



February 2021

Neinor Homes and Covid-19



Neinor Homes, SA.; Governance Risk and Compliance
Castellana, 20; 6th Floor; 28046 Madrid; Tel: 912 875 130

Impact of Covid-19 in Spain and in the sector

What has the impact of Covid-19 been in Spain and in the real estate sector?

- Its **impact** was **particularly significant** in the **second quarter** of 2020, coinciding with the highest spread of the virus in Spain and with the lockdown measures imposed.
- The **start of the vaccination campaign** against Covid-19 in the **fourth quarter of 2020** has fuelled **expectations of recovery**.
- The **risks have still not disappeared**: the onslaught of the **third wave** of infections, the discoveries of **new variants** of the virus and a rise in the **insolvency of companies** will put **pressure on the economic recovery**.
- As a result of the **uncertainty regarding the effectiveness of the measures taken** by the Spanish government in relation to recovery and the unpredictability of the **demand for residential properties**, the consequences for the sector are not clear and will depend to a large extent on the pace of vaccinations and on market confidence.

We trust that the real estate sector will be a catalyst in the recovery of the economy

Why has Neinor Homes' reaction to the pandemic been better than its peers?

In the first quarter of 2020, Neinor Homes defined a specific model to manage the risks that could materialise as a result of this situation, as part of its integrated risk management and control system.

This model:

- Has been transferred to the **entire organisation**
- It is **linked to strategic objectives**
- It is associated with **control processes and activities**
- It is **periodically monitored** and the results reported to **senior management and the Audit Committee**.

What have been the key factors?

The company's risk structure

*Conservative and prudent
measures
taken prior to this situation*

*Culture and sustainable
performance*

These have all helped to boost the organisation's resilience, giving it the capacity to take on new business opportunities, so that it has emerged stronger and in an advantageous position.

What measures has Neinor Homes taken against Covid-19?

The company's main priority has been and is to safeguard the health of its employees, suppliers and users.

Health and care of people

- Establishment of specific **health and safety measures**.
- Promotion of **working from home**.
- Application of the **most restrictive measures** to **protect people's health**.
- **Periodic reports** on the situation at any given time.
- Ramping up of **training for employees**.
- Taking advantage of quieter operating periods to carry out **internal reviews and improve processes**.
- **Disinfection of all developments** by a **specialist company**.
- Promotion of **blood donor campaigns**.

Employment

- **No employee furloughs or dismissals** as a result of the pandemic.
- The company has **maintained the employment** of its **more than 280 own employees**.
- **Measures have been taken** so that **more than 25,000 indirect jobs have not been lost**.

Liquidity and cash

- **Repayments** of Euros 75 million.
- **Refinancing** of Euros 50 million.
- **Credit facilities** of Euros 15-25 million.
- **Loans extended to developers** totalling Euros 584 million (coverage of financing in excess of 97% of CAPEX)
- **Cash contingency plan** with a significant **rise** in the **net cash position** to more than Euros 249 million.
- **Plan to cut corporate expenses**.
- **Conservative policy** in respect of investments in land.
- **Freezing of dividend payments (2019)***.

*At 2020 year end the distribution of a gross dividend of Euros 0.5 per Neinor share with dividend rights was agreed, to be paid at the end of February 2021.

What measures has Neinor Homes taken against Covid-19?

We have made advance payments to constructors, main subcontractors and suppliers and we have offered deferred payments to our customers suffering the most as a result of this situation.

Continuity of projects underway

- **Incorporation of a constructor** (Neinor Works) to honour the commitment to contractors and customers.
- **Advance payments to constructors and main subcontractors** with liquidity problems.
- **Advance payments to suppliers.**
- Programmes to **speed up works.**
- Analysis of the **optimisation of projects underway.**
- Analysis of the **optimisation of the organisation and execution of works.**

Commercial continuity

- **Delivery of 1,580 homes (93% of the target).**
- **Conversion of pre-sale agreements into private agreements.**
- **Customers offered deferral of two monthly instalments** without any additional finance cost.
- Neinor Homes' **Family Homes Protection Insurance**, which has provided **cover to 87 families** affected by furloughs or similar situations, assuming their deferred payments.
- Implementation of **online sales, virtual visits and an electronic signature platform.**
- Introduction of **Customer Relationship Management (CRM).**

Continuity of asset management services

- **Assessment of the exposure to third parties** that work with the company in the **Servicing Area.**
- **Enhanced quality and control of the services provided** to Kutxabank.
- **Updating of revenues.**
- **Enhanced control of strategic suppliers.**
- **Improvement initiatives** throughout the **value chain.**

What measures has Neinor Homes taken against Covid-19?

The absorption of Quabit will enable Neinor Homes to increase its land capacity so as to build more than 16,000 homes, while also complementing and strengthening different lines of business.

Value of assets on the balance sheet

- At the 2020 year end the company had **assets totalling Euros 1,584 million** at fair value, **32% higher than the carrying amount of inventories**.
- **Decrease in the value of the assets** compared to the book value of inventories of 11%, **up on expectations**.
- **Recovery of asset values in 2021** as a result of GDP growth, low interest rates, the consideration of residential property as a “refuge” investment and the adjustment in supply.

Business continuity

- Merger by absorption of **Quabit Inmobiliaria. Advantages:**
 - **Increased capacity of land for construction.**
 - **Strengthening of business lines** (rental homes, offer to different types of demands and consolidation of the construction activity).
- **Financing of the new rental line of business.**
- **Exploration of new business lines:**
 - Delegated development.
 - Integration of the value chain.
 - Public-private agreements.
 - Building of social rental housing.
 - Organic and inorganic growth options.

Trends in the real estate sector in Spain in line with Neinor Homes' actions

- **Minimum demand of new build homes in Spain around 60,000-80,000 homes.**
- **Market commitment to sustainability and digital transformation.**