

REPORT ISSUED BY THE BOARD OF DIRECTORS OF NEINOR HOMES, S.A. IN RELATION TO THE PROPOSAL TO REDUCE ITS SHARE CAPITAL THROUGH THE REDEMPTION OF ITS TREASURY SHARES INCLUDED IN ITEM SEVEN OF THE AGENDA OF THE 2021 ORDINARY GENERAL SHAREHOLDERS' MEETING

1. PURPOSE OF THE REPORT

This report is issued by the Board of Directors of Neinor Homes, S.A. (the "**Company**"), in accordance with articles 286 and 318 of the consolidated text of the Spanish companies law approved by Royal Legislative Decree 1/2010 of 2 July ("**Spanish Companies Law**"), to justify the proposed share capital reduction by means of the redemption of treasury shares that is submitted for approval by the Ordinary General Shareholders' Meeting under item Seven of its agenda (the "**Capital Reduction**").

Pursuant to the aforementioned articles, the Board of Directors must issue a report providing the rationale of the proposal submitted to the General Meeting, to the extent the Capital Reduction entails the amendment of the article of the articles of association that sets the share capital.

2. RATIONALE FOR THE PROPOSAL

In accordance with the shareholder's remuneration policy envisaged, among others, in the 2019-2021 business plan published by means of a relevant event dated 8 April 2019, the Board of Directors considers appropriate to reduce the share capital through the redemption of the Company's treasury shares for the reasons set forth in this report.

In particular, as indicated in the aforementioned communication, the Company has established a shareholder's remuneration policy based on the following two objectives:

2.1 Excess cash distribution

In relation to this objective, the Ordinary General Shareholders' Meeting held on 1 April 2020 approved, under item Six of its agenda, the distribution of a dividend charged to the share premium reserve and/or other distributable reserves for a maximum amount of EUR 40 million, payable once or several times during the years 2020 and 2021, as well as delegating to the Board of Directors the power to determine, where appropriate, the amount and date of each distribution during the aforementioned period, always in compliance with the maximum overall amount indicated.

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

In this regard, and because of the uncertainty as a result of the outbreak of the SARS-CoV-2 disease, the Board of Directors considered appropriate to delay the execution of the approved distribution. However, after the 2021 financial year closing, and taking into consideration the results achieved by the Company during said period, the Board of Directors resolved on 7 January 2021, based on the delegation referred to in the preceding paragraph, to carry out the distribution of a cash dividend charged to the share premium in the gross amount of EUR 0.5 for each Company share entitled to receive it.

It is hereby stated that such dividend is expected to be paid on 2 March 2021.

2.2 Share repurchase

In relation to this objective, the Ordinary General Shareholders' Meeting held on 1 April 2020 approved, under item Sixteen of its agenda, to authorize the Board of Directors, in the broadest possible terms, to carry out, directly or indirectly, and to the extent deemed appropriate in view of the circumstances, the derivative acquisition of Company's shares within the legal limits existing at any given time, expressly providing for the possibility that the Board of Directors may use the acquired shares for their redemption.

The redemption of treasury shares is a tool usually used by listed companies in order to, among other objectives, contribute to the maintenance of the Company's earnings per share. Consequently, taking into consideration the Company's current level of treasury shares, its remuneration policy and the potential incorporation of new shareholders into the Company's capital as a result of the merger by absorption of Quabit Inmobiliaria, S.A., which is submitted to the same Ordinary General Shareholders' Meeting that is to resolve on the Capital Reduction, the Board of Directors considers that the Capital Reduction is the most advantageous decision for the Company's current shareholders in order to increase the net asset value per share of the remaining shares, as well as the earnings per share.

Therefore, the Board of Directors has decided to propose the Capital Reduction to the Ordinary General Shareholders' Meeting. In the event that the Capital Reduction is finally approved, it is foreseen that the Company's treasury shares will be redeemed, with the corresponding reduction of the share capital in the amount corresponding to the face value of such shares. All of the own shares to be redeemed are held as treasury shares at the date of issuance of this report.

3. MAIN TERMS AND CONDITIONS OF THE CAPITAL REDUCTION

It is proposed to reduce the share capital by an amount of EUR 46,156,080, through the redemption of 4,615,608 treasury shares, each with a face value of EUR 10, representing approximately 5.84% of the

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

Company's share capital, which have been acquired by the Company pursuant to the corresponding authorizations of the General Shareholders' Meeting of the Company and in strict compliance with the limits set forth in the Spanish Companies Law and other applicable regulations.

Likewise, in the event that the aforementioned Capital Reduction resolution is approved, the article of the articles of association that establishes the share capital would be amended to reflect the new share capital figure and the new number of outstanding shares (after deducting the treasury shares whose redemption is proposed).

It is stated that the Capital Reduction would not entail the refund of contributions given that the Company is the holder of the redeemed shares. The Capital Reduction would be charged to the share capital figure, without the constitution of a reserve pursuant to the provisions of article 335 c) of the Spanish Companies Law.

Therefore, in accordance with article 334 of the Spanish Companies Law, Company's creditors whose claims arose prior to the date of the last announcement of the Capital Reduction resolution, have not matured at that time and until such claims are secured, will have the right to contest the Capital Reduction.

The purpose of this capital reduction is to redeem treasury shares.

It is also proposed that the General Shareholders' Meeting ratify the actions taken so far by the Board of Directors in relation to the repurchase of the shares to be redeemed and authorize the members of the Board of Directors, its Chairman, the Chief Executive Officer and the Secretary non-member of the Board of Directors, so that any of them may execute the Capital Reduction resolution prior to the execution of the deed of the merger whose approval is submitted to the same General Shareholders' Meeting of the Company that must resolve on the Capital Reduction, being able to determine any aspects that have not been expressly envisaged in the reduction resolution or that are a consequence thereof, and adopt the resolutions, publish the announcements, carry out the actions and execute the public or private documents that may be necessary or convenient for the most complete execution of the Capital Reduction.

4. RESOLUTION PROPOSAL

The resolution proposal submitted for approval by the Ordinary General Shareholders' Meeting of the Company is as follows:

“Review and, where appropriate, approval of a share capital reduction through the cancellation of 4,615,608 treasury shares, and subsequent amendment of article 5 of the articles of association

*To reduce the share capital of Neinor Homes, S.A. (the “**Company**”) by an amount of EUR 46,156,080.00 through the redemption of 4,615,608 treasury shares, each with a face value of EUR 10, representing approximately 5.84% of the Company's share capital, which have been acquired by the Company pursuant to the corresponding authorizations of the General Shareholders' Meeting of the Company and in strict compliance with the limits set forth in the consolidated text of the Spanish companies law approved by Royal Legislative Decree 1/2010 of 2 July (“**Spanish Companies Law**”), and other applicable regulations (the “**Capital Reduction**”).*

The Capital Reduction must be executed prior to the execution of the deed by virtue of which the merger is formalized, the approval of which is submitted to this General Shareholders' Meeting under item Eight of the agenda and, in any case, once the term established in article 336 of the Spanish Companies Law for the exercise of the creditors' right of opposition, as set forth in article 334 of such Law, has expired.

Once the Capital Reduction has been executed, article 5 of the Company's articles of association, relating to the share capital, will be amended to reflect the amount of capital and the number of outstanding shares resulting from the execution of the Capital Reduction.

The Capital Reduction does not entail the refund of contributions to the shareholders as the Company is the holder of the shares to be redeemed, and will be charged to the share capital figure, without the constitution of a reserve pursuant to the provisions of article 335 c) of the Spanish Companies Law. Therefore, in accordance with article 334 of the Spanish Companies Law, Company's creditors whose claims arose prior to the date of the last announcement of the Capital Reduction resolution, have not matured at that time and until such claims are secured, will have the right to contest the Capital Reduction.

The purpose of this capital reduction is to redeem treasury shares.

The balance sheet that serves as the basis for the approval of the share capital reduction is the balance sheet as of 31 December 2020, which has been previously verified by the Company's auditors, Deloitte,

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

S.L., on 24 February 2021 and approved by the General Shareholders' Meeting of the Company under item 1 of the agenda.

Consequently, article 5 of the Company's articles of association shall be drafted as follows:

“Articles 5.- Shares and Share Capital

The share capital is SEVEN HUNDRED AND FORTY THREE MILLION EIGHT HUNDRED AND NINETY FOUR THOUSAND TWO HUNDRED AND SIXTY EUROS (EUR 743,894,260). It is divided into SEVENTY FOUR MILLION THREE HUNDRED EIGHTY-NINE THOUSAND FOUR HUNDRED TWENTY SIX (74,389,426) shares, each with a face value of TEN EUROS (EUR 10), belonging to a sole class and series. All the shares are fully subscribed and paid up and grant their holders the same rights.

The Company may resolve to issue shares without voting rights under the terms and with the rights contemplated in the Spanish Companies Law and other applicable regulations.”

It is also resolved to ratify the actions taken so far by the Board of Directors in relation to the repurchase of the shares to be redeemed by virtue of this resolution and to jointly and severally authorize the Chairman of the Board of Directors, the Chief Executive Officer, the other members of the Board of Directors and the Secretary non-member, so that any of them, indistinctly, and to the full extent required by law, may proceed with the execution of this resolution, being able to determine those points that have not been expressly set forth in this resolution or that are a consequence of it. In particular, and for illustrative purposes only, it is resolved to jointly and severally delegate the following powers to the aforementioned persons, to the fullest extent required by law:

- (a) declare the Capital Reduction closed and executed, and establish any other circumstances necessary to carry it into effect;*
- (b) indicate the date on which the resolution thus adopted to reduce the share capital must be executed, in any case within a maximum period of six months from its approval.*
- (c) carry out the publication of the legally required announcements, in the terms agreed herein;*
- (d) redraft the article of the articles of association that establishes the capital share to reflect the figure resulting from the implementation of the Capital Reduction;*

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

- (e) declare expiry of the period for the creditors' right to contest provided for in the Spanish Companies Law and, where appropriate, ensure the exercise of the right to contest of such creditors as may exercise it under the terms provided for in the Law;*
- (f) take such actions as may be necessary or advisable to execute and formalize the Capital Reduction before any public or private, Spanish or foreign, entities and public bodies, including those of declaration, supplementation or rectification of defects or omissions that could prevent or hinder the full effectiveness of this resolution;*
- (g) carry out the necessary formalities and actions, and to submit the necessary documents, to the competent bodies so that, once the Company's shares have been redeemed, the deed corresponding to the Capital Reduction has been executed and registered with the Commercial Registry, the shares are delisted from the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges through the Continuous Market (Continuous Market) and cancelled the corresponding accounting records in the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S. A. Unipersonal (Iberclear); and*
- (h) appear before the notary of its choice and notarize the resolution to reduce share capital and amend the articles of association, as well as to take such actions as may be necessary and approve and formalize such public and private documents as may be necessary or advisable for the full effectiveness of the resolution in any of its aspects and contents and, in particular, to correct, clarify, interpret, complete, define or specify, as the case may be, the resolution adopted and, in particular, to correct any defects, omissions or errors that may be detected in the verbal or written qualification of the Commercial Registry.”*

Bilbao, 24 February 2021