

**Report on the independence of the external auditor of Neinor Homes S.A. for the year ended 31 December 2017**

The Internal Audit Department of Neinor Homes S.A. (hereinafter, "Neinor Homes" or the "Company"), pursuant to a function delegated by the Audit and Control Committee (*Comisión de Auditoría y Control*, "CAC"), is responsible, among other functions, for annually evaluating the independence and objectivity of the external auditor, in accordance with the provisions of the Spanish Limited Liability Companies Law<sup>1</sup> and our CAC Regulations<sup>2</sup>.

Prior to the issuance of this Report, the auditor Deloitte S.L. has sent the CAC a written statement confirming its independence in which it indicates that it has complied with the applicable independence requirements under the provisions of the Consolidated Audit Law, issued by Royal Legislative Decree 1/2011, of 1 July and its implementing regulations.

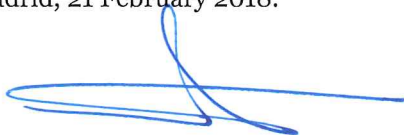
Accordingly, in the course of the audit of the consolidated financial statements of Neinor Homes S.A. and subsidiaries (Neinor Homes Group) for the year ended 31 December 2017, as well as the rest of the services additional to the legal audit that have been provided by the external auditor, the following matters have been disclosed:

- Appropriate channels have been set up with the auditor to receive information on any issues that may jeopardize its independence, for their subsequent analysis by the Internal Audit Department and the CAC.
- No errors or omissions of information have been detected by the external auditor that could call into question the independence and objectivity of the work carried out.
- Neinor has facilitated and provided access to all data and procedures relevant to the performance of the work. These include: accounting records, contracts, accords, agreements, internal policies and procedures, etc.
- The auditor has guaranteed that, in the application of its internal procedures, it has not identified any circumstances that could pose a significant threat to its independence and that, therefore, could involve grounds for incompatibility.
- The Internal Audit Department has verified that the policy for the "Provision of non-audit services by external auditor" has been complied with.

In addition, a list of each and every one of the professional services provided, both audit and related services, and other types, and their corresponding fees (see subsequent Deloitte report) is included in the aforementioned statement of the external auditor confirming its independence.

In this connection, it is concluded that the auditor's independence has not been compromised since no issues that may raise doubts about this matter have been identified.

Madrid, 21 February 2018.



Álvaro Conde

Internal Audit Department

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<sup>1</sup> The regulation in question is Article 529 quaterdecies on the "Audit Committee" of Royal Legislative Decree 1/2010, of 2 July, approving the Spanish Consolidated Limited Liability Companies Law.

<sup>2</sup> The regulation in question is point 9.6.d.iii on "General external audit functions" of the Audit and Control Committee Regulations.

21 February 2018

Neinor Homes, S.A.  
C/Ercilla, 24 2ª planta  
48911 Bilbao, Spain

To the Audit Committee of Neinor Homes, S.A.,

Dear Sirs,

In relation to the audit of the consolidated financial statements of Neinor Homes, S.A. and subsidiaries ("the Neinor Homes Group") for the year ended 31 December 2017, we hereby confirm to you that, to the best of our knowledge and belief:

1. The audit engagement team and Deloitte, S.L., to the extent applicable to them, have met the independence requirements applicable under Spanish Audit Law 22/2015, of 20 July, and Regulation (EU) No 537/2014, of 16 April.
2. The detail of the fees charged to Neinor Homes, S.A. and subsidiaries for audit and non-audit services in the year ended 31 December 2017 by Deloitte and its network, in order to facilitate your assessment thereof within the framework of our independence, is as follows:

<b>Item</b>	<b>Fees in euros</b>
Audit services (*)	125,000
Other attest services	345,000
<b>Total audit and related services</b>	<b>470,000</b>
Tax counselling services	-
Other services	9,200
<b>Total professional services</b>	<b>479,200</b>

(\*) Including the limited review of the Group's consolidated financial statements as at 30/06/17, amounting to EUR 25 thousand.

The breakdown of "Other attest services" and "Other services" is included in Appendix 1.

3. We have designed and implemented internal procedures aimed at identifying and evaluating threats that may arise from circumstances related to audited entities, including those which may entail causes of incompatibility and, where appropriate, the application of necessary safeguards, which can be consulted in Deloitte's Transparency Report at [www.deloitte.es](http://www.deloitte.es). In relation to the aforementioned audit, and for the period covered by the financial statements and until the issue of this letter, no circumstances have been detected that may give rise to incompatibility and, accordingly, the safeguards necessary have been applied to eliminate or reduce the threats to an acceptably low level in those situations in which there are potentially material threats to independence. Appendix 2 to this communication includes a breakdown of the only circumstance for which a significant threat has been identified, as well as the safeguards applied.

This letter is for the exclusive information of and use by the *Audit Committee* of Neinor Homes, S.A. for the aforementioned purpose and, therefore, it may not be used by third parties or for any purposes other than that mentioned above.

Yours faithfully,

DELOITTE, S.L.

Alicia Izaga

## Appendix 1 - INDIVIDUAL DETAILS

The information on additional services of all kinds provided and the corresponding fees are detailed below, as mentioned in point 2 of the confirmation of independence.

### Other attest services

Description	Fees in euros
<b>Not required under regulations (*)</b>	
Comfort letter and other permitted services related to the flotation in 2017 provided habitually by the auditor.	345,000
<b>Total</b>	<b>345,000</b>

(\*) Relating to non-audit services **not required** from the audited entity under Spanish or EU legislation.

### Other services

Description	Fees in euros
Services related to information technology systems	8,000
Services relating to good governance, sustainability, money laundering and other risks	1,200
<b>Total</b>	<b>9,200</b>

## APPENDIX 2 - DETAIL OF SAFEGUARDS APPLIED

With respect to the threat relating to self-interest arising from the relationship between the fees received for the provision of non-audit services and audit services, detailed on Page 1 of this confirmation of independence letter, we hereby inform you that this threat is substantially mitigated due the following reasons:

1. The fees recognised under "Other attest services", which amounted to EUR 345,000, relate to the provision of services related to the flotation which took place in 2017. These services, although not strictly required by Spanish or EU legislation, are habitually provided by the statutory auditors in accordance with market practice. They include the issuance of comfort letters, work which, due to its nature, can only be performed by the auditor of the financial statements included in the prospectus.
2. The amount of the fees for "Other services" represents the scant amount of EUR 9,200, which is below 10% of the fees for audit services.
3. Given the particular and extraordinary situation of the flotation in 2017, in subsequent reporting periods the fees for non-audit services are expected to be lower, which will, in turn, result in a lower ratio.
4. No other significant threats arose from the provision of the non-audit services provided.
5. The members of the audit engagement team, as well as the persons able to influence the ultimate outcome of the audit, did not participate in the provision of "Other services". That is to say, the persons in charge of providing these "Other services" did not have any ability to influence the final outcome of the audit.
6. The 70% limit prohibition arising from Article 4.1 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public interest entities, according to the consultation published by the Spanish Accounting and Audit Institute (ICAC), will not be applicable until 2020, considering a calendar year.

In addition to the mitigating factors indicated above, the fees billed for all items by Deloitte Spain (EUR 479 thousand) represent less than 0.2% of its total revenue and, accordingly, the risk of self-interest is scanty significant in relation to grounds for abstention for fees received, in accordance with Article 41 of Spanish Audit Law 22/2015.

However, even taking these mitigating factors into account, the following safeguards were established:

- The persons who influenced the final outcome of the audit were informed of this circumstance and have increased their professional scepticism.
- Both the Risk Leader and the National Professional Practice Director of Audit of Deloitte in Spain were informed.
- The partner's engagement quality control review (EQCR) hours were increased to above the Spanish firm's average for the audit of financial statements, and this extra time was dedicated to reviewing the areas in which the professional judgement of the engagement team has been used to its greatest extent and to reviewing procedures for assessing the completeness of the fulfilment of management duties and the documentation of the conclusions.
- Deloitte's Independence Partner was involved in identifying and assessing the threats and establishing safeguards in relation to this percentage and preparing this confirmation.
- The amount of fees will be detailed in the corresponding note to the financial statements, in accordance with accounting standards.