and vote at the Parent Company's ordinary shareholders' meeting and with a limited right to participate in profits, and not admitted to trading on EURONEXT Milan. The latter holds 38,205 treasury shares.

The legal reserve and the fair value reserve increased by € 21,336.81 thousand and € 405,969.44 thousand, respectively, following the allocation of the Parent Company's earnings as per the resolution of the Shareholders' Meeting of 26 April 2022.

The item Other comprehensive income was positive and amounted to € 42 thousand; it is related to the effects of the actuarial valuation of the severance indemnity (TFR) of the Parent Company's employees in accordance with IAS 19.

The reserve for share-based payments was zero as at 31 December 2022; for further details, please refer to the section on Incentive Plans.

LIABILITIES

Note 11. Employee benefits

The table below summarises the status of employee benefits as at 31 December 2022. The item includes the value, calculated in accordance with IAS 19, of severance indemnities remaining with the company and accrued as at 31 December 2022.

	31/12/2022	31/12/2021
Employee benefits	66	189
Total Employee benefits	**66**	**189**

Changes in the item are shown below.

	31/12/2022	31/12/2021
Initial balance as at 01/01/2022	189	249
Actuarial gains or losses	(66)	7
Use	(125)	(159)
Provisions	65	93
Financial expense IAS 19	3	(1)
Final balance as at 31/12/2022	**66**	**189**

The closing balance, amounting to € 66 thousand as at 31 December 2022 (€ 189 thousand as at 31 December 2021), reflects the current value of the Parent 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.

Use during the year refers to the payment of severance indemnities to terminated employees for € 5 thousand, to the advance granted to certain employees following a specific request for € 91 thousand and to the transfer to pension funds for € 29 thousand.

The service cost is classified in the income statement as € 65 thousand (€ 93 thousand as at 31 December 2021) in personnel costs, € 3 thousand (€ 1 thousand as at 31 December 2021) in interest cost classified under financial expenses and € 7 thousand (€ 7 thousand as loss as at 31 December 2021) in actuarial gain 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	31/12/2022
Annual discount rate	3.77%
Annual inflation rate	2.30%
Annual rate of increase in severance indemnity (TFR)	3.23%
Annual rate of salary increase	3%

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

Specifically, it must be noted that:

- the annual discount rate used to calculate the current value of the obligation was inferred, consistently with paragraph 83 of IAS 19, by the Iboxx Corporate AA Index with duration 10+ recognised on the measurement date;
- the annual rate of increase of the employee severance indemnity as provided for by Article 2120 of the Italian Civil Code is equal to 75% of inflation plus 1.5 percentage points;
- the annual rate of salary increase applied exclusively for Companies with an average of fewer than 50 employees during 2006 was determined equal to 3%.

As at 31 December 2022, the Group's workforce consisted of 7 employees. Below are the point-in-time and average employee numbers as at 31 December 2022 and 31 December 2021, broken down by category:

Breakdown by qualification	31/12/2022	31/12/2021
Executives	4	4
Middle managers	1	1
Employees	2	2
Total	**7**	**7**

Breakdown by period average	31/12/2022	31/12/2021
Executives	4	3
Middle managers	1	2
Employees	2	3
Total	**7**	**8**

Note 12. Provisions for risks

The item Provisions for risks, amounting to € 74 thousand as at 31 December 2022 (€ 0 thousand as at 31 December 2021) reflected the valuation of contingent liabilities related to certain positions in progress at the reporting date for which it was possible to make a reliable estimate of the corresponding expected obligation, although it is not always possible to forecast the timing of any related monetary outlays. The most significant position, amounting to € 55 thousand, refers to the settlement of claims for professional fees accrued in connection with judicial custodian and court-appointed expert witness appointments in connection with proceedings closed during the year.

Note 13. Payables to banks and other lenders

	31/12/2022	31/12/2021
Non-current		
Mortgages and loans	62,525	61,890
Borrowings from other financing entities	4,138	4,810
Total Payables to banks and other lenders (non-current)	**66,663**	**66,700**
Current		
Mortgages and loans	822	810
Borrowings from other financing entities	747	362
Total Payables to banks and other lenders (current)	**1,569**	**1,172**
Total	**68,232**	**67,872**

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

Bank	Original amount	Residual debt as at 31/12/2022 Nominal values	Residual debt as at 31/12/2022 Carrying amount at amortised cost	Of which within one year	Of which beyond one year	Guarantees	Additional guarantees and clauses
CPI PG	54,606	54,606	56,973	0	56,974		
CPI PG	3,366	3,366	3,487	0	3,487		
Banca Centro Lazio	2,000	1,529	1,491	368	1,122		
Intesa San Paolo S.p.A.	3,900	906	915	295	620	Second-degree mortgage	Channelling of lease fees
Intesa San Paolo S.p.A.	2,100	475	481	159	322	Second-degree mortgage	Channelling of lease fees
	65,972	**60,882**	**63,347**	**822**	**62,525**		

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

The item Payables to other lenders mainly refers for a total of € 4,885 thousand (€ 747 thousand the current portion) to the payable to Unicredit Leasing for the leasing contract relating to the property located in Bari, viale Saverio Dioguardi (at 31 December 2021, € 4,810 thousand of which € 731 thousand within 12 months) and lease contracts for company cars.

Pursuant to IAS 7 Cash Flow Statement, the table below shows the changes that occurred in liabilities arising from financing. The table reconciles the cash flows shown in the Cash Flow Statement with the total changes recorded during the period in balance sheet items that make up Total financial debt.

			Non-monetary flows		
	31/12/2021	Cash flow	Changes in fair value	Other changes	31/12/2022
Payables to banks and other lenders (non-current)	66,700	0	0	(37)	66,663
Payables to banks and other lenders (current)	1,172	(1,201)	0	1,598	1,569
Net liabilities from financing activities	**67,872**	**(1,201)**	**0**	**1,561**	**68,232**
Cash and cash equivalents	(6,846)	(8,213)	0	0	(15,059)
Total financial debt	**61,026**	**(9,414)**	**0**	**1,561**	**53,173**

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

Liabilities	Carrying amount	within 1 year	1-2 years	2-5 years	beyond 5 years
Payables to banks and other lenders	68,232	1,569	4,949	61,714	-

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

Note 14. Trade payables and other payables

The table below summarises the situation of trade and other payables as at 31 December 2022.

	31/12/2022	31/12/2021
Non-Current		
Tax payables	27	165
Total Trade payables and other non-current payables	**27**	**165**
Current		
Trade payables to third parties	835	886
Payables due to related parties	819	336
Other payables	869	230
Tax payables	162	218
Payables to national insurance agencies	223	116
Accrued expenses and deferred liabilities	0	57
Total trade payables and other current payables	**2,908**	**1,843**

Trade payables to third parties

The item trade payables to third parties shows a balance of € 835 thousand (€ 886 thousand as at 31 December 2021).

Payables due to related parties

This item includes payables due to Dea Capital SGR for asset advisory fees of € 593 thousand, as well as € 227 thousand relating to amounts due to professional directors and statutory auditors. This last component also includes the provision for MBO bonuses for a director in the amount of € 118 thousand.

Other payables

	31/12/2022	31/12/2021
Due to employees	696	118
Other payables	167	106
Payables due to the Supervisory Board	6	6
Total Other payables	**869**	**230**

Other payables amounted to € 869 thousand as at 31 December 2022, compared to a balance of € 229 thousand as at 31 December 2021, and consisted mainly of:

- payables to personnel for € 696 thousand relating to MBO bonuses, expense claims, accrued holidays, leaves of absence and additional monthly payments accrued as at 31 December 2022;
- other payables, amounting to € 167 thousand (€ 105 thousand as at 31 December 2021);
- payables to members of the supervisory body were instead equal to € 6 thousand.

Tax payables

	31/12/2022	31/12/2021
Non-current tax payables	27	165
Current tax payables	162	218
Total Tax payables	**189**	**383**

The item trade payables shows a balance of € 27 thousand (€ 165 thousand as at 31 December 2021). The item refers to taxes relating to previous years and amounts payable after twelve months due to the instalment plan currently being implemented with Italian Inland Revenue.

Current tax payables show a balance of € 162 thousand (€ 218 thousand as at 31 December 2021) and mainly refer to:

- withholding taxes on employee and self-employed income paid in January 2023 for € 142 thousand;
- the current portion of payables for irregularity notice instalments of the merged company Cortese Immobiliare S.r.l. for € 15 thousand.

Payables to national insurance agencies

	31/12/2022	31/12/2021
Payables to INPS	221	113
Payables to INAIL	2	2
Various social security institutions	0	1
Total payables to national insurance agencies	**223**	**116**

Payables to social security institutions amounted to € 223 thousand (€ 116 thousand as at 31 December 2021) and mainly refer to contributions relating to the month of December 2022 paid in January 2023 and to the provision for contributions in relation to the short-term incentive remuneration for € 157 thousand.

Risks

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 on Operations.

Guarantees

With regard to the loan contracts that the Parent Company has in place with Intesa Sanpaolo, a mortgage was issued on the property in Rome, Via Cortese, for an original value of € 16 million; it must be noted that the residual debt as at 31 December 2022 is equal to € 1,397 thousand and the market value of the property is € 4,850 thousand.

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

Provisions, commitments and contingent liabilities and assets

The Parent Company recognised provisions in the financial statements as at 31 December 2022 for risks in connection with the probability of using resources to settle obligations in the amount of € 74 thousand, as indicated in note 12. Provisions for risks.

The Parent Company continues to manage the lawsuit brought by Sorgente Group Italia S.r.l., which challenged the Board of Directors' resolution of 29 October 2021 regarding the approval of the share capital increase, as well as the Board of Directors' resolution of 7 October 2021, which accepted the offer of CPI Property Group S.A., and the Shareholders' resolution of 27 August 2021, by which the Board of Directors had been granted authority to increase the share capital under Art. 2443 of the Italian Civil Code. The Parent Company's legal advisors believe that the risk of losing in relation to this demand for compensation is only merely possible.

As anticipated in note 7. Financial assets at fair value, within the framework of the settlement agreement signed on 28 June 2022, Castello SGR waived the deeds of the judgments numbered 24624/2021 R.G. - Court of Rome. It is recalled that, with reference to the above litigation, the Group's legal advisors believe that the risk of losing the case is possible, albeit remote.

INCOME STATEMENT

Note 15. Rental income

	31/12/2022	31/12/2021
Property leases	5,688	5,682
Charge-backs to tenants	133	117
Release of the provision for bad debts	0	185
Rental income	**5,821**	**5,984**

The item amounting to € 5,821 thousand as at 31 December 2022 includes rental income and the relevant charge-backs of costs to tenants. Rental income showed a net decrease of € 162 thousand mainly due to lower revenues related to the Verona property for € 278 thousand and higher revenues related to the new portions acquired in the first half of 2021 of the Milan property, Via Spadari, and to ISTAT revaluations for a total of € 115 thousand.

The breakdown of revenues by property is shown below.

Property	31/12/2022	31/12/2021
Milan, Via Spadari	1,720	1,683
Milan, Via Cuneo	1,063	1,031
Milan, C.so San Gottardo	754	738
Rome, Via Zara	727	697
Bari, Via Dioguardi	963	963
Verona - Via Unità d'Italia	8	286
Rome, Via Cortese	586	586
Total	**5,821**	**5,984**

Note 16. Costs relating to property assets

The balance of the item Costs relating to property assets as at 31 December 2022 was € 1,526 thousand, significantly lower than the balance at 31 December 2021 of € 2,656 thousand, which included the costs arising from the settlement agreement with the former tenant of the asset located in Verona for € 1,156 thousand.

The following table shows the costs by type and compares them with 31 December 2021.

	31/12/2022	31/12/2021
IMU	810	836
Maintenance and running costs of premises	274	232
Technical advice	87	89
Real estate consulting	83	83
Contract registration taxes	67	44
Surveillance and concierge	52	62
Utilities	41	35
Property, building and facility management costs	35	46
Insurance	26	25
Other taxes and duties	25	12
Legal, notary and professional fees	19	29
Other expenses	7	5
Recognition of losses on receivables due to COVID-19 concessions	0	2
Expenses from framework agreement with SHG Hotel Verona	0	1,156
Costs relating to property assets	**1,526**	**2,656**

The costs for IMU and registration taxes relate to the taxes levied on the real estate portfolio. Property, building and facility management costs relate to the ordinary and administrative management of the properties in the portfolio. Maintenance costs relate to charges incurred for the ordinary and extraordinary management of the buildings, while the item utilities includes expenses for the supply of telephone, electricity, water and gas to the properties. Insurance refers to all risk policies taken out with reference to the properties in the portfolio.

The total direct operating costs associated with the investment property located in Verona, Via Unità d'Italia, vacant as of May 2021 is € 228 thousand. It should also be noted that the item Charges incurred for disposal of real estate includes additional costs, totalling € 744 thousand, related both to the sale of the asset and to expenses incurred in the period April-December 2022 then charged back to the counterparty.

Note 17. Total income/(expenses) from disposal of real estate

This item includes the positive and negative income components attributable to the sale of the hotel property in Verona.

The item Revenues from disposal of real estate includes the gain, gross of sales costs and the value of furniture and furnishing, of € 1,300 thousand and income from the charge-back of interim operating costs incurred during the transaction by the Parent Company in the amount of € 120 thousand.

Costs from property sales include costs directly related to the sale of € 364 thousand referring to agency costs and costs for legal assistance and advice, costs incurred to maintain the asset during the interim period in the amount of € 193 thousand, and costs to write-off furniture and furnishings in the amount of € 187 thousand.

The net gain realised on the sale of the asset, taking into account i) the sales price of € 7,400 thousand, ii) the carrying value of the asset at 31 December 2021 of € 6,100 thousand and iii) the costs directly attributable to the transaction of € 364 thousand and iv) the write-off of the value of the furniture and furnishings of € 187 thousand is € 749 thousand.

Note 18. Total operating costs

	31/12/2022	31/12/2021
Wages and salaries	908	1,116
Social Contribution	478	483
Severance indemnity fund (TFR)	81	94
Other personnel costs	592	62
Sub-total a) Personnel costs	**2,059**	**1,755**
Legal and notary fees	639	735
Directors' fees	736	409
Asset advisory fee	704	252
Communications and marketing costs	163	229
Other consultancy and advices	123	53
IT and consultancy fees	105	124
Remuneration of professional auditors	98	91
Fees paid to the Board of Statutory Auditors	83	90
Administrative consulting	66	165
Remuneration of the Supervisory Body	67	32
Real estate consulting and independent expert	63	75
Travel, transport and car expenses	53	46
Insurance	51	32
HR Services	40	36
Financial consultancy	39	51
Internal auditor fees	33	34
Management, cleaning and maintenance expenses of premises	19	32
Utilities	15	10
Security	14	15
Charges and banking fees	10	81
Other	12	49
Technical advice	1	5
Sponsorships	0	17
Subtotal b) Overheads	**3,134**	**2,663**
Amortisation, depreciation and write-downs of fixed assets	200	383
Total operating costs	**5,393**	**4,801**

Total operating costs include personnel costs, overhead costs and amortisation, depreciation and write-downs of fixed assets.

Personnel expenses amounted to € 2,059 thousand as at 31 December 2022 and increased, as compared to 31 December 2021, due to the provision of € 748 thousand for the variable remuneration component. For more information, please refer to the section on Incentive Plans.

The item General costs shows a balance of € 3,134 thousand as at 31 December 2022 and increased by a net € 471 thousand compared to 31 December 2021, mainly due to i) costs for asset advisory fees accrued to Dea Capital Real Estate SGR for € 704 thousand (in the 2021 income statement, the fee was recognised with reference to the last four months), ii) higher consulting fees of € 84 thousand for the updating and preparation of corporate systems and procedures, iii) higher costs for directors' fees totalling € 327 thousand following the increase in the number of Board members, the redefinition of the Board committees, the remuneration of the Chief Financial Officer and the provision for incentive remuneration, iv) lower costs for legal, accounting, administrative and communication consultancy for € 262 thousand, v) lower costs for technical and IT collaborations for € 44 thousand, and vi) lower bank fees for € 71 thousand.

The item Amortisation, depreciation and write-downs includes the amortisation for the financial year of intangible assets (€ 25 thousand), rights of use (€ 13 thousand) and other tangible assets for € 69 thousand, of which € 57 thousand relate to the accessory part of the property in Rome, Via Zara, depreciated at a rate of 3%. This item also includes the depreciation of the value of furniture and furnishings related to the Verona property in the amount of € 93 thousand.

Note 19. Other revenues and income

The table below summarises other revenues and income as at 31 December 2022.

	31/12/2022	31/12/2021
Extraordinary income from financial assets	469	0
Other revenues and income	32	105
Total Other revenues and income	**501**	**105**

As indicated in note 8. Financial assets at fair value, on 28 June 2022, the Company signed a settlement agreement concerning, *inter alia*, the transfer of the bonds issued by the Euro Sub-fund of the Luxembourg-law Fund "Historic & Trophy Building Fund" managed by Main Source S.A. "HTBF- € Fund", subscribed by the Parent Company for a nominal tranche of € 6,000 thousand, as well as the settlement of the judicial, ordinary and executive proceedings related to the recovery of the credits connected to the Bond. By entering into the Agreement, the parties reciprocally undertook to waive the continuation of the ordinary and executive proceedings pending before the Court of Appeal of Milan, the Court of Rome and the Court of Belluno, settling the pending litigations in an amicable manner, and the Company assigned, within the context of the Agreement, the Bond and all credits, rights and accessories connected thereto, for a total consideration of € 2,850 thousand. The economic effect of the aforementioned transaction amounted to € 469 thousand and was recognised under Other revenues and income.

Note 20. Other costs and expenses

	31/12/2022	31/12/2021
Shareholders' meetings, financial statements, Consob obligations, Stock Exchange	75	115
Provisions for risks	74	0
Membership fees	47	42
Other expenses	52	45
Release of costs for failed capital increase operations	0	499
Total Other costs and charges	**248**	**701**

Other costs and expenses include costs incurred for Consob and Borsa Italia contributions and other association obligations and contributions. The income statement for the year 2021 included the release of non-recurring costs for capital increases in the amount of € 499 thousand.

Note 21. Positive/(negative) fair value of investment properties

	31/12/2022	31/12/2021
Negative fair value of investment properties	(680)	(1,300)
Positive fair value of investment properties	3,572	6,055
Total	**2,892**	**4,755**

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

Note 22. Fair value adjustment of financial assets

	31/12/2022	31/12/2021
Fair value adjustment of financial assets	53	808
Fair value adjustment of financial assets	**53**	**808**

The item Fair value adjustment of financial instruments, amounting to € 53 thousand, mainly refers to the fair value adjustment of financial investments in liquidity measured on the basis of market prices as at 31 December 2022.

Note 23. Financial income/(expenses)

	31/12/2022	31/12/2021
Interest income on bank accounts	5	17
Financial income	**5**	**17**
Interest on CPI PG loans	(1,432)	(1,057)
Interest on financing from banks	(119)	(299)
Interest on leases	(99)	(98)
Expenses on derivative contracts for foreign exchange hedging	0	(10)
Interest expense due on other payables	(7)	(7)
Financial expenses	**(1,657)**	**(1,471)**

The item Financial expenses amounted to € 1,657 thousand (€ 1,471 thousand as at 31 December 2021) and mainly consists of interest payable on loans granted by the parent company CPI PG, company that exercises management and coordination activities, for € 1,432 thousand and interest on bank loans and leases for € 218 thousand.

Note 24. Taxes

As at 31 December 2022, the taxable result of non-exempt operations was a profit of € 80 thousand. Taxes of € 15 thousand were recognised on this result due to a decrease in deferred tax assets already set aside on utilised tax losses.

Again with reference to the item Deferred tax assets, the Parent Company's management conducted an analysis on the recoverability of the same in light of the 2023-2026 Business Plan approved on 6 February 2023, and they were written down in the amount of € 650 thousand.

Note 25. Cash flow statement

The cash flow statement is presented using the indirect method.

In 2022, operating activities generated a negative cash flow of € 1,199 thousand (in 2021, a negative cash flow of € 2,040 thousand).

In the financial year, divestment transactions of financial assets and activities at fair value generated a cash flow of € 9,226 thousand, while the repayment of financial debts absorbed cash of € 1,201 thousand.

Note 26. Earning per share

The weighted average number of ordinary shares outstanding, used for the calculation of basic and diluted earnings per share, does not include the 38,105 treasury shares in the portfolio.

The share capital as at 31 December 2022 is divided into 11,013,054 ordinary shares and 11,012,055 Class B shares, all without par value. Class B shares attribute the same right to share in profits as the ordinary shares, which will be automatically and proportionately reduced to the extent necessary so that the right to share in profits of each class B shareholder, taking into account any other ordinary shares held, is equal to - and, in any event, not more than - 60% of the rights to share in the profits of the Company. Pursuant to Art. 24 of the Articles of Association, profits that the Shareholders' Meeting resolves to distribute shall be allocated equally to ordinary shares and Class B shares, it being understood that profits due to the shareholders holding Class B shares but not distributed to them due to the aforementioned limits set forth in the Articles of Association shall be allocated to the statutory reserve. In light of the above, the weighted average number of ordinary shares and Class B shares was taken into account in the calculation of earnings per share.

Events after year-end

On 6 February 2023, the Board of Directors approved the new 2023-2026 Business Plan, which includes the following three strategic objectives:

- stabilisation of the Company's operating cash flows and economic results;

- increasing the profitability of the real estate portfolio, including by implementing the process of its valorisation and turnover;

- rationalisation and streamlining of the Company's economic and financial structure in order to facilitate, and better convey, the capital increase project, according to a timeframe consistent with that of the proxy granted to the Board of Directors by the Shareholders' Meeting of 26 April 2021, to be exercised by the date of the Shareholders' Meeting's approval of the financial statements as at 31 December 2023, pursuant to Article 2443 of the Italian Civil Code, also excluding option rights pursuant to Article 2441, paragraphs 4 and 5, of the Italian Civil Code.

On 2 March 2023, the Company, as part of the aforementioned strategic objective of rationalising and streamlining its economic and financial structure, repaid, in advance and voluntarily, the loan disbursed on 24 September 2020 by Banca Centro Lazio for € 1,467 thousand (residual debt as at that date); the cost of this transaction was approximately € 5 thousand.

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

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

Incentive plans

On 10 November 2021, the Shareholders' Meeting approved the share-based plan called “Stock Grant Plan 2021-2026” aimed at aligning the interests of the management with those of the Shareholders, favouring an increase in the market value of the shares and the creation of value for all stakeholders over the medium-long term, in implementation of the provisions of the current Remuneration Policy for 2021-2023 approved by the Shareholders' Meeting on 26 April 2021 and in compliance with the provisions of the Framework Agreement and the Asset Advisory Agreement signed between the Company and DeA Capital Real Estate SGR S.p.A., as well as in line with generally accepted international practice and in accordance with the recommendations of the Corporate Governance Code, which the Company follows.

The Plan provides for the free and personal allocation, in one or more tranches to be implemented within five years from the date of the shareholders' meeting approval, of treasury shares of the Company to the beneficiaries to be identified by the Board of Directors, with the assistance of the Remuneration Committee, from amongst the Directors, managers, other employees, collaborators and consultants of the Company and companies belonging to its Group (including key managers of companies belonging to the DeA Capital Group in execution of the Framework Agreement and the Asset Advisory Agreement), up to a maximum number of treasury shares corresponding to 3% of the Company's existing share capital *pro tempore* at the date of each implementation of the Plan.

On 27 April 2022, the Board of Directors of the Parent Company approved the Implementing Regulations (hereinafter also the “Regulations”) of the First Cycle 2022 - 2024 Stock Grant Plan (hereinafter also the “Plan”), which provides for the free assignment to the beneficiaries of a maximum of 206,176 ordinary treasury shares upon the achievement of pre-established targets or the occurrence of certain conditions.

In particular, the Plan provides for the free assignment of the shares to the beneficiaries, identified as the Executive Directors with management powers and the Executives of the Company, subject to the maintenance of the Relevant Relationship (of administration, dependence, collaboration/consultancy) by each beneficiary until the final date of the vesting period set at 31 December 2024 and the achievement in the period 2022 - 2024 of one or more specific Performance Objectives conditional to the achievement of the Gate Objective that constitutes the condition for access to the First Cycle of the Plan.

The Company used the services of an external consultant for the purpose of the valuation of the rights assigned, which was carried out by reflecting the financial market conditions valid at the valuation date and concerned the total fair value of the Plan, which is influenced by the number of rights that will mature in accordance with the rules set forth in the performance conditions as well as the fair value of each right.

The class of rights subject to estimation concerns the "non-market based" component, being, in this case, the free assignment of rights to receive a maximum number of Ordinary Shares correlated to the achievement of Economic-Financial (NAV and cumulative EBITDA level) and qualitative (ESG Indicators) targets not related to market conditions. In this case, the vesting conditions, as indicated by IFRS 2, were considered by adjusting the number of equity instruments included in the valuation of the transaction amount.

The total fair value of the vesting rights, relating to the 1st Cycle 2022 - 2024, was determined by applying the binomial tree model for the valuation of American Cox-Ross-Rubinstein (CRR) options, also taking into account the Good Leaver clause provided for in the Regulation. The fair value was estimated to be zero because, as at 31 December 2022, the prerequisite for achieving the Gate Objective, which is the condition for access to Cycle I of the Plan, is not deemed to have been met.

All information referring to the Stock Grant Plan 2021-2026 is described in the Information Document prepared pursuant to Article 84-*bis*, paragraph 1, of Consob Regulation no. 11971/1999 and in accordance with Schedule no. 7 of Annex 3A of the same Regulation, available to the public on the website https://www.nextresiiq.it/, Governance - Shareholders' Meeting section.

On 27 April 2022, the Board of Directors also approved the MBO proposal for the financial years 2022 and 2023, linking the accrual of the 2022 MBO to the achievement of company performance (general and individual) for each beneficiary.

As at 31 December 2022, a provision for variable incentives totalling € 866 thousand was recognised in the financial statements, of which € 748 thousand recognised under Personnel expenses and € 118 thousand recognised under Overhead costs. During the meeting held on 6 February 2023, the Appointments and Remuneration Risk Control Committee - having also taken note of the information received from the Chair of the Board of Directors, as Employer, in agreement with the Chief Executive Officer, on the final calculation of the 2022 MBOs assigned to employees other than the CEO and General Manager, CFO, CIO and Reporting Manager, who are related parties of the Company - proceeded to verify the final calculation of the 2022 MBOs in view of the approval of the Preliminary Financial Information for the year 2022, so as to allow for the inclusion of the forecast data of the cost of the 2022 MBOs in the reporting package to be sent to the controlling shareholder.

On 21 March 2023, at the same time as approving this Annual Financial Report at 31 December, the Board of Directors validated the cost figures of the 2022 MBOs already identified in the 2022 reporting package and the individual proposals on the recognition of the 2022 MBOs made by (i) the Appointments and Remuneration Risk Control Committee and (ii) the Chair of the Board of Directors, as Employer, in agreement with the Chief Executive Officer, with reference to each beneficiary of the 2022 MBO.

Update on the impact of COVID-19 on the 2022 accounts

In relation to the impact of the COVID-19 pandemic on the Company's accounts, the Company continues to recognise the effects of temporary rent reductions granted to tenants on a linear basis over the duration of contracts. In the financial year, € 204 thousand was recognised as a reduction of rental income for so-called COVID concessions, while reductions of € 997 thousand will be recognised on a straight-line basis in subsequent periods, up to 2027, as a reduction of rental income.

Considerations regarding the conflict between Russia and Ukraine

As indicated in the section Significant events during the year of the Directors' Report on Operations, on 5 July 2022, the Company signed the Deed of Reinstatement with the controlling shareholder CPI Property Group S.A. and certain companies of the DeA Capital Group. In the Deed of Reinstatement, the parties agreed to postpone to 31 December 2022 the deadline for the fulfilment of the conditions precedent contained in the Framework Agreement - including, in particular, the execution of the planned capital increase of the Parent Company Next RE - previously set at 30 June 2022; without prejudice to the assumptions that had led to the signing of the Framework Agreement, the parties' decision to postpone the deadline is a consequence of the unfavourable market situation due to the uncertainties and volatility of the geopolitical, macroeconomic and financial context.

In consideration of the continuing unfavourable market situation due to the persistent instability of the geopolitical, macroeconomic and financial framework due to the Russian-Ukrainian conflict, which has led to negative consequences on international markets and the significant increase in energy and raw material costs, triggering rising inflation at a global level and a generalised increase in interest rates and the cost of money, the Parent's Board of Directors, on 19 December 2022, acknowledged that the conditions for the fulfilment of the conditions precedent set forth in the Framework Agreement, as lastly amended by the Deed of Reinstatement, had not been met within the foreseen timeframe. On 31 December 2022, the Framework Agreement expired due to the natural expiry of its term.

On the other hand, the conflict between Russia and Ukraine did not have any significant impact on the Company's operations other than those deriving from the actions implemented at an asset management level with reference to the real estate leased to OVS and indicated in the paragraph The Real Estate Portfolio included in the Directors' Report on Operations. The Company will continue to monitor the effects of the continuing conflict and the resulting increases in commodity prices on business and results.

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 Francesca Rossi, as Manager responsible for the preparation of the corporate accounting documents of NEXT RE SIIQ S.p.A., having also considered the provisions of art, 154-bis, paragraphs 3 and 4, of the Legislative Decree No. 58 of February 24th, 1998, hereby certify:
   - the adequacy in light of the Company's characteristics, and
   - the effective application of the administrative and accounting procedures adopted in preparing the consolidated financial statements during the period 1 January – 31 December 2022.

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

Rome, March 21, 2023

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

Annexes

Annex 1 - Transactions with related parties

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

(Values in euro)

Related party	Equity interests	Payables to banks and other lenders	Trade payables and other payables	Overhead costs	Financial expenses
CPI Property Group S.A.	-	60,460,161	-	-	1,431,888
Dea Capital Real Estate SGR S.p.A.	-	-	592,552	704,026	-
Directors	-	-	167,696	688,808	-
Statutory Auditors	-	-	58,810	83,200	-
Total	**-**	**60,460,161**	**819,058**	**1,476,034**	**1,431,888**

Remuneration for the financial year for employees, excluding non-monetary benefits, including MBO short-term incentive remuneration, for the General Manager/Key Managers amounted to approximately € 1,188 thousand for the financial year 2022.

Annex 2 - Auditing Firm Fees

The following table, pursuant to Art. 149-*duodecies* of the Consob Issuers' Regulation, highlights the fees accrued for the 2022 financial year for the statutory audit services for the financial statements of NEXT RE SIIQ S.p.A.

(Values in euro)

Assignment	Authorised	Fees*
Statutory audit of the annual and consolidated financial statements	EY S.p.A.	85,116
Audit procedures on reporting package for purpose of consolidation by CPI PG	EY S.p.A.	5,500
Total		**90,616**

*in addition to CONSOB contribution and flat-rate expenses

Report of the Independent Auditors

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NEXT RE SIIQ S.p.A.

Consolidated Financial Statements as at December 31, 2022

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

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

To the Shareholders of
NEXT RE SIIQ S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NEXT RE SIIQ S.p.A. (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit/(loss), the consolidated statement of other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flows statement 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 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Valuation of Investment Properties	
Investment properties as of 31 December 2022 amounted to Euro 135,943 thousand and are stated at fair value in accordance with International Financial Reporting Standards IAS 40 Investment properties, recognizing the effects of changes of fair values in the income statement. Management has estimated the fair value based on the reports prepared by independent experts. The fair value estimate involves the use of fair value models which require forecasting future costs and revenues of each property and the use of assumptions about the occupancy rate of properties, the markets trends of real estate and financial markets, also considering the effects of the current Covid-19 pandemic and the ongoing Russia-Ukraine conflict underway, as well as the general economic conditions that affect the rent and the reliability of the tenants. We considered that these items represent a key audit matter, due to the materiality of the investment properties stated at fair value and the changes in fair value during the period, as well as the judgment required by Management in assessing the above-mentioned assumptions used in the fair value models. The paragraphs "Note 1. Investment properties" and "Use of estimates and assumptions" of the notes to the consolidated financial statements describe respectively the criteria and models for real estate portfolio valuation and the selection process of the independent expert.	Our audit procedures in response to this key audit matter included, among others: • the assessment and understanding of the process for determining the value of investment properties adopted by the Company; • the assessment of the company's process related to the selection and use of independent experts appointed in order to prepare a fair value estimate; • the tracing of the amounts used by independent experts with the balance sheet figures; • the assessment and discussion with Management and their independent experts of the key market assumptions used in the valuation process; • the testing of the valuation models adopted by the company and on the reports prepared by the independent expert. In performing our audit procedures, we also involved our experts in real estate valuation techniques. Lastly, we have reviewed the disclosures provided in the notes to the consolidated financial statements.

2

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

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

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

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the 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 Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

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However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have 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;
- we have 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, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

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

The shareholders of NEXT RE SIIQ S.p.A., in the general meeting held on April 29, 2021, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2021 to 31 December 2029.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of NEXT RE SIIQ S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of NEXT RE SIIQ S.p.A. are responsible for the preparation of the Directors' Report on Operations and of the Report on Corporate Governance and Ownership Structure of NEXT RE SIIQ S.p.A. as at 31 December 2022, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Directors' Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of NEXT RE SIIQ Group as at 31 December 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Directors' Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of NEXT RE SIIQ Group as at December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, April 19, 2023

EY S.p.A.
Signed by: Filippo Maria Aleandri, Auditor

The accompanying consolidated financial statements of NEXT RE SIIQ S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.
This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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

Financial statements of NEXT RE

The financial statements are drawn up in euro units.

Statement of financial position

	Note	31/12/2022	of which with related parties	31/12/2021	of which with related parties
ASSETS					
Non-current assets					
Investment property	1	135,942,648	0	138,300,000	0
Other tangible assets	2	1,813,815	0	2,176,845	0
Rights of use	3	73,542	0	8,343	0
Intangible assets	4	61,253	0	85,768	0
Shares held in subsidiaries	5	10,000	10,000	10,000	10,000
Deferred tax assets	6	190,329	0	854,166	0
Other non-current assets (*)	7	2,435,583	0	2,221,519	0
Total non-current assets		**140,527,170**	**10,000**	**143,656,641**	**10,000**
Current assets					
Financial assets at fair value	8	543,578	0	3,378,210	0
Receivables and other current assets (*)	9	1,103,282	0	1,696,083	0
Cash and cash equivalents	10	15,014,502	0	6,836,541	0
Total current assets		**16,661,362**	**0**	**11,910,834**	**0**
TOTAL ASSETS		**157,188,532**	**10.000**	**155,567,475**	**10,000**
SHAREHOLDERS' EQUITY					
Share capital		63,264,528	0	63,264,528	0
Share premium reserve		22,931,342	0	22,931,342	0
Other reserves		12,111,652	0	11,684,316	0
Profits/(Losses) carried forward		(12,785,179)	0	(12,785,179)	0
Other items of the comprehensive income statement		41,899	0	(23,767)	0
Profits/(Losses) for the period		346,304	0	427,336	0
TOTAL SHAREHOLDERS' EQUITY	**11**	**85,910,546**	**0**	**85,498,576**	**0**
LIABILITIES					
Non-current liabilities					
Employee benefits	12	66,393	0	189,302	0
Provisions for risks	13	74,224	0	0	0
Payables to banks and other lenders	14	66,662,960	60,460,161	66,699,986	59,027,273
Trade payables and other non-current payables	15	26,876	0	165,341	0
Total non-current liabilities		**66,830,453**	**60,460,161**	**67,054,629**	**59,027,273**
Current liabilities					
Payables to banks and other lenders	14	1,569,018	0	1,171,829	0
Trade payables and other payables	15	2,878,515	819,058	1,842,441	336,411
Total current liabilities		**4,447,533**	**819,058**	**3,014,270**	**336,411**
TOTAL LIABILITIES		**71,277,986**	**61,279,219**	**70,068,899**	**59,363,684**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**157,188,532**	**61,279,219**	**155,567,475**	**59,363,684**

(*) Comparative figures have been reclassified for better presentation purposes

Statement of profit/(loss)

	Note	31/12/2022	of which with related parties	31/12/2021	of which with related parties
Rental income	16	5,821,399	0	5,983,752	0
Costs relating to property assets	17	(1,526,490)	0	(2,656,323)	0
Net rental income		**4,294,909**	**0**	**3,327,429**	**0**
Revenues from disposal of real estate		1,420,000	0	0	0
Expenses incurred for disposal of real estate		(744,350)	0	0	0
Total income/(expenses) from disposal of real estate	**18**	**675,650**	**0**	**0**	0
Personnel costs		(2,058,978)	0	(1,754,572)	0
Wages and salaries		(908,290)	0	(1,115,834)	0
Social contribution		(477,870)	0	(482,640)	0
Severance indemnity fund (TFR)		(80,737)	0	(94,401)	0
Other personnel costs		(592,081)	0	(61,697)	0
Overhead costs		(3,141,745)	(1,505,890)	(2,663,487)	(746,456)
Amortisation, depreciation and write-downs of fixed assets		(199,797)	0	(382,891)	0
Total operating costs	**19**	**(5,400,520)**	**(1,505,890)**	**(4,800,950)**	**(746,456)**
Other revenues and income	20	501,167	0	104,655	0
Other costs and expenses	21	(247,760)	0	(701,310)	0
Total other revenues and income/other costs and expenses		**253,407**	**0**	**(596,655)**	**0**
Positive fair value of investment properties		3,572,167	0	6,055,430	0
Negative fair value of investment properties		(680,000)	0	(1,300,000)	0
Positive/(negative) fair value of investment properties	**22**	**2,892,167**	**0**	**4,755,430**	**0**
Operating income		**2,715,613**	**(1,505,890)**	**2,685,254**	**(746,456)**
Fair value adjustment of financial assets	23	(52,908)	0	(808,260)	0
Financial income	24	4,536	0	17,208	0
Financial expenses	25	(1,657,101)	(1,431,888)	(1,471,381)	(1,056,938)
Profit before tax		**1,010,141**	**(2,937,778)**	**422,821**	**(1,803,394)**
Taxes	26	(663,837)	0	4,515	0
Profit/(Loss) for the period		**346,304**	**(2,937,778)**	**427,336**	**(1,803,394)**

Statement of other comprehensive income

	31/12/2022	31/12/2021
Profit/(Loss) for the period	**346,304**	**427,336**
Actuarial gains/(losses) (*)	65,666	(6,440)
Total other items of the comprehensive income statement	**65,666**	**(6,440)**
Total comprehensive profit/(loss)	**411,970**	**420,897**

(*) items not reclassifiable to the income statement

Statement of changes in shareholders' equity

	Notes	Share capital	Share premium reserve	Fair value reserve	Legal reserve	Other reserves	Other items of the comprehensive income statement	Profits (losses) carried forward	Profit (Loss) for the year	Total
Balance as at 31/12/2020		**63,264,528**	**22,931,342**	**8,139,414**	**7,122,550**	**(3,508,695)**	**(17,327)**	**(3,637,639)**	**(9,147,540)**	**85,146,332**
Allocation of 2020 result		0	0	0	0	0	0	(9,147,540)	9,147,540	0
Capital increase costs		0	0	0	0	(68,953)	0	0	0	(68,953)
Other items of comprehensive income		0	0	0	0	0	(6,440)	0	0	(6,440)
Result of the year		0	0	0	0	0	0	0	427,336	427,336
Total comprehensive profit/(loss)		*0*	*0*	*0*	*0*	*0*	*(6,440)*	*0*	*427,336*	*420,897*
Balance as at 31/12/2021	**11**	**63,264,528**	**22,931,342**	**8,139,414**	**7,122,550**	**(3,577,648)**	**(23,767)**	**(12,785,179)**	**427,336**	**85,498,276**

	Notes	Share capital	Share premium reserve	Fair value reserve	Legal reserve	Other reserves	Other items of the comprehensive income statement	Profits (losses) carried forward	Profit (Loss) for the year	Total
Balance as at 01/01/2022		**63,264,528**	**22,931,342**	**8,139,414**	**7,122,550**	**(3,577,648)**	**(23,767)**	**(12,785,179)**	**427,336**	**85,498,576**
Allocation of 2021 result		0	0	405,969	21,367	0	0	0	(427,336)	0
Other items of comprehensive income		0	0	0	0	0	65,666	0	0	65,666
Share-based payments reserve		0	0	0	0	0	0	0	0	0
Result of the year		0	0	0	0	0	0	0	346,304	346,304
Total comprehensive profit/(loss)		0	0	0	0	0	65,666	0	346,304	411,970
Balance as at 31/12/2022	**11**	**63,264,528**	**22,931,342**	**8,545,383**	**7,143,917**	**(3,577,648)**	**41,899**	**(12,785,179)**	**346,304**	**85,910,546**

Cash flow statement

	31/12/2022	of which with related parties	31/12/2021	of which with related parties
Profit before tax	**1,010,141**	**(2,937,778)**	**422,821**	**(1,803,394)**
Adjustments:				
Amortisation, depreciation and write-downs of fixed assets	199,797	0	382,891	0
Total income/(expenses) from disposal of real estate	(675,650)	0	0	0
Extraordinary income from financial assets	(468,750)	0	0	0
Positive/(negative) fair value of investment properties	(2,892,167)	0	(4,755,430)	0
Fair value adjustment of financial assets	52,908	0	808,260	0
Financial income	(4,536)	0	(17,208)	0
Financial expenses	1,657,101	1,431,888	1,471,381	1,056,938
Financial expenses paid	(244,322)	0	(270,132)	0
Financial income collected	4,536	0	9,342	0
Provision for severance and other risks	154,961	0	94,401	0
Accrual/(Release) provision for bad debts	0	0	(185,252)	0
Cash flow generated by operations	**(1,205,983)**	**(1,505,889)**	**(2,038,926)**	**(746,456)**
Taxes (net of deferred taxes)	0	0	0	0
Cash flow generated by operations net of taxes	**(1,205,983)**	**(1,505,889)**	**(2,038,926)**	**(746,456)**
Other assets/other liabilities	**1,358,737**	**482,647**	**(1,477,881)**	**65,746**
Change in trade receivables	*336,939*	*0*	*(81,750)*	*0*
Change in trade payables	*276,679*	*482,647*	*113,885*	*65,746*
Change in other current assets	*(247,259)*	*0*	*(661,144)*	*0*
Change in other current liabilities	*1,028,365*	*0*	*(924,136)*	*0*
Change in other non-current assets	*(214,064)*	*0*	*220,012*	*0*
Change in tax receivables	*503,121*	*0*	*(292,260)*	*0*
Change in tax payables	*(200,455)*	*0*	*307,385*	*0*
Change in severance indemnity fund (TFR)	*(124,588)*	*0*	*(159,873)*	*0*
Cash flow before investments and financing	**152,755**	**(1,023,243)**	**(3,516,807)**	**(680,710)**
Investments and divestments	**9,226,418**	**0**	**(14,628,280)**	**(10,000)**
(Increase)/decrease in capital goods and other assets	*0*	*0*	*(568,980)*	*0*
(Increase)/decrease in properties	*5,975,943*	*0*	*(13,049,300)*	*0*
(Increase)/decrease in financial instruments	*3,250,475*	*0*	*(1,000,000)*	*0*
(Increase)/decrease in equity investments and securities	*0*	*0*	*(10,000)*	*(10,000)*
Financial assets	**(1,201,212)**	**0**	**59,008**	**57,971,334**
Other changes in equity	*0*	*0*	*(68,952)*	*0*
Increase in financial payables	*0*	*0*	*57,971,334*	*57,971,334*
Decrease in financial payables	*(1,201,212)*	*0*	*(57,843,375)*	*0*
Cash and cash equivalents generated during the year (Note 27.)	**8,177,960**	**(1,023,243)**	**(18,086,080)**	**57,280,624**
Initial cash and cash equivalents	**6,836,541**		**24,903,181**	
Cash and cash equivalents from merger	**0**		**19,440**	
Final cash and cash equivalents	**15,014,502**		**6,836,541**	

Notes to the financial statements

GENERAL INFORMATION

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

NEXT RE SIIQ S.p.A. is a subsidiary and subject to the Management and Coordination of CPI Property Group S.A.. For more information, please refer to the chapter Management and coordination activities.

NEXT RE SIIQ is the Parent Company of the NEXT RE SIIQ Group formed by itself and its wholly-owned subsidiary Fidelio Engineering S.r.l..

NEXT RE's financial statements as at 31 December 2022 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 21 March 2023 authorised the publication of these financial statements. The financial statements are audited by EY S.p.A. pursuant to Article 14 of Italian Legislative Decree no. 39 of 27 January 2010 and Article 10 of Regulation (EU) no. 537/2014 based on engagement granted by the Shareholders' Meeting of 26 April 2021, and awarded pursuant to Italian Legislative Decree no. 39 of 27 January 2010, for a term of nine financial years (2021-2029).

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

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. On 6 February 2023, the Company's Board of Directors approved the new 2023-2026 Business Plan, which includes the following three strategic objectives (i) stabilisation of operating cash flows and economic results of the Company; (ii) increase in the profitability of the real estate portfolio, including through the implementation of the latter's valorisation and rotation process; iii) rationalisation and streamlining of the Company's economic and financial structure in order to facilitate, and better convey, the capital increase project, according to a timeframe consistent with that of the proxy granted to the Board of Directors by the Shareholders' Meeting of 26 April 2021, to be exercised by the date of the Shareholders' Meeting's approval of the financial statements as at 31 December 2023, pursuant to Article 2443 of the Italian Civil Code, also excluding option rights pursuant to Article 2441, paragraphs 4 and 5, of the Italian Civil Code. Moreover on 6 February 2023, the Board of Directors, also following the recent regulatory changes introduced by the new Corporate Crisis and Insolvency Code, conducted a self-assessment pursuant to Article 2086, second paragraph, of the Italian Civil Code, which was positive.

In light of the forecasts contained in the aforementioned Plan and the substantial cash on hand in the Company's accounts, the Directors believe that there are no elements that could adversely affect the Company's ability to continue as a going concern in the twelve months following the date of 31 December 2022. Lastly, please also refer to as stated in the chapter "Foreseeable performance trend" included in the Directors' Report on Operations.

NEXT RE SIIQ S.p.A., as Parent Company, also prepared the Consolidated Financial Statements of the NEXT RE Group as at 31 December 2022.

PRINCIPLES OF NEW APPLICATION

In preparing these financial statements, the accounting standards and valuation criteria applied are consistent with those used for the 2021 financial statements, except for the adoption of new standards and amendments effective 1 January 2022.

The Company has not proceeded with early adoption of any new standards, interpretations or amendments issued but not yet effective. A number of amendments and interpretations apply for the first time in 2022 but have not had an impact on the 2022 annual financial statements.

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 as at 31 December 2022 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 beyond 12 months following the reporting date;
- Statement of profit or loss for the year, showing separately the Costs relating to real estate assets that contribute to "Net rental income" and other costs classified by nature;
- Statement of other comprehensive income;
- Statement of changes in shareholders' equity;
- Cash flow statement, drafted using the indirect method.

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

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

It should be noted that compared to what has already been published in the annual financial statements as at 31 December 2021, some reclassifications have been made to the financial statements for better clarity of presentation and accounting.

VALUATION CRITERIA AND ACCOUNTING PRINCIPLES

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

Investment property

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

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

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

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

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

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

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

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

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

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

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

Tangible assets

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

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

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

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

Leases - Rights of use and financial liabilities

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

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

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

Intangible assets

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

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

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

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

Shares held in subsidiaries

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

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

Financial assets

Classification of financial assets

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

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

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

1. Financial assets held for collection (Category 1)

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

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

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

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

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

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

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

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

Impairment of financial assets

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

Hedge accounting

Derivative financial instruments

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

Classification

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

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

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

Fair value hierarchy according to IFRS 13

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

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

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

- Level 1: determination of fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes instruments relating to temporary investments of liquidity in UCITS, mutual funds, SICAVs and portfolios of mutual funds with which the Company operates through managers in active markets;

- Level 2: determination of fair value based on inputs other than the quoted prices included in "Level 1" but which are directly or indirectly observable;
- Level 3: determination of fair value based on valuation models whose inputs are not based on observable market data (unobservable inputs). As at 31 December 2022, the fair value of investment properties 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.

Cash and cash equivalents

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

Shareholders' equity

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

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

Share-based payments

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

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

Employee benefits

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

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

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

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

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

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

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

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

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

Provisions for risks and charges

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

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

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

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

Financial liabilities

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

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

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

Derecognition of financial assets and liabilities

Financial assets are derecognised from the balance sheet when the right to receive the cash flows is extinguished and substantially all the risks and rewards of ownership of the asset are transferred (so-called Derecognition) or when an asset is deemed to be totally non-recoverable after all necessary recovery procedures have been carried out.

Financial liabilities are derecognised from the balance sheet when the specific contractual obligation has been settled. A modification of existing contractual terms also qualifies as settlement, if the new terms have significantly changed the original agreements and in any case when the present value of the cash flows to be generated by the revised agreements deviates by more than 10% from the value of the discounted cash flows of the original liability.

Financial assets and liabilities are offset in the balance sheet when there is a legal right of set-off, which is currently exercisable, and there is an intention to settle the relationship on a net basis (i.e. to realise the asset and settle the liability at the same time).

Revenues

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

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

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

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

Costs

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

Financial income and expenses

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

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

Current taxes

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

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

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

Deferred taxes

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

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

Profit /(loss) per share

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

Use of estimates and assumptions

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

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

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

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

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

The Board of Directors of NEXT RE SIIQ S.p.A. on 22 June 2022, in compliance with the Company's Independent Experts procedure, appointed the company Colliers Valuation Italy S.r.l. for the three-year assignment to carry out a six-monthly valuation of NEXT RE assets for a fee of € 10,000 for the first valuation as at 30 June 2022 and € 6,000 for each of the subsequent valuations on a constant basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment reporting

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

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

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

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

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

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

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

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

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

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

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

(1) Rules in terms of investments

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

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

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

(3) Maximum financial leverage level

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

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

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

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

(1) Objective requirements

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

The results of the calculation of the aforementioned parameters are shown below, both of which have been complied with for 2022, based on the balance sheet and income statement figures shown in the Financial Statements of NEXT RE as at 31 December 2022.

Capital requirements

		31/12/2022	31/12/2021
NEXT RE SIIQ S.p.A. - Capital requirements			
Value of properties intended for lease	(A)	135,943	138,300
Investment in SIINQ and in qualified real estate funds	(B)	0	0
Numerator total	**(C)=(A)+(B)**	**135,943**	**138,300**
Total of balance sheet assets	(D)	157,189	155,567
Elements excluded from the denominator of the relationship:		0	0
Carrying amount of SIIQ registered office		(1,780)	(1,838)
Cash and cash equivalents		(15,015)	(6,837)
Loans to Group companies		0	0
Trade receivables		(68)	(405)
Deferred tax assets		(190)	(854)
Tax credits (including VAT)		(309)	(816)
Pre-paid expenses		(265)	(77)
Total adjustments	(E)	(17,627)	(10,827)
Denominator total: **adjusted balance sheet assets**	**(F)=(D)+(E)**	**139,562**	**144,740**
Capital requirements	(C)/(F)	97.41%	95.55%

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

- the numerator, totalling € 135,943 thousand, which includes the carrying amount of properties to be leased. This amount corresponds to the book value of "Investment property";
- the denominator, equal to a total of € 139,562 thousand, which includes total assets (€ 157,189 thousand) adjusted to exclude, in application of the criteria indicated in Article 6 of Ministerial Decree 174/2007: the book value of the properties used as the headquarters of the SIIQ (equal to € 1,780 thousand as at 31 December 2022); ii) the value of cash and cash equivalents (€ 15,015 thousand); iii) the value of trade receivables deriving both from exempt management and, as clarified by the Revenue Agency circular no. 8/E of 2008, from taxable management (€ 68 thousand) iv) the value of tax receivables (€ 309 thousand); v) deferrals (€ 265 thousand), vi) deferred tax assets of € 190 thousand.

Revenue parameter

€ '000		31/12/2022	31/12/2021
NEXT RE SIIQ S.p.A. - Revenue parameter			
Rental fees and similar revenues	(A)	5,688	5,681
"Realised" gains on property sales	(B)	750	0
Dividends from SIIQ / SIINQ, SICAF and qualified real estate funds	(C)	0	0
Numerator total	**(D)=(A)+(B)+(C)**	**6,438**	**5,681**
Total positive economic components	(E)	13,109	12,178
Elements excluded from the denominator of the relationship:			
Write-ups of properties		(3,572)	(6,055)
Revenue from charge-backs of costs		(242)	(106)
Revenue from cost adjustments or related to hedging instruments		0	0
Contingent assets, fund releases and other reinstatements		(2,824)	(298)
Deferred tax assets and interest on tax credits		0	0
Total adjustments	(F)	(6,638)	(6,459)
Denominator total: adjusted positive economic components	**(G)=(E)+(F)**	**6,478**	**5,718**
Revenue parameter	(D)/(G)	99.47%	99.35%

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

- the numerator, amounting to a total of € 6,438 thousand, refers to revenues from rents on properties used for this activity (investment properties) and the gain realised on the sale of the Verona asset. It should be noted that the above amount of rental income includes income assimilated to rents, such as compensation from tenants (but not also income from the charge-back of costs to tenants. It should also be noted that, due to the write-downs recorded in the income statements of previous years in application of the fair value model (cumulatively, € 2,101 thousand), the gross margins realised on the sale of the Verona asset, resulted in an overall loss of € 988 thousand;
- the denominator is equal to a total of € 6,478 thousand. This amount corresponds to the total amount of the positive components of the Income Statement (€ 13,109 thousand), adjusted in order to exclude the write-ups of properties recorded during the financial year in application of the fair value model for the valuation of the property portfolio (€ 3,572 thousand). Moreover, in order not to affect the relationship with other elements that are not directly related to the exempt management, or with taxable management and whose inclusion in the denominator of the relationship could alter the result of the verification of the criterion of capital prevalence, the following are excluded: i) income representing charge-backs of costs such as, mainly, those relating to charge-backs of costs to tenants of leased properties (also excluded from the numerator of the revenue parameter) for € 242 thousand; ii) contingent assets and releases of provisions for € 2,824 thousand.

With reference instead to the distribution obligations envisaged by Art. 1, paragraph 123 and 123-*bis*, of Italian Law no. 296/2006, it must be noted that the financial statements for the 2022 financial year closed with a positive net result of € 336 thousand (given by positive results from exempt management of € 886 thousand and negative results from taxable management of € -550 thousand). It should also be pointed out that, as established by Art. 7 of the Decree and also clarified by the Inland Revenue Circular no. 8/E of 2008, the net profit from the income statement of exempt management subject to statutory restrictions and as such not distributable (e.g. the profit that must be allocated to reserves pursuant to Articles 2430 and 2431 of the Italian Civil Code and pursuant to Art. 6 of Legislative Decree no. 38 of 28 February 2005) is not available for distribution. Therefore, pursuant to applicable regulations, given the composition of the company's shareholders' equity and the related obligations to replenish the reserves (in particular, Art. 2430 of the Italian Civil Code and Art. 6 of Legislative Decree no. 38/2005) with reference to the result for the year 2022, no obligation arose to distribute the profit from exempt management as per art. 1, paragraphs 123 and 123 bis of Law no. 296/2006.

(2) Subjective requirements

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

It is also confirmed that in 2022 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 2022 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. In this regard, it is recalled that in the previous tax period ending 31 December 2021, as a result of the takeover bid launched by the controlling shareholder CPI PG, the latter came to own a percentage of ordinary shares in excess of 60%.

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

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

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

Also in light of the foregoing, as at 31 December 2022, the Company has therefore met and maintained the participation requirements to remain in the Special Regime (including the "control" requirement).

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

The following table shows the profit and loss account as at 31 December 2022 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	5,941	5,941	0
Other revenues	3,582	777	2,805
Gross revenues	**9,523**	**6,718**	**2,805**
Cost for raw materials and services	(4,020)	(3,801)	(219)
Staff costs	(2,059)	(2,048)	(11)
Other operating expenses	(1,005)	(1,001)	(4)
Operating costs	(7,083)	(6,849)	(234)
Gross operating profit	**2,440**	**(111)**	**2,676**
Value adjustments	**2,565**	**2,676**	**(124)**
Operating profit	**5,005**	**2,544**	**2,461**
Financial income	5	4	1
Financial expenses	(4,000)	(1,662)	(2,338)
Income before taxes	**1,010**	**886**	**124**

The results reported in the previous table relating to the two management types, derive from the separation of the economic components of the year 2022 as resulting from the separate accounting adopted by the Company for these components. Separate accounting has, in fact, the purpose of identifying the operating results of the tax-exempt and taxable activity through: i) the attribution to each of the two management types of the economic components specifically attributable to them; ii) the attribution to each of the two management types, according to a reasonable pro rata percentage, of the "common" economic components (insofar as they are not specifically related to one of the two management types).

In particular, it must be noted that, for the purposes of allocating these "common" components to exempt (or taxable) management, NEXT RE has adopted the revenue parameter as more accurately calculated and expressed in the percentage (99.47%) shown in the table above in the section on the "revenue parameter", as this is considered the most suitable percentage parameter for making the above allocation, as - after stripping out the economic components that do not relate to any activities carried out - it effectively expresses the percentage incidence of rental activities with respect to all activities carried out by the Company.

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

Comments to the Notes to the financial statements

ASSETS

Note 1. Investment property

	31/12/2022	31/12/2021
Investment property	135,943	138,300
Investment property	**135,943**	**138,300**

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

	Buildings
Net carrying amount as at 31/12/2021	**138,300**
Increases	851
Decreases	(6,100)
Write-ups (write-downs)	2,892
Net carrying amount as at 31/12/2022	**135,943**

The Real Estate Portfolio directly held by NEXT RE recorded a total valuation of € 135,943 thousand as at 31 December 2022.

The table below describes the changes in the values of each property that occurred during 2022.

Property	31/12/2021	Increases	Decreases	Carrying amount before adjustment	Market value	Adjustment to market value	31/12/2022
Milan, Via Spadari	57,900	813	0	58,713	61,450	2,737	61,450
Milan, Via Cuneo	25,550	0	0	25,550	25,850	300	25,850
Milan, C.S. Gottardo	15,600	0	0	15,600	15,900	300	15,900
Rome, Via Zara	12,950	8	0	12,958	13,193	235	13,193
Rome, Via Vinicio Cortese	5,150	0	0	5,150	4,850	(300)	4,850
Bari, V. Dioguardi	15,050	30	0	15,080	14,700	(380)	14,700
Verona, Via Unità d'Italia	6,100	0	(6,100)	0	0	0	0
	138,300	**851**	**(6,100)**	**133,051**	**135,943**	**2,892**	**135,943**

The value of the item Investment properties as at 31 December 2022 is € 135,943 thousand. The item decreased as a result of the combined effect of the sale of the Verona asset on 28 December 2022 (value as at 31 December 2021 equal to € 6,100 thousand) and the fair value adjustment of the real estate portfolio, which was positive in the amount of € 2,892 thousand. The value of the Milan, Via Spadari asset also increased as a result of the capitalisation of costs for renovation and enhancement works on the third floor for office use and for extraordinary condominium works for façade refurbishment for a total of € 813 thousand. It should be noted that the value of the instrumental portion of the asset located in Rome, Via Zara - appraised by the independent expert at € 1,909 thousand - is recognised in the item Other tangible assets in the amount of € 1,780 thousand, net of the related accumulated depreciation.

With reference to the aforesaid extraordinary condominium works at the building in Milan, Via Spadari, the Group's resolved costs amounted to approximately € 686 thousand, of which € 530 thousand pertaining to the following year.

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 € 680 thousand and written up by € 3,572 thousand, with a net positive impact of € 2,892 thousand.

The fair value adjustment incorporates the results of the market value appraisals on the properties drafted by the independent expert, in compliance with the RICS Valuation - Professional Standards, which incorporate the IVS (International Valuation Standards), and in accordance with applicable regulations and recommendations of the regulators.
As required by IFRS 13, a disclosure of the fair value hierarchy is provided below.
The fair value hierarchy classifies the inputs of valuation techniques used to establish the fair value based on three levels. In particular:

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

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

The following table shows NEXT RE's real estate portfolio broken down by legal form type of the property, measured at fair value as at 31 December 2022:

Property	Legal nature	Accounting criteria	Last appraisal date	Significant inputs not observable on the market (level 3) Euro/000
Milan, Via Spadari	Full ownership	IAS 40, fair value	31/12/2022	61,450
Milan, Via Cuneo	Full ownership	IAS 40, fair value	31/12/2022	25,850
Milan, C.S. Gottardo	Full ownership	IAS 40, fair value	31/12/2022	15,900
Rome, Via Zara	Full ownership	IAS 40, fair value	31/12/2022	13,193
Rome, Via Vinicio Cortese	Full ownership	IAS 40, fair value	31/12/2022	4,850
Bari, V. Dioguardi	Property Leasing	IAS 40, fair value	31/12/2022	14,700
				135,943

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

The following table shows unobservable inputs used for each asset as at 31 December 2022:

Property	Legal nature	Method	Discount rate	Gross Cap Rate	ERV €/sqm/y
Milan, Via Spadari	Full ownership	Income (DCF)	5.16% for retail portion and 5.31% for office portion	3.85% for retail portion and 4.51% for office portion	1,050 per retail portion and 440 for office portion
Milan, Via Cuneo	Full ownership	Income (DCF)	5.91%	5.09%	400
Milan, C.S. Gottardo	Full ownership	Income (DCF)	6.67%	5.18%	350
Rome, Via Zara	Full ownership	Income (DCF)	6.22%	5.32%	300
Rome, Via Vinicio Cortese	Full ownership	Income (DCF)	7.75%	7.12%	155
Bari, V. Dioguardi	Property Leasing	Income (DCF)	6.35%	6.38%	100

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

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

To confirm the soundness of the valuation process, a sensitivity analysis was carried out with the support of the independent expert on the value of the real estate portfolio in relation to changes in the ERV and the Gross Cap rate. Specifically, the fluctuation in the value of the Company's real estate portfolio was determined by varying the ERV of individual properties by +/- 5% and the Gross Cap rate by +/- 0.25 bps. The fluctuation recorded was included in a range of +/- 6% of the value of the real estate portfolio.

Finally, the following table shows the value of the Company's real estate portfolio, the residual debt relating to outstanding loans referring to the assets, the Net Asset Value (indicated on a voluntary basis and calculated as the ratio between the nominal residual debt of the loans and the fair value of the assets), and the real estate Loan to value indicator calculated as the ratio between the residual debt of the loans referring to the assets and the related fair values as at 31 December 2022.

Property	Legal nature	Lending counterparty	Values as at 31 December 2022	Remaining debt as at 31 December 2022*	Net asset value Euro	Loan to Value	Maturity	Duration (years)
Milan, Via Spadari	Full ownership	CPI PG S.A.	61,450	22,687	38,763	37%	27/01/2026	3.1
Milan, Via Cuneo	Full ownership	CPI PG S.A.	25,850	14,481	11,369	56%	27/01/2026	3.1
Milan, C.S. Gottardo	Full ownership	CPI PG S.A.	15,900	10,861	5,039	68%	27/01/2026	3.1
Rome, Via Zara**	Full ownership	CPI PG S.A.	15,100	6,577	8,523	44%	27/01/2026	3.1
Rome, Via Vinicio Cortese	Full ownership	Intesa San Paolo	4,850	906	3,469	28%	05/12/2025	2.9
		Intesa San Paolo		475			01/07/2025	2.5
Bari, V. Dioguardi	Property Leasing	Unicredit Leasing	14,700	4,810	9,890	33%	10/01/2024	1.0
			137,850	**60,797**	**77,053**	**44%**		

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

It must be noted that debt maturities shown above incorporate the extensions of the latter below the moratorium under Article 56 of Italian Decree Law no. 18 of 17 March 2021, converted, with amendments, by Italian Law no. 27 of 24 April 2021 following the extension - pursuant to Article 1, paragraph 248, of Italian Law no. 178 of 30 December 2021 (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

	31/12/2022	31/12/2021
Instrumental building	1,780	1,838
Verona Hotel furniture and fittings	0	280
Other assets	34	59
Other tangible assets	**1,814**	**2,177**

The main changes during the year were as follows:

	Instrumental building	Other assets	Verona Hotel furniture and fittings	Total
Net carrying amount as at 01/01/2022	1,838	59	280	2,177
Increases	0	0	0	0
Decreases	0	0	0	0
Amortisation and write-downs	(58)	(25)	(280)	(363)
Final balance as at 31/12/2022	1,780	34	0	1,814
Historical cost	1,909	80	544	2,533
Accumulated amortisation	(129)	(16)	(156)	(301)
Depreciation of furniture and fittings	0	(30)	(388)	(418)
Net carrying amount	**1,780**	**34**	**0**	**1,814**

The balance of the item as at 31 December 2022 is € 1,814 thousand. This item mainly includes the value, net of the related accumulated depreciation, of the instrumental portion of the building in Rome, Via Zara 28 (headquarters of NEXT RE) for € 1,780 thousand. The significant decrease compared to 31 December 2021 of € 363 thousand is mainly attributable to the write-off of the value of the furniture and furnishings of the Verona asset recorded at 31 December 2021 for € 280 thousand.

The company has no commitments to purchase new fixed assets.

Note 3. Rights of use

	31/12/2022	31/12/2021
Rights of use	74	8
Rights of use	**74**	**8**

	Rights of use
Net carrying amount as at 01/01/2022	8
Increases	79
Decreases	0
Amortisation and write-downs	(13)
Net carrying amount as at 31/12/2022	**74**

The item as at 31 December 2022 includes the value of the rights of use with reference to the leasing contracts relating to three company cars stipulated during the year; the value as at 31 December 2021 referred to a lease contract closed during the year.

Note 4. Intangible assets

	31/12/2022	31/12/2021
REF - BC Software	61	86
Intangible assets	**61**	**86**

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 H2 2020. The change refers to the recognition of amortisation for the year.

Note 5. Shares held in subsidiaries

	31/12/2022	31/12/2021
Fidelio Engineering S.r.l.	10	10
Net carrying amount as at 31/12/2022	**10**	**10**

The value of the item Equity investments was € 10 thousand and refers entirely to the wholly-owned subsidiary Fidelio Engineering S.r.l. incorporated in 2021. The subsidiary started its operations in the last quarter of 2022 by providing general assistance and specialised technical consultancy services on the real estate portfolio and in the ESG area for NEXT RE SIIQ.

As at 31 December 2022, the subsidiary had a net worth of € 14 thousand including a profit for the year of € 5 thousand.

Note 6. Deferred tax assets

The item includes deferred tax assets of € 193 thousand accrued in the 2018- 2021 three-year period and which will be recovered in subsequent years against taxable income from non-exempt management of the Company. In particular, without prejudice to the prevalence of exempt management imposed by the SIIQ regime, taxable management is deemed to contribute to the utilisation of deferred tax assets in subsequent years.

Note 7. Other non-current assets

The table below summarises the status of Other non-current assets as at 31 December 2022 and 31 December 2021.

	31/12/2022	31/12/2021
Capex contribution Milan, Via Spadari	489	611
Capex contribution Milan, Via Cuneo	371	464
Covid Concessions Milan, Via Spadari	499	471
Covid Concessions Milan, Via Cuneo	274	343
Linearisation of fees	803	332
Other non-current assets	**2,436**	**2,221**

The item as at 31 December 2022 amounted to € 2,436 thousand and mainly refers to:

- the long-term portion of the capex contribution disbursed to the customer OVS in 2018 for the property in Milan, Via Spadari for € 489 thousand and in the second half of 2021, for the property in Milan, Via Cuneo for € 371 thousand; these contributions disbursed to the customer for property upgrading works are deducted from future rents over the term of the contract;
- the portions related to temporary rent reductions granted to the tenant OVS for € 773 thousand, with reference to the lease agreements of the Milan Via Cuneo and Via Spadari assets, which will be recognised in the income statement in the years beyond the following year as a reduction of rental income;
- the effects arising from the linearisation of rents in the amount of € 803 thousand, which will be reflected in the income statement in the years beyond the following year.

Note 8. Financial assets at fair value

	31/12/2022	31/12/2021
HTBF Euro Sub-Fund Bond	0	2,381
Other financial investments	544	997
Financial assets at fair value	**544**	**3,378**

This item includes the value of 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 23. Fair value adjustment of financial assets

	Bonds	UCITS	Total
Net carrying amount as at 01/01/2022	2,381	997	3,378
Increases	0	500	500
Decreases	(2,381)	(900)	(3,281)
Reclassifications	0	0	0
Fair value adjustment	0	(53)	(53)
Net carrying amount as at 31/12/2022	**0**	**544**	**544**

The item Financial assets at fair value decreased by € 2,834 thousand, of which € 2,381 thousand related to the sale of the HTBF security, as further detailed below, € 400 thousand related to the divestment in mutual fund units, and negative € 53 thousand related to the fair value measurement at 31 December 2022 of other financial investments of cash on the basis of market prices at the reporting date.

On 28 June 2022, the Company signed a settlement agreement concerning, *inter alia*, the transfer of the bonds issued by the HTBF Euro Fund, subscribed by Next RE for a nominal tranche of € 6,000 thousand, as well as the settlement of the ordinary and executive judicial proceedings related to the recovery of the credits connected to the Bond for a total consideration of € 2,850 thousand. This agreement resulted in a net gain of € 469 thousand being recognised in the Company's income statement under item 21. Other revenues and income.

The item Financial assets at fair value also includes the value as at 31 December 2022 of investments of temporary surplus cash in mutual fund units (funds of UCITS, units of UCITS or portfolios of units of UCITS) managed by leading qualified asset managers. The above financial assets have been valued on the basis of the market price as at 31 December 2022 of € 544 thousand.

Note 9. Receivables and other current assets

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

	31/12/2022	31/12/2021
Receivables from tenants	319	655
Provision for bad debts	(251)	(251)
Net customer receivables	**68**	**404**
Tax receivables	309	807
Accruals and deferrals	265	81
Concessions to customers - COVID-19	224	163
Capex contribution - current portion	215	215
Receivables from the subsidiary for the tax consolidation	1	0
Security deposits	1	1
Other receivables	20	25
Total	**1,103**	**1,696**

Net customer receivables

Net customer receivables showed a balance of € 68 thousand (€ 404 thousand as at 31 December 2021) and consisted mainly of:

- receivables from tenants of owned properties for € 68 thousand; the amount includes receivables for invoices and credit notes to be issued for € 46 thousand;
- receivables completely written down for € 251 thousand.

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

	Provision for bad debts
Balance as at 01/01/2022	(251)
Provisions	0
Releases	0
Use	0
Balance as at 31/12/2022	**(251)**

The provision for bad debts did not change from the previous year.

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.

Tax receivables

	31/12/2022	31/12/2021
Receivables from Revenue for VAT	290	754
Receivables from Revenue for taxes	4	38
Other tax receivables	15	15
Current tax receivables	**309**	**807**

Tax receivables show a balance of € 309 thousand (€ 807 thousand as at 31 December 2021) and consist mainly of:

- receivable from the tax authorities resulting from the VAT settlement for the month of December 2022 for € 290 thousand (€ 754 thousand as at 31 December 2021). The receivable as at 31 December 2021 was used to offset payments due for withholding taxes on employees, self-employed persons and IMU during the year;
- IRES receivables for € 4 thousand;
- tax receivables due to others for € 15 thousand.

Accruals and deferrals

This item, amounting to € 265 thousand (€ 81 thousand as at 31 December 2021), mainly refers to the deferral of costs pertaining to the following year, including leasing installments of € 180 thousand and insurance costs of € 50 thousand.

Deferred costs for concessions to COVID-19 customers

The item refers to the temporary reductions granted to the customer OVS with reference to lease fees covered by specific agreements signed in July 2020, March 2021, August 2021 and May 2022. The above-mentioned temporary rent reductions will be charged to the income statement, as a reduction of rental income, in the year 2023; the portion that will be charged in subsequent years is recorded under Receivables and other non-current assets.

Capex contribution - current portion

The item refers to the portion within the next financial year of the capex contribution disbursed in 2018 to the customer OVS for the property in Milan, Via Spadari and for the property in Milan, Via Cuneo disbursed during the second half of 2021. The above 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

This item amounted to € 1 thousand and refers to the credit position with the subsidiary Fidelio Engineering S.r.l., with which the tax consolidation for the three-year period 2023-2025 has been activated.

Note 10. Cash and cash equivalents

	31/12/2022	31/12/2021
Bank deposits	15,015	3,837
Time deposit	0	3,000
Restricted current accounts	0	0
Cash and cash in hand	0	0
Total	**15,015**	**6,837**

Cash and cash equivalents totalled € 15,015 thousand (€ 6,837 thousand as at 31 December 2021) and consist of bank deposits. The significant change was mainly due to the collection of the consideration from the sale of the asset for hotel use located in Verona for € 7,400 thousand and the consideration from the settlement agreement concerning, *inter alia*, the transfer of the bonds issued by the HTBF-€ Fund, as well as the settlement of the judicial, ordinary and executive proceedings related to the recovery of receivables connected to the aforesaid securities.

The time deposits outstanding as at 31 December 2021 in the amount of € 3,000 thousand were settled during the year.

SHAREHOLDERS' EQUITY

Note 11. Shareholders' Equity

The share capital, fully subscribed and paid up, amounted to € 63,265 thousand as at 31 December 2022 and consisted of 11,013,054 ordinary shares, with no par value, of which 11,012,055 class B shares, with no right to participate in and vote at the Company's ordinary shareholders' meeting and with a limited right to participate in profits, and not admitted to trading on EURONEXT Milan. The Company holds 38,205 treasury shares.

The profit for the financial year 2021 in the amount of € 427,336.25 was allocated in the amount of € 21,366.81 to the legal reserve and in the amount of € 405,969.44 to the fair value reserve as per the resolution of the Shareholders' Meeting of 26 April 2022.

The item Other comprehensive income was positive and amounted to € 42 thousand; it is related to the effects of the actuarial valuation of the severance indemnity (TFR) of the Company's employees in accordance with IAS 19.

The reserve for share-based payments was zero as at 31 December 2022; for further details, please refer to the section on Incentive Plans.

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

Description	31/12/2022	Possibility of use	Available amount	Dividends	Summary of the uses made in the previous three years	
					for loss coverage	others
Share capital	63,265					
Capital reserves:						
Share premium reserve	22,931	C	22,931			(13,013)
Profit reserves:						
Legal reserve	7,144	B				
Fair value reserve	8,545					
Reserve for loss coverage		B				
Other reserves:						
Capital increase costs	(3,429)					
Negative reserve for treasury share purchases	(149)					
Other items of the comprehensive income statement	42					
Profit/(Loss) carryforward	**(12,785)**					
Profit (loss) for the period	**346**					
Total	**85,911**					**(13,013)**
Non distributable amount			5,509			
Residual distributable amount			17,422			

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

LIABILITIES

Note 12. Employee benefits

The table below summarises the status of employee benefits as at 31 December 2022. The item includes the value, calculated in accordance with IAS 19, of severance indemnities remaining with the company and accrued as at 31 December 2022.

	31/12/2022	31/12/2021
Employee benefits	66	189
Total Employee benefits	**66**	**189**

Changes in the item are shown below.

	31/12/2022	31/12/2021
Initial balance as at 01/01/2022	189	249
Actuarial gains or losses	(66)	7
Use	(125)	(159)
Provisions	65	93
Financial expense IAS 19	3	(1)
Final balance as at 31/12/2022	**66**	**189**

The closing balance, amounting to Euro 66 thousand as at 31 December 2022 (Euro 189 thousand as at 31 December 2021), 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.

Use during the year refers to the payment of severance indemnities to terminated employees for € 5 thousand, to the advance granted to certain employees following a specific request for € 91 thousand and to the transfer to pension funds for € 29 thousand.

The service cost is classified in the income statement as € 65 thousand (€ 93 thousand as at 31 December 2021) in personnel costs, € 3 thousand (€ 1 thousand as at 31 December 2021) in interest cost classified under financial expenses and € 7 thousand (€ 1 thousand as gain as at 31 December 2021) in actuarial gain 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	31/12/2022
Annual discount rate	3.77%
Annual inflation rate	2.30%
Annual rate of increase in severance indemnity (TFR)	3.23%
Annual rate of salary increase	3%

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

Specifically, it must be noted that:

- the annual discount rate used to calculate the current value of the obligation was inferred, consistently with paragraph 83 of IAS 19, by the Iboxx Corporate AA Index with duration 10+ recognised on the measurement date;
- the annual rate of increase of the employee severance indemnity as provided for by article 2120 of the Italian Civil Code is equal to 75% of inflation plus 1.5 percentage points;
- the annual rate of salary increase applied exclusively for Companies with an average of fewer than 50 employees during 2006 was equal to 3%.

As at 31 December 2022, the Company's workforce consisted of 7 employees. Below are the point-in-time and average employee numbers as at 31 December 2022 and 31 December 2021, broken down by category:

Breakdown by qualification	31/12/2022	31/12/2021
Executives	4	4
Middle managers	1	1
Employees	2	2
Total	**7**	**7**

Breakdown by period average	31/12/2022	31/12/2021
Executives	4	3
Middle managers	1	2
Employees	2	3
Total	**7**	**8**

Note 13. Provisions for risks

The item Provisions for risks, amounting to € 74 thousand as at 31 December 2022 (€ 0 thousand as at 31 December 2021) reflected the valuation of contingent liabilities related to certain positions in progress at the reporting date for which it was possible to make a reliable estimate of the corresponding expected obligation, although it is not always possible to forecast the timing of any related monetary outlays. The most significant position, amounting to € 55 thousand, refers to the settlement of claims for professional fees accrued in connection with judicial custodian and court-appointed expert witness appointments in connection with proceedings closed during the year.

Note 14. Payables to banks and other lenders

	31/12/2022	31/12/2021
Non-current		
Mortgages and loans	62,525	61,890
Borrowings from other financing entities	4,138	4,810
Total Payables to banks and other lenders (non-current)	**66,663**	**66,700**
Current		
Mortgages and loans	822	810
Borrowings from other financing entities	747	362
Total Payables to banks and other lenders (current)	**1,569**	**1,172**
Total	**68,232**	**67,872**

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

Bank	Original amount	Residual debt as at 31/12/2022 Nominal values	Residual debt as at 31/12/2022 Carrying amount at amortised cost	Of which within one year	Of which beyond one year	Guarantees	Additional guarantees and clauses
CPI PG	54,606	54,606	56,973	0	56,974		
CPI PG	3,366	3,366	3,487	0	3,487		
Banca Centro Lazio	2,000	1,529	1,491	368	1,122		
Intesa San Paolo S.p.A.	3,900	906	915	295	620	Second-degree mortgage	Channelling of lease fees
Intesa San Paolo S.p.A.	2,100	475	481	159	322	Second-degree mortgage	Channelling of lease fees
	65,972	**60,882**	**63,347**	**822**	**62,525**		

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

The item Payables to other lenders mainly refers for a total of € 4,885 thousand (€ 747 thousand the current portion) to the payable to Unicredit Leasing for the leasing contract relating to the property located in Bari, viale Saverio Dioguardi (€ 4,810 thousand of which € 731 thousand within 12 months) and lease contracts for company cars.

Pursuant to IAS 7 Cash Flow Statement, the table below shows the changes that occurred in liabilities arising from financing. The table reconciles the cash flows shown in the Cash Flow Statement with the total changes recorded during the period in balance sheet items that make up Total financial debt.

			Non-monetary flows		
	31/12/2021	Cash flow	Changes in fair value	Other changes	31/12/2022
Payables to banks and other lenders (non-current)	66,700	0	0	(37)	66,663
Payables to banks and other lenders (current)	1,172	(1,201)	0	1,598	1,569
Net liabilities from financing activities	**67,872**	**(1,201)**	**0**	**1,561**	**68,232**
Cash and cash equivalents	(6,837)	(8,178)	0	0	(15,015)
Total financial debt	**61,035**	**(9,379)**	**0**	**1,561**	**53,217**

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

Liabilities	Carrying amount	within 1 year	1-2 years	2-5 years	beyond 5 years
Payables to banks and other lenders	68,232	1,569	4,949	61,714	-

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

Note 15. Trade payables and other payables

The table below summarises the situation of trade and other payables as at 31 December 2022.

	31/12/2022	31/12/2021
Non-Current		
Tax payables	27	165
Total Trade payables and other non-current payables	**27**	**165**
Current		
Trade payables to third parties	805	886
Payables due to related parties	819	336
Other payables	869	229
Tax payables	162	218
Payables to national insurance agencies	223	116
Accrued expenses and deferred liabilities	0	57
Total trade payables and other current payables	**2,878**	**1,842**

Trade payables to third parties

The item trade payables to third parties shows a balance of € 805 thousand (€ 886 thousand as at 31 December 2021).

Payables due to related parties

This item includes payables due to Dea Capital SGR for asset advisory fees of € 592 thousand, as well as € 227 thousand relating to amounts due to professional directors and statutory auditors. The item also includes the provision for MBO bonuses for a director in the amount of € 118 thousand.

Other payables

	31/12/2022	31/12/2021
Due to employees	696	118
Other payables	167	105
Payables due to the Supervisory Board	6	6
Total Other payables	**869**	**229**

Other payables amounted to € 869 thousand as at 31 December 2022, compared to a balance of € 229 thousand as at 31 December 2021, and consisted mainly of:

- payables to personnel for € 696 thousand relating to MBO bonuses, expense claims, accrued holidays, leaves of absence and additional monthly payments accrued as at 31 December 2022;
- other payables, amounting to € 165 thousand (€ 105 thousand as at 31 December 2021);
- payables to members of the supervisory body were instead equal to € 6 thousand.

Tax payables

	31/12/2022	31/12/2021
Non-current tax payables	27	165
Current tax payables	162	218
Total Tax payables	**189**	**383**

Non-current tax payables present a balance of € 27 thousand (€ 165 thousand as at 31 December 2021). The item refers to taxes related to previous years and amounts due beyond twelve months due to the instalment plan in place with the Revenue Agency.

Current tax payables show a balance of € 162 thousand (€ 218 thousand as at 31 December 2021) and mainly refer to:

- withholding taxes on employee and self-employed income paid in January 2023 for € 142 thousand;
- the current portion of payables for irregularity notice instalments of the merged company Cortese Immobiliare S.r.l. for € 15 thousand.

Payables to national insurance agencies

	31/12/2022	31/12/2021
Payables to INPS	221	113
Payables to INAIL	2	2
Various social security institutions	0	1
Total payables to national insurance agencies	**223**	**116**

Payables to social security institutions amounted to € 223 thousand (€ 116 thousand as at 31 December 2021) and mainly refer to contributions relating to the month of December 2022 paid in January 2023 and to the provision for contributions in relation to the short-term incentive remuneration for € 157 thousand.

Risks

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

Guarantees

With regard to the loan contracts that the Company has in place with Intesa Sanpaolo, a mortgage was issued on the property in Rome, Via Cortese, for an original value of € 16 million; it must be noted that the residual debt as at 31 December 2022 is equal to € 1,397 thousand and the market value of the property is € 4,850 thousand.

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

Provisions, commitments and contingent liabilities and assets

The company recognised provisions in the financial statements at 31 December 2022 for risks in connection with the probability of using resources to settle obligations in the amount of € 74 thousand, as indicated in note 13. Provisions for risks.

The Company continues to manage the lawsuit brought by Sorgente Group Italia S.r.l., which challenged the Board of Directors' resolution of 29 October 2021, which approved the share capital increase, as well as the Board of Directors' resolution of 7 October 2021, which accepted the offer of CPI Property Group S.A., and the Shareholders' resolution of 27 August 2021, by which the Board of Directors had been granted authority to increase the share capital under Art. 2443 of the Italian Civil Code. The Company's legal advisors believe that the risk of losing in relation to this demand for compensation is only merely possible.

As anticipated in note 8. Financial assets at fair value, within the framework of the settlement agreement signed on 28 June 2022, Castello SGR waived the deeds of the judgments numbered 24624/2021 R.G. - Court of Rome. It is recalled that, with reference to the above litigation, the Company's legal advisors believe that the risk of losing the case is possible, albeit remote.

INCOME STATEMENT

Note 16. Rental income

	31/12/2022	31/12/2021
Property leases	5,688	5,682
Charge-backs to tenants	133	117
Release of the provision for bad debts	0	185
Rental income	**5,821**	**5,984**

The item amounting to € 5,821 thousand as at 31 December 2022 includes rental income and the relevant charge-backs of costs to tenants.

Rental income showed a net decrease of € 162 thousand mainly due to lower revenues related to the Verona property for € 278 thousand and higher revenues related to the new portions acquired in the first half of 2021 of the Milan property, Via Spadari, and to ISTAT revaluations for a total of € 115 thousand.

The breakdown of revenues by property is shown below.

Property	31/12/2022	31/12/2021
Milan, Via Spadari	1,720	1,683
Milan, Via Cuneo	1,063	1,031
Milan, C.so San Gottardo	754	738
Rome, Via Zara	727	697
Bari, Via Dioguardi	963	963
Verona - Via Unità d'Italia	8	286
Rome, Via Cortese	586	586
Total	**5,821**	**5,984**

Note 17. Costs relating to property assets

The balance of the item Costs relating to property assets as at 31 December 2022 was € 1,526 thousand, significantly lower than the balance at 31 December 2021 of € 2,656 thousand, which included the costs arising from the settlement agreement with the former tenant of the asset located in Verona for € 1,156 thousand.

The following table shows the costs by type and compares them with 31 December 2021.

	31/12/2022	31/12/2021
IMU	810	836
Maintenance and running costs of premises	274	232
Technical advice	87	89
Real estate consulting	83	83
Contract registration taxes	67	44
Surveillance and concierge	52	62
Utilities	41	35
Property, building and facility management costs	35	46
Insurance	26	25
Other taxes and duties	25	12
Legal, notary and professional fees	19	29
Other expenses	7	5
Recognition of losses on receivables due to COVID-19 concessions	0	2
Expenses from framework agreement with SHG Hotel Verona	0	1,156
Costs relating to property assets	**1,526**	**2,656**

The costs for IMU and registration taxes relate to the taxes levied on the real estate portfolio. Property, building and facility management costs relate to the ordinary and administrative management of the properties in the portfolio. Maintenance costs relate to charges incurred for the ordinary and extraordinary management of the buildings, while the item utilities includes expenses for the supply of telephone, electricity, water and gas to the properties. Insurance refers to all risk policies taken out with reference to the properties in the portfolio.

The total direct operating costs associated with the investment property located in Verona, Via Unità d'Italia, vacant as of May 2021 is € 228 thousand. It should also be noted that the item Charges incurred for disposal of real estate includes additional costs, totalling € 744 thousand, related both to the sale of the asset and expenses incurred in the period April-December 2022 then charged back to the counterparty.

Note 18. Total income/(expenses) from disposal of real estate

This item includes the positive and negative income components attributable to the sale of the hotel property in Verona.

The item Revenues from disposal of real estate includes the gain, gross of sales costs and the value of furniture and furnishing, of € 1,300 thousand and income from the charge-back of interim operating costs incurred during the transaction by the Company in the amount of € 120 thousand.

Costs from property sales include costs directly related to the sale of € 364 thousand referring to agency costs and costs for legal assistance and advice, costs incurred to maintain the asset during the interim period in the amount of € 193 thousand, and costs to write-off furniture and furnishings in the amount of € 187 thousand.

The net gain realised on the sale of the asset, taking into account i) the sales price of € 7,400 thousand, ii) the carrying value of the asset at 31 December 2021 of € 6,100 thousand and iii) the costs directly attributable to the transaction of € 364 thousand and iv) the write-off of the value of the furniture and furnishings of € 187 thousand is € 749 thousand.

Note 19. Operating costs

	31/12/2022	31/12/2021
Wages and salaries	908	1,116
Social contribution	478	483
Severance indemnity fund (TFR)	81	94
Other personnel costs	592	62
Sub-total a) Personnel costs	**2,059**	**1,755**
Legal and notary fees	639	735
Directors' fees	736	409
Asset advisory fee	704	252
Communications and marketing costs	163	229
Other consultancy and advices	130	53
IT and consultancy fees	105	124
Remuneration of professional auditors	98	91
Fees paid to the Board of Statutory Auditors	83	90
Administrative consulting	66	165
Remuneration of the Supervisory Body	67	32
Real estate consulting and independent expert	63	75
Travel, transport and car expenses	53	46
Insurance	51	32
HR Services	40	36
Financial consultancy	39	51
Internal auditor fees	33	34
Management, cleaning and maintenance expenses of premises	19	32
Utilities	15	10
Security	14	15
Charges and banking fees	10	81
Other	12	49
Technical advice	1	5
Sponsorships	0	17
Subtotal b) Overheads	**3,141**	**2,663**
Amortisation, depreciation and write-downs of fixed assets	200	383
Total operating costs	**5,400**	**4,801**

Total operating costs include personnel costs, overhead costs and amortisation, depreciation and write-downs of fixed assets.

Personnel expenses amounted to € 2,059 thousand as at 31 December 2022 and increased, as compared to 31 December 2021, due to the provision of € 748 thousand for the variable remuneration component. For more information, please refer to the section on Incentive Plans.

The item General costs shows a balance of € 3,134 thousand at 31 December 2022 and increased by a net € 480 thousand compared to 31 December 2021, mainly due to i) costs for asset advisory fees accrued to Dea Capital Real Estate SGR for € 704 thousand (in the 2021 income statement, the fee was recognised with reference to the last four months) ii) higher consulting fees of € 84 thousand for the updating and preparation of corporate systems and procedures iii) higher costs for directors' fees totalling € 327 thousand following the increase in the number of board members, the redefinition of the Board committees, the remuneration of the Chief Financial Officer and the provision for incentive remuneration iv) lower costs for legal, accounting-administrative and communication consultancy for € 262 thousand, v) lower costs for technical and IT collaborations for € 44 thousand and vi) lower bank fees for € 71 thousand.

The item Amortisation, depreciation and write-downs includes the amortisation for the financial year of intangible assets (€ 25 thousand), rights of use (€ 13 thousand) and other tangible assets for € 69 thousand, of which € 57 thousand relate to the accessory part of the property in Rome, Via Zara, depreciated at a rate of 3%. This item also includes the depreciation of the value of furniture and furnishings of the Verona property in the amount of € 99 thousand.

Note 20. Other revenues and income

The table below summarises other revenues and income as at 31 December 2022.

	31/12/2022	31/12/2021
Extraordinary income from financial assets	469	0
Other revenues and income	32	105
Total Other revenues and income	**501**	**105**

As indicated in note 8. Financial assets at fair value, the Company on 28 June 2022 entered into a settlement agreement concerning, inter alia, the transfer of the bonds issued by the € Sub-fund of the Luxembourg-law Fund "Historic & Trophy Building Fund" managed by Main Source S.A. "HTBF- € Fund", subscribed by Next RE for a nominal tranche equal to € 6,000,000 as well as the settlement of the ordinary and executive judicial proceedings related to the recovery of the credits connected to the Bond. By entering into the Agreement, the parties reciprocally undertook to waive the continuation of the ordinary and executive proceedings pending before the Court of Appeal of Milan, the Court of Rome and the Court of Belluno, settling the disputes in an amicable settlement, and Next RE transferred, in the context of the Agreement, the Bond and all receivables, rights and accessories connected thereto, for a total consideration of € 2,850,000. The economic effect of the aforementioned transaction amounted to € 469 thousand and was recognised under Other revenues and income.

Note 21. Other costs and expenses

	31/12/2022	31/12/2021
Shareholders' meetings, financial statements, Consob obligations, Stock Exchange	75	115
Provisions for risks	74	0
Membership fees	47	42
Other expenses	52	45
Release of costs for failed capital increase operations	0	499
Total Other costs and charges	**248**	**701**

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

The 2021 income statement included the release of non-recurring costs for capital increases in the amount of € 499 thousand.

Note 22. Positive/(negative) fair value of investment properties

	31/12/2022	31/12/2021
Negative fair value of investment properties	(680)	(1,300)
Positive fair value of investment properties	3,572	6,055
Total	**2,892**	**4,755**

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

Note 23. Fair value adjustment of financial assets

	31/12/2022	31/12/2021
Fair value adjustment of financial assets	53	808
Fair value adjustment of financial assets	**53**	**808**

The item Fair value adjustment of financial instruments, amounting to € 53 thousand, mainly refers to the fair value adjustment of financial investments in liquidity measured on the basis of market prices as at 31 December 2022.

Note 24. Financial income/(expenses)

	31/12/2022	31/12/2021
Interest income on bank accounts	5	17
Financial income	**5**	**17**
Interest on CPI PG loans	(1,432)	(1,057)
Interest on financing from banks	(119)	(299)
Interest on leases	(99)	(98)
Expenses on derivative contracts for foreign exchange hedging	0	(10)
Interest expense due on other payables	(7)	(7)
Financial expenses	**(1,657)**	**(1,471)**

The item Financial expenses amounted to € 1,657 thousand (€ 1,471 thousand as at 31 December 2021) and mainly consists of interest payable on loans granted by the parent company CPI PG, company that exercises management and coordination activities, for € 1,432 thousand and interest on bank loans and leases for € 218 thousand.

Note 25. Taxes

For income deriving from exempt management, the Company applies the specific regulation envisaged by Art. 1, paragraphs 119 et seq., of Italian Law no. 296/2006 and the relevant implementing decree, while for income deriving from taxable management, the ordinary taxation rules for IRES and IRAP purposes are applied. As at 31 December 2022, the taxable result of the non-exempt business was a profit of € 72 thousand. Taxes of € 14 thousand were recognised on this result due to a decrease in deferred tax assets already set aside on utilised tax losses.

Again with reference to the item Deferred tax assets, the Company's management conducted an analysis on the recoverability of the same in light of the 2023-2026 Business Plan approved on 6 February 2023, and they were written down in the amount of € 650 thousand.

Note 26. Cash flow statement

The cash flow statement is presented using the indirect method.

In 2022, operating activities generated a negative cash flow of € 1,199 thousand (in 2021, a negative cash flow of € 2,039 thousand).

In the financial year, divestment transactions of financial assets and activities at fair value generated a cash flow of € 9,226 thousand, while the repayment of financial debts absorbed cash of € 1,201 thousand.

Events after year-end

On 6 February 2023, the Board of Directors approved the new 2023-2026 Business Plan, which includes the following three strategic objectives:

- stabilisation of the Company's operating cash flows and economic results;

- increasing the profitability of the real estate portfolio, including by implementing the process of its valorisation and turnover;

- rationalisation and streamlining of the Company's economic and financial structure in order to facilitate, and better convey, the capital increase project, according to a timeframe consistent with that of the proxy granted to the Board of Directors by the Shareholders' Meeting of 26 April 2021, to be exercised by the date of the Shareholders' Meeting's approval of the financial statements as at 31 December 2023, pursuant to Article 2443 of the Italian Civil Code, also excluding option rights pursuant to Article 2441, paragraphs 4 and 5, of the Italian Civil Code.

On 2 March 2023, the Company, as part of the aforementioned strategic objective of rationalising and streamlining its economic and financial structure, repaid, in advance and voluntarily, the loan disbursed on 24 September 2020 by Banca Centro Lazio for € 1,467 thousand (residual debt as at that date); the cost of this transaction was approximately € 5 thousand.

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

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

Incentive plans

On 10 November 2021, the Shareholders' Meeting approved the share-based plan called “Stock Grant Plan 2021-2026” aimed at aligning the interests of the management with those of the Shareholders, favouring an increase in the market value of the shares and the creation of value for all stakeholders over the medium-long term, in implementation of the provisions of the current Remuneration Policy for 2021-2023 approved by the Shareholders' Meeting on 26 April 2021 and in compliance with the provisions of the Framework Agreement and the Asset Advisory Agreement signed between the Company and DeA Capital Real Estate SGR S.p.A., as well as in line with generally accepted international practice and in accordance with the recommendations of the Corporate Governance Code, which the Company follows.

The Plan provides for the free and personal allocation, in one or more tranches to be implemented within five years from the date of the shareholders' meeting approval, of treasury shares of the Company to the beneficiaries to be identified by the Board of Directors, with the assistance of the Remuneration Committee, from amongst the Directors, managers, other employees, collaborators and consultants of the Company and companies belonging to its Group (including key managers of companies belonging to the DeA Capital Group in execution of the Framework Agreement and the Asset Advisory Agreement), up to a maximum number of treasury shares corresponding to 3% of the Company's existing share capital *pro tempore* at the date of each implementation of the Plan.

On 27 April 2022, the Board of Directors of NEXT RE approved the Implementing Regulations (hereinafter also the “Regulations”) of the First Cycle 2022 - 2024 Stock Grant Plan (hereinafter also the “Plan”), which provides for the free assignment to the beneficiaries of a maximum of 206,176 ordinary treasury shares upon the achievement of pre-established targets or the occurrence of certain conditions.

In particular, the Plan provides for the free assignment of the shares to the beneficiaries, identified as the Executive Directors with management powers and the Executives of the Company, subject to the maintenance of the Relevant Relationship (of administration, dependence, collaboration/consultancy) by each beneficiary until the final date of the vesting period set at 31 December 2024 and the achievement in the period 2022 - 2024 of one or more specific Performance Objectives conditional to the achievement of the Gate Objective that constitutes the condition for access to the First Cycle of the Plan.

The Company used the services of an external consultant for the purpose of the valuation of the rights assigned, which was carried out by reflecting the financial market conditions valid at the valuation date and concerned the total fair value of the Plan, which is influenced by the number of rights that will mature in accordance with the rules set forth in the performance conditions as well as the fair value of each right.

The class of rights subject to estimation concerns the "non-market based" component, being, in this case, the free assignment of rights to receive a maximum number of Ordinary Shares correlated to the achievement of Economic-Financial (NAV and cumulative EBITDA level) and qualitative (ESG Indicators) targets not related to market conditions. In this case, the vesting conditions, as indicated by IFRS 2, were considered by adjusting the number of equity instruments included in the valuation of the transaction amount.

The total fair value of the vesting rights, relating to the 1st Cycle 2022 - 2024, was determined by applying the binomial tree model for the valuation of American Cox-Ross-Rubinstein (CRR) options, also taking into account the Good Leaver clause provided for in the Regulation. The fair value was estimated to be zero because, as at 31 December 2022, the prerequisite for achieving the Gate Objective, which is the condition for access to Cycle I of the Plan, is not deemed to have been met.

All information referring to the Stock Grant Plan 2021-2026 is described in the Information Document prepared pursuant to Article 84-*bis*, paragraph 1, of Consob Regulation no. 11971/1999 and in accordance with Schedule no. 7 of Annex 3A of the same Regulation, available to the public on the website https://www.nextresiiq.it/, Governance - Shareholders' Meeting section.

On 27 April 2022, the Board of Directors also approved the MBO proposal for the financial years 2022 and 2023, linking the accrual of the 2022 MBO to the achievement of company performance (general and individual) for each beneficiary.

As at 31 December 2022, a provision for variable incentives totalling € 866 thousand was recognised in the financial statements, of which € 748 thousand recognised under Personnel expenses and € 118 thousand recognised under Overhead costs. During the meeting held on 6 February 2023, the Appointments and Remuneration Risk Control Committee - having also taken note of the information received from the Chair of the Board of Directors, as Employer, in agreement with the Chief Executive Officer, on the final calculation of the 2022 MBOs assigned to employees other than the CEO and General Manager, CFO, CIO and Reporting Manager, who are related parties of the Company - proceeded to verify the final calculation of the 2022 MBOs in view of the approval of the Preliminary Financial Information for the year 2022, so as to allow for the inclusion of the forecast data of the cost of the 2022 MBOs in the reporting package to be sent to the controlling shareholder.

On 21 March 2023, at the same time as approving this Annual Financial Report at 31 December, the Board of Directors validated the cost figures of the 2022 MBOs already identified in the 2022 reporting package and the individual proposals on the recognition of the 2022 MBOs made by (i) the Appointments and Remuneration Risk Control Committee and (ii) the Chair of the Board of Directors, as Employer, in agreement with the Chief Executive Officer, with reference to each beneficiary of the 2022 MBO.

Update on the impact of COVID-19 on the 2021 accounts

In relation to the impact of the COVID-19 pandemic on the Company's accounts, the Company continues to recognise the effects of temporary rent reductions granted to tenants on a linear basis over the duration of contracts. In the financial year, € 204 thousand was recognised as a reduction of rental income for so-called COVID concessions, while reductions of € 997 thousand will be recognised on a straight-line basis in subsequent periods, up to 2027, as a reduction of rental income.

Considerations regarding the conflict between Russia and Ukraine

As indicated in the section Significant events during the year of the Directors' Report on Operations, on 5 July 2022, the Company signed the Deed of Reinstatement with the controlling shareholder CPI Property Group S.A. and certain companies of the DeA Capital Group. In the Deed of Reinstatement, the parties agreed to postpone to 31 December 2022 the deadline for the fulfilment of the conditions precedent contained in the Framework Agreement - including, in particular, the execution of the planned capital increase of Next RE -

previously set at 30 June 2022; without prejudice to the assumptions that had led to the signing of the Framework Agreement, the parties' decision to postpone the deadline is a consequence of the unfavourable market situation due to the uncertainties and volatility of the geopolitical, macroeconomic and financial context.

In consideration of the continuing unfavourable market situation due to the persistent instability of the geopolitical, macroeconomic and financial framework due to the Russian-Ukrainian conflict, which has led to negative consequences on international markets and the significant increase in energy and raw material costs, triggering rising inflation at a global level and a generalised increase in interest rates and the cost of money, the Company's Board of Directors, on 19 December 2022, acknowledged that the conditions for the fulfilment of the conditions precedent set forth in the Framework Agreement, as lastly amended by the Deed of Reinstatement, had not been met within the foreseen timeframe. On 31 December 2022, the Framework Agreement expired due to the natural expiry of its term.

On the other hand, the conflict between Russia and Ukraine did not have any significant impact on the Company's operations other than those deriving from the actions implemented at an asset management level with reference to the real estate leased to OVS and indicated in the paragraph The Real Estate Portfolio included in the Directors' Report on Operations. The Company will continue to monitor the effects of the continuing conflict and the resulting increases in commodity prices on business and results.

Management and coordination activities

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

UQAVVEP20220320T23554701_002 Page 1/5

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RCSL Nr. : B102254 | Matricule : 2004 2214 745

eCDF entry date :

BALANCE SHEET

Financial year from 01 01/01/2021 **to** 02 31/12/2021 (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	9.472.645.456,00	110	7.846.621.802,00
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	

UQAVVEP20220320T23554701_002 Page 2/5

RCSL Nr. : B102254	Matricule : 2004 2214 745

	Code	Reference(s)	Code	Current year	Code	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	9.472.645.456,00	136	7.846.621.802,00
1. Shares in affiliated undertakings	1137	Note 3.1	137	3.515.923.000,00	138	2.477.264.836,00
2. Loans to affiliated undertakings	1139	Note 3.2	139	5.445.314.617,00	140	5.341.629.968,00
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	511.337.839,00	146	27.656.998,00
6. Other loans	1147		147	70.000,00	148	70.000,00
D. Current assets	1151	Note 4	151	553.187.474,00	152	598.175.155,00
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	527.051.732,00	164	494.894.138,00
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		171	526.117.119,00	172	467.881.763,00
a) becoming due and payable within one year	1173	Note 4.1	173	452.742.306,00	174	187.409.979,00
b) becoming due and payable after more than one year	1175	Note 4.2	175	73.374.813,00	176	280.471.784,00
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	934.613,00	184	27.012.375,00
a) becoming due and payable within one year	1185	Note 4.3	185	934.613,00	186	27.012.375,00
b) becoming due and payable after more than one year	1187		187		188	

UQAVVEP20220320T23554701_002 Page 3/5

RCSL Nr. : B102254	Matricule : 2004 2214 745

		Reference(s)		Current year		Previous year
III. Investments	1189		189		190	
1. Shares in affiliated undertakings	1191		191		192	
2. Own shares	1209		209		210	
3. Other investments	1195		195		196	
IV. Cash at bank and in hand	1197		197	26.135.742,00	198	103.281.017,00
E. Prepayments	1199	Note 5	199	106.584.165,00	200	88.068.797,00
TOTAL (ASSETS)			201	10.132.417.095,00	202	8.532.865.754,00

UQAVVEP20220320T23554701_002 Page 4/5

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	1.778.799.152,00	302	1.594.223.292,00
I. Subscribed capital	1303		303	890.291.530,00	304	865.171.633,00
II. Share premium account	1305		305	777.525.423,00	306	647.906.757,00
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309		309	57.948.706,00	310	57.141.991,00
1. Legal reserve	1311		311	57.948.706,00	312	57.141.991,00
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	23.196.196,00	320	7.868.614,00
VI. Profit or loss for the financial year	1321		321	29.837.297,00	322	16.134.297,00
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331		331		332	177.167,00
1. Provisions for pensions and similar obligations	1333		333		334	
2. Provisions for taxation	1335		335		336	
3. Other provisions	1337		337		338	177.167,00
C. Creditors	1435		435	8.352.608.496,00	436	6.936.570.171,00
1. Debenture loans	1437		437	5.396.507.514,00	438	4.750.242.282,00
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 7	445	5.396.507.514,00	446	4.750.242.282,00
i) becoming due and payable within one year	1447		447	78.620.809,00	448	123.057.360,00
ii) becoming due and payable after more than one year	1449		449	5.317.886.705,00	450	4.627.184.922,00
2. Amounts owed to credit institutions	1355	Note 8	355	10.393.968,00	356	82.192.885,00
a) becoming due and payable within one year	1357		357	393.968,00	358	692.885,00
b) becoming due and payable after more than one year	1359		359	10.000.000,00	360	81.500.000,00

RCSL Nr. : B102254	Matricule : 2004 2214 745

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks			
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
4. Trade creditors	Note 9	12.538.231,00	1.543.661,00
a) becoming due and payable within one year		12.538.231,00	1.543.661,00
b) becoming due and payable after more than one year			
5. Bills of exchange payable			
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
6. Amounts owed to affiliated undertakings	Note 10	2.931.127.350,00	2.100.990.760,00
a) becoming due and payable within one year	Note 10.1	110.258.175,00	70.723.065,00
b) becoming due and payable after more than one year	Note 10.2	2.820.869.175,00	2.030.267.695,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests			
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
8. Other creditors		2.041.433,00	1.600.583,00
a) Tax authorities		15.071,00	
b) Social security authorities		30.836,00	2.652,00
c) Other creditors	Note 11	1.995.526,00	1.597.931,00
i) becoming due and payable within one year	Note 11.1	1.995.526,00	1.597.931,00
ii) becoming due and payable after more than one year			
D. Deferred income	Note 12	1.009.447,00	1.895.124,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		10.132.417.095,00	8.532.865.754,00

UQAVVEP20220320T23554701_003 Page 1/2

Annual Accounts Helpdesk :	RCSL Nr. : B102254	Matricule : 2004 2214 745
Tel. : (+352) 247 88 494		eCDF entry date :
Email : centralebilans@statec.etat.lu		

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2021 **to** 02 31/12/2021 (in 03 EUR)

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

	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	713 578.108,00	714 1.270.895,00
5. Raw materials and consumables and other external expenses	1671	671 -5.105.246,00	672 -2.927.913,00
a) Raw materials and consumables	1601	601	602 -565,00
b) Other external expenses	1603 Note 14	603 -5.105.246,00	604 -2.927.348,00
6. Staff costs	1605 Note 15	605 -344.739,00	606 -178.830,00
a) Wages and salaries	1607	607 -305.303,00	608 -161.428,00
b) Social security costs	1609	609 -39.436,00	610 -17.402,00
i) relating to pensions	1653	653	654
ii) other social security costs	1655	655 -39.436,00	656 -17.402,00
c) Other staff costs	1613	613	614
7. Value adjustments	1657 Note 16	657 -1.035.922,00	658 574.887,00
a) in respect of formation expenses and of tangible and intangible fixed assets	1659	659	660
b) in respect of current assets	1661	661 -1.035.922,00	662 574.887,00
8. Other operating expenses	1621 Note 17	621 -4.794.170,00	622 -935.533,00

UQAVVEP20220320T23554701_003 Page 2/2

RCSL Nr. : B102254	Matricule : 2004 2214 745

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715	Note 18	715	118.690.912,00	716	90.171.879,00
a) derived from affiliated undertakings	1717		717	118.690.912,00	718	90.171.879,00
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	171.450.470,00	722	149.533.052,00
a) derived from affiliated undertakings	1723		723	168.154.920,00	724	147.538.052,00
b) other income not included under a)	1725		725	3.295.550,00	726	1.995.000,00
11. Other interest receivable and similar income	1727	Note 20	727	53.009.425,00	728	73.910.045,00
a) derived from affiliated undertakings	1729	Note 20.1	729	15.300.516,00	730	17.203.542,00
b) other interest and similar income	1731	Note 20.2	731	37.708.909,00	732	56.706.503,00
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	3.132.160,00	666	-25.917.203,00
14. Interest payable and similar expenses	1627	Note 22	627	-305.676.956,00	628	-269.362.167,00
a) concerning affiliated undertakings	1629	Note 22.1	629	-60.346.027,00	630	-63.353.769,00
b) other interest and similar expenses	1631	Note 22.2	631	-245.330.929,00	632	-206.008.398,00
15. Tax on profit or loss	1635		635	-61.930,00	636	
16. Profit or loss after taxation	1667		667	29.842.112,00	668	16.139.112,00
17. Other taxes not shown under items 1 to 16	1637	Note 23	637	-4.815,00	638	-4.815,00
18. Profit or loss for the financial year	1669		669	29.837.297,00	670	16.134.297,00

Certification of the Financial Statements

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 Francesca Rossi, as Manager responsible for the preparation of the corporate accounting documents of NEXT RE SIIQ S.p.A., having also considered the provisions of art, 154-bis, paragraphs 3 and 4, of the Legislative Decree No. 58 of February 24th, 1998, hereby certify:
   - the adequacy in light of the Company's characteristics, and
   - the effective application of the administrative and accounting procedures adopted in preparing the financial statements during the period 1 January – 31 December 2022.

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 21, 2023

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

Annexes

Annex 1 - Transactions with related parties

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

(Values in euro)

Related party	Equity interests	Payables to banks and other lenders	Trade payables and other payables	Overhead costs	Financial expenses
Fidelio Engineering S.r.l.	10.000	-	-	29.856	-
CPI Property Group S.A.	-	60.460.161	-	-	1.431.888
Dea Capital Real Estate SGR S.p.A.	-	-	592.552	704.026	
Directors	-	-	167.696	688.808	-
Statutory Auditors	-	-	58.810	83.200	-
Totale	**10.000**	**60.460.161**	**819.058**	**1.505.890**	**1.431.888**

The remuneration for the financial year for employees, excluding non-monetary benefits, including bonuses, for the General Manager/Key Managers amounted to approximately € 1,188 thousand for the financial year 2022.

Annex 2 - Auditing Firm Fees

The following table, pursuant to Art. 149-*duodecies* of the Consob Issuers' Regulation, highlights the fees accrued for the 2022 financial year for the statutory audit services for the financial statements of NEXT RE SIIQ S.p.A.

(Values in euro)

Assignment	Authorised	Fees*
Statutory audit of the annual and consolidated financial statements	EY S.p.A.	85,116
Audit procedures on reporting package for purpose of consolidation by CPI PG	EY S.p.A.	5,500
Total		**90,616**

*in addition to CONSOB contribution and flat-rate expenses

Report of the Independent Auditors

NEXT RE SIIQ S.p.A.

Financial statements as at December 31, 2022

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

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

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

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

To the Shareholders of
NEXT RE SIIQ S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NEXT RE SIIQ S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of profit/(loss), the statement of other comprehensive income, the statement of changes in shareholders' equity and the cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

We identified the following key audit matters:

Key Audit Matter	Audit Response
Valuation of Investment Properties Investment properties as of 31 December 2022 amounted to Euro 135,943 thousand and are stated at fair value in accordance with International Financial Reporting Standards IAS 40 Investment properties, recognizing the effects of changes of fair values in the income statement. Management has estimated the fair value based on the reports prepared by independent experts. The fair value estimate involves the use of fair value models which require forecasting future costs and revenues of each property and the use of assumptions about the occupancy rate of properties, the markets trends of real estate and financial markets, also considering the effects of the current Covid-19 pandemic and the ongoing Russia-Ukraine conflict underway, as well as the general economic conditions that affect the rent and the reliability of the tenants. We considered that these items represent a key audit matter, due to the materiality of the investment properties stated at fair value and the changes in fair value during the period, as well as the judgment required by Management in assessing the above-mentioned assumptions used in the fair value models. The paragraphs "Note 1. Investment properties" and "Use of estimates and assumptions" of the notes to the financial statements describe respectively the criteria and models for real estate portfolio valuation and the selection process of the independent expert.	Our audit procedures in response to this key audit matter included, among others: • the assessment and understanding of the process for determining the value of investment properties adopted by the Company; • the assessment of the company's process related to the selection and use of independent experts appointed in order to prepare a fair value estimate; • the tracing of the amounts used by independent experts with the balance sheet figures; • the assessment and discussion with Management and their independent experts of the key market assumptions used in the valuation process; • the testing of the valuation models adopted by the company and on the reports prepared by the independent expert. In performing our audit procedures, we also involved our experts in real estate valuation techniques. Lastly, we have reviewed the disclosures provided in the notes to the financial statements.

2

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

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

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

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

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

The shareholders of NEXT RE SIIQ S.p.A., in the general meeting held on April 29, 2021, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2021 to 31 December 2029.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of NEXT RE SIIQ S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2022 have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

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Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of NEXT RE SIIQ S.p.A. are responsible for the preparation of the Directors' Report on Operations and of the Report on Corporate Governance and Ownership Structure of NEXT RE SIIQ S.p.A. as at 31 December 2022, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Directors' Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of NEXT RE SIIQ S.p.A. as at 31 December 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Directors' Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of NEXT RE SIIQ S.p.A. as at December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, April 19, 2023

EY S.p.A.
Signed by: Filippo Maria Aleandri, Auditor

The accompanying financial statements of NEXT RE SIIQ S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.
This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Report of the Board of Statutory Auditors

To the Shareholders of NEXT RE SIIQ S.p.A. (the "Company" or "NEXT RE")

Dear Shareholders,

Pursuant to Article 153 of Legislative Decree No. 58/1998 (hereinafter also "TUF") and Article 2429, paragraph 2, of the Italian Civil Code, the Board of Statutory Auditors is required to report to the Shareholders' Meeting, convened to approve the financial statements for the year ended 31 December 2022, on the supervisory activities performed during the year in the fulfilment of its duties, on any omissions and reprehensible facts that may have been detected, and on the results of the financial year.

The Board of Auditors is also called upon to make any proposals regarding the budget and its approval.

Appointment and Activities of the Board of Statutory Auditors

The Board of Statutory Auditors in office as of the date of this report was appointed at the Shareholders' Meeting held on 26 April 2021, and therefore in office until the Shareholders' Meeting called to approve the financial statements as of 31 December 2023, and is composed of the Chairman of the Board of Statutory Auditors Luigi Mandolesi and Standing Auditors Domenico Livio Trombone and Sara Mattiussi.
C.1. of the Corporate Governance Code for Listed Companies approved by the Corporate Governance Committee (the "Corporate Governance Code") in relation to the independence requirements for members of the Board of Statutory Auditors, no one holds, nor has recently held, not even indirectly, any relations with the Company or persons connected to the Company, such as to condition their independent judgement. The outcome of this verification was reported in the report on Corporate Governance and Ownership (the 'Corporate Governance Report') prepared pursuant to Article 123-bis of the Consolidated Law on Finance.
Each Statutory Auditor has also complied with the limit on the accumulation of offices provided for in Article 148-bis of the Consolidated Law on Finance and its implementing regulations (Articles 144 duodecies to 144-quinquiesdecies of Consob Regulation 11971/99 ("Issuers' Regulations"), as referred to in the Bylaws.
Supervisory activities concerning compliance with the Law and the Articles of Association, compliance with the principles of proper administration, and the adequacy of the organisational, administrative and accounting structure adopted by the Company, as well as pursuant to Legislative Decree no. 39/2010 and subsequent amendments and additions.
The Board of Statutory Auditors carried out its supervisory duties pursuant to the applicable laws and regulations, in accordance with the principles of conduct recommended by the National Council of Certified Public Accountants and Accounting Experts, observing the duties set forth in Article 149 of Legislative Decree No. 58/1998 ("TUIF") and, for the applicable provisions, of the Civil Code, as well as 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 acquired the information instrumental to the performance of the tasks assigned to it through participation in the meetings of the board of directors and of the endoconsiliari committees, meetings with the main corporate functions - in particular, the control functions and the Supervisory Board, the company management, as well as through discussions with the Manager in charge of preparing the accounting and corporate documents and with the Auditing Company appointed to audit the annual accounts, EY S.p.A.
The information set forth in Consob Communication DEM 1025564/2001, as amended and supplemented by Communication DEM/3021582 of 4 April 2003, and subsequently by Communication DEM 6031329 of 7 April 2006, is provided below.

Special Regime for Listed Real Estate Investment Companies (SIIQs)

The Board of Statutory Auditors monitored the fulfilment of the requirements for the special regime of the Società di Investimento Immobiliare Quotate ("SIIQ") introduced and regulated by Law No. 296/2006 (hereinafter also "Law No. 296/2006") and subsequent amendments, as well as by the provisions contained in the implementing regulation of the Ministry of Economy and Finance No. 174/2007, which allows exemption from IRES taxation and proportional IRAP taxation of business income deriving from real estate leasing activities.
The Company exercised the option to access this special regime, on 7 September 2016, with effect from the tax period commencing on 1 January 2017, and met all the necessary requirements for the application of the tax benefits provided for by the special SIIQ legislation by the end of the 2017 financial year and notified the Inland Revenue on 17 January 2018 of the integration of the participation requirements that were not held at the time of exercising the option.
In the explanatory note "Disclosure on the Special Regime for Listed Investment Companies - SIIQs" to the financial statements as of 31 December 2022 the directors acknowledge that NEXT Re as of 31 December 2022 has met the objective requirements for remaining in the Special Regime and that all other requirements for remaining in the Special Regime (including the so-called "control" requirement) also continue to be maintained and met.
As mentioned in the section "Significant events during the year" of the Report on Operations, on 15 March 2022, the Board of Directors, having acknowledged the continuation of the Covid-19 pandemic and its impact on the market in which the Company operates, as well as the situation of geopolitical instability, macroeconomic and financial market instability resulting from the conflict between Russia and Ukraine, informed the market that it did not consider that the conditions existed for the realisation, within the timeframe communicated to the market on 5 August 2021, of the capital increase for an amount of up to Euro 1.000,000,000 (the "Capital Increase"), in partial execution of the proxy granted by the Shareholders' Meeting on 26 April 2021, which envisages a capital increase for a total maximum amount of Euro 2,000,000, including any share premium, to be carried out also in divisible form, in one or more tranches, also excluding option rights pursuant to Article 2441, paragraphs 4 and 5 of the Italian Civil Code, also through contributions in kind

2

(the "Delegated Capital Increase"). It should be noted that, on 5 August 2021, an agreement was signed between the company, the controlling shareholder and certain companies of the DeA Capital group setting out the terms and conditions of a joint project through the creation of a strategic operating partnership in the Italian real estate market (the "Framework Agreement").

Therefore, on the same date, the Board of Directors updated the Strategic Guidelines for the period 2022 2024, noting that, also in light of the consequences of the aforementioned extraordinary and unforeseeable events (first and foremost, the war in Ukraine), the Company's expected growth in size should be spread over the 2022-2024 horizon.

On 1 June 2022, the Company signed a preliminary contract with AHC International Consulting AG, a leading Austrian company in the hotel sector, for the sale of the property in Verona for hotel use, at a sale price of Euro 7,400,000 plus tax.

On 28 June 2022, in consideration of the unfavourable market situation due, on the one hand, to the uncertainties linked to the tail end of the pandemic crisis and, on the other hand, to the changed geopolitical, macroeconomic and financial framework resulting from the outbreak of the conflict in Ukraine, the Board of Directors took note of the presumable failure to fulfil, within the expected timeframe, the conditions for the execution of the Capital Increase. At the same time, on the same date, the Board of Directors informed the market of the existence of negotiations underway to postpone the deadline, set for 30 June 2022, for the occurrence of the conditions precedent as well as for the fulfilment of the commitments in relation to the Capital Increase undertaken by the Company, the controlling shareholder CPI Property Group S.A, DeA Capital S.p.A., De Agostini S.p.A. and DeA Capital Real Estate SGR S.p.A. (the "DeA Capital Group companies") under the framework agreement signed on 5 August 2021 and subsequently amended on 23 September 2021.

On the same date, the Company announced that it had entered into a settlement agreement concerning, inter alia, the transfer of the bonds issued by the Euro Sub-Fund of the Luxembourg-law Fund "Historic & Trophy Building Fund" managed by Main Source S.A. "HTBF-€ Fund", subscribed by NEXT RE for a nominal tranche of Euro 6,000,000 (the "Bond"), as well as the settlement of the ordinary and executive judicial proceedings relating to the recovery of the credits connected to the Bond pending before the Court of Appeal of Milan, the Court of Rome and the Court of Belluno.

On 5 July 2022, the company, subject to the favourable opinion of the Related Parties and Investments Committee and in full compliance with the procedure prescribed by current regulatory and company rules on significant related-party transactions, signed with the controlling shareholder CPI Property Group S.A, and the companies of the DeA Capital Group, the agreement that confirmed the commitments set out in the Framework Agreement (the "Deed of Reinstatement"), in order to postpone to 31 December 2022 the deadline – previously set at 30 June 2022 - for fulfilment of the conditions precedent contained in the Framework Agreement, including, in particular, the execution of the Capital Increase, as well as the renewal of the shareholders' agreements contained in the Framework Agreement (which had expired on 30 June 2022 due to the failure to fulfil, by such date, the relevant conditions precedent).

3

On 15 September 2022, the Company's Board of Directors adopted the sustainability policy that formalises the Company's commitment to integrate ESG (Environmental, Social, Governance) objectives into its business strategy. In this context, the Company has set up a special technical committee with the function of guiding, monitoring and supporting the Board of Directors in relation to ESG issues.

On 30 September 2022, the Company entered into an agreement amending the preliminary purchase and sale agreement entered into on 1 June 2022 with AHC International Consulting AG relating to the property for hotel use located in Verona, concerning a postponement of the closing date - originally scheduled by 30 September 2022 - by 30 November 2022.

On 30 November 2022, the Company entered into a further agreement amending the preliminary purchase and sale agreement entered into on 1 June 2022 with AHC International Consulting AG, concerning a further postponement of the closing date, which was finally realised on 28 December 2022 with the signing of the definitive purchase and sale agreement for the property in Verona.

On 19 December 2022, also in consideration of the continuation of the unfavourable market situation due to the persistent instability of the geopolitical, macroeconomic and financial framework due to the Russian Ukrainian conflict, which has led to negative consequences on the international markets and the significant increase in the costs of energy and raw materials, the Board of Directors acknowledged and communicated to the market that the conditions precedent for the fulfilment of the conditions precedent provided for under the Framework Agreement as amended by the Deed of Reinstatement, as amended by the Deed of Reinstatement, would not be met within the timeframe envisaged (i. e. by 31 December 2022).e. by 31 December 2022) the prerequisites for the fulfilment of the conditions precedent provided under the Framework Agreement, as amended by the Deed of Reinstatement.

On 31 December 2022, as anticipated on 19 December 2022, the term for the fulfilment of the conditions precedent set forth in the Framework Agreement, as amended by the Deed of Reinstatement, expired, and therefore it and the shareholders' agreements contained therein became ineffective on the same date.

Significant economic, financial and asset transactions and their compliance with the law and the articles of association.

In 2022, the Board of Statutory Auditors monitored compliance with the Law and the Articles of Association, receiving periodic information from the directors on the general performance of operations, its foreseeable evolution, as well as on the most significant economic, financial and equity transactions resolved and implemented during the year, carried out by the Company and its subsidiary.

The meetings of the Board of Directors were held in compliance with the statutory, legislative and regulatory provisions that govern its functioning and, to the extent of its competence, it can be reasonably assured that the actions resolved upon were in accordance with the Law and the Company's bylaws. During these meetings, the Directors 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 foreseeable evolution, on the activities carried out and on the most significant economic, financial and equity transactions

4

of the Company and/or its subsidiary. Referring back to their report for an illustration of the main initiatives undertaken during the year, the Board of Statutory Auditors certifies that, to the best of its knowledge, these have been based on principles of proper administration and are not manifestly imprudent or risky or such as to compromise the integrity of the Company's assets.

Below is the evolution of the most important economic, financial and equity transactions carried out by the Company in 2022, considering that these transactions are exhaustively represented in the Report on Operations to which reference should be made.

On 1 June 2022, the Company signed a preliminary contract with AHC International Consulting AG, a leading Austrian company in the hotel sector, for the sale of the property in Verona for hotel use, at a sales price of Euro 7,400,000 plus tax.

On 28 June 2022, the Company announced that it had signed a settlement agreement concerning, inter alia, the transfer of the bonds issued by the Euro Sub-fund of the Luxembourg-law Fund "Historic & Trophy Building Fund" managed by Main Source S.A. "HTBF-€ Fund", subscribed by NEXT RE for a nominal tranche of Euro 6,000,000 (the "Bond"), as well as the settlement of the ordinary and executive judicial proceedings relating to the recovery of the credits connected to the Bond pending before the Court of Appeal of Milan, the Court of Rome and the Court of Belluno.

On 30 September 2022, the Company entered into an agreement amending the preliminary purchase and sale agreement entered into on 1 June 2022 with AHC International Consulting AG relating to the property for hotel use located in Verona, concerning a postponement of the closing date - originally scheduled by 30 September 2022 - by 30 November 2022.

On 30 November 2022, the Company entered into a further agreement amending the preliminary purchase and sale agreement entered into on 1 June 2022 with AHC International Consulting AG, concerning a further postponement of the closing date, which was finally realised on 28 December 2022 with the signing of the definitive purchase and sale agreement for the property in Verona.

With regard to the effects of COVID-19, the Board of Statutory Auditors takes note of what the Directors indicated in the section "Update on the effects of COVID-19" of the Report on Operations and in particular the impact of the pandemic on the 2022 income statement. The Company, given the continuation of the COVID- 19 emergency situation, for properties for commercial use during the first half of 2022 signed supplementary agreements with which the owners supported the tenants in managing the negative economic and financial effects of the pandemic by waiving rents for an additional €350 thousand. With reference to the impact of the COVID-19 pandemic on the income statement for 2022, it should be noted that rental revenues take into account a reduction of €204 thousand related to the release, for the portion pertaining, of the temporary rent reductions granted. On the other hand, with reference to future impacts, the rent reductions granted will have a negative impact for a total of €997 thousand due to the IFRS 16 accounting treatment that provides for the linearisation of these effects along the contractual term.

Events occurred after the reporting period

After the necessary in-depth examination of the events that significantly influenced the financial year 2022, with regard to the significant events subsequent to the end of the financial year, the following should be noted

On 6 February 2023, the Company's Board of Directors reviewed and approved the preliminary figures as of 31 December 2022 as shown below:
- The preliminary Net Profit for the year 2022 shows a profit of EUR 0.3 million compared to a profit of EUR 0.4 million as at 31 December 2021;
- Preliminary EBITDA for the financial year 2022 is positive and estimated at EUR 1 thousand compared to EUR -1.7 million in the financial year 2021;
- preliminary shareholders' equity is estimated at EUR 85.9 million as of 31 December 2022 compared to EUR 85.5 million as of 31 December 2021;
- Total preliminary financial debt is estimated at EUR 53.22 million as of 31 December 2022 compared to EUR 61.04 million as of 31 December 2021;
- the preliminary Net Loan to Value is estimated at 39% at 31 December 2022 compared to 44% at 31 December 2021.

Also on 6 February 2023, the Board of Directors approved the new Industrial Plan 2023-2026, which includes the following three strategic objectives:
- stabilisation of the Company's operating cash flows and economic results;
- increasing the profitability of the real estate portfolio, including by implementing the process of its valorisation and turnover;
- rationalisation and streamlining of the Company's economic and financial structure in order to facilitate, and better convey, the capital increase project, according to a timeframe consistent with that of the proxy granted to the Board of Directors by the Shareholders' Meeting of 26 April 2021, to be exercised by the date of the Shareholders' Meeting's approval of the financial statements as of 31 December 2023, pursuant to Article 2443 of the Italian Civil Code, also excluding option rights pursuant to Article 2441, paragraphs 4 and 5, of the Italian Civil Code.

On 2 March 2023, the Company, in the context of the above-mentioned strategic objective to rationalise and streamline its economic and financial structure, repaid, in advance and voluntarily, the loan disbursed on 24 September 2020 by Banca Centro Lazio for €1,467 thousand (residual debt as of that date); the cost of this transaction was approximately €5 thousand.

At the meeting of 21 March 2023, the resignation of the majority of the Directors was tendered; this circumstance has the effect that, pursuant to the provisions of Article 16 of the Articles of Association, the current Board of Directors appointed by the Shareholders' Meeting of 26 April 2021 and supplemented by the Shareholders' Meeting of 10 November 2021, will remain in office until the date of the reconstitution of the new Board of Directors, which will be entirely renewed by the next Shareholders' Meeting.

In this regard, please note that, pursuant to Article 16 of the Articles of Association, the appointment of the new Board of Directors will be made on the basis of lists of candidates that must be filed at the Company's registered office no later than the twenty-fifth day prior to the date of the Shareholders' Meeting on first call.
The Board of Directors, during its meeting of 21 March, consequently modified the calendar of corporate events by postponing the date of the Ordinary Shareholders' Meeting - previously set for 27 April 2023 – to 16 May 2023, on first call.
No further significant events occurred after the end of the financial year.

Atypical and/or unusual transactions, including those within the group or with related parties

The Board of Statutory Auditors has not become aware of any atypical and/or unusual transactions during the 2022 financial year, including those between group companies or with related parties. In this regard, it should be noted that:

- on the basis of the analyses performed, there are no transactions that are atypical/unusual with Group companies, third parties or other related parties;
- the procedures adopted by the company regarding related party transactions comply with the principles set forth 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 or related party transactions did not present any critical profiles.

The Board of Statutory Auditors monitored the concrete implementation of the rules with related parties also through its participation in the Committee of Independent Directors ('Committee').
With regard to the Committee, the Board of Statutory Auditors examined its composition in order to verify that its members meet the independence requirements set forth by the Consolidated Law on Finance and the Corporate Governance Code. The Board's internal Independence Committee is composed of Camilla Giugni, Eleonora Linda Lecchi, Giovanni Naccarato, Maria Spilabotte and the directors appointed by the Shareholders' Meeting of 10 November 2021, Daniela Becchini and Luca Nicodemi. It should be noted that following the granting of management powers in financial matters to Director Naccarato on 26 November 2021, he no longer meets the requirements of independence, without prejudice to compliance with the criteria of composition and independence of the Board of Directors prescribed by Article 16 of the Market Regulation.
On 26 April 2021, the Company's Board of Directors, in compliance with Principle XI and Recommendation 16 of the Code, which allows the investigative, proposing and advisory functions on appointments, remuneration and control and risks of the committees envisaged by the CG Code to be distributed differently or merged in a single committee, set up two new endoconsiliar committees made up exclusively of independent Directors in accordance with the requirements of the applicable regulations, to replace the existing Independent Committee until 26 April 2021:
(i) the Control, Risk, Nomination and Remuneration Committee: Luca Nicodemi (Chairman), Camilla Giugni, Maria Spilabotte;

7

(ii) the Related Parties and Investment Committee: Daniela Becchini (Chairman), Eleonora Linda Lecchi, Maria Spilabotte.

The Board of Statutory Auditors has analysed the transactions with related parties and/or intra-group, on which it reports the following:

- intra-group transactions, both of a commercial and financial nature, concerning subsidiaries and the parent company, are regulated on an equivalent basis to those prevailing in transactions between independent parties. They are adequately described in the financial statements;
- transactions with other related parties of greater and lesser significance are indicated in the management report where transactions subject to prior examination by the Committee of Independent Directors for Related Party Transactions are specified;
- with reference to NEXT Re's related party transactions, the notes to Appendix 1 Related Party Transactions show the main balance sheet and income statement balances for the year 2022 arising from related party transactions;
- detailed information on the remuneration due for the financial year 2022 to the members of the administration and control bodies and to the Key Executives is provided in the Remuneration Report prepared pursuant to Article 123-ter of the Consolidated Law on Finance. In particular, the Shareholders' Meeting - held on 26 April 2021 - approved the new Remuneration Policy of NEXT Re SIIQ S.p.A. for the financial years 2021-2023, illustrated in the Remuneration Policy Report prepared by the Board of Directors pursuant to Article 123-ter of the Consolidated Law on Finance and in compliance with Principle XVI of the Code;
- In the Report on Operations and in the notes to the financial statements, the directors provide adequate information on intra-group transactions and related party transactions.

With regard to Related Party Transactions of Greater Significance, the following should be noted:

- on 5 July 2022, subject to the favourable opinion of the Related Parties and Investment Committee, the company signed the Deed of Reinstatement, through which the controlling shareholder CPI Property Group S.A. and the companies of the DeA Capital Group (the "Parties") confirmed the commitments undertaken under the Framework Agreement.

The Framework Agreement established the terms and conditions of a joint project through the realisation of a strategic operating partnership in the Italian real estate market and provided for the execution of the Capital Increase (for an amount up to Euro 1,000,000).

With regard to the signing of the Framework Agreement, on 6 August 2021, the information document on a transaction of greater significance with related parties was published, subsequently supplemented on 29 September 2021, prepared pursuant to Article 5 of the RPT Regulation and Article 7 of the Related Parties Procedure.

Consistent with the analyses conducted with reference to the signing of the Framework Agreement, the signing of the Deed of Reinstatement was qualified as a transaction of greater significance under the RPT Rules. In particular, with the signing of the Deed of Reinstatement, the Parties agreed to postpone to 31 December 2022 the deadline, previously set at 30 June 2022, for the fulfilment of the conditions precedent contained in the Framework Agreement - including, in particular, the execution of the Capital Increase pursuant to the authority granted on 26 April 2021 by the Extraordinary Shareholders' Meeting of the Company to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, which provides for the implementation of the Capital Increase in accordance with the terms of the Deed of Reinstatement. 2443 of the Italian Civil Code, which provides for a capital increase for a total maximum amount of Euro 2,000,000, inclusive of any share premium, to be executed also in divisible form, in one or more tranches, also excluding option rights pursuant to Article 2441, paragraph 4 and 5 of the Italian Civil Code, also through contributions in kind.

The Deed of Reinstatement also provided for the renewal of the shareholders' agreements contained in the Framework Agreement (which had expired on 30 June 2022 due to the non-fulfilment, by that date, of the relevant conditions precedent).

Therefore, in compliance with the procedure prescribed by the laws and company regulations in force on transactions of greater significance with related parties, the signing of the Deed of Reinstatement was approved by the Board of Directors after the Related Parties and Investments Committee had issued a favourable reasoned opinion on the existence of the Company's interest in signing the Deed of Reinstatement and on the appropriateness and substantial correctness of the provisions contained therein.

For the purpose of issuing its opinion, the Committee received a complete, adequate and timely flow of information on the Deed of Reinstatement from the relevant corporate structures. The contents of the Deed of Reinstatement were examined by the Committee during the meetings held on 28 June and 4 July 2022.

In particular, at the meeting of 28 June 2022, attended by all members of the Committee and all members of the Board of Statutory Auditors, the Committee

(i) acknowledged that the prerequisites for the execution of the Capital Increase were not fulfilled within the planned timeframe; and

(ii) received an update on the status of the discussions underway with the other parties to the Framework Agreement, aimed at concluding an agreement to postpone the deadline of 30 June 2022 for the occurrence of the conditions precedent as well as for the fulfilment of the commitments in relation to the Capital Increase undertaken by the company, the controlling shareholder CPI and the companies in the group headed by DeA Capital.

Subsequently, a further meeting of the Committee was held on 4 July 2022, attended by all members of the Committee as well as the CEO and all members of the Board of Statutory Auditors. During the aforesaid meeting, the Committee asked the Chief Executive Officer for some detailed explanations on the contents of the Deed of Reinstatement, with particular reference to the timing of its subscription, and unanimously expressed its favourable opinion on the subscription of the Deed of Reinstatement and on the appropriateness and substantial correctness of the related conditions, drafted pursuant to Article 5 of the RPT Regulation, as well as Article 5.2 of the Related Parties Procedure. In the meeting of 4 July 2022, having noted the favourable opinion expressed by the Related Parties and Investment Committee, the Board of Directors then unanimously approved the signing of the Deed of Reinstatement.

9

- on 11 July 2022, the Information Document on a transaction of greater significance with related parties was published, prepared pursuant to Article 5 of Consob Regulation 17221/10 (and subsequent amendments and additions) and Article 7 of the Company's Procedure on Related Party Transactions, to which reference should be made. It should be noted that on 31 December 2022, the deadline for the fulfilment of the conditions precedent set forth in the Framework Agreement, as amended by the Deed of Reinstatement, expired, and therefore the Framework Agreement and the shareholders' agreements contained therein became ineffective on the same date.

Financial Reporting Process. Observations and Proposals on the Disclosure Requirements in the Independent Auditors' Report

Pursuant to Article 19(2) of Legislative Decree No. 39/2010, the Board of Statutory Auditors, in its capacity as 'Internal Control and Statutory Audit Committee', supervised the financial reporting process. The Board of Statutory Auditors verified the existence of adequate rules and processes to safeguard the financial information formation process, specifically examining the process that allows the Manager in charge of preparing the company's accounting and corporate records ("Dirigente Preposto"), appointed pursuant to Law 262/2005, and the Company's Chief Executive Officer to issue the certifications required by Article 154- bis of the Consolidated Law on Finance. In compliance with the provisions of Article 150, paragraph 3, of Legislative Decree 58/1998 (Consolidated Law on Finance), the Board of Statutory Auditors met periodically with the Auditing Company in order to exchange mutual information. During the meetings, no acts or facts considered censurable or irregularities that required the formulation of specific reports pursuant to Article 155, paragraph 2, of Legislative Decree 58/1998 (Consolidated Law on Finance) were brought to the attention of the Board of Statutory Auditors.

The Board of Statutory Auditors analysed the methodological framework adopted by the Auditor and acquired the necessary 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 of concern to the Auditor.

The Board of Statutory Auditors then examined the reports prepared by the Auditing Company, EY S.p.A., which was entrusted with the legal audit for the financial years 2021-2029.

On 31 March 2022, the Independent Auditors issued the Audit Report prepared pursuant to Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) No. 537/2014 for the financial statements as at 31 December 2021. For the opinion and statement, please refer to the Report issued by the Independent Auditors.

In particular, it should be noted that in the Audit Report on the Financial Statements, the Auditor has:

- issued an opinion stating that the Financial Statements give a true and fair view of the financial position of the Company as at 31 December 2021, the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European

Union, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 38/2005;

- Declare, pursuant to article 14, paragraph 2, letter e) of Legislative Decree no. 39/10 and article 123-bis, paragraph 4, of Legislative Decree no. 58/98, that we have performed the procedures indicated in the auditing standard (ISA Italia) no. 720B in order to express an opinion on the consistency of the report on operations and certain specific information contained in the report on corporate governance and ownership structure indicated in article 123-bis, paragraph 4, of Legislative Decree no. 58/98, with the financial statements of NEXT Re SIIQ as of December 31, 2021 and their compliance with the law. Legislative Decree no. 58/98, with the financial statements of NEXT Re SIIQ as at 31 December 2021 and their compliance with the law, as well as to issue a statement on any significant errors.

The Auditor, in his reports, did not point out any remarks or requests for information.
The Auditor's Report, issued pursuant to Article 10 of EU Regulation 537/2014 and to which reference is made, sets out the key aspects of the related audit and the related audit procedures applied. The aforementioned key aspects were analysed in detail and updated during the periodic meetings held by the Board of Statutory Auditors with the Independent Auditors.
The Auditor did not report any events or circumstances identified during the course of the audit that would raise significant doubts about the entity's ability to continue as a going concern, or any significant deficiencies in the internal control system for financial reporting and/or in the accounting system, or any significant issues regarding 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 Report on Operations that no events occurred after the balance sheet date that would have led to an adjustment of the balance sheet values.
Independence of the auditing firm. Indication of whether any further engagements have been entrusted to the auditing firm or to persons linked to the auditing firm by ongoing relationships and the related costs.
The Board of Statutory Auditors has received the Statutory Auditor's declaration of annual confirmation of independence drawn up pursuant to Article 6(2)(a) of Regulation (EU) No. 537/2014 and pursuant to paragraph 17 of ISA Italia 260, which confirms compliance with the ethical principles set out in Articles 9 and 9 bis of Legislative Decree 39/2010, finding no situations that could compromise the independence of the auditing firm during the period from 1 January 2022 until the date of issue of the declaration (31 March 2023).
Appendix 2 to the Notes to the Company's Financial Statements sets forth the fees of the Independent Auditors and reports the table, prepared pursuant to Article 149-duodecies of the Consob Issuers' Regulations, of the fees paid to EY S.p.A. for the year.
Taking into account:

- the declaration of independence issued by EY S.p.A. pursuant to Article 6(2)(a) of EU Regulation No. 537/2014 and the transparency report produced by the same and published on its website pursuant to Article 13 of the aforementioned Regulation;
- of the tasks assigned to it and the companies belonging to its network by NEXT Re SIIQ S.p.A. and

11

the companies of the Group;

no situations were found that compromised the auditor's independence.

Information on the possible submission of complaints pursuant to Article 2408 of the Civil Code and complaints

During 2022, no complaints pursuant to Article 2408 of the Civil Code were received and no complaints of any kind were filed.

Indication of the existence of opinions issued in accordance with the law during the financial year

During the financial year 2022, they were released:

- 8 opinions, 6 of which by the Appointments and Remuneration Risk Control Committee and 2 by the Related Party Transactions Committee;
- No. 2 half-yearly reports of the Internal Audit Function, on 19 July 2022 and on 31 January 2023 by Mr. Dinarelli;
- No. 2 half-yearly reports of the Supervisory Board, dated 20 July 2022 and 8 February 2023.

Indication of the frequency and number of meetings of the Board of Directors, the Executive Committee and the Board of Auditors.

During the financial year, the Board of Statutory Auditors participated:

- 14 meetings of the Board of Directors,
- 7 Endoconsiliar Committees;
- 1 Members' Meetings.

There were 7 meetings of the Board of Auditors.

Supervisory activities on compliance with the principles of sound administration

The Board of Auditors monitored compliance with the principles of proper administration by collecting information from the heads of company departments and meetings with the auditing firm for the mutual exchange of relevant data and information, and has no particular observations to report in this regard.

The transactions resolved and implemented by the Board of Directors appear to be in compliance with the law and the Articles of Association, not in conflict with the resolutions passed by the Shareholders' Meeting, and based on principles of proper administration.

The Management Report for the financial year 2022 complies with the laws and regulations in force and is consistent with the resolutions adopted by the Board of Directors, with the events of the financial year and with those of significance after the end of the financial year. The Half-Yearly Financial Report has been disclosed as required by law and regulations in force.

Supervisory activities concerning the adequacy of the organisational structure, the internal control system

The Board of Statutory Auditors has acquired knowledge - by obtaining data and information from the heads of the various corporate functions also by means of, where necessary, direct investigations - and supervised, to the extent of its competence, the adequacy of the Company's organisational structure. Furthermore, it has found it to be appropriate to the characteristics of the Company, as well as to the activity performed.

The Company's current Board of Directors consists of 9 (nine) members, 5 (five) of whom are independent, in office until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2023. The appointment of the current Board of Directors was resolved by the Shareholders' Meeting convened to approve the 2020 financial statements on 26 April 2021 in compliance with Article 16 of the Company's Articles of Association. In particular, the Shareholders' Meeting of 26 April 2021 appointed as members of this body, Dr Giancarlo Cremonesi, as Chairman, Dr Stefano Cervone, Dr Giuseppe Colombo, Dr Giovanni Naccarato, Dr Maria Spilabotte, Dr Camilla Giugni, Dr Eleonora Linda Lecchi.

The newly appointed Board of Directors resolved: i) to identify Giancarlo Cremonesi as the Director in charge of the internal control and risk management system; ii) to appoint Stefano Cervone as Chief Executive Officer of the Company; iii) to appoint Giovanni Naccarato as Vice-Chairman of the Board; iv) to deem that the members of the Board meet the regulatory and statutory requirements, also in terms of gender balance. In particular, it ascertained the existence of the independence requirements set forth by Articles 147-ter, paragraph 4, and 148, paragraph 3, of the Consolidated Law on Financial Intermediation, by Article 2, recommendation no. 7, of the Corporate Governance Code, as well as by Article 16 of the Market Regulation in the case of Directors Camilla Giugni, Eleonora Linda Lecchi, Giovanni Naccarato and Maria Spilabotte.

Subsequently, on 10 November 2021, the Company's Shareholders' Meeting re-determined the number of members of the Board of Directors at nine, with the consequent appointment of two new directors, Daniela Becchini and Luca Nicodemi, and set their term of office to expire on the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2023.

The Board of Directors, thus integrated, met on 26 November 2021 and assessed the existence of (i) the requirements of honourableness pursuant to Article 147-quinquies of the Consolidated Law on Finance and Ministerial Decree No. 162 of 30 March 2000 and (ii) the requirements of independence pursuant to Articles 147-ter, paragraph 4, and 148, paragraph 3, of the Consolidated Law on Finance, Article 2, recommendation No. 7, of the Corporate Governance Code and Article 16 of the Market Regulation in respect of the aforesaid new directors.

As previously indicated at the meeting of 21 March 2023, the resignation of the majority of the Directors was tendered; this circumstance has the effect that, pursuant to the provisions of Article 16 of the Articles of Association, the current Board of Directors appointed by the Shareholders' Meeting of 26 April 2021 and supplemented by the Shareholders' Meeting of 10 November 2021, will remain in office until the date of the reconstitution of the new Board of Directors, which will be entirely renewed by the next Shareholders' Meeting.

With reference to the system of internal control and risk management ("SCIGR"), the Board of Statutory Auditors recalls the information provided in the Report on Corporate Governance and Ownership on the

13

SCIGR and the Report on Corporate Risk Factors prepared by the director in charge of the SCIGR, Mr. Giancarlo Cremonesi, on 28 February 2022.
Furthermore, it should be noted that the Administrative Body has put in place various organisational safeguards that are also useful in terms of strengthening the internal control system.
On the subject of risk management, the Board of Statutory Auditors acknowledges that the risk management model is adequate and reliable, however it reiterates that it periodically monitors financial risks in particular, also in a multi-year perspective, periodically updating the assessment of these risks.
The Board of Statutory Auditors has periodically met with the Supervisory Board ('SB') in order to ascertain the activities carried out by the latter during the 2022 financial year, and in the reports on its activities, no reprehensible facts or specific violations of the Model have been highlighted.

In summary, in the light of the overall activity of the Board of Auditors, considered:
- the organisational structure;
- the existing set of procedures;
- the results of the verification and evaluation activities received by the Board of Auditors from the Internal Audit function and the Auditing Company;
- the report on risk factors drawn up by the director in charge of the SCIGR pursuant to Article 5(1)(a) of the NEXT Re S.p.A. SCIGR Guidelines.
- the information taken in the participation of the Board of Auditors in the Board of Directors and in the endoconsiliar committees;
- the exchange of information with the Statutory Auditor and the Supervisory Board 231/2001. the Board of Statutory Auditors did not find any critical situations or elements that could lead it to consider the internal control system inadequate.

Supervision of the adequacy of the administrative and accounting system and its reliability in representing management events

The Board of Statutory Auditors has acquired knowledge and monitored, to the extent of its competence, the adequacy of the Company's administrative and accounting structure in correctly representing management events, by: i) gathering information from the heads of the various functions, from the Independent Auditors and from the Manager in charge of preparing the company's financial reports; ii) participating in the work of the Independent Committee and the endoconsiliar Committees; iii) examining the results of the activities carried out by the Internal Audit function.
The Board of Statutory Auditors also acknowledged the Attestations, dated 21 March 2023, on the financial statements as of 31 December 2022, pursuant to Article 154-bis, paragraph 5, of Legislative Decree 58/1998 and Article 81-ter of Consob Regulation No. 11971 of 14 May 1999, in which the Chief Executive Officer and the Manager in charge of preparing the company's financial reports attest:

- the adequacy and effective application of the administrative and accounting procedures referred to in Article 154-bis, paragraph 3 of the TUIF;
- that the annual financial statements are prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- the correspondence of the documents with the entries in the books and records;
- the suitability of the documents to provide a true and fair representation of the assets and liabilities, economic and financial situation of the issuer.

The Chief Executive Officer and the Manager Responsible for Financial Reporting also certify that the Management Report includes a reliable analysis of the performance and result of operations, as well as the issuer's situation, together with a description of the main risks and uncertainties to which they are exposed.

Observations on the adequacy of the provisions issued by the company to its subsidiaries pursuant to Article 114(2) of Legislative Decree 58/1998

The Board of Statutory Auditors acquired knowledge and monitored, to the extent of our competence, the provisions issued by the Company to its subsidiaries, pursuant to Article 114, paragraph 2 of the Consolidated Law on Finance, which appear to be adequate; 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(2) of Legislative Decree 58/1998

The Independent Auditors, periodically met by the undersigned Board of Auditors, in accordance with the provisions of Article 150, paragraph 3, of Legislative Decree No. 58/1998 (Consolidated Law on Finance) in order to exchange reciprocal information, did not highlight any acts or facts deemed reprehensible and/or irregularities that required the formulation of specific reports pursuant to Article 155, paragraph 2, of Legislative Decree No. 58/1998 (Consolidated Law on Finance).
No information was reported by the auditor on events or circumstances identified during the course of the audit that would cast significant doubt on the Company's or the Group's ability to continue as a going concern, or on significant deficiencies in the internal control system in relation to the financial reporting process and/or accounting system, or on any significant matters concerning actual or alleged non-compliance with laws and regulations or statutory provisions identified during the course of the audit.
The Report on the Audit of the Annual Financial Statements sets out the key aspects that in the auditor's professional opinion were most significant in the audit of the annual financial statements, namely:
- the valuation of investment property, measured at fair value in accordance with IAS 40, with revaluations and/or write-downs resulting from changes in fair value recognised in the income statement. The fair value valuations of investment property were carried out by the Company's directors with the support of appraisals

drawn up by an independent expert. As part of the audit of the Company's financial statements for the year ended 31 December 2022, the independent auditors performed the following main activities: i. analysis and understanding of the valuation process of investment property adopted by the Company; ii. analysis of the selection process and use of the valuations of the independent experts in charge of estimating fair value; iii. the reconciliation of the independent experts' valuations to the financial statement data; iv. the critical analysis and discussion with the Company's Management and the independent experts of the main market assumptions considered by them; v. the performance of validity procedures on the valuation models adopted by the Company. The auditing firm also availed itself of the assistance of its own experts in property valuation techniques and also examined the information provided in the notes to the financial statements.

Company's adherence to the Corporate Governance Code of the Committee for the Corporate Governance of Listed Companies In relation to the provisions of Article 149, paragraph 1, letter c-bis, of the Consolidated Law on Financial Intermediation concerning the supervision by the Board of Statutory Auditors 'on the procedures for the concrete implementation of the corporate governance rules set forth in codes of conduct drawn up by management companies of regulated markets or by trade associations, which the company, by means of public disclosures, declares that it complies with', the Board of Statutory Auditors notes that:

- NEXT Re adheres to the Self-Regulatory Code; the Board of Auditors has monitored the concrete implementation of the corporate governance rules set forth therein, and in this regard, the Corporate Governance Report contains information on the ownership structure, adherence to the codes of conduct and compliance with the ensuing commitments, highlighting the choices that the Company has made in applying the principles of self-discipline;
- C.5 of the Self-Regulatory Code, the Board of Statutory Auditors monitored the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of the Directors, as well as their compliance with the provisions of point 3. The requirements set forth above were deemed to be met by the Board of Directors of 26 April 2021 in respect of the directors Camilla Giugni, Eleonora Linda Lecchi, Giovanni Naccarato and Maria Spilabotte, and were also deemed to be met by the Board of Directors of 26 November 2021 in respect of the directors Daniela Becchini and Luca Nicodemi. It should be noted that following the granting of management powers in financial matters to Director Naccarato on 26 November 2021, he lost the requirements of independence, without prejudice to compliance with the criteria of composition and independence of the Board of Directors prescribed by Article 16 of the Market Regulation.
- in relation to the assessment to be carried out pursuant to Article 15, paragraph 2, of the Corporate Governance Code, verified the existence of the independence requirements for all Statutory Auditors, informing the Board of Directors of the outcome of the assessment, which was notified in the Corporate Governance Report.

Pursuant to Article 149, paragraph 1, letter c-bis of the Consolidated Finance Act, the Board of Statutory Auditors monitored the concrete implementation of the corporate governance rules set forth in the Corporate

Governance Code adopted by the Board of Directors. In particular, with regard to the activities envisaged by the Corporate Governance Code, during the financial year, the Board of Statutory Auditors, in addition to the 7 meetings within its competence, ensured its presence at the meetings of the Board of Directors and the meetings of the endoconsiliar Committees, as well as the Shareholders' Meetings.

The Board of Statutory Auditors, to the extent of its competence, in accordance with the provisions of the Corporate Governance Code, verified the contents of the Report on Corporate Governance prepared in accordance with the instructions contained in the Regulation of Organised Markets managed by Borsa Italiana S.p.A. and in the Consolidated Law on Finance and approved by the Board of Directors on 15 March 2023;

the Board of Statutory Auditors, to the extent of its competence, in accordance with the provisions of the Corporate Governance Code, also verified the contents of the Report on Remuneration prepared by the Directors. With regard to Section I of the aforementioned report, which was expressly approved by the Shareholders' Meeting, it was drafted in accordance with the instructions contained in the Regulation of Organised Markets managed by Borsa Italiana S.p.A. and in the Consolidated Finance Act. During the financial year 2022, the Board of Statutory Auditors verified the correct application of the 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 NEXT Re SIIQ S.p.A. drawn up as a result of the self-assessment process on the composition and functioning of the Board of Directors and its Independent Committee for the financial year 2022, in compliance with the principles of best practice as in particular recommended by the application criterion 1.C.1 g) of the Code of Conduct 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 the existence of the relevant requirements, provided for by both the Consolidated Finance Act and the Corporate Governance Code.

Pursuant to the Corporate Governance Code, the Board of Statutory Auditors was also heard in the course of the financial year 2022, also through the Committee of Independent Auditors and the endoconsiliari Committees, on the following activities:

- Appointment of the Head of Internal Audit and determination of remuneration;
- evaluation of the findings set out by the Statutory Auditor in his letter of suggestions and report on key issues to the financial statements.

It should be noted that in 2022, activities continued to adapt to the new Corporate Governance Code approved on 30 January 2020.

Supervisory activities on the statutory audit of the annual accounts and observations on any relevant issues arising during the meetings held with the auditors pursuant to Article 150. paragraph 2. of Legislative Decree 58/1998

In accordance with the provisions of Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors, in its capacity as the 'Internal Control and Audit Committee', carried out the prescribed supervisory activity on the operations of the Auditing Company EY S.p.A. (the 'Auditing Company' or 'EY'), maintaining periodic meetings and exchanges of data and information with its representatives on the activities carried out, also pursuant to Article 150 of the TUIF. During these meetings, no facts deemed reprehensible or irregularities were brought to the attention of the Board of Auditors.
The Board of Statutory Auditors analysed the work performed by the auditing firm and, in particular, the methodological framework, the audit approach and the planning of the audit work.
The Board of Statutory Auditors also received information regarding the fees invoiced for the legal audit of the financial statements as of 31 December 2022. The notes to the financial statements contain the information on fees required by Article 149 duodecies of the Issuers' Regulation.
EY issued, on 19 April 2023, its audit report on the financial statements and transmitted without comments the "Additional Report" referred to in 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 financial position of the Company as of 31 December 2022, of its results of operations and of its 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 Legislative Decree No. 38/2005.
EY also expressed its opinion pursuant to Article 14, paragraph 2, letter e), of Legislative Decree 39/10 and Article 123-bis, paragraph 4, of Legislative Decree 58/98 on the consistency of the report on operations and certain specific information contained in the report on corporate governance and ownership structure indicated in Article. 123-bis, par. 4, of Legislative Decree 58/98, with the financial statements of NEXT Re SIIQ S.p.A. as of 31 December 2022 and their compliance with the law, stating that they are consistent with the financial statements of NEXT Re SIIQ S.p.A. as of 31 December 2022 and have been prepared in accordance with the law.
Lastly, on 19 April 2023, the Board of Statutory Auditors received the annual confirmation of independence from the auditing firm pursuant to Article 6, paragraph 2 letter a) of EU Reg. 537/2014 and analysed the risks relating to the independence of the auditing firm and the measures taken by the latter to limit their occurrence, also taking into account the engagements for non-audit services described above. During the year, no critical issues arose with regard to the independence of the Audit Firm.
On 19 April 2023, the Independent Auditors issued the Additional Report pursuant to Article 11 of Regulation (EU) No. 537/2014, of which the annual confirmation of Independence is an integral part.
The auditor did not consider issuing a letter of suggestion to management.
No information was reported by the auditor on events or circumstances identified during the course of the audit that would cast significant doubt on the Company's or the Group's ability to continue as a going concern, or on significant deficiencies in the internal control system in relation to the financial reporting process and/or accounting system, or on any significant matters concerning actual or alleged non-compliance with laws and regulations or statutory provisions identified during the course of the audit.

The Auditor's Report on the Audit of the Annual Financial Statements contains an illustration of the key issues that in the Auditor's professional opinion were most significant in the audit of the individual financial statements for the year: (i) fair value measurement (IAS 40) of real estate assets.

Observations on any significant aspects that emerged during the meetings held with the auditors pursuant to Article 150(2) of Legislative Decree 58/1998

On the aforementioned key aspects, for which the Auditor's Report illustrates in detail the audit procedures adopted, the Auditor does not express a separate opinion, as they were addressed in the audit and in forming the opinion on the financial statements as a whole. The above-mentioned key aspects were analysed in detail and updated during the regular meetings that the Board of Auditors held with the Auditing Firm.
The Board of Statutory Auditors recommends that the administrative body monitor these areas of the financial statements on a regular basis, even every six months.

Control Body Self-Assessment Process

Lastly, in observance of the new standard Q.1.1 "Self-Assessment of the Board of Statutory Auditors" included in May 2019 in the Rules of Conduct of the Board of Statutory Auditors of Listed Companies issued in April 2018 by the National Council of Chartered Accountants, the Board of Statutory Auditors carried out a selfassessment on 26 April 2021, on the occasion of its appointment, on its adequacy in terms of powers, functioning and composition.
The self-assessment report does not highlight any particular critical issues or areas for operational and behavioural improvement.
The results of the self-assessment conducted are forwarded to the Board of Directors, which discloses them in the Corporate Governance Report.

Concluding remarks on the supervisory activity carried out as well as on any omissions, reprehensible facts or irregularities found during the same and indication of any proposals to be submitted to the shareholders' meeting pursuant to Article 153, paragraph 2, of Legislative Decree 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 control system or the administrative accounting system that are relevant for the purposes of this report.
On the basis of the supervisory activity performed during the year, the Board of Statutory Auditors, considering the contents of the report prepared by the Independent Auditors, and having acknowledged the attestations issued jointly by the Chief Executive Officer and the Manager in charge of preparing the company's financial reports, finds no reasons, within its competence, to prevent the approval of the financial statements of NEXT RE SIIQ S.p.A. as of 31 December 2022.

The Board of Auditors

Dr. Luigi Mandolesi (President)
Mr. Domenico Livio Trombone (Standing Auditor)
Ms Sara Mattiussi (Standing Auditor)

20

Valuations of independent experts

Executive Summary
First Valuation Update

Next RE SIIQ

31/12/2022

Prepared by:
Colliers Valuation Italy S.r.l.

Prepared for:
NEXT RE SIIQ

COLLIERS VALUATION ITALY S.R.L.
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20123 Milano

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Table of Contents

1 Executive summary

NEXT RE SIIQ	
OWNERSHIP	As of 31st December 2022, the assets are owned by "Next RE SIIQ"
VALUATION PREMISES	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"

VALUTAZIONE	
MARKET VALUE	€ 137.850.000,00
VALUATION DATE	31/12/2022

2 Introduction

2.1 Object and purpose of the valuation

Object of this instruction is the valuation of the assets owned by Next RE SIIQ.

2.2 Definition of Market Value

In implementing the valuation process, Colliers confirms that the report is based on the valuation criteria contained in the Red Book RICS (Replacement cost approach, Comparison approach, Income approach, etc.) and in line with IVS (International Valuation Standards). Please note that in compliance with RICS Valuation Standards the valuation report may be subject to monitoring under the Institution's conduct & disciplinary regulations.

The "Current Value" or "**Market Value**" of a property is defined as "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" (Red Book RICS). The Market Value refers to the fair amount (price) at which a piece of real estate can reasonably be transferred, at a certain date, from a seller to a purchaser, with neither of the two parties being forced to sell or purchase and both of which are fully aware of all of the significant factors regarding the subject property, of its possible uses, of its characteristics and of the existing market conditions.

The sale price of the asset will therefore be determined based on normal sales conditions, which are present when:

- the seller truly intends to sell the asset and is not subject to circumstances of an economic/financial nature that influence its willingness to sell;
- there is a reasonable amount of time, considering the type of asset and the market situation, to market the asset, carry out sales negotiations and define the relative contractual conditions;
- the terms of the sales transaction reflect the true conditions of the real estate market of the zone in which the asset is located;

- offers to purchase the asset reflect real market conditions, and any offers that are not in line with the market (due to the subjective opinion of the purchaser, acting according to principles that do not significantly impact the market economically) are not taken into consideration.

2.3 Limitations and restrictions

We would like to draw attention to a number of fundamental assumptions to which we have referred in preparing this report:

- **Sources of information**: this report has been prepared on the basis of information provided to us by the Client, who provide us all the relevant information concerning the asset;
- **Areas**: these have been provided by the client and, according to the Clients instructions, were not verified during the course of the inspection;
- **Title deeds**: the valuation is based on information provided by the client. Unless otherwise specified, it is assumed that the client possesses or will possess regular titles of ownership and that there are no third-party claims, obligations, restrictions and/or encumbrances and/or pending litigation that may impact use of the asset;
- **Leasing situation**: the property's leasing situation was provided by the Client;
- **Regulatory assessments**: without prejudice to what has been determined from the information provided by the client, no environmental impact surveys have been carried out, and it is assumed that the property is not in abnormal condition and that neither archaeological remains nor dangerous or deleterious materials that could adversely affect occupation of the site, marketing of the property or current/future values of the asset are present;
- **Expenses**: no allowances have been made for any sale/purchase expenses, such as legal, tax or agency costs, except for those regarding letting of the areas. The property has been considered in its existing state, not encumbered by any mortgages and free from restrictions or easements of any type, except that which is specifically stated in the report;
- **Taxes, duties and other transfer costs**: no deductions have been made from the values expressed in this report for any taxes or duties, or any legal, agency or other costs;

Should this information prove to be incorrect or incomplete, the property valuation could alter and, therefore, we reserve the right, if necessary, to revise our conclusions.

2.4 Conflict of interest

Colliers is not aware of any conflict of interest that may arise from carrying out this assignment. Should we become aware of a potential conflict of interest, Colliers will promptly inform the Client, in order to decide upon how to proceed. We would like to inform that Colliers International SPA, a different company with a different share stakeholders' panel, is currently involved in the CO-agency activity on the asset located in Corso Italia 3, Milan. We confirm again that no conflict of interest arises.

2.5 Insurance

The professional activities performed by Colliers are covered by Professional Insurance, maximum coverage Euros 25,000,000.00 (euros twenty-five million/00).

2.6 Privacy

For the fulfilment of the obligation to verify customers and their data, we will enter into possession of your personal and tax data, which the law qualifies as personal. With reference to personal data, we inform you that all data processing is done in compliance with the provisions of articles 6 and 32 of the GDPR and through the adoption of the appropriate security measures.

Your personal data may be processed by Colliers, through manual processing (paper archives) or electronic tools (electronic databases, organized with various classification systems), according to logic strictly related to the purposes themselves and, in any case, so as to guarantee the security and confidentiality of the data.

The data controller is Colliers. Some categories of employees and collaborators of the Data Controller, as data processors, can access personal data for the purpose of fulfilling their job duties. Your data may be communicated to other managers who will be duly appointed as Data Processors, by the Data Controller. Your personal data will not be otherwise disseminated in any way. We point out that, in compliance with the principles of lawfulness, purpose limitation and minimization of data processing, pursuant to Article 5 of the GDPR, the retention period of your personal data is established for a period of time not exceeding the achievement of purposes for which they are collected and that the data will be processed in compliance with the mandatory time limits prescribed by law. You have the right to obtain from the data controller, the cancellation, limitation, updating, correction, portability, opposition to the processing of personal data concerning you, as well as, in general, can exercise all the rights provided by the Articles 15, 16, 17, 18, 19, 20, 21, 22 of the GDPR.

Regulation (EU) 2016/679: articles 15, 16, 17, 18, 19, 20, 21, 22 - Rights of the interested party 1. The interested party has the right to obtain confirmation of the existence or not of personal data concerning him / her, even if not yet registered, and their communication in intelligible form. 2. The interested party has the right to obtain the indication: to. the origin of personal data; b. of the purposes and methods of processing; c. of the logic applied in case of treatment carried out with the aid of electronic instruments; d. of the identifying details of the holder, of the responsible and of the designated representative according to article 5, paragraph 2; is. of the subjects or categories of subjects to whom the personal data may be communicated or who can learn about them as appointed representative in the territory of the State, managers or agents. 3. The interested party has the right to obtain: to. updating, rectification or, when interested, integration of data; b. the cancellation, transformation into anonymous form or blocking of data processed unlawfully, including data whose retention is unnecessary for the purposes for which the data were collected or subsequently processed; c. the attestation that the operations referred to in letters a) and b) have been brought to the attention, also with regard to their content, of those to whom the data have been communicated or disseminated, except in the case in which this fulfilment proves impossible o involves a use of means manifestly disproportionate to the protected right; d. data portability. 4. The interested party has the right to object, in whole or in part: to. for legitimate reasons, to the processing of personal data concerning him, even if pertinent to the purpose of the collection; b. to the processing of personal data concerning him for the purpose of sending advertising or direct sales material or for carrying out market research or commercial communication.

2.7 Release form liability, identification and limitation of damages

The Client agrees to release and keep Colliers free from any liability due to negative consequences resulting from the assumption and execution of this assignment and from fraudulent or grossly negligent behaviour by the Client, with the exception of any consequences resulting from incompetence, negligence, fraud or gross negligence of Colliers.

2.8 Independence of the parties

Colliers and the Client act as independent parties, each in respect of the limits of the other. In carrying out the activities envisaged by the assignment, Colliers reserves the right to use external advisors and/or collaborators, it being understood that no relationship shall be established between the Client and these external advisors and/or collaborators, and that Colliers shall remain solely and exclusively responsible for the work of external advisors and/or collaborators and for execution of the assignment at the agreed conditions, pursuant to the law. Colliers confirms that sub-contracting requires prior written consent by PGIM.

2.9 Unit of measurement

The areas in this report are expressed in square meters (sqm) and the values in Euros (€).

2.10 Reference date

This assignment refers to the date of 31/12/2022. Unless otherwise stated, any information emerging during this assignment refers to this date.

3 General Description of the SIIQ

3.1 General description

The properties of the SIIQ consist of 7 assets.

Here is the list of the assets under assessment:

N.	Address	City	Province	Region	Surface	GLA
1	Viale Saverio Dioguardi 1	Bari	BA	Puglia	sqm 19.118	sqm 10.485
2	Corso San Gottardo 29/31	Milan	MI	Lombardy	sqm 4.928	sqm 2.620
3	Via Cuneo 2	Milan	MI	Lombardy	sqm 6.395	sqm 3.327
4	via Spadari 2 B	Milan	MI	Lombardy	sqm 941	sqm 809
5	via Spadari 2 A	Milan	MI	Lombardy	sqm 2.858	sqm 2.014
6	via Vinicio Cortese 147	Roma	RM	Lazio	sqm 4.580	sqm 2.496
7	via Zara 22/32	Roma	RM	Lazio	sqm 5.058	sqm 3.068
	Total				**sqm 43.879**	**sqm 24.819**

4 Valuation

4.1 Theory and practice in the real estate sector

In determining the valuation process, we adhered to the generally accepted principles and criteria, in accordance with the International Valuation Standards (IVS) and the professional best practices in the appraisal field.

As far as property valuation criteria, practices and valuation theory in the real estate sector are concerned, three different approaches are used:

- The construction cost approach, which expresses the value of an asset based on the costs necessary for its construction or replacement, appropriately depreciated according to age, general conditions, functional, economic or environmental obsolescence and all other age factors deemed relevant. The value of an asset can be calculated as the depreciated cost of reconstruction when there is no market for similar assets, and the value may be expressed as current cost of reconstruction. Determination of the construction cost has three fundamental components: appraisal of the land, estimate of the building construction cost and estimate of the appreciation/depreciation factors;
- The Market Approach defined as "an approach that provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available" (Red Book RICS, January 2020). Such approach expresses the value of an asset based on the average sales prices observed in the local markets, taking into account specific characteristics of the individual assets. The prices used are those obtained from transactions that are comparable in terms of type, location and use of the asset. Application of the sales comparison approach is carried out following the achievement of two objectives: identification of a sample of homogeneous assets and determination of the transaction prices. Furthermore, the appreciation/depreciation factors must also be estimated. Use of this method leads to the determination of average values per square metre inferred from the market transactions;
- The Income Approach, defined as the "approach that provides an indication of value by converting future cash flows to a single current capital value" (Red Book RICS). The income approach is based on the assumption that a rational buyer is not willing to pay a price greater than the present value of benefits that the asset will be able to produce. Application of this approach consists of three phases: determination of the expected economic benefits,

definition of the type of algebraic relationship linking the value to income and selection of a discount/capitalisation rate.

4.2 Valuation Reports

The valuation activity has been described in reports, one for each asset, whose contents are essentially the same for each property.

Follow, by way of example and not limited to, the topics included:

- An executive summary which displays the main information of the object of the report;
- An introduction which defines the object and the purpose of the valuation, the limitations and restrictions;
- A part dedicated to the description of the asset, including the description of the location, the size and area subdivision, the tenancy and the town planning considerations.
- A market analysis, both general and specific of the office market in the area in which the assets are located;
- The valuation process and the adopted criteria, the calculation of the commercial areas and of the Reinstatement Value;
- The conclusions;
- The pictures of the assets.

4.3 Rates

For the valuation of the assets we used two different rates:

Discount Rate: the discount rate was determined based on the ratio of equity to debt; in this case, we use the Weighted Average Cost of Capital as the discount rate.

In order to assess the appropriate discount rate, we applied the following equation:

WACC= Debt Ratio*Kd + Equity Ratio*Ke

Capitalization Rate: the adopted cap rates have been determined through comparison, by interviewing several of the main operators, both local and not, and by gathering their impressions after the description of the characteristics of the assets.

In this valuation, considering the management activity of the buildings, the reference market of the initiative (both in terms of destination of use and location) and the timing variance both for the location of the spaces and the sale, the following factors have been taken into account (supported by a market analysis carried out among investors and credit institutes):

Economic Factors:

- **BTP- Buoni del Tesoro Poliennali (Italian Treasure Bonds):** Average monthly yield over the past 5 years with maturity date based on the model term period. These values were taken from historical financial market series;
- A premium risk specific of each single initiative, an additional premium location and a risk related to illiquidity.

Debt Factors:

- **Euribor 6 months:** 2,41 % (issue date 01/12/2022);
- **Spread investment risk:** It was adopted a rate of 2,75%.
- **Debt Ratio**: in this case we assumed a debt ratio of 60%, as Italian Best practice.
- **Inflation Rate**: conventionally adopted of 2.00%, in accordance with the provisions of the Treasury Department in the Economic and Financial Document with respect to the target inflation rate in the short term (7,10% in 2022 e 4,30% in 2023), and the target level required by the European Central Bank - ECB - (below but close to 2%) in the medium term;

Equity Factors:

- **Equity Ratio**: in this case we assumed an equity ratio of 40%.

5 Conclusions

Considering the foregoing, the Market Value of the assets included within Next RE SIIQ, in the current market conditions is equal to:

€ 137.850.000,00

(One Hundred Thirty-Seven Million Eigth Hundred and Fifty Thousand /00)

N.	Address	City	Province	Region	Surface	GLA	Market Value 31.12.2022
1	Viale Saverio Dioguardi 1	Bari	BA	Puglia	sqm 19.118	sqm 10.485	14.700.000 €
2	Corso San Gottardo 29/31	Milan	MI	Lombardy	sqm 4.928	sqm 2.620	15.900.000 €
3	Via Cuneo 2	Milan	MI	Lombardy	sqm 6.395	sqm 3.327	25.850.000 €
4	via Spadari 2 B	Milan	MI	Lombardy	sqm 941	sqm 809	8.150.000 €
5	via Spadari 2 A	Milan	MI	Lombardy	sqm 2.858	sqm 2.014	53.300.000 €
6	via Vinicio Cortese 147	Roma	RM	Lazio	sqm 4.580	sqm 2.496	4.850.000 €
7	via Zara 22/32	Roma	RM	Lazio	sqm 5.058	sqm 3.068	15.100.000 €
	Total				**sqm 43.879**	**sqm 24.819**	**137.850.000 €**

The valuation was produced in relation to the specific assignment conferred the 06/07/2022 by Next RE SIIQ, pursuant to and in accordance with article 16, clause 5 of Ministerial Decree no. 30 of 5th March 2015; all the mentioned subjects are in possession of the requirements prescribed by clause 2 of the same article 16.

A copy of the engagement letter is attached, pursuant to and in accordance with article 16, clause 4, of the M.D. n. 30 of 5 March 2015. The valuation report is address directly to the Client and can be used only by the Client according to the scope of the valuation (par. 2.1). The valuation report cannot be distributed or published without a previous written agreement with Colliers Res. The agreement will define the modality of distribution/publishing and the eventual price.

The Colliers Valuation Italy Srl team participating in the valuation process for this property consisted of the following individuals:

- Arch. Giuseppe Bonomi MRICS (CEO – Chief Executive Officer – Head of the Valuation Process)
- Dott. Matteo Basile MRICS (Head of Valuation – National clients)

- Dott.ssa Chiara Citterio (Junior Valuer)

Colliers Valuation Italy Srl

Arch. Giuseppe Bonomi MRICS

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