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REPORT BY THE BOARD OF DIRECTORS OF NEINOR HOMES, S.A. ON THE PROPOSED RESOLUTION TO DELEGATE TO THE BOARD OF DIRECTORS THE POWER TO INCREASE THE SHARE CAPITAL

1. PURPOSE OF THIS REPORT

This report has been drafted by the Board of Directors of Neinor Homes, S.A. (the "**Company**") pursuant to articles 286, 297.1.b) and 506 of the consolidated text of the Spanish Companies Law, approved by Royal Legislative Decree 1/2010 of 2 July (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*, the "**Spanish Companies Law**") in order to justify the resolution submitted for approval to the General Shareholders Meeting under item Fifteen relating to the delegation of powers to the Board of Directors to increase the Company's share capital, without seeking the prior approval of the General Shareholders Meeting, within the time limit set for that purpose and up to the maximum amount stipulated in the Spanish Companies Law, including the power to exclude pre-emption rights by not more than 20% of its share capital, and amending accordingly the article of the Company's articles of association relating to share capital.

2. REASONS FOR THE PROPOSAL

Pursuant to article 297.1.b) of the Spanish Companies Law, subject to the requirements for amending the Articles of Association, the General Shareholders Meeting may delegate powers to the Board of Directors to resolve, on one or more occasions, to increase the Company's share capital up to a certain amount, at such time and in such amount as the Board of Directors may decide, without seeking the prior approval of the General Shareholders Meeting.

Under no circumstances may such capital increases exceed half of the Company's share capital at the time the authorization is granted and all such increases must be carried out through cash contributions or by means of the transformation of unrestricted reserves (if possible under the applicable regulations) within five years of the date of approval by the General Shareholders Meeting.

In addition, according to article 286 of the Spanish Companies Law, in relation to articles 296.1 and 297.1 of such Law, the Board of Directors must issue a written report setting out the reasons for the proposed resolution.

The Board of Directors considers that it is very much in the Company's interest that the Board of Directors has the authorizations and delegated powers admitted under current company law, having the capacity to set all the terms and conditions of the capital increases and decide which investors and markets to target, so as to have the capacity at all times to capture the resources that are required pursuant to corporate interests of the Company.

The purpose of the authorization is to give the Company's management body the room for manoeuvre and capacity to respond that are required in the competitive environment in which the Company operates, in which the success of any given transaction or strategic initiative often depends on the ability to execute it with agility and expeditiously, without the delays and costs inevitably involved in convening and holding a new general shareholders meeting.

The authorization provided for in article 297.1.b) of the Spanish Companies Law therefore gives the Board of Directors the necessary powers to carry out one or several capital increases, in line with the Company's interests and responding more quickly to future financial needs.

To that end, the Board of Directors submits for approval to the Ordinary General Shareholders Meeting a resolution to delegate to the Board of Directors the powers to resolve to increase the Company's capital by not more than half of its share capital at the date the authorization is granted (i.e., in aggregate, the capital increases must not exceed 399.943.210 euros in nominal value).

Also, in accordance with article 506 of the Spanish Companies Law, when the General Shareholders Meeting grants the directors powers to increase the share capital as provided for in article 297.1.b) of such Law, it may also grant them the power to exclude the pre-emption rights in any capital increases carried out pursuant to the delegation by not more than 20% of its share capital at the date the authorization is granted, where the Company's interests so require it.

Therefore, the delegation of powers to the Board of Directors to increase the share capital contained in the proposed resolution that is the subject of this report also includes, in accordance with article 506 of the Spanish Companies Law, a delegation of powers to the directors to fully or partly exclude shareholders' pre-emption rights by not more than 20% of its share capital at the date the authorization is granted, as appropriate, where the interests of the Company so require, all under the terms of said article 506.

The Board of Directors considers that, depending on market circumstances at any given time, the exclusion of pre-emption rights could be both an appropriate way to achieve the purpose of this resolution as to provide the Company's management body to have the capacity at to capture the resources that are required to meet the Company's needs and could be necessary for the Company's interests.

Given the uncertainty and volatility circumstances to which capital markets are subject, and in opposition to what would occur if the capital increase is execution with pre-emption rights, excluding the pre-emption rights would allow the Company, on one hand, to raise the necessary funds in the shortest possible time and, on another hand, to raise funds as efficiently as possible by shortening the time required to complete the capital increase, thus increasing its chances of success.

It is essential to have act with agility and swiftly to seize any opportunities that may arise in the market. Carrying out a capital increase in which pre-emption rights apply would make the operation considerably more complex and would cost more in both time and money.

Applying pre-emption rights significantly limits the Board of Directors' flexibility and responsiveness to seize market opportunities. Such flexibility and responsiveness are desirable in view of changing market circumstances and, in particular, certain situations of credit limitations. In such cases it is advisable that the Board of Directors has the means to opt for the sources of funding available at any given time, so as to obtain the most advantageous terms.

In any case, if the Board of Directors resolves to exclude the pre-emption rights in a capital increase it decides to carry out under this authorization, it must issue a report, at the time of adoption of the capital increase issue resolution, setting out the specific reasons why the measure is in the Company's interest, which will be made available to the shareholders and will be notified at the first General Shareholders Meeting held after the capital increase, in accordance with article 506 of the Spanish Companies Law. The face value of the issued shares plus, where applicable, the share premium amount must correspond with the fair value, which will be presumed to be the market value established by the stock market price, provided it is not lower than 10% than said stock market price.

Nevertheless, shares may be issued at a price below their fair value. In this case, the Board of Directors' report must justify that it is in the Company's interests not only to exclude pre-emption rights but also to apply the proposed issue rate, which will be subject to an auditor report in accordance with article 308 of the Corporate Companies Law, specifically regarding the expected amount of economic dilution and the rationale behind the data and considerations included in the Board of Directors report to justify it.

However, shares may be issued at a price below their fair value. In this case, the Board of Directors' report must justify that corporate interest requires not only the exclusion of pre-emptive subscription rights, but also the type of issue proposed, which shall be subject to the report of the auditor referred to in article 308 of the Corporate Companies Law, which shall specifically address the amount of expected economic dilution and the reasonableness of the data and considerations included in the report to justify it. This report shall also be made available to the shareholders and communicated to the first General Meeting held after the capital increase, in accordance with the provisions of article 506 of the Corporate Companies Law.

For all the reasons set out above, the Board of Directors considers that the proposed resolution is justified and addresses the needs that Neinor Homes, S.A., as a listed company, may have to face in the future.

Lastly, the delegation of powers granted to the Board of Directors if the proposed resolution is passed will be with express power to sub-delegate, so as to reinforce the objective of giving the management body the ability to respond swiftly and effectively to any opportunities that may arise.

3. PROPOSED RESOLUTION

The proposed resolution that is submitted for approval to the Ordinary General Shareholders' Meeting of the Company is as follows:

"***Review and, where appropriate, approval of a delegation to the Board of Directors of the power to increase the share capital under the terms and conditions of article 297.1b) of the Spanish Companies Law, for the maximum period of five years, with the attribution of the power to exclude the pre-emptive right up to the limit of 20% of the share capital, in accordance with the provisions of article 506 of the Spanish Companies Law.***

*Delegate to the Board of Directors, as broadly as may be required by law and in accordance with article 297.1.b) of the consolidated text of the Spanish companies law approved by Royal Legislative Decree 1/2010 of 2 July (the "**LSC**"), the power to increase the share capital, without prior approval of the General Shareholders Meeting, once or several times and at any given time, within a 5 year period as* *from the date of this meeting, and up to the maximum amount stipulated by the law, this is, by not more than half of its share capital (up to a maximum nominal amount of 399.943.210 euros).*

The increase or increases in share capital may be executed through the issuance of new ordinary shares or of any type in accordance with applicable regulations, with or without a share premium, where the consideration for the newly issued shares is in cash contributions to shareholder equity or transformation of unrestricted reserves (if possible pursuant to the applicable regulations), in which case the increase or increases in share capital may be executed through an increase in the face value of existing shares.

The Board of Directors may fix all the terms and conditions of the capital increases and the characteristics of the shares, as well as determining the investors and markets at which the capital increases are targeted and the placement procedure that has to be followed, freely offering the new shares not subscribed in the pre-emptive subscription period and establishing, in the event of an incomplete subscription, that the capital increase is null and void or that the capital is increased only by the amount of the subscriptions made, redrafting the article of the Bylaws dealing with the share capital.

In the case that new shares are issued, the Board of Directors is expressly granted the power to partly or totally exclude the pre-emptive subscription right, in respect of all or any of the issues resolved pursuant to this authorization, although this power will be limited to capital increases carried out pursuant to this delegation, up to the limit of 20% of the share capital in accordance with article 506 of the LSC.

Furthermore, the Board of Directors is granted the following powers:

- *(i) Apply, if applicable, for the admission to trading on markets, regulated or not, organized or not, in Spain or abroad, of any shares that may be issued complying with the applicable rules in relation to dealing, permanency and exclusion from trading.*
- *(ii) Apply, if applicable or the exclusion from trading of the shares, with the same formalities as the application for admission and with strict compliance of the applicable securities markets regulation.*
- *(iii) Sub-delegate the powers referred to in this resolution to any member of the Board of Directors*

It is noted for the record that the report of the directors supporting the proposal to delegate powers to increase share capital has been made available to shareholders

Lastly, it is also proposed that decision Seven adopted by the sole shareholder at the time on 6 March 2017, by which the Board of Directors was authorized to increase share capital of the Company, be revoked".

Bilbao, 23 February 2022