Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Neinor Homes, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Neinor Homes, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2021, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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 judgement, 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.

Valuation of development property inventories	
Description	**Procedures applied in the audit**
The Group owns a portfolio of land, housing unit developments in progress and finished housing unit developments classified as development property located throughout Spain, the carrying amount of which at 31 December 2021 was EUR 1,295 million, of which EUR **312** million were acquired in May 2021 as a result of the business combination with Quabit Inmobiliaria, S.A. and subsidiaries effected in May 2021 (see Note 2.8). The Group measures these inventories at the lower of acquisition cost and market value and uses internal studies and third parties unrelated to it as experts to determine the market value of its inventories. The determination of the market value of the property inventories in order to subsequently compare it with cost and measure the inventories at the lower of the two values constitutes a key matter in our audit, since the valuation method generally applied to these assets, i.e. the dynamic residual method, requires estimates with a significant degree of uncertainty to be made, which has been increased during 2021, as detailed in Notes 12 and 28, as a consequence of the Covid-19 impact, mainly on the future selling prices and the pace of sales of the various developments; the estimated costs to be incurred to complete the developments in progress; the development times of the land held in the portfolio; and the internal discount rate used. In addition, small percentage changes in the valuations of the property assets could give rise to significant changes in the consolidated financial statements. For this reason, we considered this matter to be a key matter in our audit.	Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the valuation of property inventories, as well as tests to verify that the aforementioned controls operate effectively. In order to determine the recoverable amount of the assets and to check that the recoverable amount is not lower than their carrying amount, we obtained the internal valuation conducted by the Group for the purpose of allocating the purchase price to the inventories acquired as a result of the business combination with Quabit Inmobiliaria, S.A. and subsidiaries and the valuation report of the experts engaged by the Group to value all the "development" property inventories, evaluating the competence, capability and objectivity of the calculations performed, and the adequacy of their work for use as audit evidence. In this regard, with the assistance of our internal valuation experts, we analysed and concluded on the reasonableness of the valuation procedures and methodology used by Group management and by the experts engaged, for which purpose the impacts that covid-19 could have on the determination of the market value of the Group's inventories were taken into account. To this end, a mass appraisal of the development property assets already in the Group's portfolio at 2020 year-end was performed using an automated valuation model. We also analysed and concluded on the appropriateness of the disclosures made by the Group in relation to these matters, which are included in Notes 4.6, 6 and 12 to the consolidated financial statements for 2021. The results of the procedures performed in relation to the inventory valuation enabled the audit objectives for which the procedures were designed to be reasonably achieved.

Occurrence in the recognition of property asset revenue	
Description	**Procedures applied in the audit**
The Group's property asset sales represent practically the totality of consolidated revenue. They relate mainly to sales to private individuals, which involve highly standardised processes and agreements. The recognition of this revenue under the Group's habitual terms and conditions is not complex and practically does not give rise to any accounts receivable, since the payments for the sales are received at the time the transaction is executed in a deed. However, the revenue from property asset sales and this aggregate is considered, both quantitatively and qualitatively, to be a key parameter of the Group's performance. For this reason, we considered this matter to be a key matter in our audit.	Our audit procedures included checking the design and implementation, as well as the operating effectiveness, of the relevant controls supporting the occurrence of sales under agreements, in addition to the sales accounting and recognition procedure. In addition, for a representative sample of these agreements, we analysed, on a selective basis, whether the revenue is properly recognised, taking into account the contractual terms and obligations vis-à-vis buyers, including the effective transfer of ownership, and checked the amounts received by the Group or the reliability of the estimated collection of the deferred amounts. We also analysed and concluded on the appropriateness of the disclosures made by the Group in relation to these matters, which are included in Notes 4.13, 6 and 22.1 to the consolidated financial statements for 2021. The results of the procedures performed in relation to occurrence in the recognition of property asset revenue enabled the audit objectives for which the procedures were designed to be reasonably achieved.

Other Information: Consolidated Directors' Report

The other information comprises the consolidated directors' report for 2021, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the other information. Our responsibility over the consolidated director´s report, in accordance with the requirements of the audit regulations in force, consists in:

a) Solely checking that the consolidated non-financial information statement, certain information included in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on the consistency of the other information included in the consolidated directors’ report with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors’ report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraphs, we do not have anything to report with respect to the consolidated directors’ report for 2021 and the Corporate Governance Report, and we have checked that the specific information described in section a) above has been provided and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2021 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

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 the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix to this auditor's report. This description, which is on pages 6 and 7, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

European Sigle Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Neinor Homes, S.A. and subsidiaries for 2021, which comprise the XHTML file including the consolidated financial statements for 2021 and the XBRL files with the tagging performed by the entity, which will form part of the annual financial report.

The directors of Neinor Homes, S.A. are responsible for presenting the annual financial report for 2021 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Our responsibility is to examine the digital files prepared by the Parent's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the consolidated financial statements included in the aforementioned digital files corresponds in full to that of the consolidated financial statements that we have audited, and whether those consolidated financial statements and the aforementioned files were formatted and marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined correspond in full to the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 23 February 2022.

Engagement Period

The Ordinary General Shareholders' Meeting held on 31 March 2021 appointed us as auditors for a period of one year from the year ended 31 December 2020.

Previously, we were designated by the Ordinary General Shareholders' Meetings for periods of one year and by the then sole shareholder for a period of three years. We have been auditing the consolidated financial statements uninterruptedly during 7 years since the period ended 30 June 2015.

DELOITTE, S.L.
Registered in R.O.A.C. under no. S0692

Iñigo Úrculo
Registered in R.O.A.C. under no. 21794

23 February 2022

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

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

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate 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.

- Obtain 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 communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 31 DECEMBER 2020

(Thousands of Euros)

ASSETS	Notes	31.12.21	31.12.20 (*)	EQUITY AND LIABILITIES	Notes	31.12.21	31.12.20 (*)
NON-CURRENT ASSETS:				**EQUITY:**			
Goodwill	2.8	4.473	4.470	Share capital		799.886	790.050
Other intangible assets	7	9.079	1.886	Share premium		3.493	39.247
Right-of-use assets	9 and 17.2	2.058	3.487	Legal reserve		5.570	4.773
Property, plant and equipment	8	6.223	5.996	Reserves of the Parent		64.920	66.211
Investment property	2.8 and 12	105.632	185	(Own Shares)		(40.205)	(51.115)
Investments in associates	10 and 23	601	-	Other reserves		1.565	(1.561)
Interests in joint ventures	2.8	6.000	-	Reserves at fully consolidated companies		5.123	(57.112)
Non-current financial assets	11	8.279	6.364	Profit for the year attributable to owners of the Company		103.033	70.120
Deferred tax assets	2.8 and 20.3	98.319	25.355	**Total equity attributable to owners of the Company**		**943.385**	**860.613**
Total non-current assets		**240.664**	**47.743**	Non-controlling interests		1.111	285
				Total equity	**15**	**944.496**	**860.898**
				NON-CURRENT LIABILITIES:			
				Provisions		659	195
				Bank borrowings	17	44.815	70.659
				Other non-current financial liabilities	2.8 and 28	298.261	4.706
				Deferred tax liabilities	20.3	5.130	271
				Total non-current liabilities		**348.865**	**75.831**
				CURRENT LIABILITIES:			
CURRENT ASSETS:				Provisions	16	56.048	16.680
Inventories	12	1.322.683	1.208.442	Bank borrowings	17 and 23	213.946	262.335
Trade and other receivables	13	70.733	24.813	Other current financial liabilities	18	6.391	1.946
Investments in associates	23	8.914	-	Liabilities with associates		175	-
Current financial assets	11	5.906	2.198	Current trade and other payables	19 and 23	255.319	183.872
Tax receivables	20.3	8.164	5.550	Tax payables	20.3	32.254	45.231
Cash and cash equivalents	14	309.644	270.213	Other current liabilities	12 and 18	109.214	112.166
Total current assets		**1.726.044**	**1.511.216**	**Total current liabilities**		**673.347**	**622.230**
TOTAL ASSETS		**1.966.708**	**1.558.959**	**TOTAL EQUITY AND LIABILITIES**		**1.966.708**	**1.558.959**

(*) Presented just for comparative purposes.

The accompanying Notes 1 to 30 and Appendix I are an integral part of the consolidated balance sheet at 31 December 2021.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED INCOME STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021 AND 2020
(Thousands of Euros)

	Notes	Period ended 31 December 2021	Period ended 31 December 2020 (*)
Net revenues	22.1 and 23	914.301	572.801
Cost of sales	22.2 and 23	(671.312)	(413.735)
Employee benefits expenses	22.3	(35.644)	(22.022)
Depreciation and amortisation charges	7, 8 and 9	(4.903)	(4.095)
External services	22.4	(65.209)	(36.679)
Change in trade provisions	22.6	(15.240)	(731)
Other operating gains/(losses)		2.727	949
Impairment and gains/(losses) on disposals of non-current assets		-	151
Change in fair value of investment properties	2.8 and 12	16.964	-
Negative goodwill on business combinations	2.8	142	-
PROFIT / (LOSS) FROM OPERATIONS		**141.826**	**96.639**
Finance revenue		2.131	398
Finance costs	17 and 23	(20.726)	(6.338)
Share of results of associates		(83)	-
Share of results of joint ventures		(2)	-
PROFIT / (LOSS) BEFORE TAX		**123.146**	**90.699**
Income tax	20.4	(20.291)	(20.583)
PROFIT / (LOSS) FOR THE YEAR		**102.855**	**70.116**
Attributable to owners of the Company		**103.033**	**70.120**
Attributable to non-controlling interests		**(178)**	**(4)**
Earnings/(losses) per share (Euros):			
Basic	5	1,345	0,948
Diluted	5	1,345	0,948

(*) Presented just for comparative purposes.

The accompanying Notes 1 to 30 and Appendix I are an integral part of the consolidated income statement for the period ended 31 December 2021.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE PERIOD ENDED 31 DECEMBER 2021 AND 2020

(Thousands of Euros)

	Notes	Period ended 31 December 2021	Period ended 31 December 2020 (*)
CONSOLIDATED PROFIT / (LOSS) FOR THE YEAR		**102.855**	**70.116**
OTHER RECOGNISED INCOME (EXPENSES)		-	-
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		-	-
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		-	-
TOTAL RECOGNISED INCOME AND EXPENSE		**102.855**	**70.116**
Total recognised income and expense attributable to owners of the Company		**103.033**	**70.120**
Total recognised income and expense attributable to non-controlling interests		**(178)**	**(4)**

(*) Presented just for comparative purposes.

The accompanying Notes 1 to 30 and Appendix I are an integral part of the consolidated statements of recognised income and expense for the period ended 31 December 2021.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2021 AND 2020

(Thousands of Euros)

	Share capital	Share premium	Legal reserve	Reserves of the Parent	Own shares	Other reserves	Reserves at fully consolidated companies	Profit for the year attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 31 December 2019 (*)	**790.050**	**39.247**	**3.363**	**52.364**	**(51.191)**	**522**	**(108.676)**	**63.748**	**-**	**789.427**
Distribution of profit/loss for the year:										
To reserves	-	-	1.410	12.688	-	(121)	49.771	(63.748)	-	**-**
Income/expense recognised in the period	-	-	-	-	-	-	-	70.120	(4)	**70.116**
Business combination (Note 2.8)	-	-	-	-	-	-	-	-	289	**289**
Transactions with Treasury Shares	-	-	-		523	-	-	-	-	**523**
Other movements (Notes 4.19 and 15.4)	-	-	-	1.159	(447)	(1.962)	1.793	-	-	**543**
Balance at 31 December 2020 (*)	**790.050**	**39.247**	**4.773**	**66.211**	**(51.115)**	**(1.561)**	**(57.112)**	**70.120**	**285**	**860.898**
Distribution of profit/loss for the year:										
To reserves	-	-	797	7.071	-	-	62.252	(70.120)	-	**-**
Income/expense recognised in the period	-	-	-	-	-	-	-	103.033	(178)	**102.855**
Business combination (Notes 2.8 and 15)	9.836	1.456	-	(8.158)	50.740	-	-	-	1.003	**54.877**
Transactions with Treasury Shares	-	-	-	(204)	(39.830)		-	-	-	**(40.034)**
Dividend distribution (Note 15.5)	-	(37.210)	-	-	-	-	-	-	-	**(37.210)**
Other movements (Notes 4.19 and 15.4)	-	-	-	-	-	3.126	(17)	-	1	**3.110**
Balance at 31 December 2021	**799.886**	**3.493**	**5.570**	**64.920**	**(40.205)**	**1.565**	**5.123**	**103.033**	**1.111**	**944.496**

(*) Presented just for comparative purposes.

The accompanying Notes 1 to 30 and Appendix I are an integral part of the consolidated statements of changes in equity for the period ended 31 December 2021.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2021 AND 2020
(Thousands of Euros)

	Notes	Period ended 31 December 2021	Period ended 31 December 2020 (*)
Cash flows from/(used in) operating activities			
Profit/(loss) from operations		123.146	90.699
Adjustments-			
Depreciation and amortisation	**7, 8 and 9**	4.903	4.095
Change in provisions	**12 and 16**	40.265	7.289
Impairment and gains/(losses) on disposal of intangible and tangible assets		-	(151)
Finance costs		20.726	6.338
Finance revenue		(2.131)	(398)
Share of results of associates		83	-
Share of results of joint ventures		2	-
Incentive Plans	**15.4**	3.582	1.790
Change in fair value of investment properties	**2.8 and 12**	(16.964)	-
Negative goodwill on business combinations	**2.8**	(142)	-
		173.470	**109.662**
Increase/(Decrease) in current assets and liabilities:			
Inventories	**12**	136.498	152
Trade and other receivables	**13**	(8.672)	2.028
Current trade and other payables	**18 and 19**	10.609	38.926
Other current and non-current assets and liabilities	**11**	(54.680)	(1.377)
Income tax paid	**20**	(32.023)	(14.723)
Total net cash flows from operating activities (I)		**225.202**	**134.668**
Cash flows from/(used in) investing activities:			
Acquisition of subsidiary	**2.8 and 17.2**	19.031	(2.450)
Acquisition of interests in joint ventures	**2.8**	(6.003)	-
Investments in intangible and tangible assets	**7 and 8**	(738)	(812)
Investments in investment property	**2.8**	(54.190)	-
Disposals of intangible and tangible assets	**7 and 8**	-	624
Disposals of investment property		-	86
Investments in current financial assets	**11 and 29**	(1.878)	(20.134)
Total net cash flows from investing activities (II)		**(43.778)**	**(22.686)**
Cash flows from/(used in) financing activities:			
Proceeds from bank borrowings and other financial liabilities	**17**	605.519	182.133
Repayment of bank borrowings and other financial liabilities	**17**	(647.503)	(189.893)
Interests paid	**17 and 23**	(18.539)	(7.424)
Transactions with Treasury Shares and other equity transactions	**15**	(44.260)	-
Dividend distribution	**15.5**	(37.210)	-
Total net cash flows from financing activities (III)		**(141.993)**	**(15.184)**
Net increase/(decrease) in cash and cash equivalents (I+II+III)		**39.431**	**96.798**
Cash and cash equivalents at beginning of the period		270.213	173.415
Cash and cash equivalents at end of year		**309.644**	**270.213**

(*) Presented just for comparative purposes.

The accompanying Notes 1 to 30 and Appendix I are an integral part of the consolidated statement of cash flow for the period ended 31 December 2021.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 30). In the event of a discrepancy, the Spanish-language version prevails.

Neinor Homes, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements
for the period ended
31 December 2021 (hereinafter, 2021 period)

1. Activity of the Neinor Homes Group

Neinor Homes, S.A. ("the Parent"), was incorporated under the Spanish law. in a deed executed on 4 December 2014. On 1 March 2017, the Parent was registered as a public limited liability company ("S.A.") with a view to its admission to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges. The corporate purpose of Neinor Homes, S.A. is to promote, manage and develop all kind of Real Estate operations. Its registered addess is in Calle Ercilla 24, Bilbao (Vizcaya).The bylaws and other public information on the Company can be consulted in its registered address and on the website: www.neinorhomes.com.

In addition to the operations carried out directly, Neinor Homes, S.A. is the Parent of a Group of subsidiaries with the same corporate purpose and which, together constitute Neinor Homes Group the Parent´s shares were admitted to trading on the official secondary market. Therefore, the Parent Company is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements and half-yearly financial reports for both the Parent and the consolidated Group in accordance with Royal Decree 1362/2007, of 19 October, implementing Spanish Securities Market Law 24/1988, of 28 July, in relation to the transparency requirements regarding the information on issuers whose securities are admitted to trading on an official secondary market or on another regulated market in the European Union.

The Neinor Homes Group was incorporated in the context of the memorandum of understanding entered into in 2014 by Kutxabank, S.A. and the Lone Star investment fund, through its investee Intertax Business, S.L.U. (now Neinor Holdings, S.L.U.) for the sale and purchase of a portion of the Kutxabank Group's property assets. This transaction was completed on 14 May 2015 through the transfer by Kutxabank, S.A. to Neinor Holdings, S.L.U. of all the shares held by the former in Neinor Homes, S.A., once the conditions precedent established in the purchase and sale agreement entered into by the parties on 18 December 2014 had been met.

In addition, and as part of this transaction, on 1 January 2015, all the employees who had been performing the property group's development and management tasks at the Kutxabank Group, and the technical and other resources required to perform this activity, were transferred to the various Neinor Homes Group companies. In this regard, on 14 May 2015, an asset administration and management agreement was entered into by the various Kutxabank Group companies and Neinor Homes, S.A. in relation to the property assets owned by the former. As consideration for these services, the various companies pay remuneration depending on the type and volume of the managed assets, plus additional variable remuneration based on success, applicable to asset sales and for performing certain specific related actions, and accruals. This agreement had an initial seven-year term and may be extended automatically for further one-year periods. On July 1, 2021 Neinor Homes Group confirmed that it will not present a binding offer to extend the terms of the servicing contract. As such, Neinor Homes Group will continue to manage Kutxabank's Real Estate portfolio until the term of the existing contract, May 2022. However, it is not expected that the non-renewal of this contract will have a significant impact on the objectives planned by the Group.

Additionally, in 2017, in accordance with the terms and conditions established in the property asset administration and management agreement, Kutxabank and the Neinor Homes Group entered into an agreement whereby the Neinor Homes Group proceeded to open bank accounts for the sole purpose of enabling the Neinor Homes Group to manage directly the expenses paid under the aforementioned agreement in relation to the companies Kutxabank, S.A. and Cajasur Banco, S.A.U., to which the balances deposited in these cash accounts belong. As a result, the cash balances of these accounts at 31 December 2021, amounting to EUR 71 thousand are not recognized in the accompanying consolidated balance sheet (EUR 94 thousand at 31 December 2020), and nor are any liabilities, income or expenses associated with the balance recognized in the accompanying consolidated financial statements.

On 29 March 2017, the Parent's shares were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, for which the Group obtained the related waivers/approvals from the banks from which it had received any kind of financing to avoid such financing being subject to early total payment.

Neinor Homes is part of the Ibex Medium Cap, a stock market financial index prepared by Bolsas y Mercados Españoles (BME), which is made up of the most important companies after IBEX 35.

In m In May 2021, the business combination with Quabit Inmobiliaria S.A. took place, as described in Note 2.8. On the other hand, and in relation to the above, in April 2021 the issuance of senior covered bonds maturing in 2026 for a total nominal amount of 300 million euros was successfully closed (Note 17.2).

The consolidated financial statements of the Neinor Homes Group for 2020 were prepared by the Parent's directors at the Board of Directors' meeting held on 24 February 2021, on the basis of the accounting records held by the Parent and by the other Neinor Homes Group companies properly adjusted for the conversion to International Financial Reporting Standards (EU-IFRSs), and approved by its shareholders on 31 March 2021.

Appendix I includes the detail of the consolidated Group companies and the information related thereto at 31 December 2021 and 2020, prior to the related unifying adjustments thereof and any adjustments made for the conversion to International Financial Reporting Standards (EU-IFRSs). The information in Appendix I was provided by the Group companies and their equity position is reflected in their separate financial statements.

2. Basis of presentation of the consolidated financial statements

2.1 Basis of presentation

In accordance with Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, every company governed by the laws of a European Union member state, and having its equity shares listed on a regulated market of any of its member states is required to file its consolidated financial statements for the reporting periods starting on or after 1 January 2005, in compliance with such International Financial Reporting Standards (IFRS) as may have been previously adopted by the European Union. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, so that they present fairly the Neinor Homes Group's consolidated equity and financial position at 31 December 2021, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the 12 months period then ended.

The consolidated financial statements of the Neinor Homes Group for 2021 were prepared by the Parent's directors at the Board of Directors' meeting held on 23 February 2022, on the basis of the accounting records held by the Parent and by the other Neinor Homes Group companies properly adjusted for the conversion to International Financial Reporting Standards (EU-IFRSs).

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2021 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with International Financial Reporting Standards.

In order to uniformly present the various items that make up the consolidated financial statements, the accounting policies and measurement bases used by the Parent have been applied to all the companies included in the scope of consolidation.

Also, the accompanying financial statements for 2021 are presented in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 ("ESEF Regulation").

The 2021 consolidated financial statements of the Group and the financial statements of the Group companies have not yet been approved by their respective shareholders. However, the Parent's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

2.2 Adoption of International Financial Reporting Standards

The following mandatory standards and interpretations, already adopted in the European Union, became effective in 2021. Where applicable, the Group has used them in the preparation of these consolidated financial statements:

(1) ***New standards, amendments and interpretations mandatorily applicable in the year 2021***

Approved for use in the European Union		**Mandatory application for annual periods beginning on or after:**
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 –Interest Rate Benchmark Reform – Phase 2	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the Interest rate benchmark reform (phase 2)	1 January 2021
Amendments to IFRS 4 - Extension of the temporary exemption from applying IFRS 9	Deferral of the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 to 1 January 2023	1 January 2021
Amendment to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021	The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	1 April 2021

(2) ***New standards, amendments and interpretations of mandatory application for annual periods after the calendar year starting on 1 January 2021:***

At the date of authorization of these annual consolidated financial statements, the following standards and interpretations had been published by the IASB but had not become effective, either because their effective date was subsequent to the date of the consolidated financial statements or because they had yet to be adopted by the European Union:

Approved for use in the European Union		Mandatory application for annual periods beginning on or after:
Amendments to IFRS 3 - Reference to the Conceptual Framework	Update of IFRS 3 to align the definitions of assets and liabilities in a business combination with those contained in the conceptual framework	1 January 2022
Amendments to IAS 16 - Proceeds before intended use	Modification clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment (PPE) into use	1 January 2022
Amendments to IAS 37 - Onerous contracts - Cost of fulfilling a contract	Modification specifies that the 'cost of fulfilling' a contract comprises incremental costs of fulfilling that contract and the allocation of other costs that relate directly to fulfilling contracts	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	Minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022

Not Approved for use in the European Union		Mandatory application for annual periods beginning on or after:
Amendment to IAS 1 - Classification of Liabilities as Current or Non-Current	Amendment to IAS 1 that provides a more general approach to the classification of liabilities	1 January 2023
Amendment to IAS 1 - Disclosure of Accounting Policies	Amendment that is intended to help preparers in deciding which accounting policies to disclose in their financial statements	1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates	1 January 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition	1 January 2023
IFRS 17 Insurance contracts (issued on May 2017)	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, replacing IFRS 4	1 January 2023
Amendments to IFRS 17 - Initial application of IFRS 17 and IFRS 9—Comparative Information	The amendment is a transition option relating to comparative information for insurance entities on initial application of IFRS 17 and IFRS 9	1 January 2023

The Group has performed an assessment in relation to the standards that come into force in 2022 and subsequent years, of the impacts that the future application of this standard might have on the consolidated financial statements once they become effective.

2.3 Changes in accounting policies

In the exercise ended 31 December 2021, there were no significant changes in accounting policies with respect to those applied in the exercise ended 31 December 2020.

2.4 Functional currency

These financial statements are presented in euros as this is the currency of the primary economic area in which the Group operates. Currently, the Group does not have foreign operations.

2.5 Responsibility for the information and estimates made

The information contained in these financial statements is the responsibility of the directors of the Group's Parent.

In the Group's consolidated financial statements for the 12 months period ended 31 December 2021 estimates were occasionally made by the senior executives of the Group and of the consolidated companies, and later ratified by the directors, in order to quantify certain assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

1. The fair value of the Group's Real Estate assets (see Notes 2.8, 9 and 12). The Group has obtained valuations from independent experts in 2021 for its Real Estate assets, describing the valuation method used in Note 4.6.

2. The assessment of possible impairment losses on certain assets.

3. The useful life of intangible assets and property, plant and equipment (see Notes 7, 8 and 9).

4. The amount of certain provisions (see Note 16).

5. The recoverability of deferred tax assets (see Note 20.4).

6. The valuation of long-term employee benefits (see Note 15.4).

7. The compliance with the covenants and clauses established by arranged borrowings (Note 17.1).

8. The definition of the transactions carried out by the Group as a business combination in accordance with IFRS 3 or as an acquisition of assets (Note 2.8).

Although these estimates were made on the basis of the best information available at 31 December 2021, future events may require them to be modified prospectively (upwards or downwards), in accordance with IAS 8. The effects of any change would be recognized in the corresponding consolidated income statement. As described in Note 28, the expansion of Covid-19 has posed significant challenges for business and introduced a high degree of uncertainty concerning economic activity. Due to the uncertainty involved in any estimate based on future expectations in the current economic environment, differences might arise between projected and actual results. The importance of these estimates should be taken into account in any interpretation of the accompanying consolidated financial statements and, in particular, in relation to the valuation of the Group's property assets.

No significant changes were made to the estimates used at 2020 year-end during the period ended on 31 December 2021.

2.6 Consolidation principles

Subsidiaries are considered to be those companies over which the Parent directly or indirectly exercises control through subsidiaries. The Parent has control over a subsidiary when it is exposed or has rights to variable returns from its involvement with the subsidiary, and when it has the ability to use its power to affect its returns. The Parent has power when the voting rights are sufficient to give it the ability to direct the relevant activities of the subsidiary. The Parent is exposed or has rights to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance. Currently, all of the subsidiaries have been fully consolidated.

Non-controlling interests are measured at the proportionate fair value of the identifiable assets and liabilities recognized. The share of non-controlling interests is as follows:

1. Interest in investees' equity is presented "Non-controlling interests" under equity in the consolidated balance sheet.

2. Share of profit or loss for the year is presented in " Profit/(Loss) for the year attributable to non-controlling interests" in the consolidated income statement.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All material balances and transactions between the fully consolidated companies and the results included in inventories arising from purchases from other Group companies have been eliminated on consolidation.

No timing adjustments have been necessary since the balance sheet date of all the Group companies is the same.

2.7 First-time consolidation differences

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired (i.e. a discount on acquisition) is taken to profit and loss for the period. First consolidated financial statements did not imply recognizing any goodwill or gain.

2.8 Changes in the scope of consolidation

During the year ended on 31 December 2021 following changes took place in the scope of consolidation of the Neinor Homes Group:

Business combinations

On 11 January 2021, the draft terms of merger of Neinor Homes, S.A. (absorbing company) and Quabit Inmobiliaria, S.A. (absorbed company) were approved by the companies' respective Boards of Directors, and the validity of the draft terms of merger were conditional upon the occurrence of the following:

- The presentation of the required documentation in the event of a tender offer or an IPO, including any registration requirement that the Spanish National Securities Market Commission might establish, and notification of the merger to the corresponding competition authorities, and, as the case may be, the obtainment of authorization or no formal objection to the merger, be it express or constructive.

- Approval from the Annual General Meetings of the companies participating in the merger.

- Obtainment of consent (or, where applicable, of waivers of the exercise of any rights as a result of the merger, in particular early repayment clauses) from the financing entities or creditors of Neinor Homes, S.A. or Quabit Inmobiliaria, S.A., provided that they are significant to the merger.

- Confirmation by the tax authorities that the special regime for mergers, spin-offs, asset contributions, share exchanges, transfers bloc of assets and liabilities and changes of registered office of European companies or European cooperative entities from one European Union Member State to another, regulated in Title VI, Chapter VII of the Vizcaya Income Tax Regulation is applicable to this transaction and that, under the aforementioned special regime, the treatment of any gains from a bargain purchase on merger would not be subject to income tax.

The acquisition date was established as 19 May 2021 following the obtainment, on the immediately preceding day, of authorisation of the Merger from the competition authorities and, thus, the fulfilment of all of the conditions precedent described above; as a result, Neinor Homes, S.A. obtained control of Quabit Inmobiliaria, S.A.

The agreement, which at the draft terms of merger approval´s date was supported by the irrevocable commitment of the vote in favour of the main shareholders of both groups, is based on the existence of clear benefits from an operating and financial perspective. The legal structure chosen for the merger consists of the absorption of Quabit Inmobiliaria, S.A. by Neinor Homes, S.A. with the extinguishment of the former through dissolution without liquidation, and the transfer en bloc of all its assets and liabilities to the latter, which acquires by universal succession all the rights and obligations of Quabit Inmobiliaria, S.A. For the purposes of the transaction, the audit committees of both groups reviewed the exchange ratio determined on the basis of the actual value of the assets and liabilities of Neinor Homes, S.A. and Quabit Inmobiliaria, S.A., which has been established to be one ordinary share of Neinor Homes, S.A., of EUR 10 par value each, for every 25,965 “Class A” shares of Quabit Inmobiliaria, S.A. (the only class outstanding at the date of the exchange) of EUR 0,50 par value each. This has meant that, for the total 145.383.654 outstanding “Class A” shares of Quabit Inmobiliaria, S.A., approximately 5,6 million ordinary shares of Neinor Homes, S.A. has been issued, representing a total of 7% of its share capital (post-dilution). In any case, this exchange has been subject to verification by the independent expert appointed by the Mercantile Registry for the purposes of Article 34 of Law 3/2009, of 3 April, on structural changes to companies formed under the Spanish Commercial Code. On 24 May 2021, the aforementioned capital increase, carried out through the issuance of 5.599.216 shares of EUR 10 par value each, was registered at the Vizcaya Mercantile Registry; consequently, Quabit Inmobiliaria, S.A. was delisted from the financial markets on 25 May 2021.

For tax purposes, the transaction qualified for application of the special regime for mergers regulated in Title VI, Chapter VII of the Vizcaya Income Tax Regulation 11/2013, of 5 December, and to this end confirmation was obtained from the tax authorities; furthermore, the non-taxability provisions and exemptions from transfer tax envisaged in Articles 31.2.1, 33 and 58.10 of Vizcaya Transfer Tax Regulation 1/2011, of 24 March also applied to the transaction.

In the context of the transaction, on 10 January 2021 Neinor Homes, S.A. entered into an agreement with Cedarville Spain, S.L.U., GL Europe Luxembourg III (US) Investments, S.à r.l., GL Europe Luxembourg III (EUR) Investments, S.à r.l. and GL Europe ASRS Investments, S.à r.l. (all of which are hereinafter referred to as “Avenue”) with the aim of reducing Avenue’s financial exposure (equity instruments and borrowings), for which the consideration was established as follows:

- Payment of approximately EUR 85 million (of which 3 million euros have already been paid by the subsidiaries of Quabit Inmobiliaria, S.A. prior to the acquisition date) , corresponding to both the purchase of the “Class B” shares of Quabit Inmobiliaria, S.A. for their retirement and to the rest of the financing granted by Avenue. Prior to this, the Board of Directors of Quabit Inmobiliaria, S.A. submitted for approval by the same Annual General Meeting the merger and (prior to the proposed merger agreement) the buyout of all the shares.

- The transfer to Avenue of all the shares of Quabit Las Lomas del Flamenco, S.L.U. project (in Mijas, Andalucía), the most recent appraisal of which amounted to EUR 32 million gross. Concurrent to the transfer, Neinor Homes, S.A. and Avenue undertook to execute 2 contracts in relation to the construction and development of this project:

    - property asset development and management agreement, in which the Neinor Homes Group will act as manager and on the basis of which a market fee will be established for such management,

    - a financing agreement, in which the Neinor Homes Group will be the lender for an amount of up to EUR 11 million, on which a security interest must be created by the counterparty and which will earn interest at a fixed rate of 4%, with minor interest rate increases depending on LTV Ratio.

Also, Neinor Homes, S.A. and Avenue took various actions, including:

- the execution of a public deed terminating the warrants held by Avenue vis-à-vis Quabit Inmobiliaria, S.A. which enabled the owners thereof to subscribe a maximum of 5.06% of the share capital of the absorbed company;

- subscription and execution in a public deed of a letter of payment before a notary to pay off the amounts corresponding to the borrowings granted by Avenue; and

- execution of the corresponding public deed to transfer to Avenue all of the plots of land that make up the project called Las Lomas del Flamenco, S.L.U. whose ownership corresponds to Quabit Las Lomas del Flamenco, S.L.U.

On 23 June 2021, the payment of the financial exposure of Avenue was made, through the disbursement of cash totalling EUR 82 million, approximately, and, in addition, public deeds were executed for the termination of the warrants held by Avenue and the transfer of all the shares of Quabit Las Lomas del Flamenco, S.L.U.

The identifiable assets and liabilities of Quabit Inmobiliaria, S.A. and subsidiaries assumed at the date of the takeover, considering the purchase price allocation performed by the management of Neinor Homes Group, were as follows:

	Thousands of Euros		
	Book value at the acquisition date	Valuation adjustments	Fair value at the acquisition date
Non-current assets			
Goodwill	7.401	(7.401)	-
Other intangible assets (***)	12.115	(4.598)	7.517
Deferred tax assets	1.026	68.000	69.026
Others	7.658	(2.210)	5.448
Current assets			
Inventories	434.822	(123.015)	311.807
Trade and other receivables	39.263	-	39.263
Cash and cash equivalents	19.031	-	19.031
Others	17.320	-	17.320
Non-current liabilities			
Bank borrowings	(25.250)	-	(25.250)
Other non-current liabilities (**)	(24.822)	2.057	(22.765)
Deferred tax liabilities	(999)	(47)	(1.046)
Others	(2.592)	-	(2.592)
Current liabilities			
Bank borrowings (**)	(270.841)	18.134	(252.707)
Current trade and other payables	(47.502)	(800)	(48.302)
Others	(49.764)	(8.393)	(58.157)
Non-controlling interests	(310)	(693)	(1.003)
Total	**116.556**	**(58.966)**	**57.590**
Consideration transferred (*)			**57.448**
Negative goodwill on business combinations			**142**

(*) Calculated considering the share price of Neinor Homes, S.A. at the date the shares have been transferred.
(**) These impacts correspond mainly to the agreements signed with Avenue and SAREB regarding the debt removal, amounting to EUR 20 million, approximately.
(***) This impact corresponds mainly to the client portfolio identified in the subsidiary Quabit Construcción, S.A., amounting to EUR 7 million, approximately.

The amount of revenue recognized in the accompanying consolidated financial statements at 31 December 2021 from the date of the acquisition of control, relating to Quabit Inmobiliaria, S.A. and subsidiaries amounted to EUR 133.942 thousand, with a gain before tax of EUR 12.562 thousand. If Quabit Inmobiliaria, S.A. and subsidiaries had been consolidated as from 1 January 2021, revenue would have increased by approximately EUR 67.915 thousand and profit for the year would have decreased by approximately EUR 16.548 thousand, respectively.

Although the assets and liabilities of Quabit Inmobiliaria, S.A. were adjusted to fair value as a result of applying the acquisition method of accounting to the business combination, the gain from a bargain purchase shown is provisional, and the Neinor Homes Group have 12 months from the acquisition date to complete the definitive purchase price allocation. In this regard, although no significant modifications are expected to be made, the value adjustments detailed above could be affected by such evidence of fair value as may arise from the performance of the business and from the transactions with the absorbed companies in the coming months.

Acquisition of assets

On 4 January 2021, the Group company Promociones Neinor 1, S.L.U executed in a public deed and completed the acquisition of all the shares of 100% of Sardes Holco, S.L.U., a company owning nine developments earmarked for lease and located in Alicante, Badalona, Gerona, Madrid, Málaga Sabadell, Terrassa and Valencia, having also to assume the payment of the loan granted to the acquired company by its former parent, amounting to EUR 5.737 thousand. EUR 5.749 thousand were advanced in December 2020, corresponding to approximately one-tenth of the transaction, and recognized under "Non-Current Financial Assets" in the comparative figures as at 31 December 2020. The remaining amount was paid on the date of the public deed. The Parent's directors decided to recognize the transaction as an asset acquisition, since the acquired company does not have processes, organized procedures necessary for the owner to produce a product or an organized workforce for the provision of such processes. In this connection, substantially all the assets of the acquired company relate to the cost of the nine urban developments owned by it as it is derived from the following audited financial statements as of December 31, 2020 (that do not differ significantly from those corresponding to the acquisition date), which are disclosed with the corresponding valuation adjustments:

	Thousands of Euros		
	Audited book value 31.12.2020	Valuation adjustments	Fair value at the acquisition date
Non-current assets			
Goodwill	54	-	54
Other intangible assets	35.603	22.310	57.913
Deferred tax assets			
Others	184	-	184
Current assets			
Trade and other receivables	86	-	86
Cash and cash equivalents	374	-	374
Others	51	-	51
Non-current liabilities			
Other debts (*)	(5.737)	-	(5.737)
Current liabilities			
Other current financial liabilities	(227)	-	(227)
Current trade and other payables	(205)	-	(205)
Total	**30.183**	**22.310**	**52.493**
Consideration transferred (*)			**52.493**

(*) The Group has also assumed the payment of the loan granted to the acquired company by its former parent, amounting to EUR 5.737 thousand.

At 31 December 2021, the Group has used the valuation carried out by independent experts to determine the updated fair value of the investment property, which amounts to EUR 69.798 thousand, giving rise to a revaluation amounting to EUR 12.001 thousand that has been recorded under the caption "Change in fair value of investment properties" of the consolidated profit and loss account at 31 of December 2021. According to the valuation carried out at 30 June 2021 the revaluation of the investment property amounted to EUR 11.585 thousand. Consequently, the impact recorded in the consolidated profit and loss amounts to EUR 416 thousand (Notes 6 and 12).

The methodology used to calculate this market value consisted of preparing income and expense projections, discounted to the reporting date of the accompanying consolidated financial statements using a market discount rate.

Other

In May 2021 the Neinor Homes Group, in alliance with Grupo Cevasa, was awarded the tender sponsored by the public company Habitatge Metròpolis Barcelona, S.A. (until then owned 50% by the Barcelona Metropolitan Area and 50% by the Barcelona City Council) for the construction and subsequent management under rental arrangements of 4,500 government-subsidised homes in the metropolitan area of Barcelona. In this connection, on 9 June 2021, Neinor Homes, S.A. and Compañía Española de Viviendas en Alquiler, S.A. ("Cevasa") jointly incorporated, each with a 50% ownership interest, Nicrent Residencial, S.L. with an initial share capital of EUR 3 thousand. During November 2021, a monetary contribution of EUR 12 million has been made to Habitatge Metròpolis Barcelona, S.A. through Nicrent Residencial, S.L. (equally distributed between Neinor Homes, S.A. and Cevasa) in exchange for a 50% ownership interest in its share capital. As provided for in the terms of the tender, Nicrent Residencial, S.L. has also undertaken to make, in an estimated period of one to five years, successive contributions that will total, together with the aforementioned initial contribution, an amount of between a minimum of approximately EUR 58 million and a maximum of approximately EUR 104 million. For their part, the public shareholders of Habitatge Metròpolis Barcelona, S.A. will contribute to this company the land required for the construction of the above-mentioned homes and will make the necessary monetary contributions to ensure that their 50% ownership interest remains unchanged. After it has become a shareholder of Habitatge Metròpolis Barcelona, S.A., Nicrent Residencial, S.L. will be responsible for the administration and the management of the assets of Habitatge Metròpolis Barcelona, S.A., which will entail, inter alia, managing the construction and development of the land of this company and managing the rental of the homes, for which it will obtain an arm's length remuneration. This transaction has been recorded by Neinor Homes Group as a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement ("joint venture")

During 2020, the only change in the scope of consolidation of Neinor Homes Group was the following:

In September 2020 the Parent acquired a 75% ownership interest in the share capital of Umber Jurídico Inmobiliario, S.L. (a company that was dissolved in November 2020 as it had been absorbed in a downstream merger by its wholly-owned subsidiary Renta Garantizada, S.A.) for a price that included a fixed amount of EUR 3.297 thousand and a variable amount of EUR 3 million (EUR 2.661 thousand recognized at amortised cost at 31 December 2021 (Note 17.2)) , subject to the operating performance of Renta Garantizada, S.A. The latter payment was deferred until 2023 year-end or 2024 depending on whether or not the company achieves early the conditions established. For the purpose of preparing these consolidated financial statements, management of the Parent considered that the conditions necessary for the payment in full of the variable amount will be fulfilled. The purchase agreement also includes the obligation for the Parent to acquire the remaining share capital of the non-controlling interests (25%), provided that certain conditions are met, which are "out of the money" at year end and therefore no amount has been recognized in this regard in these consolidated financial statements.

The identifiable assets and liabilities assumed at the date of the takeover were as follows:

	Thousand euros
Non-Current assets	608
Current assets (without cash and cash equivalents)	463
Cash and cash equivalents	847
Current liabilities	(384)
Non-Current liabilities	(378)
Other identificable assets and liabilities	775
Minority interests	(289)
Transferred consideration	**3.297**
Contingent consideration	**2.557**
Goodwill / (Negative consolidation difference)	**4.212**

The Parent's directors identified an asset not recognized in the balance sheet of the company subject to the transaction, related to long-term lease management agreements previously entered into by the acquiree which were in force at the date of the transaction, for a gross amount of EUR 1.033 thousand (EUR 775 thousand net of tax) (Note 7), and recognized the item under “Intangible Assets” in the consolidated balance sheet as at 31 December 2020, together with the corresponding deferred tax asset amounting to EUR 258 thousand. The estimated useful life of this asset is five years, which is equal to the average term of the aforementioned agreements.

The amount of revenue recognized in the consolidated financial statements at 31 December 2020 from the date of the acquisition of control, relating to the acquired company amounted to EUR 534 thousand, with profit before tax of EUR 104 thousand. If the acquired company had been consolidated as from 1 January 2020, revenue and profit before tax would have increased by approximately EUR 1.223 thousand and EUR 381 thousand, respectively.

2.9 Comparative information

The information relating to the 2021 consolidated financial statements is presented for comparison purposes with that relating to period ended 31 December 2020.

2.10 Correction of errors

In preparing the accompanying consolidated financial statements no errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for year ended 31 December 2020.

3. Distribution of profits attributable to the Parent

The distribution of profits proposed by the Parent's directors for approval by its shareholders at the Annual General Meeting, is as follows:

	Thousands of euros	
	31.12.21	31.12.20
Basis of distribution:		
Profit for the year	**6.386**	**7.967**
Application:		
-To legal reserve	639	797
-To voluntary reserves	5.747	7.170
	6.386	**7.967**

4. Measurement bases

The accounting principles and policies and measurement bases applied in preparing the Neinor Homes Group's consolidated financial statements for the exercises ended 31 December 2021 and 31 December 2020 were as follows:

4.1 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

4.2 Intangible assets and property, plant and equipment

Intangible assets

Intangible assets are identifiable non-monetary assets, without physical substance, which arise as a result of a legal transaction or which are developed by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognized.

Intangible assets are recognized initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

The period intangible asset amortization charge is recognized in the consolidated statement of profit or loss at rates based on the following years of estimated useful life, which for the intangible assets is four/five years.

Property, plant and equipment

Property, plant and equipment assets are recognized initially at acquisition/contribution or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized as an increase in the cost of corresponding assets.

Maintenance and repair costs that do not lead to a lengthening of the useful lives of the assets are charged to the income statement for the period in which they are incurred.

Interest and other financial charges incurred during the period of construction of property, plant and equipment are recognized as an increase in the cost of the construction in progress (see section 14) of this Note).

Depreciation is calculated by applying the straight-line method to the acquisition cost of assets less their residual value. The land on which Group buildings and other structures stand is deemed to have an indefinite useful life and, therefore, is not depreciated.

The periods of which the property, plant and equipment depreciation charges are recognized in the consolidated income statement on the basis of the average years of estimated useful life of the various assets, are as follows:

	Annual rate
Straight-line depreciation method:	
Other installations	10%
Furniture	25%
Data processing equipment	25%
Other items of property, plant and equipment	10%

Assets under construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment losses. Cost includes professional fees. Depreciation of these assets commences when the assets are ready for their intended use.

Assets other than investment property held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Costs incurred in rented assets (the Group acting as an operating lessee) are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

At the end of each reporting period, consolidated companies assess whether there are any internal or external indications that the carrying amount of an item of property, plant and equipment exceeds its recoverable amount, in which case the carrying amount of the asset is written down to the recoverable amount and the future depreciation charges are adjusted in proportion to the revised carrying amount and the new remaining useful life, should it need to be remeasured.

Similarly, if there is an indication of a recovery in the value of an impaired asset, the consolidated companies recognize the reversal of the impairment loss previously recorded and adjust the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior years.

4.3 Right-of-use assets and lease liabilities

The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. Dismantling and restoring costs are included in this calculation, if they should be taken into consideration. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. Estimated useful life of the assets is as follows:

	Annual rate
Right-of-use assets	20%

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

4.4 Impairment of property, plant and equipment, investment property and intangible assets

At the end of each reporting period, the Neinor Homes Group reviews the carrying amounts of its items of property, plant and equipment, investment property and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

Impairment has been calculated in accordance with the criteria described in Note 4.6. Also, in the case of leased real estate assets, the Group uses a mixed criterion. Since they are linked to commercial operations, the most appropriate methodology is considered to be the discounted cash flows model considering the inflows and outflows arising from the operation of the asset determined by its lease status. An exit value is determined when the lease expires or considering the periods, in any case, of mandatory application, calculated by recognizing the perpetual return of the last year analyzed or a market-based return, once the characteristics and contractual terms and conditions of the assets have been analyzed, considering the constant return. The yield used as a discount rate will be determined as the yield demanded by the market when the valuation is made based on the specific features of the assets.

4.5 Leases

When consolidated entities act as lessors, they present the fair value of the leased asset under "Investment property". Lease income is recognized in the income statements on a straight-line basis.

When consolidated entities act as the lessee, the Group applies the criteria described in the Note 4.3.

4.6 Inventories

"Inventories" in the consolidated balance sheet include assets that the consolidated companies:

1. Hold for sale in the ordinary course of business.

2. Hold under production, construction or development for sale in the ordinary course of business.

3. Expect to be consumed in the production process or in the rendering of services.

The Group considers that its inventories do not meet the requirements of IAS 40 for consideration as investment property. Consequently, land and other property held for sale or for inclusion in a property development are treated as inventories.

Land and sites are measured at the lower of acquisition cost, plus site development costs, if any, purchase transaction costs (transfer tax, registration expenses, etc.) and finance costs incurred over the period the urban development work is being carried out (see section 14 of this Note), or estimated market value.

The costs incurred in property developments, or in portions thereof, the construction of which had not been completed at year-end, are classified as construction in progress. These costs include costs relating to the site, urban development and construction costs, capitalized finance costs incurred in the construction period, and other allocable direct and indirect costs. Marketing expenses are charged to the consolidated income statement in the year in which they are incurred. Finance costs, which amounted to EUR 4.866 thousand in 2021, were recognized in the consolidated statement of profit or loss as a reduction of the financial profit and related to expenses associated with developments in Progress (EUR 4.166 thousand in 2020) (see Note 4.14 and Note 12).

The Group companies transfer the accumulated costs of completed developments, or a portion thereof, from "Construction work in progress" to "Completed properties".

The inventories transferred to the Neinor Homes Group by virtue of the contributions made in the context of the transaction described in Note 1 are recognized initially at the amount assigned to them in the related transfer agreements. This amount coincides with the carrying amount at which these inventories had been recognized in the accounting records of the contributing companies, considering their acquisition cost or their net recoverable value, the lower.

"Short-Cycle Developments in Progress" are considered to be the accumulated costs of those developments for which the projected construction completion period does not exceed twelve months.

The cost of construction in progress and completed work is reduced to its fair value and, where appropriate, the related allowance for decline in value is recognized. However, if the fair value is greater than the net value of the cost, the value of the cost/contribution is maintained.

The fair value of the Group's inventories is calculated on the basis of appraisals carried out by independent experts not related to the Group (Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U.) or internal estimates. These appraisals or estimates use mainly the dynamic residual method to calculate the fair value and are carried out in accordance with the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors (RICS) in the United Kingdom and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

As indicated previously, the dynamic residual method was used to calculate fair value. This method consists of estimating the value of the final product based on the comparison or discounted cash flow method, and subtracting from this value the development costs, including the residential development and construction costs, fees, levies, etc., and the profit of the developer for estimating the residual value. Income and costs are distributed over time in line with the periods of development and sales estimated by the expert. The discount rate used is that which represents the average annual return on the project, without taking into account external financing, which would be obtained by an average developer in a development of the characteristics of that analyzed. This discount rate is calculated by adding the risk premium determined by evaluating the risk of the development (taking into account the type of property asset to be constructed, its location, liquidity, the construction period and the investment volume required) to the risk-free interest rate.

Given the uncertainties inherent to any information based on future expectations, there could be deviations between the projected results considered when performing the aforementioned estimates and the actual ones, what may require them to be modified prospectively (upwards or downwards), as described in Note 2.5.

At 31 December 2021, as for 31 December 2020 all its "Development" assets had been appraised by an independent expert, having taken the aforementioned value as a reference when assessing the existence of any impairment losses to be recognized for accounting purposes, adjusted, in certain cases, by tolerances of five percent; the effect thereof was not significant taken as a whole. All its "Legacy" assets had been appraised by an internal analysis to determine the recoverable value.

In this respect, the most significant aspects considered in the appraisals were as follows:

Development assets-

The appraisals were conducted on a case-by-case basis for each asset, taking into consideration the building qualities envisaged for each one, which in turn determine the associated contracting costs and range of sale prices. Also, for each individual asset, the average periods for achieving the various urban planning, management and discipline milestones, as well as the average construction periods for each development depending on the building type and density were taken into account.

Lastly, the discount rate associated with each project was calculated, and a sensitivity analysis performed on the rate depending on the zoning status of the developments at that time. The discount rates vary according to the development stage reached by the asset (plot without development, under construction, with pre-sales or finished), with rates ranging between 6% (for work in progress with pre-sales) and 20% (for certain urban plots) in 2021 (between 6% and 17% in 2020).

Once a preliminary estimate has been made of the value of the assets, a review of the valuation models is performed, verifying the reasonableness of the ratios, such as the percentage of the finished product represented by the plot, the profit on the construction cost or the profit obtained according to sales.

Other parameters are also set in each of the appraisals, the main ones being as follows:

- Advance sales before the start of the construction of the developments were not taken into consideration.

- It was estimated that 70% - 75% of the sales (pre-sales off plan, in a private sale and purchase agreement) will be carried out during the construction of the developments and the remaining sales within nine months following completion thereof.

- Increases in sale prices over the existing market prices were not taken into consideration.

- It is estimated that 33/36 months could elapse between the time necessary for the drafting of the project and the obtainment of the construction permit, construction and delivery of the project, and the end of the marketing and sale of the units.

Legacy assets

This type of asset was analyzed basically using the comparison method, adjusted for the commercialization cost and other costs incurred until the asset is disposed of, except in the case of plots or developments exceeding approximately 30 units, which were valued in accordance with the methodology described above for "development assets".

In addition, the assumptions used to value these assets were as follows:

- They are insured and all the risks relating to possible replacements are covered, and they are in a sufficient physical and functioning state for current use.
- They are not subject to court proceedings, disputes, evictions of tenants with or without agreements or outstanding claims of any kind with significant impact on the consolidated accounts.

4.7 Trade receivables

Trade receivables do not earn interest and are stated at their nominal value, less any allowances for estimated unrecoverable amounts.

4.8 Customer advances

The amount of the advances received from customers prior to recognition of the sales of the properties, according to the criteria indicated in note 4.13, is recognized at year-end under "Other current liabilities-Customer advances" on the liability side of the consolidated balance sheet.

4.9 Financial instruments

Financial assets and liabilities are recognized in the Group's consolidated balance sheet when the Group becomes party to the contractual terms of the instrument.

During the exercises ended 31 December 2021 and 2020 the measurement bases applied by the Group to its financial instruments were as follows:

Financial assets

Financial assets are initially recognized at cost, including attributable transaction costs.

The financial assets held by Group companies are classified as:

1. Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity. The Group has the positive intention and ability to hold them from the date of purchase to the date of maturity. This category does not include loans and accounts receivable originated by the Group.

2. Loans and receivables originated by the Group: financial assets originated by Group companies in exchange for supplying cash, goods or services directly to a debtor. These are measured at amortized cost.

Held-to-maturity financial assets, and loans and receivables are measured at amortized cost.

The Group measures its assets at amortized cost, since the objective of the business model is to hold assets in order to collect the contractual cash flows. In this connection, in accordance with the impairment model based on the expected credit loss over the next twelve months, the Group considers that the financial assets measured at amortized cost are subject to impairment, taking into consideration the facts and circumstances that exist as indicated below (in thousands of euros):

Concept	Gross Amount 31/12/2021	Estimated loss at 12 months (%) (*)	Estimated loss at 12 months at 31/12/2021	Net Amount 31/12/2021
Financial assets (Note 11)	14.541	0,14% - 3%	(356)	14.185
Inventories - Advances to creditors (Note 12)	21.988	3%	(660)	21.328
Clients – servicing (Note 13)	7.826	0,02%	(2)	7.824
Advances to suppliers (Note 13)	21.365	3%	(653)	20.712
Trade and other receivables (Note 13)	42.497	0,02% - 3%	(300)	42.197
Cash	309.776	0% - 0,06%	(132)	309.644
TOTAL	**417.993**		**(2.102)**	**415.890**

(*) The estimate was made taking into consideration the credit rating of the counterparties issued by agencies of recognized prestige. In the estimation of the expected loss on advances to suppliers, the Group opted to recognize a provision for 3% of the total amount of advances delivered, since no public individual credit rating is available (Note 13).

A loss of 472 thousand euros has been recorded in the "Change in trade provisions" caption in the consolidated income statement. The estimated loss amounting to 2.102 thousand euros has been registered in each of the caption of the consolidated balance sheet previously mentioned.

Financial assets are derecognized from the consolidated balance sheet by the different Group companies when the contractual rights on the cash flows of the financial asset expire or when substantially all the risks and benefits inherent to ownership of the financial asset are transferred.

At each balance-sheet date, the Group assesses whether there is any objective evidence of impairment of financial assets. The Group assesses whether there is any objective evidence of impairment for loans and accounts receivable.

Financial liabilities and equity

Financial liabilities and equity instruments are classified in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of the Group.

The main financial liabilities held by Group companies are held-to-maturity financial liabilities, measured at amortized cost.

Equity instruments

Equity instruments issued by the Company are recognized in equity at the proceeds received, net of direct issue costs.

Bank loans

Interest-bearing bank loans and overdrafts are recognized at the amount received, net of direct issue costs. Finance costs, including premiums payable on settlement or reimbursement and direct issue costs, are recognized in the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

In relation to non-recourse confirming, the International Financial Reporting Standards ('IFRS') do not explicitly state the accounting treatment applicable to the aforementioned transactions. According to the European Securities and Markets Authority (ESMA) these types of transactions (also called "reverse factoring") should be analyzed depending on the economic substance of the agreements, so that issuers can conclude whether the trade debt should be classified as financial debt within the consolidated balance sheet, or payments made should be classified as financial or operational within the Cash flow statements. Consequently, provided that there are no material changes to the conditions of the trade debt (for example, to the due date, the amount or the interest rates, if applicable), the fact that due to the use of confirming, the new legal creditor is a financial institution instead of the supplier, does not change the economic character of the debt that arose from the operational activities of the Group company, regardless of whether it originated from an external or a group supplier.

This is the accounting policy chosen by the Group, and an amount of EUR 8.242 thousands was drawn down at 31 December 2021 (EUR 18.249 at 31 December 2020) (Note 17).

4.10 Shares of the Parent

All the shares of the Parent held by consolidated companies are deducted from equity.

At 31 December 2021, the Parent Company held 3.622.669 treasury shares (4.645.608 at 31 December 2020) and none of the subsidiaries or associates held additional treasury shares (See Note 15.4).

4.11 Provisions

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognized in the consolidated annual financial statements, but are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to meet the specific obligations for which they were originally recognized. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

At the end of the exercises ended 31 December 2021 and 2020 certain litigation and claims were in process against the consolidated companies arising from the ordinary course of their operations. The Group's legal and tax advisers and directors consider that the provisions recorded are sufficient and that the outcome of these proceedings and claims will not have any additional material effect on the financial statements for the years in which they are settled (see Note 21).

Provisions for warranties

Provisions for warranty costs, particularly after-sales expenses, other costs and the ten-year guarantee required under Spanish regulations governing real estate companies, are recognized at the date of sale of the relevant products, in line with the best estimate of the expenditure required to settle the Group's potential liability, according to market experience.

4.12 Income tax

The Parent filed consolidated income tax returns under Income Tax Provincial Regulation 11/2013, of 5 December, and formed part of tax group no. 02115BSC headed by Neinor Holdings, S.L.U. (see Note 20). The Group companies Neinor Península, S.L.U. and Neinor Sur S.A.U. filed their tax returns separately, since they did not belong to the aforementioned consolidated tax group.

Due to Neinor Homes, S.A. admission to listing and Neinor Holdings, S.L.U's loss of participation there has been a breakdown of the Tax Group. On November 3 2017, the new Fiscal Group (number 02117BSC) headed by Neinor Homes, S.A. was approved. The Tax Group pays income on a tax consolidation basis with effect from 1 January 2017 in accordance with Article 99.2 of Bizkaia Corporation Tax Regulation 11/2013, of 5 December.

On 13 December 2017, Neinor Norte, S.L.U., as the sole shareholder of Promociones Neinor 1, S.L. (currently named Rental Homes PropCo, S.L.U.), Promociones Neinor 2, S.L. (currently named Neinor Rental OpCo, S.L.U.), Promociones Neinor 3, S.L., Promociones Neinor 4, S.L. (currently named Neinor Works, S.L.), and Promociones Neinor 5, S.L., decided to change the registered office of the aforementioned companies, which will be located in Madrid. As a result, since it does not meet the requirements to file consolidated tax returns in Vizcaya, on 20 December 2017, Neinor Homes, S.A., as the head of the tax group, notified the tax authorities that the legislation applicable to the aforementioned investees of Neinor Norte, S.L. for the tax periods commencing on or after 1 January 2017 will be that of Spain (excluding Navarra and the Basque Country). Therefore, in 2021 and 2020 the Vizcaya consolidated tax group no. 02117BSC was made up of Neinor Homes, S.A. as the parent and Neinor Norte, S.L.U. as subsidiary.

On the other hand, on 9 January 2020, new Fiscal Group (number 5/20) for the common territory was approved. Tax group is made of Neinor Península, S.L.U. and also composed of Neinor Sur, S.A.U., Rental Homes Propco, S.L., Neinor Rental Opco, S.L., Promociones Neinor 3, S.L.U., Neinor Works, S.L. U. and Promociones Neinor 5, S.L., with number 5/20 (Note 20). In April and October 2021, the Group performed the necessary communications to the tax authorithies so that the following companies may also be part of said tax group: Renta Garantizada, S.A., Residencial Nuevo Levante, S.L., Quabit Inmobiliaria Internacional, S.L.U., Bulwin Investment Socimi, S.A., Grupo Mediterráneo Costa Blanca S.L., Quabit Quality Homes, S.L.U., Quabit Premier, S.L., Quabit Sant Feliu, S.L., El Balcon de las Cañas, S.L., Quabit Casares, S.L., Quabit Torrejón VP Fase 1, S.L.U., Quabit la Peñuela VL Fase 1, S.L.U., Quabit Torrejón VP Fase 2, S.L.U., Quabit la Peñuela VL Fase 2, S.L.U., Quabit Torrejón VP Fase 3, S.L.U., Quabit la Peñuela VL Fase 3, S.L.U., Quabit Remate Las Cañas, S.L.U., Quabit Quality Homes Guadalix, S.L.U., Quabit Quality Homes San Lamberto, S.L.U., Iber Activos Inmobiliarios, S.L., Quabit Sup-R6, S.L.U., Quabit Finance, S.A.U., Quabit Finance Assets, S.L.U., Quabit Gregal, S.L.U., Quabit Poniente, S.L.U., Quabit Siroco, S.L.U., Quabit Terral, S.L.U., Quabit Mistral, S.L.U., Quabit Cierzo, S.L.U., Quabit Tramontana, S.L.U., Quabit Aneto, S.L.U., Global Quabit, S.L.U., Quabit Alcarria, S.L.U., Quabit Distrito Centro, S.L.U., Quabit Corredor de Henares, S.L.U., Quabit Moncloa, S.L.U., Quabit Sureste, S.L.U., Quabit Hortaleza, S.L.U., Quabit Remate, S.L.U., Quabit Aguas Vivas, S.L.U., Global Quabit Cañaveral Málaga Fase 1, S.L.U., Global Quabit Cañaveral Málaga Centauro, S.L.U., Global Quabit Cañaveral Tercera Fase, S.L., Global Quabit Cañaveral Fase Cuatro, S.L.U., Global Quabit Málaga, S.L.U., Global Quabit Sur, S.L.U., Global Quabit Norte, S.L.U., Global Quabit Azuqueca, S.L.U., Quabit Casares Golf RP5, S.L.U., Quabit Almanzor, S.L.U., Quabit Teide, S.L.U., Quabit Peñalara, S.L.U., Global Quabit Desarrollos Inmobiliarios, S.L.U., Quabit Alovera, S.L.U., Quabit Las Lomas De Flamenco, S.L.U., Quabit Menorca Desarrollos Inmobiliarios, S.L.U., Quabit Freehold Properties, S.L.U., Quabit Freehold Properties Levante, S.L., Quabit Freehold Properties Sur, S.L.U., Quabit Freehold Properties Centro, S.L.U., Quabit Freehold Properties Madrid, S.L.U., Quabit Freehold Properties Valencia, S.L.U., Quabit Freehold Properties Este, S.L.U., Quabit Palmaces S.L.U., Quabit El Vado, S.L.U., Panglao Investments, S.L.U., Quabit Veleta, S.L.U., Quabit Puerta de Vistahermosa, S.L.U., B2R Proptech, S.L.U., Style Living Gestión, S.L.U. and Quabit Construcción, S.A. The Tax Group is taxed under a tax consolidation regime with effect from January 1, 2021, except for affiliates acquired as a result of the business combination with Quabit Inmobiliaria, S.A. (Note 2.8) whose tax contribution in the Tax Group began in May 2021, in accordance with the provisions of the Special Tax Consolidation Regime, regulated in Chapter VI of Title VII of Law 27/2014, of November 27, on Corporation Tax.

The consolidated income tax expense is recognized in the consolidated income statement, unless it arises as a consequence of a transaction the result of which is recorded directly in equity, in which case the income tax expense is also recognized in equity.

The consolidated income tax expense for the year is calculated on the basis of taxable profit for the year. The taxable profit differs from the net profit reported in the income statement because it excludes revenue and expense items which are taxable or deductible in different years and also excludes items that will never be taxable or deductible. The Group's current tax liability is calculated on the basis of tax rates that have been approved or substantially approved at the date of the consolidated balance sheet.

The Group companies file consolidated income tax returns and in this process they apply the following rules: temporary differences arising in the calculation of the consolidated tax base arising from the transactions between companies composing the tax group, provided that such results have not been realised vis-à-vis third parties, are recognized by the company that had recognized the result; permanent differences (e.g. due to the elimination of dividends paid among companies in the tax group) or temporary differences arising in the calculation of the consolidated tax base are recognized as a permanent or temporary difference by the company that had recognized the result, and any tax losses and tax credits and rebates offset or used by the companies composing the tax group are recognized as an account receivable or payable between the reporting company and the companies that offset and/or use them.

Deferred tax assets and liabilities are the amounts expected to be recoverable or payable calculated on differences between the carrying amounts of assets and liabilities in the financial statements and the tax bases used in calculating the taxable profit. They are recognized using the consolidated balance sheet liability method and are quantified by applying to the related temporary difference or tax asset the tax rates at which it is expected that the asset will be realized or the liability settled.

A deferred tax asset or liability is recognized for temporary differences arising from investments in subsidiaries and associates and from interests in joint ventures, except when the Group is in a position to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

However:

1. Deferred tax assets are only recognized if it is considered probable that the consolidated companies will have sufficient future taxable profits against which the deferred tax asset can be utilized, considering, in any case, market expectations and in a restricted way, so the Deferred tax assets are recognized only once there is a consolidated improvement of the Real Estate sector.

2. No deferred tax liabilities are recognized for goodwill arising on an acquisition.

Deferred tax assets and liabilities are reviewed at the end of each reporting period to verify that they remain in force, and the appropriate adjustments are made on the basis of the results of the review, considering their temporary and quantitative limits, if there were any, for its application.

4.13 Revenue and expense

Revenue and expenses are recognized on an accrual basis.

Revenue is measured at the fair value of the consideration received or receivable and represents balances receivable for goods delivered and services rendered in the ordinary course of business, less discounts, VAT and other sales taxes.

Rental revenue is recognized on an accrual basis, with incentive benefits, and the initial lease costs are allocated to income on a straight-line basis.

The Group companies recognize property development sales and the related cost when the properties are handed over and title and control of the asset thereto have been transferred. For these purposes, the sale of a residential finished product is understood to have occurred when the keys are handed over, which coincides with the execution of the public deed and final collection of the price.

The Group recognizes land sales when the risks and rewards of ownership have been transferred, which is generally the date the deed of sale is executed, as long as a substantial part has been disbursed (nearly 50%) or the unrealized gain has been granted against the compensation contractually settled. Otherwise, the sell will not be considered as recognized for accounting purposes. If the sale made is subject to fulfilment of a genuine condition precedent, the sale is not recognized until such time as it is fulfilled.

The Group can make purchases of land subject to conditions subsequent and precedent. If there are conditions precedent, the contract comes into force when the condition is fulfilled and, in turn, the contract becomes effective. The amounts paid in the context of contracts subject to conditions precedent are recognized as "Advances to Suppliers" and as such are subject to the measurement standard applicable to trade receivables. If there are conditions subsequent, the fulfilment of the condition marks the extinction of the effects of the contract and, therefore, the Group assesses the probability associated with the condition and the party on which the fulfilment of the condition depends, for the purposes of recognizing the rights and obligations associated with the contract over time.

The cost allocated to the units up for sale of a property development is determined by allocating to each unit being sold the portion of the total costs of the development that results from applying to them the same proportion that their selling price represents in relation to the estimated value of the development taken as a whole.

The amounts received from customers on account of future sales of land and/or buildings, both in cash and commercial bills, to the extent that the recognition of the sale does not occur in the terms described above, are recognized, as the case may be, as advances received under "Customer Advances" under current liabilities in the consolidated balance sheet.

Sales warranties cannot be purchased separately and are required by law. Consequently, the Company continues to recognize warranties and insurance contracts in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. No supplementary warranties are provided in addition to those required by law which, under IFRS 15, are considered to be service warranties and should, therefore, be recognized as a stand-alone performance obligation to which the Group must allocate a portion of the asset’s selling price. The incremental costs of obtaining a sales contract, basically the sales commissions of the property development’s agents, are recognized as a collection right until each unit being sold is executed in a deed (the moment in which the entire expense is recognized as the cost of sales), as they are reimbursable if the sales embodied in private sale and purchase agreements are not fulfilled. Other necessary or incremental contract costs might exist when entering into the private sale and purchase agreements (such as the costs associated with the guarantees provided to secure advances received from customers) which it is not practical to capitalize, but which could be revalued on the basis of changes in borrowing costs in the future, if it were considered that they contribute to improved matching between income and expenses. The uncapitalized expenses associated with costs of this type amounted to EUR 1.461 thousand in 2021 (EUR 1.162 thousand in 2020) recorded under the caption “External Services" in the accompanying consolidated income statement.

Revenue from the rendering of services is recognized by reference to the percentage or stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably. Revenue from the Group's services are those associated with the contract for the administration and management of real estate assets entered into with Kutxabank and described in Note 1 under exclusivity conditions, which also includes urban planning and marketing services. As consideration for these services, the various companies in the real estate area of Kutxabank pay a fixed remuneration based on the type and volume of the assets (a reference value being established between the parties) for the management and administration thereof, while a variable success remuneration is received for their marketing as well as other variable revenue accrued annually in the event of achieving the sales objectives established between the parties, which vary according to whether they are less than 70% thereof, equal to 70% or above 70%; to this is added the variable remuneration linked to the request for execution of certain specific actions relating to assets such as work requested in relation to the analysis of the incorporation of new assets under management or services associated with third-party assets at the request of Kutxabank. If over two successive years the degree of achievement of the objectives were below 30%, the right to exclusivity in relation to marketing would be lost. The objective has been achieved at the end of the reporting period 2021, according to the adjusted sales budget adjustment derived from the Covid-19 situation (Note 28). In 2020 this ratio was also accomplished.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset’s net carrying amount.

Dividend revenue from investments is recognized when shareholders’ rights to receive payment have been established.

The disaggregated breakdown of income from ordinary activities from contracts with customers required by IFRS 15 can be extracted from the segmented information disclosed in Note 6, as this information is sufficiently descriptive in terms of the nature, amount, timing and uncertainty that might affect the revenue and cash flows arising from the sale agreements.

Also, in relation to the Group’s main business lines (see Note 6), consisting of the “development sales” and the asset management services agreement (“servicing”), it is estimated that, according with the commitments made with customers as of December 31, 2021, considering that all of them reach a successful conclusion, the income figure associated with them will be the following for the next four years, in millions of euros:

Type	
Development sales (*)	812
Servicing	9
TOTAL	**821**

(*) Calculated based on the advances received of amounts for the housing units for which private sale and purchase agreements have been signed and which have not yet been handed over (see Note 12).

4.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property developments or property investments are added to the costs of these assets, only during periods when an effective development occurs (idle periods are excluded) and until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

In the year ended 31 December 2021, the Group capitalized borrowing costs amounting to EUR 4.866 thousand to "Inventories" (4.166 thousand in 2020) (see Notes 4.6 and 12).

All other borrowing costs are recognized in the consolidated income statement in the period in which they are incurred.

4.15 Profit from operations

The profit from operations is presented before the share of results of associates (companies accounted for using the equity method) and before investment income and finance costs.

4.16 Termination benefits

Under current labor legislation, the Group companies are required to pay termination benefits to employees whose contracts are terminated under certain conditions. In the consolidated annual accounts for the year ended December 31, 2021, the Group has registered a provision amounting to 1.458 thousand euros for that concept being the total expense due to termination benefits EUR 2.935 thousand (as of December 31, 2020, the Group had no provision registered).

4.17 Consolidated cash flow statements

The consolidated cash flow statements have been prepared using the indirect method and the terms used are defined as follows:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the entities composing the consolidated Group and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents, if they have a direct impact on current cash flows.

4. Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities, if they have a direct impact on current cash flows.

4.18 Current assets and liabilities

The Group has opted to present current assets and liabilities in accordance with its ordinary course of business. The current assets and liabilities with estimated maturities of over twelve months are as follows:

	Thousands of euros	
	31.12.21	31.12.20
Inventories (long term)	792.407	581.408
Total current assets	**792.407**	**581.408**
Bank borrowings	95.445	168.441
Current trade and other payables	71.361	37.351
Other current liabilities	14.931	28.376
Total current liabilities	**181.737**	**234.168**

4.19 Share-based payments

During 2017 a long-term incentive plan payable in full in shares for 40 key employees was approved, approximately, including members of the Management Committee and the CEO, consisting of three consecutive overlapping three-year periods, i.e. 2017-2019, 2018-2020 and 2019-2021 in which the achievement measurement metrics are, in thirds, EBITDA, the developer margin and shareholder return, with a downward correction coefficient of 10% regarding the achievement of the aforementioned metrics determined by the evolution of the average Loan to Value (LTV) ratio in excess of a target ratio. Minimum amounts below which the incentives do not accrue and the possibility of an extra bonus of up to 150% were established. The sale of the number of shares thus acquired is restricted for periods of between one year and six months for the CEO and the members of the management committee. The shares to be received by each participant will be determined by the incentive attributed to each participant in the plan (in ranges of between EUR 10 thousand and EUR 250 thousand), the price of the shares for each three-year period (average of the share price in the 20 trading sessions prior to the commencement of each cycle) and by the achievement of objectives (range between 0% and 150%). Shares acquired under this plan are subject to lock-up commitments for periods of one year and 6 months for both the CEO and members of the management committee. In the case of the CEO and members of the management committee, this incentive is subject to a repayment clause if certain circumstances arise.

Additionally, in 2018 a long-term retention plan was approved aimed at the employees of the Group (with the exception of the Chief Executive Officer). The plan extends from 1 September 2018 to 2 September 2020 and consists of the allocation of an incentive based on each employee’s salary payable in shares of Neinor Homes, S.A., provided that resignation or dismissal on disciplinary grounds does not arise, and linked to the increase experienced in the value of the shares on expiry of the plan. The plan envisages various incentives, setting staggered compliance tranches (of 50%, 75% or 100%), the accrual of which commences with a minimum increase in the value of the share of 5%. The maximum disbursement envisaged under the plan amounts to an estimated EUR 9.3 million. Applying the Monte Carlo method and, taking into consideration the share price volatility of companies in the European real estate industry and Neinor Homes share’s volatility, over a comparable period, the external appraiser estimated that the fair value of the aforementioned variable portion amounted to approximately, EUR 2.9 million.

Lastly, in April 2020, the Shareholders of the Parent Company approved a new incentive plan payable in shares, for which the amount set is between EUR 8 million and EUR 12 million, for the period ending 31 December 2022. Initially, beneficiaries of the incentive plan are inside directors. However, members of the executive team of the Neinor Homes Group may get the access to this plan, requiring the approval of the Board. Achievement measurement metrics are EBITDA and the total return for the shareholder (which considers the gains in the stock's price of Neinor Homes). Minimum amounts below, which the incentives do not accrue, and the possibility of an extra bonus of up to 150% were established. Shares acquired under this plan are subject to lock-up commitments for a period of one year for inside directors. Additionally, this incentive is subject to a repayment clause if certain circumstances arise and there are minimum permanence requirements for the incentive accrual. The shares to be received by each participant will be determined by the incentive attributed to each participant in the plan and taking into account the evolution of the share price of Neinor Homes, S.A. during the incentive plan period. Additionally, the Group launched an incentive plan payable in cash, for which the amount set is between EUR 1,2 million and EUR 1,8 million and for which the beneficiaries are five members of the executive team of the Neinor Homes Group. Achievement measurement metric is EBITDA and the rest of the characteristics of the plan are very similar to those referred above. The assistance of an external appraiser was used for the accounting recognition of the incentive plans. Applying the Monte Carlo method and taking into consideration the share price volatility of companies in the European real estate industry over a comparable period, the external appraiser estimated that the fair value of the incentive plans amounted to approximately, EUR 1 million.

In 2021 incentive plans gave rise to the recognition of staff costs of EUR 3.582 thousand (EUR 1.790 thousand in 2020) with a balancing entry under equity and non-current and current provisions in the accompanying consolidated balance sheet (see Notes 15.4, 22.3 and 24).

There are no additional share-based incentive plans for employees.

4.20 Related party transactions

The Group performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Parent's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future (see Note 23).

In case significant differences arise between the established price and the fair value of a transaction between related companies, this difference would be considered the distribution of results or contribution of funds between the Company and the aforementioned related company and as such, it would be registered in reserves. However, if they correspond to transactions held with the shareholders, these will be recorded in the consolidated income statement in proportion to the shareholder's participation on the date of the transaction.

4.21 Remuneration of senior executives

The remuneration of senior executives of the Parent and persons who discharged similar duties (see Note 24) is recognized on an accrual basis, and at year-end the related provision is recognized for any amounts not settled.

5. Earnings / (loss) per share

5.1 Basic earnings /(loss) per share

Basic earnings / (loss) per share are calculated by dividing net profit/ (loss) for the year attributable to the Group (i.e., after tax and non-controlling interests) by the weighted average number of shares outstanding during that year.

Accordingly:

	31.12.21	31.12.20
Earnings / (loss) for the year (thousands of euros)	103.033	70.120
Weighted average number of shares outstanding (thousands of shares) (*) (Note 15)	76.613	73.930
Basic earnings/ (loss) per share (euros)	**1,345**	**0,948**

(*) Note: average number of shares adjusted for treasury shares.

5.2 Diluted earnings/ (loss) per share

Diluted earnings/loss per share is calculated in the same way as basic earnings/loss per share, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of share options, warrants and convertible bonds outstanding at year end.

At 31 December 2021 and 2020, diluted earnings per share of the Neinor Homes Group basically coincided with the basic earnings per share, since the impact of the share-based payments in this calculation is not significant (see Note 4.19).

6. Segment reporting

6.1 Basis of segmentation

Segment reporting is structured based on the Group's various lines of business.

The lines of business described below were established on the basis of the Neinor Homes Group's organizational structure at 2021 year-end, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

The Neinor Homes Group engages mainly in developing and selling property developments (see Note 1), and the Group distinguishes the results generated from the assets earmarked for property development, which could be sold before development (included under "Development") from those assets considered as non-strategic (included under "Legacy"). In this regard, it was determined that all the real estate assets acquired through the business combination with Quabit Inmobiliaria, S.A. (see Note 2.8) should be included under "Development".

In addition, in accordance with the asset management and administration agreement described in Notes 1 and 4.13, the Group provides services of this nature to various Kutxabank Group companies, and the information relating to this segment is included under "Asset Management - Servicing" of this Note.

Additionally, in February 2020 the Board of Directors of the Parent Company approved the development of a new line of business of owned housing units using the current land bank. This development is initially limited to a maximum of 1,200 housing units, but the objective is to create a portfolio of 4.500 rental homes over the long-term (5 years). Nevertheless, rental property business line has been developed to diversify the main Group´s activity consisting of residential development. The Group has consolidated this new business line with the acquisition of Renta Garantizada, S.A. during the year 2020 and the acquisition of Sardes Holdco, S.L.U in January 2021 (Note 2.8) (both subsidiaries have been classified under the segment “Rental”).

Income and expenses that cannot be specifically attributed to any operating line or that are the result of decisions affecting the Group as a whole -and, among them, expenses incurred in projects or activities affecting several lines of business- are attributed to a “Corporate Unit/Other” to which the reconciling items arising from the reconciliation of the result of integrating the financial statements of the various lines of business (prepared using a management approach) to the Group’s consolidated financial statements are also allocated.

Group's activities at 31 December 2021 and 2020 have been carried out entirely in Spain.

6.2 Basis and methodology for segment reporting

The segment information below is based on monthly reports prepared by Group management and is generated through the same computer application as that used to obtain all the Group’s accounting information. This information is reviewed by the Finance Management Committee (on which both management and the sole shareholder are represented) to make decisions on the allocation of resources and to evaluate performance.

Segment revenue is revenue that is directly attributable to the segment. The revenue of each segment does not include interest income, dividends or gains on the sale of property assets.

The expenses of each segment are determined on the basis of the expenses arising from the segment’s operating activities that are directly attributable to it (as is the case of "Cost of sales", "External services" and "Change in trade provisions"), plus the relevant proportion of the expenses that may be allocated to the segment using reasonable allocation bases (the latter method is applied to staff costs).

The segment result is presented before any adjustments that might relate to non-controlling interests.

Segment assets and liabilities are those directly related to each segment's operations, plus the assets and liabilities that can be directly attributed thereto using the aforementioned allocation criteria. However, “Tax Receivables”, “Tax payable due to income tax” and “Cash and Cash Equivalents”, as well as the investments in companies accounted for using the equity method and interest in joint ventures (see Note 2.8), regardless of their origin, are allocated to “Corporate Unit/Other”.

	Thousands of Euros									
	Development (****)		Rental		Assets Management – Servicing & Others / Corporate		Legacy		Total	
	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
Income:										
Third party sales	882.832	545.151	4.725	534	24.394	23.572	2.350	3.544	914.301	572.801
Cost of sales	(669.353)	(410.243)	-	-	-	-	(1.959)	(3.492)	(671.312)	(413.735)
Gross Margin	**213.479**	**134.908**	**4.725**	**534**	**24.394**	**23.572**	**391**	**52**	**242.989**	**159.066**
Employee benefits expenses	(21.362)	(15.028)	(965)	(179)	(5.622)	(3.611)	(375)	(164)	(28.324)	(18.982)
Employee benefits expenses – Incentives (Note 15 and 22.3)	(6.104)	(2.640)	(19)	-	(1.122)	(375)	(75)	(25)	(7.320)	(3.040)
External Services	(54.517)	(28.211)	(2.722)	(221)	(6.877)	(6.667)	(1.093)	(1.580)	(65.209)	(36.679)
Change in trade provisions	(15.240)	(696)	-	(35)	-	-	-	-	(15.240)	(731)
Other operating gains	2.601	740	23	-	-	200	103	9	2.727	949
Change in fair value in investment property	-	-	16.964	-	-	-	-	-	16.964	-
Negative difference on business combination	142	-	-	-	-	-	-	-	142	-
Impairment and gains / (losses) on disposals of non-current assets	-	1	-	84	-	-	-	66	-	151
EBITDA	**118.999**	**89.074**	**18.006**	**183**	**10.773**	**13.119**	**(1.049)**	**(1.642)**	**146.729**	**100.734**
Net interest expense and others	(6.523)	(4.590)	(1.183)	-	(10.974)	(1.350)	-	-	(18.680)	(5.940)
Depreciation and amortization	(4.335)	(3.127)	(61)	(38)	(206)	(920)	(301)	(10)	(4.903)	(4.095)
Profit / (Loss) Before Tax	**108.141**	**81.357**	**16.762**	**145**	**(407)**	**10.849**	**(1.350)**	**(1.652)**	**123.146**	**90.699**
Impairment losses of inventories (Note 22.6)	-	1.947	-	-	-	-	-	-	-	1.947
Change in trade provisions (Note 22.6)	-	3.100	-	-	-	-	-	-	-	3.100
MIP`s incentive (Note 22.3)	3.300	-	-	-	-	-	-	-	3.300	-
Change in fair value in investment property	-	-	(416)	-	-	-	-	-	(416)	-
Net interest expense and others (***)	6.523	4.590	1.183	-	10.974	1.350	-	-	18.680	5.940
Depreciation and amortization	4.335	3.127	61	38	206	920	301	10	4.903	4.095
ADJUSTED EBITDA (*)	**122.299**	**94.121**	**17.590**	**183**	**10.773**	**13.119**	**(1.049)**	**(1.642)**	**149.613**	**105.781**
Employee benefits expenses – Incentives (Notes 15 and 22.3)	1.854	2.640	-	-	591	375	39	25	2.484	3.040
Employee restructuring costs (Note 22.3)	2.887	-	19	-	-	-	-	-	2.906	-
Growth expenses (Notes 2.8 and 22.4)	3.104	1.573	-	-	-	-	-	-	3.104	1.573
ADJUSTED EBITDA (**)	**130.144**	**98.334**	**17.690**	**183**	**11.364**	**13.494**	**(1.010)**	**(1.617)**	**158.107**	**110.394**

(*) A financial measure used by Group management, which does not take into consideration the impairment losses of inventories, personal expenses associated with the incentives of the Parent Company, after-sales expenses and the change in fair value in investment property that took place between 30 June 2021 and 31 December 2021.

(**) A financial measure used by Group management, which does not take into consideration the incentive plan and growth and restructure expense due to the business combination (Note 2.8).

(***) Corporate business line includes financial expenses related to the bond issuance amounting 9 million euros (Note 17.2).

(****) Includes under "Development" segment an amount of EUR 18.053 thousand in 2021 corresponding to sales of plots of land, which were sold before development (EUR 6 million in 2020). Cost of sales of those plots of land amounted to EUR 13.977 thousand (EUR 6,1 million in 2020).

The main magnitudes of the consolidated balance sheet by segment at 31 of December 2021 and 2020 are the following:

	Thousands of Euros											
	Development		Rental		Management Assets- Servicing		Others / Corporate		Legacy		Total	
	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
Balance sheet:												
Non-Current Assets	22.677	10.252	110.107	10.331	-	-	107.880	27.087	-	73	240.664	47.743
Current assets	1.399.483	1.244.681	1.000	1.642	8.499	8.002	311.227	269.024	5.835	7.867	1.726.044	1.511.216
Total Assets	**1.422.160**	**1.234.933**	**111.107**	**11.973**	**8.499**	**8.002**	**419.107**	**296.111**	**5.835**	**7.940**	**1.966.708**	**1.558.959**
Non-current Financial Debt	-	50.000	44.815	65	-	-	-	20.594	-	-	44.815	70.659
Current Financial Debt	209.601	242.864	461	-	-	-	3.884	19.471	-	-	213.946	262.335
Other non-current liabilities	3.006	2.614	6.494	2.558	-	-	294.550	-	-	-	304.050	5.172
Other current liabilities	442.914	351.776	2.746	520	687	1.462	12.676	5.613	378	524	459.401	359.895
Total Liabilities	**655.521**	**647.254**	**54.516**	**3.143**	**687**	**1.462**	**311.110**	**45.678**	**378**	**524**	**1.022.212**	**698.061**

7. Intangible assets

The changes in "Intangible assets" in the exercises ended 31 December 2021 and 2020, by type of asset, were as follows:

Exercise ended 31 December 2021

	Thousands of euros			
	Computer	Industrial property	Client portfolio (Note 2.8)	Total
Cost:				
Balance at 31 December 2020	3.749	15	775	4.539
Additions	501	-	-	501
Disposals	(2)	-	-	(2)
Business combination (Note 2.8)	116	-	7.401	7.517
Balance at 31 December 2021	**4.364**	**15**	**8.176**	**12.555**
Accumulated amortization:				
Balance at 31 December 2020	(2.615)	-	(38)	(2.653)
Charges	(669)	-	(156)	(825)
Disposals	2	-	-	2
Balance at 31 December 2021	**(3.282)**	**-**	**(194)**	**(3.476)**
Net Balance at 31 December 2021	**1.082**	**15**	**7.982**	**9.079**

Exercise ended 31 December 2019

	Thousands of euros			
	Computer	Industrial property	Client portfolio (Note 2.8)	Total
Cost:				
Balance at 31 December 2019	3.386	14	-	3.400
Additions	490	1	-	491
Disposals	(129)	-	-	(129)
Business combination (Note 2.8)	2	-	775	777
Balance at 31 December 2020	**3.749**	**15**	**775**	**4.539**
Accumulated amortisation:				
Balance at 31 December 2019	(1.864)	-	-	(1.864)
Charges	(879)	-	(38)	(917)
Disposals	128	-	-	128
Balance at 31 December 2020	**(2.615)**	**-**	**(38)**	**(2.653)**
Net Balance at 31 December 2020	**1.134**	**15**	**737**	**1.886**

The main additions in 2021 and 2020 relate to the development of the management software used by the Group.

At 31 December 2021 and 2020, there were no intangible assets provided as collateral for any obligation.

At 31 December 2021 intangible assets fully amortized amount to EUR 1.675 thousand (EUR 1.368 thousand at 31 December 2020).

8. Property, plant and equipment

The changes in this heading in the exercises ended 31 December 2021 and 2020 were as follows:

Exercise ended 31 December 2021

	Miles de Euros			
	Technical items and machinery	Other items of Property, Plant and equipment	Tangible Assets in course	Total
Cost:				
Balance at 31 December 2020	8.291	2.473	-	10.764
Additions	385	252	120	757
Disposals	(1.373)	(173)	-	(1.546)
Business combination (Note 2.8)	619	1.160	-	1.779
Balance at 31 December 2021	**7.922**	**3.712**	**120**	**11.754**
Accumulated amortization:				
Balance at 31 December 2020	(2.699)	(1.479)	-	(4.178)
Charges	(1.226)	(482)	-	(1.708)
Disposals	797	148	-	945
Balance at 31 December 2021	**(3.128)**	**(1.813)**	**-**	**(4.941)**
Accumulated depreciation:				
Balance at 31 December 2020	(590)	-	-	(590)
Balance at 31 December 2021	**(590)**	**-**	**-**	**(590)**
Net Balance at 31 December 2021	**4.204**	**1.899**	**120**	**6.223**

Exercise ended 31 December 2020

	Thousands of euros		
	Technical items and machinery	Other items of Property, Plant and equipment	Total
Cost:			
Balance at 31 December 2019	8.033	2.319	10.352
Additions	258	63	321
Disposals	-	(507)	(507)
Business combination (Note 2.8)	-	598	598
Balance at 31 December 2020	**8.291**	**2.473**	**10.764**
Accumulated amortisation:			
Balance at 31 December 2019	(1.458)	(1.073)	(2.531)
Charges	(1.241)	(424)	(1.665)
Disposals	-	18	18
Balance at 31 December 2020	**(2.699)**	**(1.479)**	**(4.178)**
Accumulated depreciation:			
Balance at 31 December 2019	(590)	-	(590)
Balance at 31 December 2020	**(590)**	**-**	**(590)**
Net Balance at 31 December 2020	**5.002**	**994**	**5.996**

The Neinor Homes Group takes out all the insurance policies it considers necessary to cover the risks which might affect its property, plant and equipment.

At 31 December 2021 property, plant and equipment assets fully amortized amount to EUR 1.212 thousand (EUR 283 thousand at 31 December 2020).

At 31 December 2021 and 2020, there were no property, plant and equipment items provided as collateral for any obligation.

At 31 December 2021 and 2020, the Group did not have any significant commitments to purchase items of property plant and equipment.

9. Right-of-use assets

The changes in this heading in the exercise ended 31 December 2021 and 2020 were as follows:

Exercise ended 31 December 2021

	Thousands of euros			
	Cost	Amortization	Depreciation	Total
Net Balance at 31 December 2020	**5.605**	**(2.118)**	**-**	**3.487**
Additions / Charges	272	(1.804)	-	(1.532)
Disposals	(941)	941	-	-
Business combination (Note 2.8)	103	-	-	103
Net Balance at 31 December 2021	**5.039**	**(2.981)**	**-**	**2.058**

Exercise ended 31 December 2020

	Thousands of euros			
	Cost	Amortization	Depreciation	Total
Net Balance at 31 December 2019	**4.810**	**(1.516)**	**-**	**3.294**
Additions / Charges	1.745	(1.552)	-	193
Disposals	(950)	950	-	-
Net Balance at 31 December 2020	**5.605**	**(2.118)**	**-**	**3.487**

10. Subsidiaries and associates

Appendix I to the notes to these financial statements details the subsidiaries and associates and information thereon (which includes, inter alia, name, registered offices and the percentage of direct and indirect ownership of the Parent).

11. Current and non-current financial assets

Details of these financial assets, by nature, are as follows:

	Thousands of euros			
	31.12.2021		31.12.2020	
	Non-current	Current	Non-current	Current
Equity instruments	1.069	78	150	-
Loans	2.825	1.179	-	-
Guarantees and deposits	4.385	4.649	6.214	2.198
Total	**8.279**	**5.906**	**6.364**	**2.198**

12. Inventories

Details of "Inventories" at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Sites and land (Note 19)	486.986	287.898
Construction work in progress	442.437	711.834
Completed buildings	391.651	211.052
Advances to suppliers	21.328	24.268
Less – Impairment losses (Note 9)	(19.719)	(26.610)
	1.322.683	**1.208.442**

In the year, ended 31 December 2021 borrowing costs amounting to EUR 4.866 thousand were capitalized to inventories (EUR 4.166 thousand in 2020) (Notes 4.6 and 4.14).

The additions in the period ended 31 December 2021 relate mainly to work certifications of the ongoing promotions and capitalized costs associated with the pre-construction for a value of EUR 331 million. Additionally, purchases of land worth EUR 199 million have taken place (355 and 5 million euros in 2020).

"Trade and Other Payables - Payable to Suppliers" under "Current Liabilities" in the consolidated balance sheet as at 31 December 2021 includes EUR 88 million (Note 19) relating to the deferred portion of the price for the purchase of plots of land (31 December 2020: EUR 37,4 million).

In addition, in 2021 the Group has handed over 31 properties and has 49 property developments recognized under “Construction work in progress” at year-end. In 2020, the Group handed over 27 properties and has 40 property developments recognized under “Construction work in progress” at year-end. Also, in 2021 one of the property developments was transferred to “Investment Property” as it was earmarked for lease. This asset was valued at EUR 32.333 thousand, and the related revaluation gain of EUR 4.963 thousand was recognized under “Changes in Fair Value of Investment Property” in the consolidated statement of profit or loss for the year ended 31 December 2021 (Note 2.8).

At 31 December 2021 there are assets included in "Inventories" caption in the accompanying consolidated balance sheet with a net cost of EUR 1.295 million corresponding to assets classified as "Development" (of which EUR 311 million were acquired in May 2021 as a result of the business combination with Quabit Inmobiliaria, S.A. and subsidiaries effected in May 2021 (see Note 2.8)) and EUR 6 million relating to "Legacy” assets (EUR 1.177 million and EUR 8 million at 31 December 2020). Likewise, at the end of 2021, the Group has paid advances to suppliers for future purchases of land amounting to 21 million euros, net of impairment, all of which correspond to assets that will be classified as "Development" and which are guaranteed by a mortgage or by means of a scroll account (31 December 2020: EUR 24 million).

At 31 December 2021, there are assets included under “Inventories” with a gross cost of EUR 975 million (EUR 921 million at 31 December 2020) securing a loan the Group has assumed the borrower position as the payment of the price arranged with the seller for the acquisition of a plot of land (see Note 17).

At the end of October 2020, the Parent agreed to provide marketing services for more than 1.000 housing units for a third-party real estate developer; these services have started during 2021. The services, which include the drafting of both the commercial sales plan and the communication and marketing strategy, the estimated cost associated with which is approximately EUR 1 million, will give rise as consideration to remuneration of a percentage of the final selling price of the housing units, in line with the commercial fees charged to the Group by real estate agents. This agreement also includes a purchase option on the units left to be marketed, exercisable only by the Parent prior to 31 December 2023 (which can be extended to 31 December 2026, provided that certain objectives regarding the number of units marketed are achieved).

As of December 31, 2021 and 2020, the Group did not maintain additional significant commitments.

The property development sale commitments entered into with customers at 31 December 2021 and 2020, relating to those units in which a private purchase and sale agreement was signed, have resulted in the collection or reception of notes receivables amounting to EUR 103.223 and 108.564 thousand respectively, which have been recognized under “Current liabilities - Customer advances” in the consolidated balance sheet at 31 December 2021 and 31 December 2020 (see Note 18).

The Group reviews periodically the fair value of its inventories, applying the corresponding provisions for impairment, in accordance with the criteria established in the Note 4.6. The changes in 2021 and 2020 in the write-downs associated with the inventories were as follows:

	2021	2020
Initial Balance	**26.610**	**29.793**
Write-downs recognized	173	1.947
Write-downs reversed	(7.064)	(5.130)
Final Balance	**19.719**	**26.610**

At 31 December 2021, all the Development assets have been evaluated by an independent expert. The net realizable value determined by “Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U.)” for the inventories owned by the Group amounted to approximately EUR 1.854 million (EUR 1.907 million if the valuation of the investment properties, legacy assets and the assets related to the investment performed in HMB had been considered), while there is an uncertainty relating to the outcome of the Covid-19 crisis situation and the effects it might have specifically, on the determination of the market value of the Group’s inventories, given the uncertainty involved in any information based on future expectations (EUR 1.585 million at 31 December 2020) This figure includes the value of land advances for an amount of EUR 104 million (EUR 51 million at 31 December 2020).

Considering the external appraiser's methodology described in Note 4.6, the key assumptions identified in the appraisals for the development assets (see Note 6) are the discount rate and the sale prices. In the case of the discount rate a sensitivity of +/- 100 basis points was established, based on the different economic scenarios forecast in the short and medium term, as well as the rate of return that would be required by other developers with different characteristics to the Group. In addition, a scenario of stable sales prices is expected, while the appraisal models involved conservative assumptions on the current economic situation, that explains the reason why a sensitivity of + 1%/ +5% was set.

Assuming the remaining variables to be constant, the appraised values of development projects and the carrying amount thereof would be affected as follows at 31 December 2021, taking into account the change in the key assumptions (in thousand euros):

Assumption	Discount Rate		Sale Price			
	+1%	-1%	+1%	-1%	+5%	-5%
	Increase (Decrease)					
Change in appraised values	(35.858)	37.741	27.187	(29.069)	135.662	(145.818)
Change in carrying amount (*)	(4.467)	2.433	2.286	(4.458)	9.482	(27.044)

(*) The carrying amount is based on the lower of cost or realizable value. Increases or decreases in the net realizable value are not necessarily accompanied by impacts on the carrying amount of inventories.

The Savills valuation models adopted by the Group are sufficiently conservative and prudent to make it inappropriate to consider sensitivities to a negative price performance. In addition, the directors consider that we are currently undergoing a price stability scenario. However, the Group has performed a sensitivity analysis considering a 1%/ 5% fall in prices in the base scenario without subsequent price growth and the other variables remaining constant. In such an adverse scenario, which is not considered likely at the moment, the effect on the value of the real estate assets would be a reduction of EUR 29.069 thousand and EUR 145.818 thousand, and the recognition of additional impairment losses of EUR 4.458 thousand and EUR 27.044 thousand, respectively (at December 31, 2020 the effect on the value of the real estate assets would be a reduction of EUR 22.130 thousand and EUR 110.674 thousand, and the recognition of additional impairment losses of EUR 837 thousand and EUR 7.893 thousand, respectively).

13. Trade and other receivables

"Trade and other receivables" includes the following items:

	Thousands of euros	
	31.12.2021	31.12.2020
Trade receivables and notes receivables	23.969	9.373
Other receivables – Down Payments	20.712	15.246
Other receivables – Provision of Services	88	45
Other receivables – Due from Personnel	16	11
Others	26.098	261
Impairment (Note 22.6)	(150)	(123)
Total	**70.733**	**24.813**

"Trade Notes Receivable" in the foregoing table mainly includes the amount receivable relating to the asset management and administration agreement entered into between various companies of the Kutxabank Group and Neinor Homes, S.A. (see Note 1), amounting to EUR 7.824 thousand (7.672 thousand euros at 31 December of 2020). Also, this line item includes deferred balances relating to sales of inventories amounting to EUR 5.400 thousand, trade receivables pending to be collected due to the works performed in Sector Playa Almenara amounted to EUR 3.174 thousand and trade receivables with related parties amounted to EUR 5.725 thousand (Note 23).

"Other receivables" in the foregoing table includes mainly the amounts receivable from third parties for services rendered (see Notes 22.1 and 23) and amounts paid in advance by the Group to service providers amounting to EUR 20.712 thousands an amount that includes 10.500 thousand euros in advances paid to agents who have intervened in the execution of the purchase and sale agreements pending deed (Note 4.13).

Finally, "Others" in the foregoing table includes mainly the amounts receivable owed by Empresa de Gestión Urbanística y Servicios de Alboraya, S.L. ("EGUSA") to the subsidiary Grupo Mediterráneo Costa Blanca, S.L. as of December 31, 2021. These amounts refer to both the principal of the debt, EUR 23.425 thousand, and the accrued interest, EUR 2.342 thousand, figures that coincide with those expressed in judgement no. 535/2016 of 15 December 2016, handed down by Valencia Court of First Instance number 6. These amounts are secured by a mortgage guarantee on land owned by EGUSA located in the UE-2 sector of Alboraya, the market value of which is higher than the amount recorded as a debit balance. The Group has recorded this receivable as a current asset since it is very likely to be realized in the short term through the delivery of land, which will be classified as a current asset in the consolidated balance sheet.

Trade receivables do not generate interest, in general terms and there are no doubtful assets for which impairment losses additional to those already recognized at year-end must be recognized.

The Group periodically analyses the risk of insolvency of its accounts receivable by updating the related provision for impairment losses. The Group's directors consider that the amount of trade and other receivables approximates their fair value. Additionally, the Group has evaluated the impact of Covid-19 on the expected credit loss of its financial assets, considering it not significant.

14. Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash on hand and in short-term bank deposits with an initial maturity of three months or less. The carrying amount of these assets is similar to their fair value.

In this regard, as described in Law 20/2015, of July 14, advances received and associated with a development (see Note 18) are deposited in a special account, separate from any other class of funds belonging to the Group, and are only drawn against in connection with the construction of the developments. The balance subject to this restriction amounted to EUR 39.958 thousand at 31 December 2021 (EUR 19.940 thousand 2020), which differs from the advances (see Note 18) as a result of the cash used to pay the progress billings of developments to which such advances are allocated. Likewise, the guarantees (Note 21) differ from these advances, on the one hand, because guarantees are issued for the total of the amounts that the clients will deliver on account during the work and not only for the amounts actually received, and on the other hand, due to the fact that the guarantee is issued in a period of up to 30 days after receiving the customer's advance.

15. Capital and reserves

15.1 Share capital

In 2017, the Parent, Neinor Homes, S.A. was registered as a public limited liability company ("S.A.") with a view to its admission to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, which took place on 29 March 2017 with the prior authorisation of the Company's sole shareholder on 6 March 2017. Also, in the aforementioned public deed, the number of existing shares of the Company was reduced by a reverse split whereby one new share of EUR 10 par value each was issued for every ten existing shares of EUR 1 par value each. Subsequently, on 6 March 2017 the then sole shareholder of Neinor Homes, S.A. approved a capital increase through monetary contributions for a cash amount of EUR 100 million. This capital increase was performed by issuing new ordinary shares of EUR 10 par value each, of the same class and series as those already in circulation, with a share premium of EUR 6,46 per share, giving a total share premium of EUR 39.247 thousand. Consequently, following the capital increase performed as part of the stock market flotation, the share capital of Neinor Homes, S.A. is represented by 79.005.034 shares of EUR 10 par value each.

On 10 May 2021, the Parent Company registered with the Commercial Registry of Bizkaia a public deed relating to a share capital reduction in the amount of 46.156.080 euros, by means of the cancellation of 4.615.608 own shares. The share capital reduction was approved by the General Shareholders' Meeting of the Parent Company held on 31 March 2021. Additionally, as a consequence of the merger and in accordance with the exchange ratio regime and procedure established (Note 3), on 24 May 2021 the Parent Company increased its share capital in the amount of 55.992.160 euros, by means of the issuance of 4.615.608 shares with a nominal value of 10 euro each with a share premium of 1.455.796 euros.

At 31 December 2021, the Parent's share capital consisted of 79.988.642 fully subscribed and paid shares of EUR 10 par value each (79.005.034 fully subscribed and paid shares of EUR 10 par value each at 31 December 2020), according to the following breakdown:

	31.12.2021		31.12.2020	
	% Ownership Interest Registered	Total Share Capital Amount (Thousand euros)	% Ownership Interest Registered	Total Share Capital Amount (Thousand euros)
Orion European Real Estate Fund V, SLP	27,67	221.285	28,01	221.285
Adar Capital Partners Ltd	19,11	152.819	19,34	152.819
Bank of Montreal	-	-	5,21	41.154
Cohen & Steers, Inc.	4,98	39.868	-	-
BMO Asset Management Ltd	4,79	38.302	-	-
Remain stock exchange	43,45	347.612	47,44	374.492
Total	**100,00**	**799.886**	**100,00**	**790.050**

15.2 Reserves of the Parent

Legal reserve

Under Article 274 of the Consolidated Text of the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2021 and 31 December 2020 legal reserve was not fully contributed.

15.3 Reserves at fully consolidated companies

Details, by company, of reserves at fully consolidated companies at 31 December 2021 and 31 December 2020 are as follows:

Company	Thousands of euros	
	31.12.2021 (*)	31.12.2020 (*)
Full consolidation:		
Parent Company	**64.920**	**66.211**
Neinor Norte, S.L.U.	41.769	17.660
Rental Homes PropCo, S.L.U.	(324)	(297)
Neinor Rental OpCo, S.L.U.	(15.018)	(15.024)
Promociones Neinor 3, S.L.U.	(2.275)	(1.848)
Neinor Works, S.L.U.	(4.997)	(5.311)
Promociones Neinor 5, S.L.	(5.866)	(5.679)
Neinor Península, S.L.U.	(114.781)	(109.870)
Neinor Sur, S.L.U.	106.628	63.257
Renta Garantizada, S.A.	(13)	-
Reserves at fully consolidated companies	**5.123**	**(57.112)**
Total	**70.043**	**9.099**

(*) The Parent has also set up a legal reserve of EUR 5.570 thousand at December 2021 (EUR 4.773 thousand at December 2020) not included in this detail. The consolidated reserves include the legal reserve of the subsidiaries for an amount of EUR 20.325 thousand (EUR 13.534 thousand at December 2020)

At 31 December 2021 and 2020 the negative reserves contributed by the subsidiaries Rental Homes PropCo, S.L.U., S.L.U., Neinor Rental OpCo, S.L.U., Promociones Neinor 3, S.L.U., Neinor Works, S.L.U. and Promociones Neinor 5, S.L. arose as regards of the difference at the date when the Neinor Homes Group was created between the amounts the financial interests in these subsidiaries were contributed to the Group (specifically to the subsidiary Neinor Norte, S.L.U., its direct shareholder) and their underlying carrying amounts at that date were negative, due to the impairment recognized in connection with all their property assets. When the contribution was made, the Kutxabank Group intended the other investees of Kutxabank to make a direct contribution to restore their equity position so as not to give rise to any loss for Neinor Norte, S.L.U. Lastly, this contribution was made in 2015 by Kutxabank directly through a capital increase at Neinor Homes, S.A. prior to its transfer to Neinor Holdings, S.L.U. This capital increase was performed in steps at Neinor Norte, S.L.U. and its investees including, among others, those which had an equity imbalance, and the situation was remedied prior to the Lion transaction described in Note 1.

At November 2015, Neinor Holdings S.L.U, sole shareholder of Neinor Homes S.A., carried out a shareholder contribution increase to the mentioned entity amounting to EUR 1.346 thousand. The shareholder contribution was related to the arrangement signed at December 2014 between Kutxabank and Neinor Holdings S.L, as explained in the Note 1 of this consolidated financial statement, in the form of a price adjustment to compensate for the expenses paid by the Group to a Development and Apportionment Entity.

15.4 Treasury shares and other reserves

The Annual General Meeting held on 6 March 2017 authorized the derivative acquisition of treasury shares for the maximum period permitted by law and subject to the requirements established in Article 146 of the Spanish Limited Liability Companies Law.

On May 4, 2017, the Group began a program of Treasury Stock, and a total of 199.406 treasury shares were acquired until September 20, 2017. On September 22, 2017, the Parent Company signed a contract of liquidity with Gestión de Patrimonios Mobiliarios, S.V., S.A. whereby it makes purchase and sale of shares during the year.

On 4 April 2019, Neinor Homes, S.A. signed an agreement with Goldman Sachs International whereby the bank undertook to acquire at the Parent Company's request up to a maximum of 7,900,500 shares of Neinor Homes, S.A. or shares for up to an equivalent notional amount of EUR 100 million. Payment for the aforementioned shares, which entailed their physical delivery to Neinor Homes, S.A., was initially established on 5 October 2020 and the arrangement accrued interest at a fixed rate of 3.25%. In accordance with CNMV Circular 1/2017, of 26 April, on liquidity agreements, the agreement established that the bank's daily volume of purchases shall not exceed 15% of the average daily trading volume in the previous 30 trading sessions. Also, in relation to this agreement, Neinor Homes, S.A. has provided a guarantee through the delivery of cash of EUR 11 million, increasing to EUR 25 million during the first months of 2020. The arrangement and existing debt, amounting to approximately EUR 49 million, were settled at the end of March 2020 by the payment, net of guarantees given, of EUR 25 million.

Also, on 26 March 2021, and for a period of six months, the Group has launched a treasury share programme for the derivative acquisition of up to one million treasury shares, with a maximum permitted disbursement, in any event, of EUR 10 million, for which the Parent has entered into a liquidity agreement with JB Capital Markets Sociedad de Valores, S.A.U. Additionally, on 17 September 2021, and for a period of 1 year, the Group has launched a treasury share programme for the derivative acquisition of up to 2.5 million treasury shares, with a maximum permitted disbursement, in any event, of EUR 30 million, for which the Parent has entered into a liquidity agreement with Gestión de Patrimonios Mobiliarios, S.V., S.A.

As of December 31, 2021, the total Treasury Stock of the Parent Company amounts to 3.622.669 securities (4.645.608 at 31 December 2020). The average unit purchase price of the securities was 11,09 euros (11,00 euros at December 2020).

In 2018 a long-term retention plan was approved aimed at the employees of the Group (with the exception of the Chief Executive Officer). The plan extends from 1 September 2018 to 2 September 2020 and consists of the allocation of an incentive based on each employee’s salary payable in shares of Neinor Homes, S.A., provided that resignation or dismissal on disciplinary grounds does not arise, and linked to the increase experienced in the value of the shares on expiry of the plan. In 2020 this plan gave rise to the recognition of staff costs of EUR 1.068 thousand with a balancing entry under equity in the accompanying consolidated balance sheet.

Lastly, in April 2020, the Shareholders of the Parent Company approved a new incentive plan payable in shares, for which the amount set is between EUR 8 million and EUR 12 million, for the period ending 31 December 2022. Initially, beneficiaries of the incentive plan are inside directors. However, members of the executive team of the Neinor Homes Group may get the access to this plan, requiring the approval of the

Board. Achievement measurement metrics are EBITDA and the total return for the shareholder (which considers the gains in the stock's price of Neinor Homes). Minimum amounts below, which the incentives do not accrue, and the possibility of an extra bonus of up to 150% were established. Shares acquired under this plan are subject to lock-up commitments for a period of one year for inside directors. Additionally, this incentive is subject to a repayment clause if certain circumstances arise and there are minimum permanence requirements for the incentive accrual. The shares to be received by each participant will be determined by the incentive attributed to each participant in the plan and taking into account the evolution of the share price of Neinor Homes, S.A. during the incentive plan period. In 2021 this plan gave rise to the recognition of staff costs of EUR 3.399 thousand with a balancing entry under equity in the accompanying consolidated balance sheet (EUR 75 thousand during 2020).

15.5 Dividends paid

The annual shareholders´ meeting held on April 1, 2020 approved the distribution of a dividend charged to the share premium reserve and/or to other distributable reserves to a maximum amount of 40 million euros, payable in one or more instalments during the years 2020 and 2021. It was also agreed to delegate to the Board of Directors of the Parent Company the power to establish, if appropriate, the amount and the exact date of each payment during said period, always in compliance with the maximum aggregated amount indicated. On 7 January 2021, the Parent’s Board of Directors has approved to distribute a dividend of EUR 0.5 per share, to be paid out of share premium. The payment of the aforementioned dividend has taken place on March 2021. In addition, the Parent's Board of Directors plans to approve the distribution of a dividend of approximately EUR 50 million in 2022. This amount may be increased during 2022 (see Note 29).

16. Provisions

16.1 Current provisions

Changes in current provisions in 2021 and 2020 are as follows:

At 31 December 2021

	Thousands of euros		
Description	For taxes (see Note 22.4)	Other provisions (see Note 22.4)	Total
Balance at 31 December 2020	**6.350**	**10.330**	**16.680**
Charges	11.852	25.621	**37.473**
Business combination (Note 2.8)	-	21.366	**21.366**
Amounts used	(6.547)	(13.119)	**(19.666)**
Transfers	-	195	**195**
Balance at 31 December 2021	**11.655**	**44.393**	**56.048**

At 31 December 2020

Description	Thousands of euros		
	For taxes (see Note 22.4)	Other provisions (see Note 22.4)	Total
Balance at 31 December 2019	**3.932**	**7.273**	**11.205**
Charges	5.513	7.865	13.378
Amounts used	(3.095)	(4.808)	(7.903)
Balance at 31 December 2020	**6.350**	**10.330**	**16.680**

"Other provisions" caption includes, mainly, amounts set-aside warranty costs, after-sales expenses, as well as other construction costs not yet incurred. These provisions are recognized at the date of sale of the related products according to the Group's best estimate of the possible consideration required to settle the Group's liability.

Also, "For Taxes" caption in the foregoing table includes, mainly, the provisions recognized in relation to the taxes accrued in the period and which, at the reporting dates, have not been settled (mainly property tax) and the provision relating to non-deductible VAT as a result of applying the deductible proportion rule that has not yet been adjusted.

During 2021 and 2020, provisions have been charged for after-sales expenses, expenses to be incurred for sales commissions and capital gains derived from the increase in sales for the year (Note 22.6).

At each reporting date the Group assesses the estimated amounts required for probable or certain liabilities where payment is still not entirely determinable with regard to their exact amount, or the dates on which they will arise are uncertain since they depend on the fulfilment of certain conditions. Where appropriate, it recognizes the related provisions. In this connection, at 31 December 2021 there are legal claims in relation with assets owned by the different companies of the Group for a total amount of EUR 34.778 thousand (at 31 December 2020 EUR 30.507 thousand), mainly corresponding to construction contract resolutions for an amount of EUR 20.180 thousand euros, which include EUR 9.562 thousand corresponding to certifications and warranty withholdings to be paid registered as a current liability in the consolidated balance sheet. In relation to the remaining amount (EUR 10.618 thousand) no provision has been accounted, considering the directors of the Group that qualify the risk related to this litigation as possible. The directors of the Group and the external legal advisor consider purchase conditions were not accomplished and the risk related to this litigation is not significant. At 31 December 2021 the Group has recognized provisions amounting to EUR 4.731 thousand (EUR 830 thousand at 31 December 2020) since the Parent's directors, and its legal advisors, considered that the possible impacts for the Group arising from these liabilities would not be significant.

17. Bank borrowings and other financial liabilities

17.1 Bank borrowings

Details of bank borrowings and other financial liabilities at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Long-term bank borrowings:		
Mortgage loans (*)	44.815	-
Other loans (*)	-	70.659
Total (non-current)	**44.815**	**70.659**
Short-term Bank borrowings (see Note 23):		
Interest payable	509	584
Mortgage loans (*)	209.683	240.948
VAT lines	3.371	2.101
Other loans (*)	383	18.702
Total (current)	**213.946**	**262.335**

(*) Borrowings are presented at amortized cost, net of the debt arrangement expenses amounting to EUR 4.408 thousand (EUR 6.552 thousand in 2020).

31 December 2021

Scheduled maturities:	31.12.21
2022	163.316
2023	18.182
2024	30.258
2025 and following	46.758
Total	**258.761**

31 December 2020

Scheduled maturities:	31.12.20
2021	36.160
2022	83.574
2023	32.012
2024 and following	181.248
Total	**332.994**

Short-term and long-term bank borrowings

Mortgage loans

The balance recognized under “Bank borrowings – Mortgage loans for land” in the foregoing table which amounts to EUR 254.498 thousand at 31 December 2021 relates to the amount payable on loans regarding plots of land which secure repayment of these loans. These loans bear interest at a market rate and ultimately mature between 2022-2054.

Certain Group companies are jointly and severally guaranteeing most of these loans (See Appendix I).

Specifically, the Group has contracted 23 new mortgage loans during 2021 with a limit of EUR 197.212 thousand, of which an amount of EUR 58.761 thousand has been withdrawn. In addition, the limit and maturity of one loan contracted during the previous years have been extended.

At 31 December 2021, the Group's main mortgage loan drawn down relates to the financing granted by Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. ("SAREB"), the amortised cost of which amounted to EUR 51.812 thousand. On 25 March 2021, the aforementioned loan was novated, and the effectiveness and entry into force of the novation was subject to the registration of the merger in the Mercantile Register (described in Note 2.8); under the novation it was agreed to reduce the payable interest rate to 1%, and the following repayment schedule was established:

Scheduled maturities:	Thousands of euros
31 July 2022	11.324
31 July 2023	11.324
31 July 2024	14.155
31 July 2025	14.788
Total	**51.591**

In relation to this loan, on 16 September 2020 the Board of Directors of Quabit Inmobiliaria, S.A. approved the issue of warrants in favour of SAREB agreed within the framework of the refinancing agreement signed between the parties on 29 July 2020. These warrants entitled the holder to subscribe up to a maximum of 2.003.552 new Quabit Inmobiliaria, S.A. shares up to a maximum interest of 1% in its share capital. These warrants were cancelled on November 4, 2021 once the execution regarding the public deed of the cancellation of the Avenue warrants took place (Note 2.8).

Lastly, on 16 December 2021 a mortgage loan totalling EUR 100 million was granted by Natixis, S.A. Sucursal en España, Natixis Assurances Investments in Real Assets-Real Estate Compartment, Novo Banco, S.A. Succursale Luxembourg and BNP Paribas European Real Estate Debt Fund II to the Group companies Neinor Península, S.L.U., Neinor Sur, S.A.U., Panglao Investments, S.L.U., Quabit Alovera, S.L.U., Quabit Remate las Cañas, S.L.U., Quabit Cierzo, S.L.U. and Quabit Peñalara, S.L.U., in order to finance the construction costs of developments to be used in the rental business line. As a requisite for execution of the loan agreement, a first-ranking security interest was granted in all the collection rights relating to the bank account opened for the aforementioned financing and in such collection rights as might arise from some of the contracts related to the construction of the developments. The loan, which will have an initial term of 3.25 years, will bear interest at Euribor plus a spread of 2.75%. The agreement established a commitment to achieve the so-called "LTC Ratio", which, taken to be the quotient resulting from dividing the amounts drawn down against the loan by the construction costs of the financed developments, must be lower than 55%, as well as commitments to achieve the so-called "LTV Ratio", which is taken to be the quotient resulting from dividing net debt by the market value of the properties, both in terms of the Group's assets and its overall debt and in terms of the assets relating to the loan and the debt associated with those assets; these LTV ratios must be lower than 40% and 60%, respectively. The maturity of the loan may be extended by an additional period of 1.25 years, with a slight reduction of the spread associated with the financing, although this would entail the need to comply with covenants and to provide additional guarantees. At 31 December 2021, no balance had been drawn down. However, before the first drawdown is made, first-ranking mortgages must be created on the assets financed, and the Group subsidiaries that are the beneficiaries of the financing, or, failing them, Neinor Península, S.L.U. and Neinor Sur, S.A.U., must enter into a framework agreement for financial transactions to cap the interest rate associated with 75% of the financing.

VAT lines

This caption includes the balance drawn down of a loan received by the Group in order to finance the input VAT on certain land purchase transactions, which was received in 2015, and has been novated for an additional year. Hence, the loan matures in 2022 and bears interest at market rates. The limit on these loans amounts to EUR 15 million of which the amount of EUR 3.371 thousand has been disposed at December 2020 (EUR 2.101 thousand had been disposed at December 2020). To secure repayment of the borrowings, the receivables relating to input VAT arising for the public administration in these transactions were pledged to the financial institutions (Note 20).

Additionally, on 6 June 2017, the Group entered into a recourse factoring agreement with a bank mainly to finance input VAT on certain land purchase transactions. The agreement expires at one year and bears interest at market rates. The factoring line has a limit of 15 million euros, but no balance had been drawn down at 31 December 2021 and 2020. The amounts owed to it by virtue of the transactions performed will be used to guarantee the repayment of this financing.

Other loans

On 28 August 2017, the Group signed a financing agreement with J.P. Morgan for EUR 150 million. The loan was arranged for an initial term of 12 months and could be renewed for an additional 12 months. It has been drawn by Neinor Norte, S.L.U., Neinor Sur, S.A.U and Neinor Peninsula, S.L.U, acting Neinor Homes S.A. only as guarantor of this debt. Mainly for the purpose of repaying this loan and improving the Group's financial structure, in April 2019 a financing agreement was entered into with Deutsche Bank for a maximum amount of EUR 75 million, with Neinor Sur, S.A.U. acting as the lender and Neinor Homes, S.A., Neinor Península, S.L.U. and Neinor Norte, S.A.U. as guarantors. This financing initially matured in April 2020, although it could be extended at the Group's discretion until October 2021, provided that certain conditions are met (such as the delivery of a specified number of housing units). On 29 January 2020, debt agreement has been novated. Maturity date for this financing was January 2021, although it could be partially extended for an amount of 40 million euros, with minor interest rate increases, at the Group's discretion until December 2022, provided that certain conditions are met (in line with those fixed in the original contract). In this regard, the Group made during the year 2020 a voluntary repayment amounting to 25 million euros. This repayment was one of the conditions fixed for the maturity extension until December 2022. This financing, against which EUR 50 million had been drawn down at the end of December 2020. On 29 April 2021 this financing has been fully repaid with the funds obtained from the bonds issued by the Parent Company (Note 17.2).

In April 2020 the Parent arranged financing amounting to EUR 40 million, the final maturity of which was scheduled for April 2023, with a one-year grace period in respect of the principal and repayments being made on a straight-line basis over the subsequent two years and bearing interest at a fixed rate until maturity. On 29 April 2021 this financing has been also fully repaid with the funds obtained from the bonds issued by the Parent Company (Note 17.2).

Covenants and early repayment clauses

In connection with the borrowings arranged and drawn down by the Group and disclosed above, the Group has certain early repayment clauses associated with the loans and credit lines, including most notably the following:

- Obligation to achieve a firm and irrevocable LTV Ratio, taken to be the ratio of Net Debt to the Net Value of the Group's Properties (in both cases capex financing should be deducted), which must be below 35- 45%.

- In relation to the VAT factoring contract, 15% worsening in the coverage ratios (net financial debt to EBITDA ratio) and/or leverage (net financial debt to equity ratio) as compared to the measurement of these ratios in the latest annual financial statements; furthermore, when a depreciation of the Group's situation causes doubts as to the viability of its business, on the basis of market information. Management believes that the financial institution is aware of the current situation of the Group.

At year-end 2021, the Group was fully compliant with the covenants and clauses established in the aforementioned loans.

Other

In addition, the Group has drawn down reverse factoring lines amounting EUR 8.242 thousand at 31 December 2021 with a limit of EUR 98.550 thousand at that date (EUR 18.249 thousand at 31 December 2020 with a limit of EUR 95.366 thousand at that date).

All the loans and credit facilities outstanding at 31 December 2021 indicated above were arranged with leading banks and bear interest tied to Euribor plus market spreads.

The interest rate applicable to the Group, in general terms, is tied to Euribor plus a market spread ranging from 1,2% to 3,25% in 2021 (from 0,85% to 3,5% in 2020). The average cost of the borrowings calculated for 2021 and 2020 is approximately 2,49% and 3,06%, respectively (if calculation had been performed without considering the finance expense related to the bonds the average cost of the borrowings calculated for 2021 would have been of 1,81%).

At 31 December 2021, the Group companies have undrawn VAT and factoring loans totaling EUR 27 million (EUR 28 million at 31 December 2020).

Finally, the following is a reconciliation of the book value of liabilities arising from financing activities by distinguishing separately the changes that generate cash flows from those who do not:

2021

	01/01/2020	Business combination (Nota 2.8)	Cash Flow	Without cash flow impact			31/12/2021
				Variation in Fair Value	Reclassifications	Others (*)	
Long Term Loans	70.659	25.250	(44.253)	-	(6.435)	(406)	44.815
Short Term Loans	262.335	252.707	(274.077)	-	6.435	(33.454)	213.946
Total Liabilities from financing activities	**332.994**	**277.957**	**(318.330)**	**-**	**-**	**(33.860)**	**258.761**

(*) It includes the transfer of the assets owned by Quabit Las Lomas el Flamenco, S.L.U., for an approximate amount of 32 million euros (Note 2.8).

2020

	01/01/2020	Cash Flow	Without cash flow impact			31/12/2020
			Variation in fair value	Reclassifications	Others (Note 15.4)	
Long Term Loans	50.000	20.659	-	-	-	70.659
Short Term Loans	315.700	(28.419)	-	-	(24.946)	262.335
Total Liabilities from financing activities	**365.700**	**(7.760)**	-	**-**	**(24.946)**	**332.994**

17.2 Other financial liabilities

On 12 April 2021, the Board of Directors of the Parent approved the issue of guaranteed senior bonds maturing in 2026 (which may be redeemed early in certain circumstances and upon the occurrence of certain events) for a total principal amount of EUR 300 million; at the issue date (14 April 2021) it was established that the bonds would bear annual fixed interest of 4.5%, payable on a half-yearly basis (finance expense related to the bonds amounted to EUR 9 million at 31 December, 2021). The bonds, which were admitted to trading on the Global Exchange Market of the Irish Stock Exchange, are guaranteed by Neinor Homes, S.A. and certain of its subsidiaries that act as guarantors of the debt (Neinor Peninsula, S.L.U., Neinor Sur, S.A.U., Neinor Norte, S.L.U. and Promociones Neinor 1, S.L.U.). The notes are secured by share pledges over the guarantors and by pledges over intercompany loan receivables (if any) owed to the issuer or the guarantors. The Group has used and will use (in the case of the home-rental business line), the proceeds from the issue in order to:

- Repay EUR 152,6 million of outstanding indebtedness of Quabit Inmobiliaria, S.A. and its subsidiaries (Note 2.8).
- Repay the debt signed with the financial entity Deutsche Bank which at the period end on exercise 2020 was disposed in an amount of EUR 50 million, as well as two financial contracts with an amount of EUR 15 and 25 million, respectively, arranged with Banco Santander.
- Investments in connection with the rental property business line.
- Pay fees, commissions and expenses incurred directly attributable to the offering amounting to EUR 7 million, approximately, which have been deducted from the carrying value of the debt.

In addition to the use of gross proceeds indicated, the Group intend to allocate an amount equal to the net proceeds of this offering to residential projects which help to achieve the United Nations Sustainable Development Goals and which have a clear positive impact on the environment.

On April 11, 2021, in connection with the notes, the issuer and the guarantors entered into a revolving credit facility that provides for total commitments of up to EUR 50 million and which final maturity is 2026. The revolving credit facility is secured by substantially the same guarantees provided for the notes and will be available to finance or refinance the Group's working capital requirements and general corporate purposes. The credit facility will bear interest at a variable rate of Euribor plus a market spread ranging from 2,5% to 3,25% calculated depending on the "LTV Ratio". At 31 December 2021 no amount has been drawn.

Additionally, this caption includes, mainly:

- The variable amount payable resulting from the acquisition of 75% of the shares of Umber Jurídico Inmobiliario, S.L, recognized at amortised cost for EUR 2.661 thousand (see Notes 2.8 and 18).

- The leased assets held by the Group, for which the net book value at 31 December 2021 amounts to 2.058 thousand euros, being registered the associated debt to these operative leasing's under the caption "Other financial liabilities" of non-current and current liabilities of the accompanying consolidated balance sheet up an amount of 593 and 1.769 thousand euros, respectively. The maturities of the contracts associated with these leases expire from 2022 to 2027.

18. Other current and non-current liabilities

Details of other current and non-current liabilities at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of euros			
	31.12.2021		31.12.2020	
	Non-current	Current	Non-current	Current
Bonds (see Note 17.2)	294.400	1.549	-	-
Lease liabilities (see Note 17.2)	593	1.769	2.148	1.609
Guarantees and deposits received	446	1.990	1	337
Other financial liabilities (Note 17.2)	2.822	1.083	2.557	-
Other financial liabilities	**298.261**	**6.391**	**4.706**	**1.946**
Remuneration payable	-	5.991	-	3.602
Customer advances (see Note 12)	-	103.223	-	108.564
Other current liabilities	-	**109.214**	-	**112.166**
Total, gross	**298.261**	**115.605**	**4.706**	**114.112**

"Guarantees and deposits received" includes mainly guarantee deposits paid by lessees.

19. Current and non-current trade and other payables

"Trade and other payables" mainly includes balances payable for trade purchases and related costs. At 31 December 2021, this caption also included a payable amounting to EUR 88.075 thousand corresponding to the deferred portion of the price of a land purchased in these exercises (EUR 37.351 thousand at 31 December 2020) (see note 12).

In addition, this heading of the consolidated balance sheet includes at 31 December of 2021 an amount of EUR 49.812 thousand (EUR 40.918 thousand at 31 December 2020) as tax deductions applied to contractors for warranty.

The carrying amount of trade payables is similar to their fair value.

Information regarding the weighted average payment term to suppliers. Final Provision Two of Law 31/2014 of 3 December

Next it is detailed the information required by the Final Provision Two of Law 31/2014 of 3 December, that has been prepared applying the corresponding rules issued by the Accounting and Auditing Institute at 29 January 2016, which relates to the information to be included in the annual financial statements about weighted average payment term to suppliers.

	Period ended 31 December 2021	Period ended 31 December 2020
	Days	**Days**
Weighted average payment term to suppliers	57	51
Paid operations ratio	60	55
Outstanding payments ratio	35	23
	Thousands of euros	**Thousands of euros**
Total payments made	498.772	411.262
Total outstanding payments (*)	56.511	55.606

(*) Total outstanding payments do not include warranty withholdings deferred payments for the purchase of plots of land and invoices pending receipt. Additionally, amounts due to litigations have not been included (Note 16).

The figures in the preceding table on payments to suppliers refer to those whose nature make them trade creditors because they are suppliers of goods and services. Therefore, they include the figures relating to "Current trade and other payables" under current liabilities in the consolidated balance sheet. Deferred portion of the price in relation to the purchase of various plots of land (Note 12) has not been considered for this calculation.

"Weighted average payment term to suppliers" is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

Pursuant to Law 11/2003, of 26 July, establishing measures on combating late payment in commercial transactions, the statutory payment period applicable to the Company at 31 December 2021 and 31 December 2020 was 30 days, unless a longer period has been agreed, which in no case may exceed 60 days. In this connection, and for the calculations referred to above, the Group has considered in all cases a maximum legal term of 30 days, no matter which the arranged conditions with the suppliers are.

20. Tax matters

20.1 Tax rules and Consolidated tax group

All the Group companies, except the subsidiaries Neinor Península, S.L.U. and Neinor Sur, S.A.U., were paying income tax as from the years commencing 1 January 2015 as a Tax Group number 0211BSC in accordance with Corporation Tax Law 11/2013, of 5 December, pay taxes pursuant to Bizkaia Corporation Tax Regulation 11/2013. The tax group was headed by the Parent's former shareholder Neinor Holdings, S.L.U.

Due to Neinor Homes, S.A. admission to listing and Neinor Holdings, S.L.U's loss of participation there has been a breakdown of the Tax Group. On 3 November 2017, the Administration approved the composition of the new Tax Group headed by Neinor Homes, S.A., and number 02117BSC. The Tax Group will pay income on a tax consolidation basis with effect from 1 January 2017 in accordance with Article 99.2 of Bizkaia Corporation Tax Regulation 11/2013, of 5 December.

On 13 December 2017, Neinor Norte, S.L.U., as the sole shareholder of Promociones Neinor 1, S.L. (currently named Rental Homes PropCo, S.L.U.), Promociones Neinor 2, S.L. (currently named Neinor Rental OpCo, S.L.U.), Promociones Neinor 3, S.L.U., Promociones Neinor 4, S.L. U. (currently named Neinor Works, S.L.U.) and Promociones Neinor 5, S.L., decided to change the registered office of the aforementioned companies, which will be located in Madrid. As a result, since it does not meet the requirements to file consolidated tax returns in Vizcaya, on 20 December 2017, Neinor Homes, S.A., as the head of the tax group, notified the tax authorities that the legislation applicable to the aforementioned investees of Neinor Norte, S.L. for the tax periods commencing on or after 1 January 2017 will be that of Spain (excluding Navarra and the Basque Country). Therefore, in 2020 and 2019 the Vizcaya consolidated tax group no. 02117BSC was made up of Neinor Homes, S.A. as the parent and Neinor Norte, S.L.U. as subsidiary.

On the other hand, on 9 January 2020, new Fiscal Group (number 5/20) for the common territory was approved. Tax group is made of Neinor Península, S.L.U. and also composed of Neinor Sur, S.A.U., Rental Homes Propco, S.L., Neinor Rental Opco, S.L., Promociones Neinor 3, S.L.U., Neinor Works, S.L. U. and Promociones Neinor 5, S.L., with number 5/20 (Note 20). In April and October 2021, the Group performed the necessary communications to the tax authorithies so that the following companies may also be part of said tax group: Renta Garantizada, S.A., Residencial Nuevo Levante, S.L., Quabit Inmobiliaria Internacional, S.L.U., Bulwin Investment Socimi, S.A., Grupo Mediterráneo Costa Blanca S.L., Quabit Quality Homes, S.L.U., Quabit Premier, S.L., Quabit Sant Feliu, S.L., El Balcon de las Cañas, S.L., Quabit Casares, S.L., Quabit Torrejón VP Fase 1, S.L.U., Quabit la Peñuela VL Fase 1, S.L.U., Quabit Torrejón VP Fase 2, S.L.U., Quabit la Peñuela VL Fase 2, S.L.U., Quabit Torrejón VP Fase 3, S.L.U., Quabit la Peñuela VL Fase 3, S.L.U., Quabit Remate Las Cañas, S.L.U., Quabit Quality Homes Guadalix, S.L.U., Quabit Quality Homes San Lamberto, S.L.U., Iber Activos Inmobiliarios, S.L., Quabit Sup-R6, S.L.U., Quabit Finance, S.A.U., Quabit Finance Assets, S.L.U., Quabit Gregal, S.L.U., Quabit Poniente, S.L.U., Quabit Siroco, S.L.U., Quabit Terral, S.L.U., Quabit Mistral, S.L.U., Quabit Cierzo, S.L.U., Quabit Tramontana, S.L.U., Quabit Aneto, S.L.U., Global Quabit, S.L.U., Quabit Alcarria, S.L.U., Quabit Distrito Centro, S.L.U., Quabit Corredor de Henares, S.L.U., Quabit Moncloa, S.L.U., Quabit Sureste, S.L.U., Quabit Hortaleza, S.L.U., Quabit Remate, S.L.U., Quabit Aguas Vivas, S.L.U., Global Quabit Cañaveral Málaga Fase 1, S.L.U., Global Quabit Cañaveral Málaga Centauro, S.L.U., Global Quabit Cañaveral Tercera Fase, S.L., Global Quabit Cañaveral Fase Cuatro, S.L.U., Global Quabit Málaga, S.L.U., Global Quabit Sur, S.L.U., Global Quabit Norte, S.L.U., Global Quabit Azuqueca, S.L.U., Quabit Casares Golf RP5, S.L.U., Quabit Almanzor, S.L.U., Quabit Teide, S.L.U., Quabit Peñalara, S.L.U., Global Quabit Desarrollos Inmobiliarios, S.L.U., Quabit Alovera, S.L.U., Quabit Las Lomas De Flamenco, S.L.U., Quabit Menorca Desarrollos Inmobiliarios, S.L.U., Quabit Freehold Properties, S.L.U., Quabit Freehold Properties Levante, S.L., Quabit Freehold Properties Sur, S.L.U., Quabit Freehold Properties Centro, S.L.U., Quabit Freehold Properties Madrid, S.L.U., Quabit Freehold Properties Valencia, S.L.U., Quabit Freehold Properties Este, S.L.U., Quabit Palmaces S.L.U., Quabit El Vado, S.L.U., Panglao Investments, S.L.U., Quabit Veleta, S.L.U., Quabit Puerta de Vistahermosa, S.L.U., B2R Proptech, S.L.U., Style Living Gestión, S.L.U. and Quabit Construcción, S.A. The Tax Group is taxed under a tax consolidation regime with effect from January 1, 2021, except for affiliates acquired as a result of the business combination with Quabit Inmobiliaria, S.A. (Note 2.8) whose tax contribution in the Tax Group began in May 2021, in accordance with the provisions of the Special Tax Consolidation Regime, regulated in Chapter VI of Title VII of Law 27/2014, of November 27, on Corporation Tax. Also, at the end of 2020 Quabit Inmobiliaria, S.A. headed tax group no. 131/07, which filed consolidated tax returns under the special consolidated tax regime regulated in Chapter VI of Title VII of Spanish Income Tax Law 27/2014, of 27 November, and which comprised substantially all of its subsidiaries, since it held, directly or indirectly, ownership interests of more than 80% in them and they were domiciled for tax purposes in Spain (excluding Navarra and the Basque Country). The extinguishment, through dissolution without liquidation, of Quabit Inmobiliaria, S.A. means that the tax period of the tax group of which it was the parent ended on the date on which it was extinguished and, also, obliges the subsidiaries to conclude their tax period on that same date, without prejudice to their subsequent inclusion, where appropriate, in the tax group headed by Neinor Península, S.L.U., once the pertinent requirements for application of the special consolidated tax regime to these subsidiaries have again been met.

20.2 Years open for review by the tax authorities

At 31 December 2021, the Parent and the subsidiaries have all main applicable taxes open for review by the tax authorities. Provincial Regulation 11/2013 establishes that all tax credits applied and tax losses generated in prior years can be reviewed when they are applied in any of the years open to review, while Law 27/2014 of 27 November, establishes a review term of ten years.

With regard to VAT, the various Group companies applied the deductible proportion rule set forth in Article 106 of VAT Law 37/1992, of 28 December (Article 106 of Provincial VAT Law 7/1994, of 14 December), which establishes that the amounts of tax paid in the acquisition of goods and services used solely in transactions made that give rise to the right to deduction may be deducted in full.

On 28 June 2017, certain Group companies were notified by the tax agency of the commencement of tax audits of the following taxes and periods:

- VAT of Neinor Península, S.L.U. for 2015 and 2016

- Income tax of Neinor Península, S.L.U. for 2015

- VAT of Neinor Sur, S.A.U. for 2014, 2015 and 2016

- Income tax of Neinor Sur, S.A.U. for 2012 to 2015

In January 2019 the Group received notification of final disciplinary proceedings concerning the tax inspections relating to Neinor Península, S.L.U., which gave rise to adjustments to tax payable amounting to EUR 3.272 thousand, which were recognized under "Income Tax" in the consolidated statement of profit or loss for the year ended 31 December 2018, and also penalties and late-payment interest of EUR 793 thousand and EUR 417 thousand recognized under "Other Operation Expenses" and "Finance Costs (Net of Capitalised Finance Costs)", respectively, in the consolidated statement of profit or loss for the year ended 31 December 2018. Although pleadings have been filed against this decision, providing a guarantee of EUR 3 million, the Parent's directors, in accordance with the opinion of their external tax advisers, consider payment of these amounts probable since a final decision has been handed down in this connection. In this regard, provision is recognized under the caption "Tax payables" of the consolidated balance sheet as of 31 December 2021 and 2020. In addition, during the initial procedural formalities, penalties of EUR 6.3 million also became evident, but no provision has been recorded, considering that the administrative appeal filed by the Group will, in any event, give rise to a favorable outcome for it. This policy has also been approved by the Group's external tax advisers.

Also, in October 2018 tax assessments were signed on an uncontested basis in relation to the income tax of Neinor Sur, S.A.U. The assessments gave rise to the adjustment of the tax losses for 2013, 2014 and 2015 by EUR 426 thousand, EUR 836 thousand and EUR 187 thousand, respectively, without any impact on the Group's consolidated financial statements.

On 17 February 2020, the Regional Inspection Office of the Special Office of Andalusia commenced a limited tax audit on the company Neinor Península, S.L.U. for income tax relating to 2016 and 2017. During July 2020, the assessment was signed by the Company's representative on an uncontested basis, giving rise to no tax contingencies in this connection.

Furthermore, on 8 February 2012, Quabit Inmobiliaria, S.A. received notification of the commencement of the verification and investigation of corporate income tax for the years 2007 to 2009, value added tax for the years 2008 and 2009 and withholdings on income from work for professionals and from movable capital for the years 2008 and 2009. In March2013, the assessments relating to the completion of the review process were received. The amount claimed by the tax authorities amounts to EUR 2.171 thousand, corresponding to settlement agreements issued by the Central Delegation for Large Taxpayers of the State Tax Administration Agency (''AEAT'') in March 2013. This amount is broken down into principal (EUR 1.088 thousand), interest (EUR 614 thousand) and a penalty (EUR 469 thousand), which have already been paid at the date of preparation of the accompanying consolidated financial statements. In addition, in its assessments, the AEAT proposed certain corrections to the taxable base for corporate income tax with no effect on the tax payable, as they correspond to periods in which the application of these corrections would not result in a positive taxable base and, therefore, in a payable tax. The proposed increase in the 2008 and 2009 tax bases proposed in the assessments was EUR 6.004 thousand and 7.204 thousand, respectively. The main adjustment item arose from amortization of goodwill from the merger in 2008 (EUR 5.641 thousand in 2008 and EUR 7.051 thousand in 2009). This difference in amortization derives from the difference in the quantification of amortization: EUR 152.332 thousand according to the AEAT compared to EUR 293.308 thousand calculated by Quabit Inmobiliaria, S.A. in its income tax settlements. Quabit Inmobiliaria, S.A. submitted pleas to the non-conformity assessments relating to corporate income tax and subsequently lodged an appeal with the Central Economic-Administrative Court (TEAC). In January 2017, Quabit Inmobiliaria, S.A. received a resolution from the TEAC rejecting all the pleas presented in its appeal. In March 2017, Quabit Inmobiliaria, S.A. filed an administrative appeal with the National High Court requesting a stay of the contested order. This suspension has been granted by the Court. Subsequently, on 7 December 2017, Quabit Inmobiliaria, S.A. filed a complaint with the Administrative Litigation Division of the National High Court. In September 2020, Quabit Inmobiliaria, S.A. received notification of the National Court's ruling rejecting all of its pleas. A cassation appeal was filed with the Supreme Court and, at the date of preparation of these consolidated financial statements, the ruling either giving this appeal leave to proceed, or refusing it, had not been received.

The directors of the Parent do not expect any additional material liabilities not already covered to arise as a result of the inspections that could occur for the years open to inspection. In this regard, in accordance with Additional Provision Nine of Royal Decree-Law 11/2020, of 31 March, and Additional Provision One of Royal Decree-Law 15/2020, of 21 April, the period between 14 March and 30 May 2020 shall not be taken into account for the purpose of calculating the limitation periods established in General Taxation Law 58/2003, of 17 December, and the usual limitation periods were therefore extended by a further 78 days.

20.3 Tax receivables and payables

Details of the main tax receivables and payables are as follows:

	Thousands of euros							
	31.12.2021				31.12.2020			
	Tax assets		Tax liabilities		Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
VAT receivable / payable (Note 17)	-	6.681	-	21.956	-	4.898	-	25.491
Income tax (*)	-	1.483	-	7.513	-	652	-	17.324
Personal income tax withholdings payable	-	-	-	1.964	-	-	-	1.799
Social Security contributions payable	-	-	-	821	-	-	-	617
Deferred tax asset	98.319	-	-	-	25.355	-	-	-
Deferred tax liability	-	-	5.130	-	-	-	271	-
	98.139	**8.164**	**5.130**	**32.254**	**25.355**	**5.550**	**271**	**45.231**

(*) It includes the provision related to final disciplinary proceedings concerning tax inspections against which pleadings have been filed (Note 20.2).

20.4 Reconciliation of accounting profit/loss to tax profit/loss

The reconciliation of the accounting profit/loss to consolidated income tax expense/income for the year is as follows:

At 31 December 2021

	Thousands of euros			
	Group 02117BSC	Group 05/20	Other entities and consolidation adjustments	Total
Profit/(Loss) before tax	25.020	90.395	7.731	123.146
Permanent differences -	14	518	-	532
Temporary differences	774	(6.147)	(12.477)	(17.850)
Preliminary Taxable income/(loss)	**25.808**	**84.766**	**(4.746)**	**105.828**
Tax losses compensation	-	(18.970)	-	(18.970)
Taxable income/(loss)	**25.808**	**65.796**	**(4.746)**	**86.858**
Tax rate	24%	25%	25%	-
Tax accrued	6.194	16.449	-	22.643
Not capitalised Tax assets accrued in the period	-	-	-	-
Deferred Tax Asset capitalised	(4.186)	(4.757)	2.219	(6.724)
Deferred Tax Asset discharged	-	4.404	-	4.404
Other adjustments for income tax	(651)	639	(20)	(32)
Income tax expense	**1.357**	**16.735**	**2.199**	**20.291**

At 31 December 2020

	Thousands of euros			
	Group 02117BSC	Group 05/20	Other entities and consolidation adjustments	Total
Profit/(Loss) before tax	42.943	48.238	(482)	90.699
Permanent differences -	745	18	-	763
Temporary differences	1.576	2.167	582	4.325
Preliminary Taxable income/(loss)	**45.264**	**50.243**	**100**	**95.787**
Tax losses compensation	-	(12.607)	-	(12.607)
Taxable income/(loss)	**45.264**	**37.816**	**100**	**83.180**
Tax rate	24%	25%	25%	-
Tax accrued	10.863	9.454	25	20.342
Not capitalised Tax assets accrued in the period	-	-	-	-
Deferred Tax Asset capitalised	(378)	(2.411)	(508)	(3.297)
Deferred Tax Asset discharged	408	3.062	-	3.470
Other adjustments for income tax	(44)	28	84	68
Income tax expense	**10.849**	**10.133**	**(399)**	**20.583**

The permanent differences included in the preceding table correspond, mainly, to certain expenses recorded in the period that have not been considered deductible (see Note 16). Additionally, taking into account a conservative criteria that can be assumed by the tax authorities, the Group has considered deductible those impairments calculated on the basis of appraisals, which are carried out by independent experts not related to the Group and which are going to be available for the income tax file.

20.5 Tax losses

Details of the tax losses of the different companies included in the Neinor Homes Group at 31 December 2021, which correspond with those generated by the Group companies are as follows:

	Thousands of Euros		
Year of generation	Unrecognized	Recognized	Year of maturity
Negative tax bases of other companies (Foral Territory):			
Exercise 2008	35.824	67.234	2038
Exercise 2009	109.148	-	2039
Exercise 2010	99.999	-	2040
Exercise 2011	68.205	-	2041
Exercise 2012	29.622	-	2042
Exercise 2013	-	-	2043
Exercise 2014	-	-	2044
Exercise 30 of June 2015	-	-	2045
Exercise 31 of December 2015	-	-	2045
Exercise 2016	54.692	-	2046
Exercise 2017	15.755	-	2047
Exercise 2018	11.481	-	2048
Exercise 2019	12.066	-	2049
Exercise 2020	46.355	-	2050
Negative tax bases of other companies (Common Territory):			
Exercise 2007	3.215	-	No expiration
Exercise 2008	6.457	-	No expiration
Exercise 2009	5.293	-	No expiration
Exercise 2010	6.505	-	No expiration
Exercise 2011	8.680	892	No expiration
Exercise 2012	20.037	-	No expiration
Exercise 2013	1.641	4.338	No expiration
Exercise 2014	222	-	No expiration
Exercise 30 of June 2015 (*)	-	5.697	No expiration
Exercise 31 of December 2015 (*)	1.695	18.690	No expiration
Exercise 2016	39.644	21.627	No expiration
Exercise 2017	56.378	10.873	No expiration
Exercise 2018	30.947	-	No expiration
Exercise 2019	27.628	-	No expiration
Exercise 2020	24.626	-	No expiration
Exercise 2021 (hasta 19 de mayo de 2021)	51	-	No expiration
Total (**)	**716.166**	**129.351**	

(*) It includes tax losses that are subject to inspection for an amount of EUR 30.059 thousand (Note 20.2)

(**) As a result of the business combination (see Note 2.8), the tax loss carryforwards increased by EUR 652.742 thousand, of which EUR 12.4 million (tax charge) were recognized at the date of the business combination (EUR 65 million corresponding to the tax base) (see Note 2.8).

According to the tax rules currently in force, the tax losses with no time limit included in the preceding table, may be offset against the taxable profit for the following tax periods considering certain limits of the tax base prior to offset, with a minimum of EUR 1 million, taking into account the Group's revenue.

Regarding the negative tax bases with maturity broken down in the previous table, note that there is no annual limit to their compensation with the previous tax bases for each year. In this sense, the pending negative tax bases that were generated in accordance with regional regulations by the companies that have moved their registered address to Spanish Income Tax Law, may continue to be applied in the following tax periods in which they are taxed in accordance with the regulations, according to the quantitative, qualitative and temporal limits established in their birth regulations.

Until 2018 the Group did not recognize the deferred tax assets relating to tax loss carryforwards as the Parent's directors considered that the economic environment still generated some uncertainty as regards the consolidation of the industry trends and, accordingly, their recoverability by the Group and, therefore, by the companies taken separately was not reasonably assured.

In 2018, in the specific case of Neinor Sur, S.A.U., it was considered probable that sufficient future taxable profits would be obtained to enable the offset this subsidiary's tax losses. In this regard, this subsidiary has obtained a profit from operations of EUR 86.161 thousand at 31 December 2021 (EUR 63.416 thousand at 31 December 2020) and the Group is in line with the budget drawn up, existing adequate visibility in terms of revenue in the next three years. During 2020 the Group considered for Neinor Works, S.L.U, probable that sufficient future taxable profits would be obtained to enable the offset this subsidiary's tax losses, having obtained a profit before taxes of EUR 356 thousand at 31 December 2021 (EUR 121 thousand at 31 December 2020), from the management activity and supervision of the construction of 4 of the Group's promotions. This policy led to the recognition of income of EUR 220 thousand, net of tax losses compensation, with a credit to "Income Tax" in the consolidated statement of profit or loss for the year ended 31 December 2020.

On the other hand, in relation to other subsidiaries of the Group it was considered that the results of their operations would, based on their history of ongoing losses, either give rise to a loss or to scant profit. As a result, the obtainment of future taxable profit is not sufficiently supported and the policy followed to date was maintained. Accordingly, it was deemed reasonable not to recognize any deferred assets for these companies, since their recoverability is not reasonably assured.

In addition, as a result of the purchase price allocation process relating to the business combination of Quabit Inmobiliaria, S.A., deferred tax assets amounting to EUR 68.000 thousand (Note 2.8) associated with that transaction were identified, of which 12,4 million euros correspond to negative tax bases, since it is determined as reasonably assured the obtaining of future tax benefits that will allow their compensation.

20.6 Tax credits

At 31 December 2021 the Group had unrecognized tax credits amounting to EUR 981 thousand (at 31 December 2020 unrecognized tax credits amounted to 59 thousand).

20.7 Deferred Taxes

In accordance with the current tax legislation applicable to the Group companies, certain temporary differences may arise that should be taken into account in the estimate of the income tax base and the related income tax expense.

The changes in this heading in the exercise ended 31 December 2021 and 2020 were as follows:

<u>Exercise ended 31 December 2021</u>

	31.12.20	Business Combination (Note 2.8)	Additions	Disposals	Other	31.12.21
Deferred taxes	5.568	53.587	7.918	(276)	-	66.797
Total	**5.568**	**53.587**	**7.918**	**(276)**	**-**	**66.797**

Exercise ended 31 December 2020

	31.12.19	Additions	Disposals	Other	31.12.20
Deferred taxes	3.937	4.676	(3.470)	425	5.568
Total	**3.937**	**4.676**	**(3.470)**	**425**	**5.568**

At 31 December 2021, there were unrecognised deferred tax assets amounting to EUR 83.980 thousand (tax base) (31 December 2020: EUR 41.407 thousand) relating to adjustments made to the tax base, of which EUR 58 million arose as a result of the business combination with Quabit Inmobiliaria, S.A. (see Note 2.8).

20.8 Other tax matters

On 30 December 2020, through Law 11/2020, the Spanish State Budget for 2021 was approved, amending the Spanish Income Tax Regulation effective for annual reporting periods beginning on or after 1 January 2021. The most significant change consisted of the 95% limitation of the exemption on dividends and gains governed by Article 21 of the Spanish Income Tax Law. The impact of this measure is estimated to represent a tax rate of 1.25% of the value of the dividend distributed or of the gain generated on the transfer of investments (impact calculated on the basis of the 5% established in the exemption limitation, multiplied by the standard Income Tax rate, 25%).

21. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2021, the Group had provided guarantees to third parties for a total amount of EUR 121.280 thousand (EUR 158.921 thousand at 31 December 2020). Included in this figure there is an amount of EUR 50.536 thousand (EUR 38.527 thousand at 31 December 2020) thousand related mainly to guarantees provided to different local authorities to secure the development of different properties and EUR 70.744 thousand to secure payments in advance received by customers (EUR 120.393 thousand at 31 December 2020). Additional guarantees and pledges of the Group have been disclosed in Note 17. Furthermore, guarantee amounting 3 million euros has been provided in relation to final disciplinary proceedings concerning tax inspections (Note 20.2).

Additionally, the Group has received at 31 December 2021 from different suppliers and contractors guarantees for a total amount of EUR 54.815 thousand (EUR 36.387 thousand at 31 December 2020) to secure the perfect completion of the corresponding construction works.

The Parent's directors do not expect any additional liabilities to arise in connection with the aforementioned guarantees.

22. Revenue and expense

22.1 Revenues

The breakdown of revenues is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Legacy	2.351	3.544
Development	882.831	545.151
Assets Management – Servicing (Note 13)	24.394	23.572
Rental	4.725	534
Total	**914.301**	**572.801**

According to the asset administration and management agreement entered into by the Parent and various Kutxabank Group companies dated on 14 May 2015, the Group billed during the 2021 exercise an amount of EUR 24.394 thousand to the aforementioned companies of the Kutxabank Group (EUR 23.572 thousand at 31 December 2020).

All of the Group revenues have been obtained in Spain.

At the end of the reporting period, the Group minimum lease payment commitments to lessees are not significant.

22.2 Cost of sales

Details of this heading in the consolidated income statement are as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Cost of sales	**671.312**	**413.735**
Sites and land	13.977	10.852
Construction work in progress and completed buildings	657.335	402.883

22.3 Employee benefits expense and average headcount

Details of "Employee benefits expense" are as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Wages, salaries and similar expenses (*)	27.488	18.326
Termination benefits	2.935	(32)
Social security costs	4.789	3.438
Other employee benefit costs	432	290
Total	**35.644**	**22.022**

(*) As a consequence of the business combination there have been incentives amounting to EUR 1,3 million.

In the year ended 31 December 2021 an extra bonus, amounting to EUR 2 million, was approved as the targets in the Group's business plan had been exceeded. Also, “Wages, Salaries and Similar Expenses” includes EUR 3,582 thousand relating to incentive plans (from which EUR 282 thousand correspond to Neinor Península, S.L.U.) (2020: EUR 1,790 thousand) (see Notes 4.19, 15.4 and 24). Additionally, in the year ended 31 December 2020 an additional incentive was approved for meeting the targets set forth in the business plan in an exceptional situation such as that experienced during 2020 as a result of covid-19 (see Note 28), which led to the vesting of a salary incentive payable in cash amounting to EUR 1,250 thousand. Lastly, the termination benefit costs amounting to EUR 2.9 million arose as a result of the restructuring process carried out following the business combination with Quabit Inmobiliaria, S.A. (see Notes 2.8 and 6.2).

At December 2021, the average headcount at Group companies for Quabit Construcción, S.A. and Renta Garantizada, S.A. was 84 and 32, respectively (23 people for Renta Garantizada, S.A. at 31 December 2020). The average headcount for Neinor Homes was 320 people (284 people at 31 December 2020).

The number of people employed at the end of 2021 for Quabit Construcción, S.A., and for Rental Garantizada, S.A., is 113 and 37 people respectively (27 people at the end of 2020 for Renta Garantizada S.A.). The breakdown by category for Neinor Homes is as follows:

	31.12.2021			31.12.2020		
	Women	Men	Total	Women	Men	Total
Higher degree staff	102	144	246	87	139	226
Medium degree staff	56	28	84	40	22	62
Total	**158**	**172**	**330**	**127**	**161**	**288**

In addition, at 31 December 2021, the Group had 3 employees with a disability of more than 33% (3 at 31 December 2020).

22.4 External services

Details of this heading in the consolidated income statement are as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Leases and royalties	1.123	256
Maintenance	2.364	1.214
Independent professional services	36.794	20.295
Transport	5	13
Insurance premiums	1.296	764
Bank Services	1.791	1.338
Advertising and marketing	4.336	2.685
Supplies	865	275
Other external services	3.316	2.502
Levies (see Note 16)	13.319	7.337
Total (*)	**65.209**	**36.679**

(*) As a result of the business combination growth expenses in external services amounting to 1.8 million euros have been recorded.

"Independent Professional Services" in the foregoing table includes mainly the fees accrued in the period by the investment property agents and other intermediaries involved in their own sales and servicing income.

22.5 Contribution to consolidated profit or loss attributable to owners of the Company

The contributions to consolidated profit or loss for the exercise ended 31 December 2021 and 2020 by each company included in the consolidated group are as follows:

Entity	Thousands of euros 31.12.2021	Thousands of euros 31.12.2020
Full consolidation (*)		
Parent Company	6.277	7.868
Neinor Norte, S.L.U.	18.498	24.126
Rental Homes PropCo, S.L.U	4.236	(27)
Neinor Rental OpCo, S.L.U.	1	6
Promociones Neinor 3, S.L.U.	(554)	(427)
Promociones Neinor 4, S.L.U.	307	314
Promociones Neinor 5, S.L.U.	(443)	(187)
Neinor Península, S.L.U.	(2.063)	(4.911)
Neinor Sur, S.L.U	55.021	43.371
Renta Garantizada, S.A.	229	(13)
Neinor Sardes Rental, S.L.U.	8.703	-
Subsidiaries previously controlled by Quabit Inmobiliaria (Note 2.8)	12.821	-
Total	**103.033**	**70.120**

(*) Consolidation adjustments were made as the Group used the appraisal conducted by independent valuers to update the fair value of the properties acquired with the acquisition of Sardes Holdco, S.L.U., giving rise to a consolidation adjustment of EUR 12 million. Also, consolidation adjustments were made as a result of the application of IFRSs 9 and 16, amounting to EUR 395 thousand at 31 December 2021 (31 December 2020: EUR 99 thousand).

22.6 Changes in trade provisions

The detail of "Changes in trade provisions" recognized in the accompanying consolidated income statement is as follows:

	Thousands of euros Income / (Expense) 31.12.2021	Thousands of euros Income / (Expense) 31.12.2020
Change in trade provisions – Others		
Impairment losses of inventories (see Note 12)	(173)	(1.947)
Provision for bad debts (see Note 13)	(472)	(388)
Net accruals for after-sale provisions	(12.460)	(4.459)
Other provisions	(2.135)	6.063
Total change in trade provisions	**(15.240)**	**(731)**

In 2021, the Group has provided a amount of 12.460 thousand euros for additional repair expenses to be incurred in promotions delivered during this last period of 2021.

Although the Group has managed to complete and deliver more construction projects than those foreseen in its business plan for the year, the projects carried out during the year were affected by the stoppage of activity between March 30 and April 13 pursuant to Royal Decree-Law 10/2020, of March, as well as by the slowdown in the progress of construction work caused by the health emergency situation, which led to the delivery of many of the developments in December. Accordingly, the Group recognized a provision of EUR 3,1 million for additional repair expenses to be incurred in relation to developments handed over in this last period of 2020, exclusively as a result of the situation described (see Note 28).

23. Related party transactions

The Group's “related parties” are deemed to be, in addition to the subsidiaries, associates and jointly-controlled entities, the shareholders, the Parent's “key management personnel” (its directors and managers, and their close family members) and the entities over which key management personnel may exercise significant influence or control or by which they may be influenced. Specifically, related party transactions are deemed to be transactions with parties outside the Group but with which there are ties as defined in Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, and in Spanish National Securities Market Commission (CNMV) Circular 1/2005, of 1 April. Pursuant to the aforementioned criteria, for disclosure purposes the bank Banco de Santander, S.A. is considered a related party, due the link between a senior executive and director of the group and one of the directors. Also, in accordance with the definitions and criteria contained in these provisions, 1810 Capital Investments, S.L., Global Hespérides, S.L., Rayet Medio Ambiente, S.L., Grupo Rayet S.A, Sistemas Integrales Cualificados, S.L., UTE I-15, Global Henares, S.L., Editorial Nueva Alcarria, S.A. Aquila Lux S.V., S.A.R.L., Restablo Inversiones, S.L. and Fincas Cuevas Minadas, S.L., are also considered to be related companies, due to their relatedness to shareholders and directors.

	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 22.1)					
Exercise 2021	Sales	Services Provided	Financial Incomes	Cost of Sales – Purchases (Note 22.3)	External Services (Note 22.4)	Financial costs (Note 17)
Joint venture						
Nicrent Residencial, S.L.	-	-	8	-	-	-
Total	-	-	**8**	-	-	-
Other Group´s “related parties”-						
Banco de Santander, S.A.	-	-	-	4.660	507	2.076
1810 Capital Investments, S.L.	967	-	-	-	-	-
Global Hespérides, S.L.	13.856	38	-	-	-	-
Grupo Rayet, S.A.	-	-	-	6.474	-	-
Rayet Medio Ambiente, S.L.	-	-	140	15	21	-
Global Henares, S.L.	-	-	-	20	-	-
UTE I-15 Alovera	4.870	-	-	907	-	-
Editorial Nueva Alcarria, S.L.	-	-	-	-	14	-
Sistemas integrales Cualificados, S.L	-	-	-	-	286	-
Total	**19.693**	**38**	**148**	**12.076**	**828**	**2.076**

Exercise 2020	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 22.1)					
	Sales	Services Provided	Financial Incomes	Cost of Sales – Purchases (Note 22.3)	External Services (Note 22.4)	Financial costs (Note 17)
Other Group´s "related parties"-						
Banco de Santander, S.A.	-	-	-	-	70	2.249
Global Hespérides, S.L.	10.088	-	-	-	-	-
Aquila Lux S.V., S.A.R.L.	-	10	-	-	-	-
	10.088	**10**	**-**	**-**	**70**	**2.249**

The breakdown of the main transactions carried out during 2021 and 2020 is as follows:

- Financial expenses arising on the loans and credit lines with the financial entity.
- Sales to 1 related party.
- The purchase of several plots from two related companies.

These transactions with related parties were performed on an arm's length basis. There are no obligations or guarantees to related parties in addition to those previously disclosed in this Note or in Note 17 in relation to the financial debt.

The balances held with companies related to the Group at 31 December 2021 and 2020 are as follows:

31 December 2021

Thousand of euros	Cash and equivalents	Long-term Bank borrowings	Other long-term financial liabilities	Other short-term financial liabilities	Other long-term financial assets	Other short-term financial assets	Accounts payable	Accounts receivable	Customer prepayments
Associates and Joint venture(*)-									
Alboraya Marina Nova, S.L.	-	-	-	-	-	-	-	-	-
Programa de actuación de Baleares, S.L.	-	-	-	-	-	7.210	-	9	-
Landscape Corsan, S.L.	-	-	-	-	-	-	-	1	-
Landscape Larcovi, S.L.	-	-	-	-	-	122	-	-	-
Landscape Gestión de Activos, S.L.	-	-	-	-	-	-	-	-	-
Nicrent Residencial, S.L.	-	-	-	-	-	1.582	-	-	-
Masia del Monte Sano, S.L.	-	-	-	78	-	-	-	-	-
Total	**-**	**-**	**-**	**78**	-	**8.914**	**-**	**10**	**-**
Other group´s "related Parties"									
Banco Santander, S.A.	149.648	11.028	-	-	-	-	-	-	-
IDOM, S.A.	-	-	-	-	-	-	-	-	-
1810 Capital Investments, S.L.	-	-	-	-	-	-	-	-	-
Global Hespérides, S.L.	-	-	-	587	-	-	-	14	747
Aquila Lux S.V. S.A.R.L.	-	-	-	-	-	-	-	-	-
Grupo Rayet, S.A.	-	-	-	-	515	-	4.125	2	-
Rayet Medio Ambiente, S.L.	-	-	18	-	627	256	25	1	-
UTE 15-ALOVERA	-	-	-	-	44	743	136	5.697	-
Editorial Nueva Alcarria, S.L.	-	-	-	-	-	-	14	-	-
Restablo Inversiones S.L.	-	-	-	6	-	-	-	-	-
Sistemas Integrales Cualificados	-	-	-	-	-	-	175	-	-
Fincas Cuevas Minadas, S.L.	-	-	-	-	-	-	-	1	-
Total	**149.648**	**11.028**	**18**	**671**	**1.186**	**9.913**	**4.475**	**5.725**	**747**

(*) As a result of the business combination the Group holds shares in Alboraya Marina Nova, S.L., Programa de Actuación de Baleares, S.L., Landscape Corsan, S.L., Landscape Larcovi, S.L., Landscape Gestión de Activos, S.L. and Masia del Monte Sano, S.L. with a cost of 601 thousand euros as of December 31, 2021 (Note 10 and index I).

31 December 2020

Thousands of Euros	Cash a cash equivalents	Long-term Bank borrowings	Short-term Bank borrowings	Current trade and other receivables	Customer prepayments
Other Group´s "related parties"-					
Banco Santander, S.A.	113.408	20.659	57.983	-	-
1810 Capital Investments, S.L.	-	-	-	-	879
Global Hespérides, S.L.	-	-	-	-	3.307
	113.408	**20.659**	**57.983**	**-**	**4.186**

On 29 June 2020, 72 housing units (together with their garages and storage rooms), linked to five developments in progress, which should be handed over separately between the last quarter of 2020 and the end of 2022, were pre-sold to the related company Global Hespérides, S.L. by Neinor Norte, S.L.U. and Neinor Sur, S.A.U. for a total price of EUR 20 million. The selling price includes, as consideration, both the delivery of the aforementioned units and the obligation to provide, for a period of three years from delivery, a management service for these assets including, inter alia, finding tenants, managing the leases and handling incidents relating to these units, with the Neinor Homes Group guaranteeing vis-à-vis the related entity a market yield on the gross leasable area which, if not reached, should be subject to compensation. In this same regard, in December 2020 the Group signed an addendum to the aforementioned contract providing for the additional pre-sale of another ten homes corresponding to one of the developments. In the year ended 31 December 2021, a total of 41 housing units were handed over, together with their respective garages and storage rooms, linked to three of the developments included in the aforementioned agreement, for a total of EUR 13.856 thousand (25 housing units were handed over, together with their respective garages and storage rooms, linked to one of the developments included in the aforementioned agreement, for a total of EUR 10.088 thousand at 31 December 2020). On 31 December 2021, 30% of the remaining transaction price was paid in advance.

24. Legal information relating to the Board of Directors and Senior executives

Information regarding situations of conflict of interest involving the directors

In the exercises ended 31 December 2021 and 31 December 2020 the Parent's current and former directors did not perform any transactions with the Parent or the companies of the Group to which it belongs that were outside the normal course of business or were not on an arm's length basis.

Also, during the current exercise and the former one the members of the Board of Directors of the Parent and persons related thereto, as defined by the Spanish Limited Liability Companies Law, did not maintain relationships with other companies that may represent a conflict of interest for them or the Parent. No notification was made to the competent bodies in the sense indicated in Article 229 and, accordingly, these consolidated financial statements do not present any disclosures in this connection.

Directors' compensation and other benefits

As of December 31, 2021, the Directors of the Parent Company, including those who have at the same time the status of members of the Senior Management (2 persons), have received a fixed and variable compensation for their position as administrators an amount of EUR 3.102 not having received remunerations for other concepts (1.809 and 13 thousand euros, respectively, as of December 31,2020).

The companies related to them provided to the Group and billed the amounts indicated in Note 23.

The Parent has taken out third-party liability insurance for directors and senior executives the cost of which amounts to EUR 251 thousand in 2021 (EUR 78 thousand in 2020).

The Parent has no pension obligations to the Directors.

The Parent has granted no advances, loans or guarantees to any of its Directors.

Senior executives' compensation and other benefits

The remuneration of the Parent's senior executives and persons discharging similar duties, excluding those who are simultaneously members of the Board of Directors (2 persons at 31 December 2021 and at 31 December 2020), at 31 December 2021 and 31 December 2020 is summarised as follows:

Number of employees		Thousands of euros					
		31.12.2021			31.12.2020		
31.12.2021	31.12.2020	Fixed and variable remuneration	Other Total	Total	Fixed and variable remuneration	Other Total	Total
6	7	1.900	1.633	3.533	1.673	270	1.943

The Parent has no pension obligations and has granted no advances, loans or guarantees to senior executives.

Additionally, some of the compensation contracts for the Group management include payments due to non-compete clauses, in case of contract termination takes place. Commitments are not significant in relation to the Group's financial statements.

25. Auditors' fees

Fees for audit services for the exercise ended 31 December 2021 for the different companies in the Neinor Homes Group and subsidiaries, provided by the statutory auditor and companies related thereto have amounted to EUR 255 thousand (EUR 123 thousand at 31 December 2020). Likewise, fees for verification services and other services provided by the statutory auditor for the exercise ended at 31 December 2021 have amounted to EUR 124 thousand and EUR 45 thousand at 31 December 2020.

Additionally, companies related to the statutory auditor have provided additional services amounting to EUR 243 thousand for the exercise ended 31 December 2021 (EUR 41 thousand 31 December 2020).

26. Environmental information

Since inception, Neinor Homes has been a company staunchly committed to the environment and the communities in which it operates, aware of the fundamental role it, as a property developer, plays in the local social fabric, and which promotes respect for the environment, establishing objectives to reduce the environmental impact associated with the entire value chain of its business activity.

The year 2021 was a year of great progress for the Company in terms of sustainability and environmental management, with the updating and rollout of its Sustainability Policy, the formation of a Sustainability Committee the members of which include the CEO and other senior executives, and the preparation of its 2022-

2025 Sustainability Plan, which extends these values, establishes specific short- and medium-term targets and officialises Neinor Homes' commitment to sustainability.

The preliminary work on the preparation of this 2022-2025 Sustainability Plan was based on an analysis of best practices and most relevant matters in the development sector in relation to sustainability, such as the S&P Global Corporate Sustainability Assessment; on a review of best practices in sustainability, such as the United Nations Sustainable Development Goals of the 2030 Agenda and the CNMV's recommendations on ESG; on an analysis of investors' expectations, through an assessment of the ESG requirements of proxy advisers or the ESG guidelines of the major asset managers worldwide; and on an active exercise of listening to the Company's employees.

In addition to all the foregoing, as part of the preliminary work, an analysis was performed of the main risks and opportunities identified by the Task Force on Climate-related Financial Disclosures (TCFD) in its recommendations on the disclosure of information on climate-related risks and opportunities for financial institutions and non-financial companies, which were published in 2017 and are widely recognised internationally as guidelines in this regard.

The nature of development activity means that Neinor Homes must assess and, where appropriate, mitigate, both the inherent risks of the transition to a low-emission economy and the risks related to the physical impacts of climate change.

Firstly, the **risks of transition** to a low-emission economy relate to the possible political, legal, technological and market changes that might occur at medium and long term in the period of transition to an economy that is less dependent on fossil fuels and has lower greenhouse gas emissions.

Certain of these transition risks were identified as having a greater impact on the organisation, such as:

- **Political and legal risks,** i.e., risks arising from the possible actions of political and regulatory bodies that attempt either to limit the factors causing climate change or to promote measures to adapt to climate change, and which affect the performance of the Company's activity, such as requirements to change to clean energy sources, demands to reduce the greenhouse gas emissions resulting directly or indirectly from the Company's activity, or the promotion of sustainable practices in the use and development of land.

  In this connection and very closely related to these regulatory matters, it is also probable that there will be an increase in the legal risks or the risk of litigation regarding climate-related matters.

- **Reputational risk**, closely related to the claims, which have increased since the appearance of covid, of a society that is increasingly aware of matters relating to the environment, sustainability and good business practices, and how the market will reward companies seen to be leaders in the transformation and modernisation of the real estate industry and will foreseeably punish companies that contribute in a scantly visible way to this transformation or are perceived as obsolete in ESG matters.

- **Market risk**, relating to situations in which there may be changes and imbalances in the supply chain of and demand for certain raw materials, products and services, which might potentially compromise the Company's supply chain.

- **Technology risk,** which relates to the technological innovations that arise or are facilitated by the transition process, and the consequent replacement of old systems by these new technologies.

However, the **physical risks** are those related to events (acute risks) or to long-term changes (chronic risks) stemming from climate change, such as natural disasters or long-term changes in climate patterns. Because of the life cycle of real estate product, these events or long-term changes could give rise to financial repercussions for the Company, e.g., direct damage to assets and/or the production cycle, changes in the availability and quality of the water or extreme changes in temperature that affect the infrastructure, inventories, production cycle or the organisation's employees.

Efforts to mitigate and adapt to climate change can also create opportunities for the Company, and were identified and are detailed as follows:

- **Resilience and responsiveness** to climate change and the challenges, not only ecological challenges but also regulatory ones, that it poses, and which the Company will be better prepared to face.

- **Better positioning in the market**, as a result of better product design that is more sustainable, resilient and energy efficient, and an **enhanced reputational image** that is in line with the demands of a society increasingly aware of sustainability.

- Obtainment of **better financing conditions** for the execution of sustainable projects, with significant reductions in interest rates and, in this same connection, higher credit ratings for bond issues, such as the first green bond in the Company's history, which was issued in 2021.

- **Diversification and expansion of the spectrum of the Company's investors** towards funds and investors who include indicators relating to sustainability and responsible business in their investment criteria or by including the Company's shares in indices and portfolios focusing on sustainability.

- Global trend towards **clean energy sources**, giving rise to greater energy efficiency, a reduction in costs and improvements in storage capacity.

- Search for **greater efficiency in the management** of the Company's resources and waste, which will enable it to reduce operating costs.

The 2022-2025 Sustainability Plan defines three main cornerstones or dimensions on which the Company bases its sustainability strategy, which are in line with the Environmental, Social and Governance (ESG) principles, and establishes 16 areas of action, 30 medium-term goals and 95 specific lines of action on which to work over the lifetime of the Plan.

As part of the environmental dimension, with the aim of setting tangible objectives at short- and medium-term that allow the risks detected to be mitigated and the opportunities identified to be taken advantage of, the Plan establishes the following five areas of action.

- **Sustainable, resilient homes**, which give rise to the following medium-term objectives:

  - ➢ Maintenance of the Company's commitment to deliver sustainable homes, a commitment that is reflected in the aim of being the company with the most BREEAM-certified projects in Spain in at least the next seven years.

  - ➢ Maintenance of an environmental management system compliant with the ISO 14001 standard.

  - ➢ Analysis and development of the factors that increase resilience and adaptation to climate change risks, such as, inter alia, the orientation of developments, taking advantage of hours of sunlight, analysis and mitigation of risks of flooding and control of erosion.

- **Consideration of climate change. Life cycle and carbon footprint analysis**.

  - In 2021, for the first time in its history, with the support of an external expert of recognised prestige and following the guidelines of the GHG Protocol Corporate Accounting and Reporting Standard, Neinor Homes calculated the carbon footprint linked to the performance of its activity, assessing scope 1 greenhouse gas (GHG) emissions (direct emissions) and scope 2 emissions (indirect emissions arising from electricity consumption) and performing a screening or first assessment of categories and a preliminary calculation of scope 3 emissions, i.e., other indirect GHG emissions that are produced in the Company's value chain.

    At the date of publication of this information, once the Company's scope 1 and 2 emissions had been measured, Neinor Homes had offset 100% of these GHG emissions by searching for and selecting voluntary carbon market projects, which enabled the offset to be carried out by means of a hydroelectric project in disadvantaged areas of Nepal of social interest to the Company.

    The next steps in this project, from next year onwards, will be to calculate the scope 3 GHG emissions in detail and define a series of science-based goals to enable all these emissions to be measured and reduced.

  - In all projects initiated from 2022 onwards, a Life Cycle analysis will be performed and the use of materials, systems and components that reduce the impact on the environment of these developments will be encouraged.

- **Eco-efficient homes**, with actions aimed at enabling house buyers to efficiently manage the environmental resources of their homes when they are living in them, with two main objectives: on the one hand, that at least 60% of the new homes delivered by the Company have class A energy certification, which must, by law, be at least class B in all other homes, and on the other hand to implement a series of measures to enable water consumption to be reduced in each home and in each development at community association level.

- **Protection and improvement of the environment**, which will have three medium-term goals:

  - Encouragement of sustainable mobility, with highly specific measures such as bicycle parking facilities in all the developments that allow bicycles, the pre-installation of electricity chargers in all the garage spaces built, and the assignment of parking spaces to car-sharing in rental developments.

  - Improvement of biodiversity wherever the Company has a presence, conducting analyses of areas with potential for the development of ecosystems with natural value and carrying out the appropriate measures to enable biodiversity to exceed the level it had in the area previously.

  - Development of urban regeneration initiatives in environments in which the Company is present and which are in singular areas with situations of abandonment of services or industry by carrying out joint actions with the respective municipal councils such as the decontamination of land, development and the provision of public and care services in these areas.

- **Circular economy**, focusing on the reduction of consumption and waste through the valorisation of at least 80% of the waste generated in the projects carried out by the Company, and encouraging the recycling of waste generated in the homes once they are inhabited, assigning spaces for this purpose in all developments.

Through these five areas of action, the Company expects not only to mitigate the risks associated with the environment and climate change in the period, but also consolidate Neinor Homes' position among the spectrum of companies in the industry in Spain and Europe, ensuring sustainability and value creation at medium- and long-term. With the future publication of this Sustainability Plan, Neinor Homes intends to lead the Real Estate industry in what we hope will be a change in the way the activity is understood in Spain.

27. Exposure to risk

The Group manages its capital to ensure that Group companies will be able to continue as profitable businesses and to maximize shareholder value by achieving a balance between debt and equity. In this regard, the Group has decided not to exceed in the long term a leverage ratio of 20% regarding Loan to Value (LTV) ratio and 40% in relation to the ratio of Net Debt to the Net Value of the Group's Properties, which, in turn, will enable it to comply with the covenants established with respect to its borrowings (see Note 17).

The Company's financial risk management is centralized in its Corporate Financial Office, which has established the mechanisms required to control exposure to credit and liquidity risk, as well as, though in a minor way, to interest rate fluctuations risk. The main financial risks affecting the Company are as follows:

Liquidity risk: the risk that the Group may not be able to meet payments to which it is already committed and/or commitments arising from new investments.

Market risk:

1. Interest rate risk: the impact that any rise in interest rates may have on finance costs charged to the income statement.

2. Credit risk: the impact that defaults on receivables may have on the income statement.

The risk management systems in place to mitigate these risks are detailed below:

Liquidity risk

The Group calculates its cash needs using a 12-month cash-flow budget. This tool is used to identify the amounts and timing of cash needs and to plan for new funding requirements.

The Group's liquidity management policy is to arrange firm credit facilities and hold short-term financial investments that are sufficient to meet its forecast needs over periods that vary depending on the current situation and the outlook for debt and capital markets.

At 31 December 2021, the undrawn VAT and factoring lines amounted to EUR 27 million (the undrawn credit facilities amounted to EUR 28 million at 31 December 2020).

The Group's available cash position at 31 December 2021 was EUR 309.644 thousand (270.213 thousand at 31 December 2020) of which EUR 39.958 thousand (19.940 thousand at December 2020) may only be drawn down in connection with the construction of the developments, as indicated in Note 14.

The Company's directors are confident that they will have sufficient funds to meet its cash requirements in the future (in this regard it should be considered that the figure of current liabilities with estimated maturities of over twelve months amounts to EUR 181.737 thousand at 31 December 2021 (Note 4.18)). In addition, the Group entered into an administration management and property asset management contract with Kutxabank, S.A., which provides the Group with relatively stable annual revenue until the contract expires in 2022. In this connection, cash is managed at Neinor Homes Group level, in order to avoid cash strains in the operating subsidiaries and allow them to normally develop their properties that are forecasted to be financed by third parties.

Market risk

Interest rate risk

Interest rate fluctuations affect the fair value of fixed-rate assets and liabilities and the future cash flows from floating-rate assets and liabilities.

According to the financial structure described in Note 17 the Group has exposure to the risk of interest rate volatility; leading to a change in the Group's finance costs of approximately EUR +/- 3,6 million if the interest rate applicable to the Group's current borrowings increases or decreases by 1% in relation to 2021 reporting period (+/- 3 million in 2020) (see Note 17).

Credit risk

The Company does not have a significant credit risk exposure to third parties arising from its own property activity since it collects substantially all of its sales when they are executed in a public deed, when the purchaser either subrogates to the related portion of the property developer loan or chooses a different method. The credit risk arising from the deferred payments on land or building sales is offset through the securing of collateral by the purchaser of the setting of conditions subsequent in the event of non-payment. These conditions would give rise to the recovery of ownership of the asset sold and the collection of compensation.

In general, the Group holds its cash and cash equivalents at banks with high credit ratings.

28. Disclosures related to Covid-19 impacts

Following the communication on the impact that covid-19 has had on the Company, on which information is provided in the financial statements as at June and December 2020, as well as in those as at June 2021, that information is hereby updated in this Note.

2021, globally, was characterised mainly, on the one hand, by the progress made in the vaccination of the general population that began at the end of 2020, and, on the other, by the appearance of different variants of the virus that have emerged in other countries. This led governments to continue to apply the measures adopted in 2020 to contain the spread of the virus, and restrictions were once again placed on the free movement of people, with the imposition of curfews, the closure of public and private premises, the closure of borders and a drastic reduction in air, sea, rail and land transport.

These measures have continued to significantly affect the global economy, due to the interruption or slowdown of supply chains, the significant increase in economic uncertainty and the rapid change in consumption habits of citizens, evidenced by an increase in the volatility of asset prices and the rise to historic levels of inflation rates in Europe and the US. Although some economists believe that this rise in inflation is due to temporary bottlenecks in some parts of the production structure caused by the pandemic in 2020 that will be resolved in the short term, there is a risk of inflation spreading other sectors of the economy and persisting into the medium or long term. This situation has provoked a response from the various international monetary authorities: in the US, the Fed announced that it will be tightening financial conditions by withdrawing monetary stimulus and raising interest rates over the first half of 2022; and the European Central Bank, although it does not plan to raise interest rates for the time being, will begin to reduce financial stimulus in stages over the period and has announced that it will monitor the economic situation and may adjust its economic policy accordingly.

In Spain in particular the impact of the pandemic in the first quarter and last month of the year was especially significant, coinciding with the arrival and expansion throughout the country of new variants in those periods, which revived fears of the possibility of a new healthcare system collapse such as that experienced in 2020 which led to the maintenance or reactivation of the measures aimed at containing the pandemic, depending on the infection figures in each region.

The high percentage of the population vaccinated in Spain, with more than 80% of the population having been double vaccinated and over 40% having received a booster jab (at the date of issuance of this Note) and the lower mortality rate observed in the case of the latest variants of the virus that have appeared, have boosted the expectations of governments and citizens that we are entering the endemic phase of the virus, which could potentially lead to the total or partial elimination of the containment measures implemented by governments.

However, the risks have not yet fully dissipated: the appearance of new variants that are more deadly, contagious or that circumvent the immunity provided by current vaccines is still a possibility, and the economic uncertainties in the short and medium term, such as the solvency of companies worst affected by the pandemic, inflation or the possibility of interest rate hikes, could jeopardise economic recovery. Irrespective of the situation of the markets due to their globalisation, the demand for housing has remained high and, for the Company, this has led to an increase in revenue, with sales this year at an all-time high; the Company achieved a rate of 95% fulfilment at the end of the year of the projections established in the Business Plan, which is even more remarkable taking into account the ambitious objectives set for 2021, in which the Company achieved its Run-Rate or cruising speed in housing deliveries.

Accordingly, at the date of preparation of these consolidated financial statements, based on the scant effect on sales and the maintenance of sustainable demand, since the industry is seen as a safe harbour due to the current volatility of the markets and to expectations that the low interest rates will not be raised in the short term, we still expect the property industry to drive economic recovery. Against this backdrop of the fulfilment of the Business Plan, the Company is continuing to adapt its risk mitigation strategy detailed in this Note on the basis of the incidence of the pandemic and the situation of the market.

The Group, within its Integrated Risk Management and Control System, had from the start of the state of emergency (March 2020) prepared a specific model to deal with the risks that could materialize due to this situation (the Escipión Project), which has been disseminated through the entire organization, which is associated with strategic objectives, processes and control measures, and which is periodically monitored and its results reported to the Management and the Audit Committee.

In this connection, this risk structure of the Group, along with certain conservative and prudent measures taken by the respective General Managements during the past year before the declaration of the state of emergency, have promoted a strengthening of the organisation's resilience by providing it with the capacity to take advantage of business opportunities, which has meant that it has emerged strengthened and in an advantageous position to face the period of certain uncertainty ahead of us.

Set out below is information showing the measures taken and the impact that the emergency public health situation has had to date, according to the main risks that have been identified.

- **Health Risk**: The Group's main priority continues to be to safeguard the health of its employees. Therefore, during the periods in which the pandemic worsened and infection rates were very high, we continued to prioritise remote working. In addition, at a minimum, the measures imposed by the authorities were established at all the workplaces and the correct implementation of the measures at our construction projects in progress was verified. Preventive measures were also introduced at the points of sale.

  Based on the evolution of the pandemic, different phases have been established and communicated:

    - **Containment**, where in the phase with the lowest infection figures it was possible to have 80% of the workforce physically present in all the offices, a measure implemented in accordance with the World Health Organization recommendation, with social distancing, protection and safety partitions, as well as the conditioning of common areas (canteens and meeting rooms), strengthening in this case their cleaning and disinfection, and limiting access and capacity.

  - **De-escalation,** for the staggered return of employees to the offices through a shift system that will ensure compliance with safety measures.

In the latter part of the year, in which the situation worsened, it was decided that 100% of the employees should work remotely; and employees who, either for work reasons/commitments or because of personal preference, decided to go to the office would be afforded this possibility through the establishment and equipping of safe work areas.

In addition, the Company has been monitoring the current regulations established by the authorities in order to adapt to them and take the measures required to improve the safety and health of the Company's employees.

- **Team motivation risk:** Neinor Homes considers its workforce to be a key factor in the road to recovery, for maintaining operations and for ensuring we interact in the best possible way with our customers and suppliers. To this end, emotional support and monitoring activities have been carried out (calls, emails, videoconferences), conveying management's concern for the well-being of the teams in order to boost motivation and ensure that employees are in the best possible frame of mind, for which purpose all employees, having been declared fit to work after suffering from covid, have also been afforded the possibility of carrying out a test at the Company's expense before returning to the office environment. In addition, the efforts of the workforce and its adaptation to the new working scenario have been acknowledged.

- **Liquidity risk**: the general situation of the markets is causing a general increase in liquidity tensions in the economy, as well as a contraction in the credit market. In this regard, we detail the main actions taken by the Group to date:

  ✓ **Corporate finance (Note 17)**: the Group issued a five-and-a-half-year EUR 300 million green bond to repay Neinor's corporate debt and Quabit's debt prior to the merger at a significantly lower interest rate. The bond provides long-term stability and strengthens the cash position with a view to undertaking investments and favouring growth.

  ✓ **Developer financing**: the Group continued to provided promotor loans at its usual rate and in line with its customary dynamics. At the date of these financial statements the Company had granted promotor loans exceeding EUR 329 million throughout the Neinor Group, of which EUR 40.5 million correspond to the Quabit Group.

  ✓ **With regard to the net cash position**: the Group established from the outset an ambitious cash assurance plan. This contingency plan now includes various measures, being the main measure a plan for savings in operating expenses. With the fulfilment of the objectives and the business plan prior to covid-19, the envisaged delivery of homes resulted in the expected generation of cash and, therefore, the Group has resumed its investments in land and also paid the dividend approved at the General Meeting as initially envisaged, both of which had been halted under the contingency plan.

  In addition, the Group has received an inflow of funds from the signing of the deeds of the developments that were scheduled for delivery during the year.

  In this regard, it is reported that our net cash position at the beginning of the month of March, when the cash flow contingency plan was established, was 95.8 million euros. At the close of the year 2020 it has reached more than 249 million euros and as of December 31, 2021, it amounted more than 270 million euros. This is due to the adoption of the aforementioned measures and, to a large extent, fulfilment of the deliveries envisaged in our Business Plan.

These measures, together with the implementation of specific plans for the improvement and efficient management of liquidity, have enabled us to handle these tensions and meet all payment obligations.

- **Operating risk (work in progress)**: during the current period, the public health emergency has not led to a slowdown in the execution of the works in progress or a temporary interruption in production due to specific breaks in the supply chain due to collateral effects of Covid-19.

  In this regard, the Group has established a series of measures to help eliminate or alleviate the effects of Covid-19 and in prevention, they continue to develop, being able to highlight two of them:

  - ✓ The creation of a construction Group within the group (Neinor Works), which is fully operational, and which is in a position to continue the work of construction companies that do not comply with what has been agreed or to begin developments as it is the best option in economic and completion terms of the offers presented.

    As at the date of these consolidated financial results, 2 developments already delivered were carried out by Neinor Works and there are 2 other developments in progress, which have made optimum progress during this period.

    In June 2021 the property developer Quabit Inmobiliaria and its construction company Quabit Construcción were merged by absorption into the Group. At the date of these financial statements Quabit Construcción had 17 developments in progress which are progressing in optimum fashion.

  - ✓ The monitoring and advancing of payments to construction companies and main subcontractors in order to direct such liquidity to the execution and degree of progress of the developments in progress.

  In addition to the above measures, other types of actions, already planned during the past year, have been taken, i.e.: planning and advancing payments for supplies, recommendations for the implementation of preventative measures, works acceleration programs, analysis of the optimization of projects underway as well as the organization and forms of conduct of the works, in order to transfer the best practices to each of our current developments.

  Supply chain risks: apart from the operational risks detailed above, the Company is aware of the indirect consequences of the pandemic on the production structure and has implemented a series of measures focused on mitigating and preventing possible scenarios in which there are shortages of the materials needed on site or increases in raw material prices that may adversely affect the evolution of the Company's business.

  The measures that the Company has implemented to prevent these risks from materialising in order to ensure the future fulfilment of its Business Plan include most notably:

  - New Framework Agreements were entered into with manufacturers to add to those that already existed and meetings were held with each of the latter in order to guarantee the supply and prices of their materials in all our property developments.
  - This year the Company initiated a supply assessment and planning process in view of the possible scarcity and increased prices of raw and other materials. Prices are monitored and adjustments are made to the materials ordered on the basis of the situation existing at any given time.

- New construction technologies have started to be evaluated, and the Company is now studying alternative construction and industrialisation alternatives that reduce its dependence on certain raw materials where there are risks of shortages or inflation.

We believe that as a result of all these specific procedures and practices designed to monitor and manage the progress of the works at all times, we have been able to minimize the impact of this situation on our business.

- ✓ All our WIP works have maintained their activity and none of them have been suspended.

- ✓ Works have been closely monitored regarding COVID risks. Those outbreaks that have occurred on construction sites have been isolated and have been quickly controlled thanks to the application of the protocols established in each case.

  In the second semester and due to the infections decrease, only specific cases were followed. In mid-December and after the new regrowth , a monitoring has been prepared with a biweekly/ monthly periodicity as the incidence increases or decreases.

- ✓ There have not been significant delays in the completion of the works due Covid-19.

With respect to the deliveries for 2021, construction projects progressed according to schedule and planning is in line with the forecasts for this year. We are also working on bringing forward the delivery of five developments that were scheduled to be delivered in 2022.

- **Commercial risk**: the factors mentioned above, together with other specific factors, such as a complex macroeconomic context with falls in GDP, a higher unemployment rate, restriction of movement, uncertainty regarding short and medium term economic expectations, etc., significantly impact the behaviour of housing demand. Therefore, as in the other sections, the Group has established a contingency plan to minimize the impact of the situation created by the pandemic on commercial activity, working on various courses of action.

Insurance of the backlog/reservations: An important factor for the Company continues to be the insurance of pre-sale agreements by converting them into private agreements.

We also continue to monitor customers that could be in some kind of special employment or health situation and we have the Family Homes Protection insurance that gives these customers protection if they lose their jobs or become ill. This year only 9 customers applied for this insurance compared to the 87 that used it in 2020. Due to these figures, we predict that the effects of the pandemic are easing and giving way to a new phase of recovery.

Lastly, the implementation of the digital signature platform was promoted as the preferred method for executing documents in relation to all the Company's developments.

The Group's current data on its customer portfolio are as follows:

- ✓ 73% of our customers have signed a private sale and purchase agreement.
- ✓ These customers pay in advance an average of 16% of the price of a property.

Cancellations/terminations of reservation or purchase agreements stood at around 0.5% in the year as a whole, which was in line with the 0.5% achieved by the Company in the last two years. This is the case only of the developments corresponding to Neinor Homes.

Regarding the terminations of agreements relating to Quabit, since the data available prior to the second half of 2021 are not analytically conclusive, it is not possible to draw conclusions. The ratio was 1%. in the second half of 2021. This difference with respect to Neinor developments is due to the less stringent cancellation terms and conditions in the agreements signed before 07/01/21 and terminated since that date. In the short/medium term, this percentage will tend to converge with that of developments corresponding to Neinor.

Continuation in the sales activity: this year the Company continued to promote online sales, virtual viewings for customers and digital signings, measures that were implemented in the first quarter of 2020 and that have minimised the negative impact of the pandemic.

The trend in sales of new-build properties was highly positive. Despite the backdrop of economic uncertainty and restrictions, in 2021 Neinor Homes delivered 2,880 units, thereby achieving 95% of the deliveries projected in the Business Plan for 2021 as a whole.

This excellent figure is due to the fact that customers who are in a good financial position consider that this is the ideal time to buy and are looking for new-build properties with specific characteristics for their day-to-day well-being and comfort (larger homes, with bigger terraces, and better quality and more specialised communal spaces). These clearly favourable results put us in a leadership position in the market.

On the basis of the data currently available, in 2021 the Company achieved 139% of the pre-sales projected for the year (excluding from the analysis units that have already been delivered).

Guaranteeing the health and safety of customers and sales staff in the Neinor Stores: to this end, health prevention protocols have been generated in the Neinor Stores, and they have been provided with the necessary equipment (signage, PPE, dispensers etc.)

- **Asset management service risk (servicing)**: The risks described above have a correlative impact on our service management business for the Kutxabank bank.

The emergence of covid-19 led not only to the risk of the Company losing revenue, but also to the possibility of its suffering a loss of effectiveness or reputational problems vis-à-vis its customers. In order to mitigate these risks and to avoid passing on the loss of effectiveness to Kutxabank, we took advantage of the situation to fine-tune and enhance processes, implementing procedures that are still in place today, focusing on three major lines of action: assessing our exposure to the third parties we work with in the Servicing area; strengthening the quality and control of the services provided to the entity (particularly the metrics to reduce time to market and the action plans for the management of urban planning, due to the importance of land compared to the total portfolio managed); and meeting the sales figures agreed upon for this year.

In this regard, the control and evaluation of strategic external suppliers continued to be strengthened, analysing their covid-19-related contingency plans, and new improvement measures were set in motion throughout the value chain in order to continue taking advantage of this exceptional situation.

Aside from the above, we consider that this situation has not had a material impact on the results of the business line, which have been very positive in terms of budgetary fulfilment: at 31 December the budget for agreed annual sales had been exceeded by 11% and the proposed asset write-down figure was 6% lower than budgeted. In addition, we complied with all the action plans put in place, and our customers acknowledged the effectiveness of the measures implemented and their satisfaction with the results obtained.

In July 2021 notification was received of the termination of the contract with Kutxabank from May 2022 for reasons unrelated to the situation caused by covid-19 or the service itself, but rather the termination being due to a competitive bidding process organised by the bank where priority was placed on service fee levels. Since this notification was received we have been working on a migration plan aimed at enabling us to comply with our contractual obligations to the bank and mitigate reputational risk or the risk of a potential deterioration of the Company's image, with a view to organising, planning and verifying that the responsibilities imposed by the migration process are objectively fulfilled.

Despite the loss of the contract with Kutxabank, we continue to value the importance of this business line, in view of the know-how acquired by the Company over all these years and the professionalism and service quality that we have achieved and, accordingly, we have decided to initiate a search for new customers to whom we can provide asset management services rather than to Kutxabank to that we can maintain this recurring revenue and diversify our lines of business.

- **Balance sheet assets valuation risk:** a change in the future estimates of sales, the variability of the financial costs of works that we finance with our own funds, the sensitivity of changes in established sales prices, the different use that a development may have (sale or rental), collectability from customers etc., may have an impact on the valuation of these items depending on the valuation method used, since they depend on the discount rates and discounted cash flows used.

  A negative evolution of the factors mentioned above could result in a fall in the Group's valuations, although this would probably not have an impact on the Group's financial statements, as the independent external valuator's valuation model is usually conservative and prudent.

  According to an appraisal conducted at 31 December 2021, the fair value of the Group's assets amounts to EUR 1,854 million, 30% higher than the carrying amount of the Company's inventories at that date (EUR 1,316 million).

  According to the appraisal conducted at 30 June 2021, the fair value of the Company's assets amounted to EUR 2,140 million, 34% higher than the carrying amount of the Company's inventories at that date (EUR 1,603 million). A comparison of the appraisals conducted at December 2021 and 2021 shows that the fair value of the assets dropped as a result of the deliveries made in the second half of 2021.

  At 31 December 2020, the fair value of the Company's assets totalled EUR 1,584 million (carrying amount of the inventories: EUR 1,208 million). The increase in the fair value of the assets at 2021 year-end with respect to 31 December 2020 was due to the inclusion of the asset portfolios of the Quabit Group and Sardes, which were integrated into Neinor in the first half of the year, and to other acquisitions of land carried out on a complementary basis during the period.

- **Risk of continuity (as a going concern):** We consider a multitude of factors that must be looked at before talking about the principle of a going concern in a Group that is one of the foremost residential developers nationwide. As regards the position of the industry, the Spanish real estate sector has historically been highly fragmented, but the increased complexity and regulation of the business and the increasing difficulty of access to sources of financing make a gradual consolidation in the sector likely, as is the closure of some small and medium-sized property developers.

  Although the demand for new-build housing in Spain increased by 26% with respect to the previous period (January-September 2020 to January-September 2021), an increase that has also led to a rise in the housing price index, there is a large volume of accumulated unsold stock, approximately 450,000 units, mostly left over from the previous real estate cycle, which the market continues to absorb slowly.

  The start of the pandemic in 2020 coincided with a more professional, healthy, procedural and innovative property development sector, which contributed to the economic crisis having a less significant impact on the new-build housing segment. The drop in in the number of sales and in house prices at the start of the pandemic was followed by a strong recovery in both prices and the number of deliveries in the last quarter of 2020.

We consider that, based on current trends, the market will reward in the medium and long term companies that integrate factors such as sustainability, digital transformation or social welfare into their decision-making and modus operandi. In this regard, Neinor Homes is in a position of leadership within the industry, after several years of work and progress on these issues, as reflected in the Sustainability Reports published on its website and recently in the preparation of the new Sustainability Plan, the measurement of the Company's environmental (by measuring its carbon footprint) and social impacts and the creation of a sustainable financing framework.

In January of this year Sustainalytics, one of the leading ESG (environmental, social and corporate governance factors of companies) analysts, recognised Neinor Homes as an ESG Regional Top Rated and an ESG Industry Top Rated performer, distinguishing the Company as the most outstanding both nationally and in its industry. In addition, this renowned analyst rated the Company with a score of 10.5 (low risk), i.e., the best ESG score obtained by a property developer in the world.

Just as we have monitored and studied the risks detailed in this Note, we are aware that these risks can have an impact not only on the Company but also on any of the players present in the real estate industry, and that due to the macroeconomic dynamics that have been affected by the pandemic, there may be situations in which the suppliers and construction companies with which the Company works suffer cash flow tensions that affect the progress of the WIP or lead to the suspension of payments or bankruptcy of those third parties.

Accordingly, the Company has strengthened its construction management, contributing such personnel and resources as might be required, so that Neinor Works and the recently integrated Quabit Construction can take on a greater number of new projects as well as construction work that has been suspended as a result of the bankruptcy of the construction company assigned to it. Moreover, we have attempted to ensure the cash flow of the subcontractors who work on our construction projects, for instance, by revising certain clauses in the construction contracts, ad hoc monitoring of the construction project progress billings from when are paid to the construction company until they reach the subcontractor, and advancing the payment of progress billings wherever necessary.

- **Diversification and growth:** The Group continues to explore new ways of growing organically and non-organically, which include business lines such as delegated development, the integration of the value chain, public/private agreements and the construction of social housing for rent**.**

  The Company, when it presented its 2020 results, published its latest strategic update in which it materialises its current business philosophy, which is focused on reducing risks and diversifying the business, transitioning from a "pure" property developer to a diversified residential platform.

  In the Real Estate business line, the Company has launched a new product line, Neinor Essentials, which emerged after the merger with Quabit Inmobiliaria, with the aim of providing a quality residential offering to all segments of the population, giving a segment of the market that has traditionally had difficulties in accessing housing the possibility of buying a product with the habitual quality standards provided by Neinor.

  On the other, the Company has a rental business line that was consolidated in 2020 with the acquisition of 75% of Renta Garantizada, one of the leading rental management companies in Spain and a PRS (Private Rented Sector, finished and rented product) portfolio.

  In addition to the property development business, the Company has a servicing line of business, as a Servicer of Kutxabank, with which it has a contract until May 2022, giving it a source of recurring revenue.

  Furthermore, of the measures taken to mitigate the various risks, in 2021 the following were carried out as part of the strategy of diversification and non-dependence on the development/demand cycle and macro situation:

- ✓ Closure of the acquisition of the PRS portfolio (Private Rented Sector, finished product and rented) made up of nine residential buildings (391 housing units) for EUR 58 million. The aim of this transaction is to consolidate the rental business, together with the growth of Neinor Rental and the inclusion of Renta Garantizada, which enables us to manage the rental of own assets (new build developments for rent which were included this year) and those of third parties, including the management of portfolios sold to Family Offices.

- ✓ Merger by absorption of Quabit Inmobiliaria, a property developer that extends the range of our property offering to include more affordable dwellings for specific sectors of the population with the greatest difficulties in accessing housing. This transaction also involved the inclusion of Quabit Construcción, which strengthens the construction line of Neinor Works and, lastly, the contribution of land for 7,000 housing units, thereby boosting Neinor Homes' land bank capacity to be able to build more than 16,000 homes.

- ✓ Alliance with Cevasa and Habitatge Metròpolis Barcelona (HMB) to build 4,500 social housing units for rent in Barcelona and its metropolitan area which should come into operation between 2024 and 2027. This transaction involves the opening of a new business line, consisting of public/private cooperation to be able to offer certain sectors of the population access to rental housing. We are the first developers to reach a large-scale public/private cooperation agreement involving a large number of housing units.

Taking into account all the aforementioned factors, and also considering those described in the previous sections, the directors consider that the conclusion regarding the appropriateness of the use of the going concern basis of accounting remains valid.

We consider it relevant to consider that within the risks that the situation created by the pandemic may entail, the Group has kept great discipline and prudence with regard to internal liquidity, has developed a diversification strategy that has materialised in it being the only Group in Spain that covers 100% of the entire value chain from land purchase and planning management to the management of third-party housing for rent and, ultimately, it has also integrated a construction company.

Finally, it should be noted that the Group 's directors and management are constantly monitoring the evolution of the situation in order to successfully address any possible impacts, both financial and non-financial, that may arise.

29. Events after the reporting period

It is expected that during 2022 the Parent's Board of Directors is going to approve a dividend distribution amounting to EUR 50 million, approximately. This amount may be increased during 2022.

Between January 1, 2022 and the date of formulation of the present consolidated annual accounts for the year ended December 31, 2021, the Board of Directors does not consider that there have been additional significant events that have a significant effect on the mentioned consolidated annual accounts or in the information contained therein.

30. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix I

“Scope of consolidation”

Company	Registered address	Activity	% direct and indirect ownership 31/12/21	31/12/20	Shareholder	Auditors
Neinor Norte, S.L.U.	Bilbao	Real Estate Development	100%	100%	Neinor Homes, S.A.	Deloitte, S.L.
Rental Homes PropCo, S.L.U.	Madrid	Real Estate Development	100%	100%	Neinor Homes, S.A.	Deloitte, S.L.
Neinor Rental OpCo, S.L.U.	Madrid	Real Estate Development	100%	100%	Neinor Homes, S.A.	Deloitte, S.L.
Promociones Neinor 3, S.L.U.	Madrid	Real Estate Development	100%	100%	Neinor Norte, S.L.U.	Deloitte, S.L.
Neinor Works, S.L.U.	Madrid	Construction	100%	100%	Neinor Norte, S.L.U.	Deloitte, S.L.
Promociones Neinor 5, S.L.U.	Madrid	Real Estate Development	100%	100%	Neinor Norte, S.L.U.	Deloitte, S.L.
Neinor Península, S.L.U.	Madrid	Real Estate Development	100%	100%	Neinor Homes, S.A.	Deloitte, S.L.
Neinor Sur, S.A.U.	Madrid	Real Estate Development	100%	100%	Neinor Península, S.L.U.	Deloitte, S.L.
Neinor Sardes Rental, S.L.U.	Madrid	Rental business	100%	-	Rental Homes PropCo, S.L.U.	Deloitte, S.L.
Renta Garantizada, S.A.	Madrid	Rental business	75%	75%	Neinor Homes, S.A.	Deloitte, S.L.
Quabit Comunidades, S.L.	Madrid	Development Real Estate	60%	-	Neinor Homes, S.A.	-
Quabit Inmobiliaria Internacional, S.L.	Madrid	Development Real Estate	99,313%	-	Neinor Homes, S.A.	-
Parque Las Cañas, S.L.U.	Madrid	Development Real Estate	100%	-	Neinor Homes, S.A.	-
Bulwin Investments, S.A.U.	Madrid	Rental Business	100%	-	Neinor Homes, S.A.	-
Grupo Meditarráneo Costa Blanca, S.L.U.	Madrid	Development Real Estate	100%	-	Neinor Homes, S.A.	-
Quabit Quality Homes, S.L.U.	Madrid	Development	100%	-	Neinor Homes, S.A.	-
Quabit Premier, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Sant Feliu, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
El Balcón de las Cañas, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Casares, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	Deloitte, S.L.
Quabit Torrejón VP Fase 1, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Peñuela VL Fase 1, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Torrejón VP Fase 2, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Peñuela VL Fase 2, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Torrejón VP Fase 3, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Peñuela VL Fase 3, S.L.U.	Madrid	Real Estate	100%	-	Quabit Quality Homes, S.L.U.	-

		Development				
Quabit Remate las Cañas, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Quality Homes Guadalix, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Quality Homes San Lamberto, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Iber Activos Inmobiliarios, S.L.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes San Lamberto, S.L.U.	-
Quabit SUP-R6, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Finance, S.A.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Finance Assets, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance, S.A.U.	-
Quabit Gregal, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Poniente, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Siroco, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Terral, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	
Quabit Mistral, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Cierzo, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Tramontana, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Aneto, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Global Quabit, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Alcarria, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Distrito Centro, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Corredor del Henares, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Moncloa, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Sureste, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Hortaleza, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Remate, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Aguas Vivas, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Cañaveral Málaga Fase 1, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Cañaveral Málaga Centauro, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Cañaveral Tercera Fase, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Cañaveral Fase Cuatro, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Málaga, S.L.U.	Madrid	Real Estate	100%	-	Global Quabit, S.L.U.	-

		Development				
Global Quabit Sur, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Norte, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Azuqueca, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Casares Golf RP5, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Almanzor, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Teide, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Peñalara, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Desarrollos Inmobiliarios, S.L.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Alovera, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit Desarrollos Inmobiliarios, S.L.	-
Quabit Bonaire, S.L.	Madrid	Real Estate Development	66,2%	-	Quabit Alovera, S.L.U.	-
Meltonever Project, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Alovera, S.L.U.	-
Quabit Las Lomas de Flamenco, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit Desarrollos Inmobiliarios, S.L.	-
Quabit Menorca Desarrollos Inmobiliarios, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit Desarrollos Innobiliarios, S.L.	-
Quabit Freehold Properties, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Freehold Properties Levante, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Freehold Properties Sur, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Freehold Properties Centro, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Freehold Properties Madrid, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Freehold Properties Valencia, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Freehold Properties Este, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Palmaces, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit El Vado, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Panglao Inventments, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Veleta, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Puerta de Vistahermosa, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
B2R PROPTECH, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Style Living Gestión, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Construcción, S.A.	Guadalajara	Real Estate Construction	82,95%	-	Neinor Homes, S.A.	Deloitte, S.L.

Some financial figures of interest with respect to the consolidated companies are given below:

Company	Total equity at December 31, 2021 (thousands of euros)						
	Share capital	Share premium	Reserves	Previous years' losses	Profit / (Loss)	Other equity	Total equity
Neinor Norte, S.L.U.	235.091	-	58.500	-	20.075	967	314.633
Rental Homes PropCo, S.L.U.	301	-	59	(82)	(3.868)	1.100	(2.490)
Neinor Rental OpCo, S.L.U.	880	-	170	(68)	1	-	983
Promociones Neinor 3, S.L.U.	594	-	256	(1.425)	(554)	2.500	1.371
Neinor Works, S.L.U.	6	-	635	-	307	-	948
Promociones Neinor 5, S.L.U.	5.649	593	619	(467)	(443)	-	5.951
Neinor Península, S.L.U.	558.422	-	114	(67.495)	(2.063)	1.060	490.038
Neinor Sur, S.A.U.	158.981	-	122.157	-	62.403	23	343.564
Neinor Sardes Rental, S.L.U	2.963	1.881	640	(60)	(588)	-	4.836
Renta Garantizada, S.A.	60	-	218	862	443	-	1.583
Quabit Comunidades, S.L.	600	-	13	(268)	5	103	453
Quabit Inmobiliaria Internacional, S.L.	3	-	315	(9.457)	(5)	-	(9.144)
Parque Las Cañas, S.L.U.	393	3.536	173	(6.429)	(311)	2.593	(45)
Bulwin Investments, S.A.U.	60	-	(1)	(2)	(1)	-	56
Grupo Meditarráneo Costa Blanca, S.L.U.	660	-	123	(512)	(42)	-	229
Quabit Quality Homes, S.L.U.	21.623	27.747	(18)	(24.329)	(9.110)	-	15.913
Quabit Premier, S.L.U.	2.892	-	2.358	(37)	(9)	-	5.204
Quabit Sant Feliu, S.L.U.	6.853	2.626	52	(1.082)	(142)	-	8.307
El Balcón de las Cañas, S.L.U.	479	1.639	(17)	(909)	(41)	-	1.151
Quabit Casares, S.L.U.	4.420	4.565	18	(3.365)	(1.484)	-	4.154
Quabit Torrejón VP Fase 1, S.L.U.	620	1.851	(1)	(2.101)	(1.203)	-	(834)
Quabit Peñuela VL Fase 1, S.L.U.	219	648	(3)	(897)	(2)	203	168
Quabit Torrejón VP Fase 2, S.L.U.	527	1.571	9	(1.935)	(887)	354	(361)
Quabit Peñuela VL Fase 2, S.L.U.	426	1.268	(4)	(1.282)	(344)	-	64
Quabit Torrejón VP Fase 3, S.L.U.	189	554	(3)	(356)	(349)	-	35
Quabit Peñuela VL Fase 3, S.L.U	1.063	3.180	(5)	(2.840)	(2)	-	1.396

Quabit Remate las Cañas, S.L.U.	1.009	3.020	(5)	(773)	(2.778)	-	473
Quabit Quality Homes Guadalix, S.L.U.	1.354	4.052	(6)	(175)	(42)	-	5.183
Quabit Quality Homes San Lamberto, S.L.U.	302	897	(4)	(1.468)	(1.257)	-	(1.530)
Iber Activos Inmobiliarios, S.L.	2.752	-	128	-	(374)	-	2.506
Quabit SUP-R6, S.L.U.	1.037	3.101	(5)	(929)	(928)	-	2.276
Quabit Finance, S.A.U.	60	-	(2)	(1.592)	(13.125)	-	(14.659)
Quabit Finance Assets, S.L.U.	253	750	(2)	(2.512)	(11.547)	-	(13.058)
Quabit Gregal, S.L.U.	141	413	(1)	(245)	(244)	-	64
Quabit Poniente, S.L.U.	228	675	(2)	(231)	(667)	-	3
Quabit Siroco, S.L.U.	590	1.763	(2)	(704)	(1.385)	-	262
Quabit Terral, S.L.U.	3	-	-	(312)	(344)	-	(653)
Quabit Mistral, S.L.U.	368	1.095	(2)	(162)	(277)	-	1.022
Quabit Cierzo, S.L.U.	3	-	-	(200)	(5.470)	-	(5.667)
Quabit Tramontana, S.L.U.	3	-	-	(607)	(415)	-	(1.019)
Quabit Aneto, S.L.U.	430	1.288	(7)	(357)	(153)	-	1.201
Global Quabit, S.L.U.	13.474	9.434	(38)	(3.412)	(14.562)	357	5.253
Quabit Alcarria, S.L.U.	1.030	-	940	-	(74)	10	1.906
Quabit Distrito Centro, S.L.U.	3.030	-	62	(1.405)	(115)	41	1.613
Quabit Corredor del Henares, S.L.U.	2.359	1.811	(4)	(654)	3.361	57	6.930
Quabit Moncloa, S.L.U.	80	-	(1)	(3)	(1)	-	75
Quabit Sureste, S.L.U.	555	1.575	151	-	(2.449)	36	(132)
Quabit Hortaleza, S.L.U.	1.678	-	(4)	(528)	(3.029)	19	(1.864)
Quabit Remate, S.L.U.	786	1.444	(3)	(178)	4.325	31	6.405
Quabit Aguas Vivas, S.L.U.	1.252	-	2.205	-	(130)	38	3.365
Global Quabit Cañaveral Málaga Fase 1, S.L.U.	210	622	468	-	146	15	1.461
Global Quabit Cañaveral Málaga Centauro, S.L.U.	205	605	(4)	(97)	939	14	1.662
Global Quabit Cañaveral Tercera Fase, S.L.U.	89	257	(3)	(245)	(1.389)	8	(1.283)
Global Quabit Cañaveral Fase Cuatro, S.L.U.	27	71	(3)	(2)	(1)	-	92
Global Quabit Málaga, S.L.U.	144	424	(4)	(1.119)	(1)	699	143

Global Quabit Sur, S.L.U.	243	720	(4)	(284)	(912)	17	(220)
Global Quabit Norte, S.L.U.	498	-	653	-	10	9	1.170
Global Quabit Azuqueca, S.L.U.	663	-	1.647	-	1.008	11	3.329
Quabit Casares Golf RP5, S.L.U.	131	385	(2)	(109)	(264)	9	150
Quabit Almanzor, S.L.U.	123	360	(2)	(261)	(1.332)	7	(1.105)
Quabit Teide, S.L.U.	108	315	(2)	(169)	128	5	385
Quabit Peñalara, S.L.U.	284	844	(2)	(422)	(757)	19	(34)
Global Quabit Desarrollos Inmobiliarios, S.L.	9.824	29.438	(32)	(7.835)	(26.486)	466	5.375
Quabit Alovera, S.L.U.	5.211	15.625	(17)	(3.059)	(19.887)	53	(2.074)
Quabit Bonaire, S.L.	3	-	5	(26)	(5)	2	(21)
Meltonever Project, S.L.U.	-	-	-	-	(2)	1.336	1.334
Quabit Las Lomas de Flamenco, S.L.U.	1.785	5.343	(11)	(5.337)	28	203	2.011
Quabit Menorca Desarrollos Inmobiliarios, S.L.U.	1.569	4.694	275	(4.852)	(1.495)	209	400
Quabit Freehold Properties, S.L.U.	3.243	4.784	(11)	(489)	(23.965)	-	(16.438)
Quabit Freehold Properties Levante, S.L.U.	104	304	(1)	(465)	(2.033)	162	(1.929)
Quabit Freehold Properties Sur, S.L.U.	288	855	(2)	(169)	(337)	-	635
Quabit Freehold Properties Centro, S.L.U.	500	1.443	(2)	(1.139)	(6.766)	-	(5.964)
Quabit Freehold Properties Madrid, S.L.U.	3	-	(1)	(3)	(1)	4	2
Quabit Freehold Properties Valencia, S.L.U.	3	-	(1)	(3)	(1)	4	2
Quabit Freehold Properties Este, S.L.U.	3	-	(1)	(3)	(1)	4	2
Quabit Palmaces, S.L.U.	277	828	(2)	(247)	(951)	-	(95)
Quabit El Vado, S.L.U.	325	965	(3)	(724)	(5.896)	-	(5.333)
Panglao Inventments, S.L.U.	3	-	-	(1.087)	(2.818)	1.087	(2.815)
Quabit Veleta, S.L.U.	677	2.022	651	-	-	(269)	3.081
Quabit Puerta de Vistahermosa, S.L.U.	3	-	(1)	(1)	(1)	2	2
B2R PROPTECH, S.L.U.	10	-	(1)	-	(1)	-	8

Style Living Gestión, S.L.U.	3	-	-	(45)	(1)	50	7
Quabit Construcción, S.A.	1.497	-	2.511	-	969	-	4.977
Programa de Actuación de Baleares, S.L.	7.500	-	(26)	(3.087)	-	-	4.387
Landscape Corsan, S.L.	12	-	49	(50)	-	-	11
Landscape Larcovi Proyectos Inmobiliarios, S.L.	600	-	117	(64.789)	(6)	-	(64.078)
Masía de Montesano, S.L.	2.520	-	-	(715)	(11)		1.794
Alboraya Marina Nova, S.L.	60	-	-	(33)	-	-	27
Nicrent Residencial, S.L.	63	11.940	-	-	(3)	-	12.000

Company	Total equity at December 31, 2020 (thousands of euros)						
	Share capital	Share premium	Reserves	Previous years' losses	Profit / (Loss)	Other equity	Total equity
Neinor Norte, S.L.U.	235.091	-	34.080	-	24.420	998	294.589
Promociones Neinor 1, S.L.U.	301	-	59	(55)	(27)	-	278
Promociones Neinor 2, S.L.U.	880	-	170	(74)	6	-	982
Promociones Neinor 3, S.L.U.	594	-	256	(998)	(427)	2.500	1.925
Neinor Works, S.L.U.	6	-	339	(18)	314	-	641
Promociones Neinor 5, S.L.	5.649	593	619	(280)	(187)	-	6.394
Neinor Peninsula, S.L.U.	558.422	-	114	(62.584)	(4.911)	1.089	492.130
Neinor Sur, S.A.U.	158.981	-	78.785	-	43.372	23	281.161
Renta Garantizada, S.A.	60	-	137	580	364	-	1.141

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

DIRECTORS' REPORT

Year ended 31 December 2021

Neinor Homes, S.A. and Subsidiaries

1. <u>The Group: Organisational structure and operations</u>

The Neinor Homes Group was incorporated under the memorandum of understanding entered into in 2014 by Kutxabank, S.A. and the Lone Star investment fund, through its investee, Intertax Business, S.L.U. (now Neinor Holdings, S.L.U.), for the purchase and sale of a portion of the Kutxabank Group's property assets. The aforementioned purchase and sale (Operation Lion) was completed on 14 May 2015 through the transfer by Kutxabank, S.A. to Neinor Holdings, S.L.U. of all the shares that the former held in Neinor Homes, S.A., once the conditions precedent set forth in the purchase and sale agreement entered into by the parties on 18 December 2014 had been fulfilled.

On 1 January 2015, within the context of the transaction (the "Transaction"), all the employees who had been performing the property development group's development and management tasks, and the technical resources and means required to carry out the activity, were transferred to Neinor Homes, S.A.

In 2017, the Parent, Neinor Homes, S.A. was registered as a public limited liability company ("S.A.") (a transaction that was formalised by virtue of a public deed executed on 1 March 2017 before the Bilbao notary Raquel Ruiz Torres under number 234 of her protocol) with a view to its admission to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, which took place on 29 March 2017 with the prior authorisation of the Company's sole shareholder on 6 March 2017.

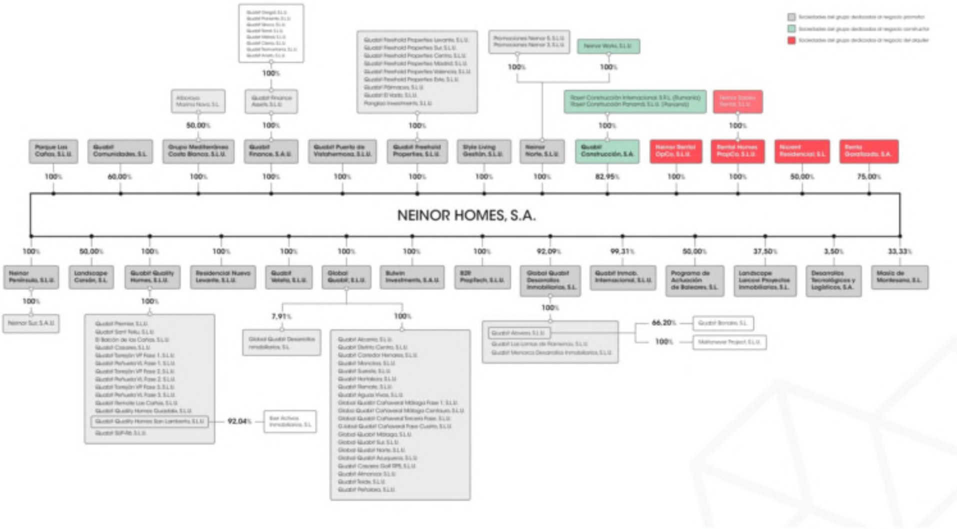
In September 2020 Neinor Homes, S.A. acquired a 75% ownership interest in the share capital of Umber Jurídico Inmobiliario, S.L. (a company that was dissolved in November 2020 as it had been absorbed in a downstream merger by its wholly-owned subsidiary Renta Garantizada, S.A.).

On 11 January 2021, the draft terms of merger of Neinor Homes, S.A. (absorbing company) and Quabit Inmobiliaria, S.A. (absorbed company) were approved by the companies' respective Boards of Directors, and the validity of the draft terms of merger were conditional upon the occurrence of the following several suspensive conditions. The acquisition date was established as 19 May 2021 following the obtainment, on the immediately preceding day, of authorisation of the Merger from the competition authorities and, thus, the fulfilment of all of the conditions precedent described above; as a result, Neinor Homes, S.A. obtained control of Quabit Inmobiliaria, S.A.

On 12 April 2021, the Board of Directors of the Parent approved the issue of guaranteed senior bonds maturing in 2026 (which may be redeemed early in certain circumstances and upon the occurrence of certain events) for a total principal amount of EUR 300 million; at the issue date (14 April 2021) it was established that the bonds would bear annual fixed interest of 4.5%, payable on a half-yearly basis. The bonds, which were admitted to trading on the Global Exchange Market of the Irish Stock Exchange, are guaranteed by Neinor Homes, S.A. and certain of its subsidiaries that act as guarantors of the debt (Neinor Peninsula, S.L.U., Neinor Sur, S.A.U., Neinor Norte, S.L.U. and Rental Homes Propco, S.L.U.).

Neinor Homes Homes, is currently the head of a business group which carries on its activities either directly or indirectly through ownership interests in various companies.

A flowchart of the corporate structure of Neinor Homes S.A. and Subsidiaries (the "Group") is as follows:



The Group's business activities are performed exclusively in Spain, and principally, through three business lines:

A) Development business line:

The Group's core and strategic business activity based on the acquisition of land for residential use for its subsequent property development.

The Group's land portfolio is comprised of 325 lots with a total of 13.300 buildable units. The portfolio is distributed over the Parent's five main geographical areas of activity, namely: Madrid, Guadalajara, Catalonia, the Basque Country Valencia and Andalusia.

The land portfolio arose as a result of both the Transaction and subsequent purchase described in Note 1 of the Group´s consolidated financial statements and sale transactions during 2015-2021.

B) Rental business line:

In February 2020 the Board of Directors of the Parent Company approved the development of a new line of business of owned housing units using the current land bank. The objective is to create a portfolio of 4.500 rental units.

In 4 January 2021 the company acquired a PRS (Private Rented Sector, finished and rented product) portfolio through the acquisition of Sardes Holdco, SLU, a company that owns 9 developments for leasing and located in Alicante, Badalona , Girona, Madrid, Malaga, Sabadell, Terrassa and Valencia (392 units).

Additionally, during the 2021 financial year, the first installment of a new-build development intended for rental, Hacienda Homes, with 142 units, was made.

Likewise, since the 2020 financial year, the Group owns Renta Garantizada, one of the leading companies in rental management in Spain and which allows us to manage the rental of both our own assets (Hacienda Homes), as well as those of third parties.

C) Servicing business line:

On 14 May 2015, an asset administration and management agreement was entered into between the various companies of the Kutxabank Group and Neinor Homes, S.A. in relation to the property assets which continue to be the property of the Kutxabank Group. This servicing agreement has an initial term of seven years, and may be automatically renewed for additional periods of one year.

As consideration for this service, the Kutxabank Group pays remuneration based on the type and volume of managed assets, as well as an additional variable remuneration applicable to success for marketing them and for the execution of certain specific actions related to them.

This contract ends in May 2022 and will not be renewed

D) Legacy business line:

Business activity consisting of the disposal of non-strategic assets acquired in the Transaction (450 units, at year end).

The portfolio is divided into two main types of asset: i) multi-unit new property developments and ii) remnants of new property developments end products.

At an organisational structure level, the Company has a Board of Directors and three Committees: Audit and Control Committee, Nomination and Remuneration Committee and Land Investment Committee.

In 2021, the Board of Directors held 16 meetings, Audit and Control Commite 11 meetings and Nomination and Remuneration Committee and Land Investment Committee 5 meetings each of them.

Following are the main agreements, approvals and supervisory activities entered into, granted and performed, respectively, by the Board and its committees during 2021:

a) The call for the General Shareholders' Meeting
b) Business Plan for 2022-2025
c) External Accounts Audit Plan for 2021
d) Annual plan for the CAC and Nomination and Remunerations Committee for 2022
e) Meetings schedule for the Committee for 2022.
f) Incentive plan, salary objetives and bonus system
g) Re-election of external auditors
h) Verification of the independence of the external auditors
i) Re-election of Directors
j) Annual accounts and directors' report
k) Quarterly, semi-annual and annual financial results and presentation to markets
l) Distribution of 2020 and 2021 income
m) Proposal for the distribution of dividends
n) Approval of the merger projetc between Neinor Homes S.A., and Quabit Inmobiliaria, S.A.
o) Approval of changes in the corporate structure of the group.
p) Approval the issuance of a green bond
q) Agreements related to the merger and the operations to be executed with various creditors of Quabit.
r) Acceptance by Neinor Homes of the positions of board member and representative of a natural person.
s) Presentation of the acquisitions and launches for 2021 and planned program for 2022.
t) Supervision of ICFR
u) Strategy and analysis of new business lines
v) Analysis of corporate operations
w) Activities report the Board of Directors and its Committees
x) Sustainability report 2020 and the non-financial information statement/ Sustainability report 2021.
y) Sustainability plan 2022-2025
z) The independence report of the external auditors.
aa) Evaluation report the Board of Directors and its Committee
bb) The 2021 Annual Corporate Governance Report.
cc) The annual remuneration report 2021.
dd) The Corporate Social Responsibility Report 2021 and the CSR Plan 2022
ee) Report of related operations and conflicts of interest and analysis of different

operations.

ff) Approval of financing and refinancing operations
gg) Reporting of compliance activities 2021
hh) Report of activities carried out for the supervision of the RIC
ii) Modification of RIC
jj) Analysis and supervision of related-party transactions and conflict of interest
kk) Supervision of ICFR
ll) Supervision ot the control model of Prevention of Money Laundering and Financing of Terrorism
mm) Supervision of the integrated model of Internal Control and Risks
nn) Monitoring and approval of the disclosure to be included in the interim summarised consolidated financial statements according to the impacts due to COVID-19.
oo) Renewal process of the servicing contract and analysis of alternative line of business.
pp) Approval of the agreements between Quabit Construcción S.A. / Neinor Homes S.A., and Quabit's CEO.
qq) Approval of the signing of the framework agreement of the urbanization of Sector II-1 of Alovera.
rr) Monitoring of markets communications
ss) Review of the communication received from the stock market regulator on November 24, 2021. Review and approval of the modifications to be made in the current information and confidentiality policy.
tt) Approval of a program for the repurchase of own shares as treasury stock.
uu) Proposal to the General Meeting on the reduction of capital by amortization of treasury shares.
vv) Review and update of compliance and internal control policies
ww) Supervision and follow-up of the complaints received in the company's ethical channel.

Regarding the control and compliance model, in Neinor Homes it is implanted an integrated a GRC structure (Government, Risk and Compliance) that is based on:

- Analysis and evaluation of risks that affect internally and to interested parties.
- Integration of all regulatory environments and business processes.
- Homogeneous methodology in implementations and projects in the field of fulfillment.

This model is based on the analysis and evaluation of strategic risks of the company, of all control environments and the entire value chain. In this way, all risks are analyzed, gross and residuals and they are classified according to their economic, reputational and organizational impact.

Currently in the model, all the company's business processes are integrated and the different normative areas, among others, the SCIIF, prevention of criminal responsibility, Prevention of Cybersecurity, RDL 5/2018 on data protection, PBC / FT, LSC, Good Governance recommendations, Order EHA / 3050/2004 on Operations Linked, Circular 3/2015 of the CNMV.

The balance scorecard of the model includes:

- The processes and procedures that apply to an environment of regulatory or operational compliance.
- The controls assigned to each risk and environment
- Which risks are mitigated or eliminated by each control, to which processes does it affect
- Who is the responsible for each control, of its supervision and when it is reported

The management of GRC, composed by areas of Internal Audit, Corporate Governance, Compliance, Risks, Corporate Social Responsibility and Quality is in charge of ensuring the entire integrated control and assurance system.

The annual corporate gorvernance report is part of the director's report and it is possible to access to its contet through CNMV web page (www.cnmv.es).

2. ***Business performance and earnings - Significant aggregates***

In 2021, the Group recognised revenue of EUR 914.301 thousand achieving a gross margin of EUR 242.989 thousand and presents a first adjusted EBITDA (hereinafter after adjusted EBITDA 1) of EUR 149.613 thousand (adjusted for MIP and increased valuation of rental assets) and a second adjusted EBITDA (hereinafter adjusted EBITDA 2) of EUR 158.107 thousand (additionally adjusting personnel incentive expenses, personnel restructuring expenses and company growth expenses). The equity level amounts to EUR 944.496 thousand, total assets amounts to EUR 1.966.708 thousand and current and non-current liabilities amounts to EUR 1.022.212 thousand.

Revenue and gross margin

By business volume, the Development business line has recognised sales of EUR 882.832 thousand, with a gross margin of EUR 213.479 thousand, representing a margin of 24,18%. This is followed by the volume in Servicing business line, with revenue of EUR 24.394 thousand. The new rental line of business has recognised sales of EUR 4.725 thousand, of which EUR 2.316 thousand belong to rental income from owned homes and EUR 2.409 thousand correspond to income from services related to rentals provided through the Renta Garantizada's Income. Finally, the Legacy business line recognised revenue of EUR 2.351 thousand and gross margin of EUR 391 thousand.

Development sales are due mainly to the completion and delivery many property developments among which the followings stand out: Amara Homes with sales of EUR 53.520 thousand, Bolueta Homes with sales of EUR 44.322 thousand, Cañaveral Homes with sales of EUR 43.714 thousand, Hacienda Homes with sales of EUR 39.350 thousand, Saler Homes with sales of EUR 35.709 thousand, Limonar Homes with sales of EUR 34.519 thousand, Bulevar Homes with sales of EUR 34.166 thousand, San Juan Homes with sales of EUR 32.494 thousand and Mesas Homes with sales of 30.211 EUR.

Servicing revenue relates mainly to: *Management Fee* on the EUR 1.1Bn of managed assets (EUR 16.327 thousand (67%), *Success Fee* calculated on total sales of EUR 160 million (EUR 7.633 thousand (31%)), and other income (EUR 433 thousand (2%).

Legacy sales correspond to more than 48 main units, situated mainly in Southern Spain (54%).

EBITDA

The adjusted EBITDA 1 in 2021 reached EUR 149.613 thousand, mainly due to Development with and adjusted EBITDA of EUR 122.299 thousand, Servicing' a positive adjusted EBITDA of EUR 10.773 thousand and Rental a positive EBITDA of EUR 17.590 thousand and Legacy with a negative adjusted EBITDA of EUR 1.049 thousand.

The adjusted EBITDA 2 in 2021 reached EUR 158.107 thousand, mainly due to Development with EUR 130.144 thousand, Servicing a positive EBITDA of EUR 11.364 thousand, Rental a positive EBITDA of EUR 17.609 thousand and Legacy with a negative EBITDA of 1.010 thousand.

Profit for the year

The consolidated profit of 2021 amounts to EUR 102.855 thousand, from which EUR 103.033 thousand are attributable to owners of the Company.

Financial position

The current liabilities and non-current liabilities at 31 December 2021 amounted to EUR 1.022.212 thousand compared to EUR 698.061 thousand at 31 December 2020 (an increase of EUR 324.151 thousand).

The borrowing position at 31 December 2021 continues to indicate very sound debt/equity ratios: 26,4% Loan To Cost ratio (LTC) and 19,8% Loan To Value ratio (LTV).

Borrowings at 31 December 2021

At the end of 2021, EUR 259 million was recognised under current and non-current bank borrowings. The detail of bank borrowings is as follows:

- Corporate facilities: EUR 0,5 million.
- Land financing facilities: EUR 88,8 million with a limit of EUR 88,8 million
- Capex financing facilities: EUR 123,9 million with a limit of EUR 355 million
- Rental financing facilities: EUR 46,1 million with a limit of EUR 49,4 million.
- Interest payable: EUR 0,5 million.
- Debt arrangement expenses: EUR (4,4) million
- VAT facilities: a limit of EUR 15 million with EUR 3,4 millions disposed

The Group has issued a bond (300m nominal value) due in 2,026. This has made possible to repay corporate debt in 2021 for a total of EUR 90 million, EUR 50 million from the line with Deutsche Bank (disposed by Neinor Sur) and 40 million euros from the line with Santander (disposed by Neinor Homes).

In conclusion, the Company has been able during 2021 to reduce the LTV (after the absorption of Quabit), refinancing the vast majority of the corporate debt with a maturity of more than 5 years, which places the Group in a very solid debt situation.

3. ***Matters relating to the environment and employees***

In view of the business activities carried on by the Neinor Homes Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. In addition, the Group's activities do not give rise to situations relating to greenhouse gas emission allowances.

At 31 December 2021, the average number of employees employed by Quabit Construcción, S.A. and by Renta Garantizada S.A is 84 and 32, respectively (23 people at the end of the 2020 for Renta Garantizada, S.A) with the average number of people employed by Neinor Homes at 31 December 2021 being 320 (284 during the year ended on December 2020). The number of people employed at the end of the 2021 by Quabit Construcción, S.A. and for Renta Garantizada SA, it is 113 and 37 people, respectively (27 people at the end of the 2020 for Renta Garantizada S.A. The distribution of the headcount for Neinor Homes S.A., by gender and professional category, was as follows:

	31/12/21			31/12/20		
	Women	Men	Total	Women	Men	Total
University graduates	102	144	246	87	139	226
Further education college graduates	56	28	84	40	22	62
Total	**158**	**172**	**330**	**127**	**161**	**288**

4. ***Liquidity and capital resources***

The Group has a sufficient level of cash and cash equivalents in order to carry on its business activities.

Of note in 2021, is the financing, mainly of land and corporate projects, obtained by the Group, which amounts to an on balance sheet balance of EUR 258.761 thousand .

In addition to this financing, the outlook is to arrange developer-type financing to fund the investment and, in turn, link the majority of the required payments and investments with the delivery of the property development and, therefore, the earnings from the sale.

The company continues to be engaged in conversations with financial institutions regarding a potential refinancing and/or a notes issuance following its solid financial results and cash position.

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital to ensure a sound financial position. This policy enables value creation for shareholders to be compatible with access to financial markets at a competitive cost to cover the needs for refinancing debt and financing the investment plan not covered by the funds generated by the business.

5. ***Main risks and uncertainties***

The Company has a risk map. In this connection, the organisation's procedures have been analysed, the possible sources of risk have been identified and, the appropriate measures have been taken to prevent them.

The most significant financial risks are:

Market risk

Exposure to interest rate risk

The Group does not use interest rate hedges.

Most of the loans and credit facilities in the Group's balance sheet are indexed to Euribor.

Exposure to credit risk

The Group does not have significant credit risk exposure to third parties arising from its own development business since it receives payment for substantially all its sales at the time the transaction is executed in a deed through subrogation of the buyer for the corresponding portion of the developer loan or by any other method of the buyer's choice. The credit risk arising from the payment deferrals in land or completed buildings sale transactions are mitigated through the obtainment of guarantees by the buyer or through the establishment of conditions subsequent in the event of default, which would give rise to the recovery of ownership of the asset sold and the collection of an indemnity payment.

In general, the Group holds its cash and cash equivalents at banks with high credit ratings.

Exposure to solvency risk

The Group regularly analyses the insolvency risk of its accounts receivable and adjusts the corresponding impairment loss. The Parent's directors consider that the amount of trade and other receivables approximates their fair value.

Exposure to exchange rate risk

In view of the Group’s scant international exposure in markets outside the eurozone, its exposure to foreign currency risk is scantly material.

6. ***Significant events after the reporting period***

Subsequent to 2021 year-end no additional events took place other than those indicated in Note 29 to the consolidated financial statements which may significantly affect the financial information detailed in this report, or which should be highlighted in view of its importance.

7. ***Information on the outlook for the entity in 2022***

The Group's main lines of action for 2022 focus on:

Development business line

- Monitoring of the construction projects which the Group had at 2021 year-end, plus the tenders and contracting of new projects.

- Continuing the upward trend in the number of pre-sales. Also, capture the increases in prices that are occurring in each location due to the increase in demand and low supply of quality products.

- Delivering the property developments for which the construction completion date is forecast for 2022, while taking due care of our clients' satisfaction and experience.

Rental business line

- Manage and build 3.500 units for this line of business

- Provision of property and asset management services to third parties through the acquired company Renta Garantizada, S.A. one of the leading rental management companies in Spain.

- Alliance with Cevasa and Habitatge Metròpolis Barcelona (HMB) to build 4,500 social housing units for rent in Barcelona and its metropolitan area which should come into operation between 2024 and 2027. During 2021 it has started the launch of phase 1, equivalent to 750 units.

Servicing business line

- Management of KUtxabank’s assets under the contract signed in 2015 and ending in May 2022.

Legacy business line

- Continuing with the divestment in order to monetise the majority of the portfolio in 2022.

8. R&D&i activities

Given the lines of business of Neinor Homes S.A., there are no relevant research, development and innovation activities.

9. Treasury shares

At 31 December 2021, the Company's share capital was represented by 79.988.642 fully subscribed and paid shares of EUR 10 par value each. All these shares carry identical voting and dividend rights.

During 2021, treasury shares have been acquired, including an amount of EUR 40.205 thousand on the balance sheet at 31 December 2021.

At 31 December 2021, the Parent Company held 3.622.669 treasury shares being the average purchase price of EUR 11,09 following the value date criteria.

10. Alternative performance measures

As indicated in Note 2 to the consolidated financial statements, the Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). The Group also presents certain Alternative Performance Measures (APMs) to provide additional information which facilitates the comparability and comprehension of its financial information and enables decision-making and assessment of the Group's performance.

The most significant APMs are as follows:

Gross profit:

Definition: External sales + Cost of sales

Reconciliation: the Parent presents the calculation of gross profit in Note 6 to the consolidated financial statements.

Explanation of use: the Parent considers gross profit to be a performance measure, since it provides information on gross profit, which is calculated on the basis of external sales less the cost incurred to complete those sales. The impairment losses derecognised in connection with real estate assets sold during the year were also taken into consideration for this calculation.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate the gross profit is the same as that used in the previous year.

EBITDA:

Definition: Gross profit + Staff costs + Outside services + Change in operating provisions, allowances and write-downs – Other + Other operating income + Impairment and gains/(losses) on disposals of non-current assets.

Reconciliation: the Parent presents the calculation of EBITDA in Note 6 to the consolidated financial statements.

Explanation of use: the Parent considers EBITDA to be a performance measure since it provides an analysis of the operating results (excluding depreciation and amortisation, as it is a non-cash item) as an approximation of the cash flows from operating activities which reflect the generation of cash. It is also an indicator that is widely used by investors when valuing companies, and by rating agencies and creditors to measure the level of borrowings, comparing EBITDA with net debt.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate EBITDA is the same as that used in the previous year.

Adjusted EBITDA 1

Definition: Profit or loss before tax + MIP + Change in fair value in real estate investments (valuation increase) + Net financial profit or loss and other income and expenses + Impairment of assets (Note 22.6)

Reconciliation: the Parent presents the calculation of adjusted EBITDA in Note 6 to the consolidated financial statements.

Explanation of use: the Parent considers adjusted EBITDA to be a performance measure since it provides an analysis of the operating results, excluding the non-cash depreciation and amortisation charge, inventory write-downs, investment property and doubtful debts considered to be non-recurring.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate adjusted EBITDA is the same as that used in 2018 and 2019, including the growth expenses and additional afeter-sale expeses.

Adjusted EBITDA 2

Definition: Profit or loss before tax + MIP + Change in fair value in real estate investments (valuation increase) + net financial profit or loss and other income and expenses + depreciation and amortisation charge + impairment of assets + incentive plan costs (except of MIP adjusted in EBITDA 1) + staff restructuring expenses + growth expenses (Note 22.6)

Reconciliation: the Parent presents the calculation of adjusted EBITDA in Note 6 to the consolidated financial statements.

Explanation of use: the Parent considers adjusted EBITDA to be a performance measure since it provides an analysis of the operating results, excluding the non-cash depreciation and amortisation charge, inventory write-downs, investment property and doubtful debts considered to be non-recurring.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate adjusted EBITDA is the same as that used in 2018 and 2019, including the growth expenses and additional afeter-sale expeses.

Borrowings

Definition: Bank borrowings recognised under non-current liabilities + bank borrowings recognised under current liabilities.

Reconciliation: the Parent presents the calculation of borrowings in Note 6 to the consolidated financial statements.

Explanation of use: Borrowings is a financial indicator that measures the company's debt position. It is also an indicator that is widely used by investors when valuing the financial leverage of companies, and by rating agencies and creditors to assess the level of borrowings.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate borrowings is the same as that used in the previous year.

Net financial debt

Definition: Bank borrowings (current and non-current liabilities) + Other current and non-current financial liabilites (associated with the borrowings and bond) – “Cash and Cash Equivalents" (excluding the restricted component associated with the advances received and associated with a property development, which are deposited in a special account and are only available in connection with the construction of the property developments.

Reconciliation: the detail of the reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	31/12/21
Non-current liabilities - bank borrowings	44.815
Current liabilities - bank borrowings	213.946
Other non-current financial liabilities	297.657
Other current financial liabilities	2.210
Cash and cash equivalents - available cash (Note 14)	(269.685)
	288.943

Explanation of use: Net financial debt is a financial indicator that measures a company's net debt position. It is also an indicator that is widely used by investors when valuing the net financial leverage of companies, and by rating agencies and creditors to assess the level of net borrowings.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate net financial debt is the same as that used in the previous year, including other non current-financial liabilities, due to the adquisition of 75% of Umber Jurídico, S.L.

Adjusted Net financial debt

Definition: Bank borrowings (current and non-current liabilities) + deferred payment for the purchase of land recognised under "Trade and Other Payables" under both non-current and current liabilities (Note 17) + Other non-current financial liabilites (associated with borrowings and bond) - "Cash and Cash Equivalents" (excluding the restricted component associated with the advances received and associated with a property development, which are deposited in a special account and are only available in connection with the construction of the property developments

Reconciliation: the detail of the reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	31/12/21
Non-current liabilities - bank borrowings	44.815
Current liabilities - bank borrowings	213.946
Other non-current financial liabilities	297.657
Other current financial liabilities	2.210
Deferred land payments	88.075
Cash and cash equivalents - available cash (Note 14)	(269.685)
	377.018

Explanation of use: Net financial debt is a financial indicator that measures a company's net debt position. It is also an indicator that is widely used by investors when valuing the net financial leverage of companies, and by rating agencies and creditors to assess the level of net borrowings.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate net financial debt is the same as that used in the previous year.

Loan to Value (LTV)

Definition: Net financial debt / Assets market value

Explanation of use: The LTV ratio is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	31 December 2021
Net financial debt	288.943
Assets market value	1.907.283
LTV	**15,1%**

Definition: Adjusted Net financial debt / Assets market value

Explanation of use: The LTV ratio is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	31 December 2021
Net financial debt – Adjusted	377.018
Assets market value	1.907.283
LTV	**19,8%**

Loan to Cost (LTC)

Definition: Net financial debt / (Inventories + Investment Property)

Explanation of use: The LTC is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	31 December 2021
Net financial debt - Adjusted	288.943
Inventories	1.322.683
Investment Property	105.632
LTC	**20,2%**

Definition: Adjusted Net financial debt / (Inventories + Investment Property)

Explanation of use: The LTC is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in million euros):

	31 December 2021
Net financial debt - Adjusted	377.018
Inventories	1.322.683
Investment Property	105.632
LTC	**26,4%**