

This document includes the translation of the Consolidated Financial Statements for the period ended 31 December 2020 (Corporate Governance excluded)

DECLARATION OF DIRECTORS' RESPONSIBILITY

The members of the Board of Directors of Neinor Homes, S.A. (“**Neinor**” or the “**Company**”) on its meeting held on February 24, 2021, and according to article 118 of the reinstated text of the Spanish Securities Markets Act approved by Royal Legislative Decree 4/2015 of 23 October as well as to article 8 b) of Royal Decree 1362/2007 of 19 October, declare that, as far as they are aware, the individual Annual Accounts of the Company, as well as the consolidated ones with its dependent companies, corresponding to the financial year ended December 31, 2020, drawn up by the Board of Directors on the referred meeting of February 26, 2020 and prepared in accordance with the applicable accounting principles, offer a true and fair image of the equity, the financial situation and the results of the Company and the companies within the consolidation taken as a whole, and the complementary management reports of the individual and consolidated Annual Accounts include an accurate analysis of the business evolution and results and of the position of Neinor and the companies within the consolidation taken as a whole, together with the main risks and uncertainties which they face.

Madrid, February 24, 2021

D. Ricardo Martí Fluxá
Chairman of the Board

D. Francisco de Borja García-Egocheaga Vergara
Director and Chief Executive Officer

D. Jorge Pepa
Director

D. Aref H. Lahham
Director

D^a. Anna M. Birulés Bertran
Director

D. Van J. Stults
Director

D. Alfonso Rodés Vilà
Director

D. Felipe Morenés Botín-Sanz de Sautuola
Director

D. Andreas Segal
Director

Neinor Homes, S.A. and Subsidiaries

Consolidated Financial Statements for the period
ended 31 December 2020, prepared in
accordance with International Financial
Reporting Standards, together with Independent
Auditor's Report

*Translation of a report originally issued in Spanish based
on our work performed in accordance with the audit
regulations in force in Spain and 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 29). In the event of a discrepancy, the Spanish-*

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 2020, 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 2020, 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

The Group has a portfolio of land, housing developments in progress and completed housing developments classified as “development property” located throughout Spain, the carrying amount of which at 31 December 2020 was EUR 1,177 million.

The Group measures these inventories at the lower of acquisition cost and market value and uses third parties unrelated to it as experts to determine the market value of its inventories on a half-yearly basis.

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 2020, 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.

Procedures applied in the 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.

We obtained the valuation reports of the experts engaged by the Group to value all of the development property inventories and assessed the competence, capability and objectivity of the experts and the adequacy of their work for use as audit evidence.

In this connection, with the assistance of our internal valuation experts, we analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts engaged by Group management; the impact relating to the outcome of the COVID-19 on the market value of Group inventories has been considered. We performed a mass appraisal of all the properties using an automated valuation model, taking into account the available information of the macroeconomic, financial and real estate variables that affect each asset, as well as an individual RICS-compliant appraisal of a sample of assets to verify this mass appraisal; and we checked, for a sample of assets, that the technical inputs used by the appraiser were appropriate to the urban conditions of the assets appraised.

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 2020.

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

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.

Procedures applied in the 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 2020.

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 2020, 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) Checking only that certain information included in the Annual Corporate Governance Report referred to by the Spanish Audit Law has been provided in the manner provided for in the applicable regulations 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 2020 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 2020 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 Single Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Neinor Homes, S.A. and subsidiaries for 2020, which comprise the XHTML file including the consolidated financial statements for 2020 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 2020 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 24 February 2021.

Engagement Period

The Ordinary General Shareholders' Meeting held on 1 April 2020 appointed us as auditors for a period of one year from the year ended 31 December 2019.

Previously, we were designated by the Ordinary General Shareholders' Meeting for a period 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 6 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

24 February 2021

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 2020 AND 31 DECEMBER 2019

(Thousands of Euros)

ASSETS	Notes	31.12.20	31.12.19 (*)	EQUITY AND LIABILITIES	Notes	31.12.20	31.12.19 (*)
NON-CURRENT ASSETS:				EQUITY:			
Goodwill	2.8	4.470	-	Share capital		790.050	790.050
Other intangible assets	7	1.886	1.536	Share premium		39.247	39.247
Right-of-use assets	2.2, 9 and 17.2	3.487	3.294	Legal reserve		4.773	3.363
Property, plant and equipment	8	5.996	7.231	Reserves of the Parent (Own Shares)		66.211	52.364
Investment property		185	216	Other reserves		(51.115)	(51.191)
Non-current financial assets	11 and 29	6.364	763	Reserves at fully consolidated companies		(1.561)	522
Deferred tax assets	20.3	25.355	25.500	Reserves for the year attributable to owners of the Company		(57.112)	(108.676)
Total non-current assets		47.743	38.540	Profit for the year attributable to owners of the Company		70.120	63.748
				Total equity attributable to owners of the Company		860.613	789.427
				Non-controlling interests		285	-
				Total equity	15	860.898	789.427
				NON-CURRENT LIABILITIES:			
				Provisions		195	-
				Bank borrowings	17	70.659	50.000
				Other non-current financial liabilities	2.8 and 28	4.706	2.154
				Deferred tax liabilities	20	271	7
				Total non-current liabilities		75.831	52.161
CURRENT ASSETS:				CURRENT LIABILITIES:			
Inventories	12	1.208.442	1.210.668	Provisions	16	16.680	11.205
Trade and other receivables	13	24.813	27.076	Bank borrowings	17.1 and 23	262.335	315.700
Current financial assets	11 and 15.4	2.198	12.756	Other current financial liabilities	18	1.946	1.365
Tax receivables	20.3	5.550	6.536	Current trade and other payables	19 and 23	183.872	150.827
Cash and cash equivalents	14	270.213	173.415	Tax payables	20.3	45.231	34.745
				Other current liabilities	12 and 18	112.166	113.561
Total current assets		1.511.216	1.430.451	Total current liabilities		622.230	627.403
TOTAL ASSETS		1.558.959	1.468.991	TOTAL EQUITY AND LIABILITIES		1.558.959	1.468.991

(*) 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 2020.

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

**CONSOLIDATED INCOME STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020 AND 2019**

(Thousands of Euros)

	Notes	Period ended 31 December 2020	Period ended 31 December 2019 (*)
Net revenues	22.1 and 23	572.801	488.857
Cost of sales	22.2 and 23	(413.735)	(328.752)
Employee benefits expenses	22.3	(22.022)	(21.172)
Depreciation and amortisation charges	7, 8 and 9	(4.095)	(3.955)
External services	22.4	(36.679)	(34.217)
Change in trade provisions	22.6	(731)	(10.823)
Other operating gains/(losses)		949	430
Impairment and gains/(losses) on disposals of non-current assets		151	(88)
PROFIT / (LOSS) FROM OPERATIONS		96.639	90.280
Finance revenue		398	10
Finance costs	17 and 23	(6.338)	(9.003)
PROFIT / (LOSS) BEFORE TAX		90.699	81.287
Income tax	20	(20.583)	(17.539)
PROFIT / (LOSS) FOR THE YEAR		70.116	63.748
Attributable to owners of the Company		70.120	63.748
Attributable to non-controlling interests		(4)	-
Earnings/(losses) per share (Euros):			
Basic	5	0,948	0,838
Diluted	5	0,948	0,838

(*) 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 2020.

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

**CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE PERIOD ENDED 31 DECEMBER 2020 AND 2019**

(Thousands of Euros)

	Notes	Period ended 31 December 2020	Period ended 31 December 2019 (*)
CONSOLIDATED PROFIT / (LOSS) FOR THE YEAR		70.116	63.748
OTHER RECOGNISED INCOME (EXPENSES)		-	-
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		-	-
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		-	-
TOTAL RECOGNISED INCOME AND EXPENSE		70.116	63.748
Total recognised income and expense attributable to owners of the Company		70.120	63.748
Total recognised income and expense attributable to non-controlling interests		(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 2020.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2020 AND 2019

(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 1 January 2019 (*)	790.050	39.247	2.192	42.820	(3.902)	1.405	(145.133)	45.991	-	772.670
Distribution of profit/loss for the year:										
To reserves	-	-	1.171	10.537	-	(2.209)	36.492	(45.991)	-	-
Income/expense recognised in the period	-	-	-	-	-	-	-	63.748	-	63.748
Transactions with Treasury Shares	-	-	-	(993)	(47.289)	-	-	-	-	(48.282)
Other movements (Notes 4.19 and 15.4)	-	-	-	-	-	1.326	(35)	-	-	1.291
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

(*) 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 2020.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

	Notes	Period ended 31 December 2020	Period ended 31 December 2019 (*)
Cash flows from/(used in) operating activities			
Profit/(loss) from operations		90.699	81.287
Adjustments-			
Depreciation and amortisation	7, 8 and 9	4.095	3.955
Change in provisions	12 and 16	7.289	7.768
Impairment and gains/(losses) on disposal of intangible and tangible assets		(151)	43
Finance costs		6.338	9.003
Finance revenue		(398)	(10)
Incentive Plans	15.4	1.790	1.326
		109.662	103.372
Increase/(Decrease) in current assets and liabilities:			
Inventories	12	152	9.469
Trade and other receivables	13	2.028	25.467
Current trade and other payables	18 and 19	38.926	28.905
Other current and non-current assets and liabilities	11	(1.377)	9.543
Income tax paid	20	(14.723)	(30.950)
Total net cash flows from operating activities (I)		134.668	145.806
Cash flows from/(used in) investing activities:			
Acquisition of subsidiary	2.8 and 17.2	(2.450)	-
Investments in intangible and tangible assets	7 and 8	(812)	(1.831)
Disposals of intangible and tangible assets	7 and 8	624	-
Disposals of investment property		86	684
Investments in current financial assets	11 and 29	(20.134)	(12.749)
Disposals of financial assets in non-current		-	299
Total net cash flows from investing activities (II)		(22.686)	(13.597)
Cash flows from/(used in) financing activities:			
Proceeds from bank borrowings	17	182.133	88.154
Repayment of bank borrowings	17	(189.893)	(153.737)
Interests paid	17 and 23	(7.424)	(7.988)
Transactions with Treasury Shares	17	-	1.017
Total net cash flows from financing activities (III)		(15.184)	(72.554)
Net increase/(decrease) in cash and cash equivalents (I+II+III)			
		96.798	59.655
Cash and cash equivalents at beginning of the period		173.415	113.760
Cash and cash equivalents at end of year		270.213	173.415

(*) 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 2020.

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 2020 (hereinafter, 2020 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 address 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. This agreement has an initial seven-year term and may be extended automatically for further one-year periods. As consideration for these services, the various companies paid 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. The contract can be terminated early in certain circumstances relating to a change of control at the successful bidder for the contract involving a competitor of Kutxabank, negligence in the provision of the service or interruption thereof for more than seven days, except in the event of fortuitous events or force majeure. In addition, in the event of Kutxabank's loss of control of entities within the scope of this contract, there is an option for early termination, although the corresponding compensation for termination is regulated. 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 2020, amounting to EUR 94 thousand are not recognized in the accompanying consolidated balance sheet

(EUR 119 thousand at 31 December 2019), and nor are any liabilities, income or expenses associated with the balance recognised 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.

In October 2020, Neinor Homes, S.A. has rejoined Ibex Medium Cap, a stock market financial index prepared by Bolsas y Mercados Españoles (BME), which groups together the mid-cap companies of the four Spanish stock exchanges and is made up of the 20 most important companies after IBEX 35.

The consolidated financial statements of the Neinor Homes Group for 2019 were prepared by the Parent's directors at the Board of Directors' meeting held on 26 February 2020, 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 1 April 2020.

Appendix I includes the detail of the consolidated Group companies and the information related thereto at 31 December 2020 and 2019, 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 2020, 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 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).

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2020 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 2020 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 2020 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 2020. 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 2020

Approved for use in the European Union		Mandatory application for annual periods beginning on or after:
Amendments to IAS 1 and IAS 8 <i>Definitions of "materiality"</i>	Amendments to IAS 1 and IAS 8 to align the definition to meet the conceptual framework	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the Interest rate benchmark reform (phase 1).	1 January 2020
Amendments to IFRS 3 <i>Definition of a business</i>	Clarifications for the definition of the business	1 January 2020
IFRS 16 Covid-19 rent concessions amendment	Amendment to IFRS 16 that provides clarifications for rent concessions related to Covid-19	1 June 2020

(2) New standards, amendments and interpretations of mandatory application for annual periods after the calendar year starting on 1 January 2020:

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 9, IAS 39 and IFRS 7 –Interest Rate Benchmark Reform – Phase 2	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the Interest rate benchmark reform (phase 2)	1 June 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 June 2021

Not Approved for use in the European Union		Mandatory application for annual periods beginning on or after:
Amendments to IFRS 4 and IFRS 16 –Interest Rate Benchmark Reform – Phase 2	Amendments to IFRS 4 and IFRS 16 related to the Interest rate benchmark reform (phase 2)	1 June 2021
Amendments to IFRS 3 - Reference to the Conceptual Framework	Clarifications to determine what constitutes an asset or a liability for business combinations	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
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
IFRS 17 <i>Insurance contracts</i> (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

The Group has performed an assessment in relation to the standards that come into force in 2021 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 2020, there were no significant changes in accounting policies with respect to those applied in the exercise ended 31 December 2019.

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 2020 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 9 and 12). The Group has obtained valuations from independent experts in 2020 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, property, plant and equipment and investment property (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).
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).

Although these estimates were made on the basis of the best information available at 31 December 2020, 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 2019 year-end during the period ended on 31 December 2020.

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 recognised. 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 recognised 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

The only change in the scope of consolidation of Neinor Homes Group has been 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 2.557 thousand recognised at amortised cost (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; however, the initial accounting required to apply the acquisition method to the business combination as part of the purchase price allocation process is incomplete, and the provisional amounts reported by the acquirer in its financial statements may be adjusted in the period required to obtain the necessary information. This measurement period shall not exceed one year from the acquisition date. 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 identifiable 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 recognised 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 recognised 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 recognised 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.

During 2019 there were no changes in the consolidation perimeter.

2.9 Comparative information

The information relating to the 2020 consolidated financial statements is presented for comparison purposes with that relating to period ended 31 December 2019.

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 2019.

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	
	31.12.20	31.12.19
Basis of distribution:		
Profit for the year	7.967	14.098
Application:		
-To legal reserve	797	1.410
-To voluntary reserves	7.170	12.688
	7.967	14.098

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 2020 and 31 December 2019 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 recognised 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 recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised 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 recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised 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 recognised 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 recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised 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 recognised 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 recognised.

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

The period intangible asset amortisation charge is recognised 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 years.

Property, plant and equipment

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

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised 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 recognised 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 recognised 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
<i>Straight-line depreciation method:</i>	
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 recognised 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 recognise 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 recognised in prior years.

4.3 Right-of-use assets and lease liabilities

The Group recognises 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 recognised 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 recognising the perpetual return of the last year analysed or a market-based return, once the characteristics and contractual terms and conditions of the assets have been analysed, 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 recognised 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, capitalised 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 4.166 thousands in 2020, were recognised in the consolidated statement of profit or loss as a reduction of the financial profit and related to expenses associated with developments in Progress (3.466 thousands of euros in 2019)(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 recognised 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 recognised 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 recognised. 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 2020, as for 31 December 2019 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 recognised 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 17% (for certain urban plots) in 2020 (between 6% and 20% in 2019).

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 analysed 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 recognised 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 recognised 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 2020 and 2019 the measurement bases applied by the Group to its financial instruments were as follows:

Financial assets

Financial assets are initially recognised 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 amortised cost.

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

The Group measures its assets at amortised 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 amortised cost are subject to impairment, taking into consideration the facts and circumstances that exist as indicated below (in thousands of euros):

Concept	Gross Amount 31/12/2020	Estimated loss at 12 months (%) (*)	Estimated loss at 12 months at 31/12/2020	Net Amount 31/12/2020
Financial assets (Note 11)	8.646	0,14% - 3%	(84)	8.562
Inventories - Advances to creditors (Note 12)	25.019	3%	(751)	24.268
Clients – servicing (Note 13)	7.674	0,02%	(2)	7.672
Advances to suppliers (Note 13)	15.897	3%	(651)	15.246
Trade and other receivables (Note 13)	1.936	0,02% - 3%	(41)	1.895
Cash	270.313	0% - 0,06%	(100)	270.213
TOTAL	329.485		(1.629)	327.856

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

A reversal of 388 thousand euros has been recorded in the "Change in trade provisions" caption in the consolidated income statement. The estimated loss amounting to 1.629 thousand euros has been registered in each of the caption of the consolidated balance sheet previously mentioned.

Financial assets are derecognised 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 amortised cost.

Equity instruments

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

Bank loans

Interest-bearing bank loans and overdrafts are recognised at the amount received, net of direct issue costs. Finance costs, including premiums payable on settlement or reimbursement and direct issue costs, are recognised 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 18.249 thousands was drawn down at 31 December 2020 (EUR 13.900 at 31 December 2019) (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 2020, the Parent Company held 4.645.608 treasury shares (4.671.296 at 31 December 2019) 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 recognised 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 recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

At the end of the exercises ended 31 December 2020 and 2019 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 recognised 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., Promociones Neinor 2, S.L., 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 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. as the parent and Neinor Sur, S.A.U., Promociones Neinor 1, S.L. U., Promociones Neinor 2, S.L.U., Promociones Neinor 3, S.L.U., Neinor Works, S.L.U., and Promociones Neinor 5, S.L., as subsidiaries. (Note 20). The Tax Group pays income on a tax consolidation basis with effect from 1 January 2020 in accordance with the Act 27/2014, of November 27, 2014.

The consolidated income tax expense is recognised 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 recognised 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 recognised by the company that had recognised 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 recognised as a permanent or temporary difference by the company that had recognised the result, and any tax losses and tax credits and rebates offset or used by the companies composing the tax group are recognised 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 recognised 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 realised or the liability settled.

A deferred tax asset or liability is recognised 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 recognised 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 recognised only once there is a consolidated improvement of the Real Estate sector.
2. No deferred tax liabilities are recognised 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 recognised 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 recognised on an accrual basis, with incentive benefits, and the initial lease costs are allocated to income on a straight-line basis.

The Group companies recognise 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 recognises 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 recognised 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 recognised 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 recognising 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 recognised, 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 recognise 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 recognised 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 recognised 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 capitalise, 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 uncapitalised expenses associated with costs of this type amounted to EUR 1.162 thousand in 2020 (EUR 1.169 thousand in

2019) recorded under the caption "External Services" in the accompanying consolidated income statement.

Revenue from the rendering of services is recognised 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 2020, according to the adjusted sales budget adjustment derived from the Covid-19 situation (Note 28). In 2019 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 recognised 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, 2020, considering that all of them reach a successful conclusion, the income figure associated with them will be the following for the next three years, in millions of euros:

Type	
Development sales (*)	734
Servicing	43
TOTAL	777

(*) 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 capitalisation.

In the year ended 31 December 2020, the Group capitalised borrowing costs amounting to EUR 4.166 thousand to "Inventories" (3.466 thousand in 2019) (see Notes 4.6 and 12).

All other borrowing costs are recognised 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 labour legislation, the Group companies are required to pay termination benefits to employees whose contracts are terminated under certain conditions. Neither as of 31 December 2020 nor 31 December 2019 is a provision for termination benefits recognised in the consolidated financial statements.

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	
	31.12.20	31.12.19
Inventories (long term)	581.408	848.614
Total current assets	581.408	848.614
Bank borrowings	168.441	159.720
Current trade and other payables	37.351	37.685
Other current liabilities	28.376	51.564
Total current liabilities	234.168	248.969

4.19 Share-based payments

During 2017, before its shares went public in the stock market, the Board of Directors of Neinor Holdings, S.L.U. (Previous single shareholder of the group) agreed to an incentive plan for the CEO and five members of the executive team of the Neinor Homes Group, which included fixed and variable remuneration payable partly in cash and the rest in shares of the Group held by Lone Star through Neinor Holdings, S.L.U. One portion of the incentive was a fixed amount and was accrued as a result

of the admission to listing of the Parent (exit bonus, a fixed amount, for a total of EUR 14 million, approximately, of which EUR 5.1 million were payable in cash on the date of the stock market flotation and the rest in shares at a pre-set fixed price to be delivered in equal parts on each of the two anniversaries of the flotation) and the other portion, variable, for a maximum total amount of EUR 13.5 million, to be delivered in shares, in a number to be determined based on the share price on each of the three anniversaries following the initial takeover bid and the accrual of which was subject to the achievement of annual increases in the share price during the last trimester prior to each of the three anniversaries of the potential stock market flotation (the first reference date being the date of admission to listing on the stock exchanges), subject in certain cases to minimum holding commitments, with the possibility of accrual in proportion to the share price revaluations obtained on certain circumstances. Notwithstanding the above, if at any given time during three years following the potential stock market flotation the shares trading price reaches 152,09% of the initial share price (adjusted), the variable amount not already accrued, will entirely accrue. In any event, it was established that the remuneration would be delivered to them directly by Neinor Holdings, S.L.U. Bearing in mind payment of these bonuses would be made in full by Neinor Holdings, S.L.U. (sole shareholder of the Company until its flotation), the Group recognised on an accrual basis the corresponding contribution of the shareholder to consolidated equity for the same amount under "Staff Costs"). The assistance of an external appraiser was used for the accounting recognition of the variable portion. Applying the Monte Carlo method and, in view of the absence of a reasonable trading period that could be considered as a benchmark by the Parent, 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 aforementioned variable portion amounted to approximately, EUR 8.1 million. No amount has been accrued at 2020 and 2019 periods.

On the first anniversary, March 2018, and taking into account the evolution of the share price of Neinor Homes, S.A. in the quarter preceding the first anniversary, a variable remuneration for a total amount of EUR 3.256 thousand was accrued and paid, which has been payable through the delivery of shares and cash to assume the corresponding taxes, in the terms set forth in the prospectus of exit to Stock Exchange, being assumed its cost by Neinor Holdings, S.L.U. No additional amounts have been paid for the second anniversary and for the last anniversary and the incentive plan has concluded on March 2020.

Also, 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. On 22 January 2018, the Appointments and Remuneration Committee approved the amount of the plan for the 2018-2020 triennium, setting it at EUR 2 million for all the members and the period. Plan for the 2019-2021 triennium has not been approved as of December 31, 2020.

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 has 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 2020 incentive plans gave rise to the recognition of staff costs of EUR 1.790 thousand (EUR 1.326 thousand in 2019) 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 recognised on an accrual basis, and at year-end the related provision is recognised 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:

	31.12.20	31.12.19
Earnings / (loss) for the year (thousands of euros)	70.120	63.748
Weighted average number of shares outstanding (thousands of shares) (*) (Note 15)	73.930	76.043
Basic earnings/ (loss) per share (euros)	0,948	0,838

(*) 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 2020 and 2019, 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 organisational structure at 2017 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 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" in Note 6.

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 5.000 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, In any case, these residential assets may be sold to third parties through the developer business, given that any firm decision in this regard will always be subject to the protection of the current valuation of the assets. The Group has consolidated this new business line with the acquisition of Renta Garantizada, S.A. (Note 2.8) and the advanced EUR 5.749 thousand for the acquisition of Sardes Holdco, S.L.U (Note 29).

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 2020 and 2019 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 those that can be directly attributed thereto using the aforementioned allocation bases. However, "Tax receivables" and "Cash and cash equivalents", regardless of their origin, are allocated to the "Corporate Unit/Other" line.

	Thousands of Euros									
	Legacy		Development (**)		Assets Management – Servicing & Others / Corporate		Rental		Total	
	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
Income:										
Third party sales	3.544	14.320	545.151	442.345	23.572	32.192	534	-	572.801	488.857
Cost of sales	(3.492)	(18.994)	(410.243)	(309.758)	-	-	-	-	(413.735)	(328.752)
Gross Margin	52	(4.674)	134.908	132.587	23.572	32.192	534	-	159.066	160.105
Employee benefits expenses	(164)	(198)	(15.028)	(15.480)	(3.611)	(4.168)	(179)	-	(18.982)	(19.846)
Employee benefits expenses – Incentives (Note 15 and 22.3)	(25)	-	(2.640)	(1.326)	(375)	-	-	-	(3.040)	(1.326)
External Services	(1.580)	(3.645)	(28.211)	(24.599)	(6.667)	(5.973)	(221)	-	(36.679)	(34.217)
Change in trade provisions	-	(9.613)	(696)	(1.210)	-	-	(35)	-	(731)	(10.823)
Other operating gains	9	281	740	149	200	-	-	-	949	430
Impairment and gains / (losses) on disposals of non-current assets	66	(88)	1	-	-	-	84	-	151	(88)
EBITDA	(1.642)	(17.937)	89.074	90.121	13.119	22.051	183	-	100.734	94.235
Net interest expense and others	-	-	(4.590)	(7.999)	(1.350)	(994)	-	-	(5.940)	(8.993)
Depreciation and amortization	(10)	(18)	(3.127)	(3.103)	(920)	(834)	(38)	-	(4.095)	(3.955)
Profit / (Loss) Before Tax	(1.652)	(17.955)	81.357	79.019	10.849	20.223	145	-	90.699	81.287
Impairment losses of inventories (Note 22.6)	-	9.613	1.947	-	-	-	-	-	1.947	9.613
Change in trade provisions (Note 22.6)	-	-	3.100	-	-	-	-	-	3.100	-
Employee benefits expenses – Incentives (Note 15 and 22.3)	25	-	2.640	-	375	-	-	-	3.040	-
Growth expenses (2.8 and 29)	-	-	1.573	-	-	-	-	-	1.573	-
Net interest expense and others	-	-	4.590	7.999	1.350	994	-	-	5.940	8.993
Depreciation and amortization	10	18	3.127	3.103	920	834	38	-	4.095	3.955
ADJUSTED EBITDA (*)	(1.617)	(8.324)	98.334	90.121	13.494	22.051	183	-	110.394	103.848

(*) A financial measure used by Group management, which does not take into consideration the impairment losses of inventories, personal expenses associated with the incentives, growth expenses and after-sales expenses.

(**) Includes under "Development" segment an amount of EUR 10.443 thousand in 2020 corresponding to sales of plots of land, which were sold before development. Cost of sales of those plots of land amounted to EUR 10.852 thousand.

The main magnitudes of the consolidated balance sheet by segment at 31 of December 2020 and 2019 are the following:

	Thousands of Euros											
	Legacy		Development		Management Assets - Servicing		Others / Corporate		Rental		Total	
	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
Balance sheet:												
Non-Current Assets	73	216	10.252	8.263	-	-	27.087	30.061	10.331	-	47.743	38.540
Current assets	7.867	11.685	1.244.681	1.221.708	8.002	12.783	269.024	184.275	1.642	-	1.511.216	1.430.451
Total Assets	7.940	11.901	1.234.933	1.229.971	8.002	12.783	296.111	214.336	11.973	-	1.558.959	1.468.991
Non-current Financial Debt	-	-	50.000	50.000	-	-	20.594	-	65	-	70.659	50.000
Current Financial Debt	-	-	242.864	266.366	-	-	19.471	49.334	-	-	262.335	315.700
Other non-current liabilities	-	1	2.614	2.160	-	-	-	-	2.558	-	5.172	2.161
Other current liabilities	524	1.871	351.776	299.196	1.462	4.539	5.613	6.097	520	-	359.895	311.703
Total Liabilities	524	1.872	647.254	617.722	1.462	4.539	45.678	55.431	3.143	-	698.061	679.564

7. Intangible assets

The changes in "Intangible assets" in the exercises ended 31 December 2020 and 2019, by type of asset, were as follows:

Exercise ended 31 December 2020

	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

Exercise ended 31 December 2019

	Thousands of euros		
	Computer	Industrial property	Total
Cost:			
Balance at 31 December 2019	2.726	14	2.740
Additions	705	-	705
Disposals	(45)	-	(45)
Balance at 31 December 2020	3.386	14	3.400
Accumulated amortisation:			
Balance at 31 December 2019	(1.059)	-	(1.059)
Charges	(833)	-	(833)
Disposals	28	-	28
Balance at 31 December 2020	(1.864)	-	(1.864)
Net Balance at 31 December 2020	1.522	14	1.536

The main additions in 2020 and 2019 relate to the development of the management software used by the Group.

At 31 December 2020 and 2019, there were no intangible assets provided as collateral for any obligation.

At 31 December 2020 intangible assets fully amortized amount to EUR 1.368 thousand (EUR 67 thousand at 31 December 2019).

8. Property, plant and equipment

The changes in this heading in the exercises ended 31 December 2020 and 2019 were as follows:

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

Exercise ended 31 December 2019

	Thousands of euros		
	Technical items and machinery	Other items of Property, Plant and equipment	Total
Cost:			
Balance at 31 December 2018	6.942	2.268	9.210
Additions	1.091	51	1.142
Balance at 31 December 2019	8.033	2.319	10.352
Accumulated amortisation:			
Balance at 31 December 2018	(436)	(508)	(944)
Charges	(1.022)	(565)	(1.587)
Balance at 31 December 2019	(1.458)	(1.073)	(2.531)
Accumulated depreciation:			
Balance at 31 December 2018	(590)	-	(590)
Balance at 31 December 2019	(590)	-	(590)
Net Balance at 31 December 2019	5.985	1.246	7.231

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 2020 property, plant and equipment assets fully amortized amount to EUR 283 thousand (EUR 228 thousand at 31 December 2019).

At 31 December 2020 and 2019, there were no property, plant and equipment items provided as collateral for any obligation.

At 31 December 2020 and 2019, 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 2020 and 2019 were as follows:

Exercise ended 31 December 2020

	Thousands of euros			
	Cost	Amortisation	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

Exercise ended 31 December 2019

	Thousands of euros			
	Cost	Amortisation	Depreciation	Total
Net Balance at 31 December 2018	-	-	-	-
Additions / Charges	4.810	(1.516)	-	3.294
Net Balance at 31 December 2019	4.810	(1.516)	-	3.294

10. Subsidiaries

Appendix I to the notes to these financial statements details the subsidiaries 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			
	31.12.2020		31.12.2019	
	Non-current	Current	Non-current	Current
Equity instruments	150	-	150	-
Guarantees and deposits (Note 15.4)	6.214	2.198	613	12.756
Total	6.364	2.198	763	12.756

12. Inventories

Details of "Inventories" at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of euros	
	31.12.2020	31.12.2019
Sites and land (Note 19)	287.898	400.763
Construction work in progress	711.834	734.393
Completed buildings	211.052	85.053
Advances to suppliers	24.268	20.252
Less - Impairment losses (Note 9)	(26.610)	(29.793)
	1.208.442	1.210.668

In the year, ended 31 December 2020 borrowing costs amounting to EUR 4.166 thousand were capitalised to inventories (EUR 3.466 thousand in 2019).

The additions in the period ended 31 December 2020 relate mainly to work certifications of the ongoing promotions and capitalized costs associated with the pre-construction for a value of EUR 355 million. Additionally, purchases of land worth EUR 5 million have taken place (264 and 4 million euros in 2019).

"Trade and Other Payables - Payable to Suppliers" under "Current Liabilities" in the consolidated balance sheet as at 31 December 2020 includes EUR 37,4 million relating to the deferred portion of the price for the purchase of two plots of land, which will be due and payable when the development project is definitively approved or three years have elapsed since the agreement was entered into, whichever is sooner (Note 19) (31 December 2019: EUR 37,7 million).

In addition, in 2020 the Group has handed over 27 properties and has 40 property developments recognised under "Construction work in progress" at year-end. In 2019, the Group handed over 22 properties and has 53 property developments recognised under "Construction work in progress" at year-end.

At 31 December 2020 there are assets included in "Inventories" caption in the accompanying consolidated balance sheet with a net cost of EUR 1.177 million corresponding to assets classified as "Development" and EUR 8 million relating to "Legacy" assets (EUR 1.179 million and EUR 11 million at 31 December 2019). Likewise, the advances granted for an amount of 24 million euros correspond to assets that will be classified as "Development".

At 31 December 2020, there are assets included under "Inventories" with a gross cost of EUR 921 million (EUR 1.179 million at 31 December 2019) 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).

In 2019 the Group entered into a financing agreement for EUR 75 million with Deutsche Bank to repay the loan of the same amount granted by J.P. Morgan. To secure repayment of this financing a mortgage in principle was arranged for the lender on various property assets with a market value of up to EUR 147 million and a loan-to-value ratio of 35% was agreed with the bank (see Note 17).

At the end of 2020, the Group has paid advances to suppliers for future purchases of land amounting to 24.268 thousand euros, net of impairment, all of which are guaranteed by a mortgage or by means of a scroll account.

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 will foreseeably start in 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 two purchase options, one 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). The other purchase option, exercisable only by the Parent in 2021, consists of the acquisition of ten land lots on which a total of 395 housing units could be built, for a price of EUR 19.750 thousand.

As of December 31, 2020 and 2019, the Group did not maintain additional significant commitments.

The property development sale commitments entered into with customers at 31 December 2020 and 2019, 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 108.564 and 110.696 thousand respectively, which have been recognised under "Current liabilities - Customer advances" in the consolidated balance sheet at 31 December 2020 and 31 December 2019 (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 2020 and 2019 in the write-downs associated with the inventories were as follows:

	2020	2019
Initial Balance	29.793	28.184
Write-downs recognised	1.947	9.613
Write-downs reversed	(5.130)	(8.004)
Final Balance	26.610	29.793

At 31 December 2020, all the Development assets have been evaluated by an independent expert. The net realisable value determined by "Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U.)" for the inventories and investment property (see Note 9) owned by the Group amounted to approximately EUR 1.585 million, 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 1.722 million at 31 December 2019) This figure includes the value of land advances for an amount of EUR 51 million (EUR 86 million at 31 December 2019).

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 2020, 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	(39.654)	42.105	22.089	(22.130)	110.391	(110.674)
Change in carrying amount (*)	(3.062)	1.528	1.082	(837)	3.057	(7.893)

(*) The carrying amount is based on the lower of cost or realisable value. Increases or decreases in the net realisable 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 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 (at December 31, 2019 the effect on the value of the real estate assets would be a reduction of EUR 19.910 thousand and EUR 138.302 thousand, and the recognition of additional impairment losses of EUR 145 thousand and EUR 3.825 thousand, respectively).

13. Trade and other receivables

"Trade and other receivables" includes the following items:

	Thousands of euros	
	31.12.2020	31.12.2019
Trade receivables and notes receivables	9.373	14.931
Other receivables – Down Payments	15.246	11.994
Other receivables – Provision of Services	45	266
Other receivables – Due from Personnel	11	9
Others	261	-
Impairment (Notes 9 and 22.6)	(123)	(124)
Total	24.813	27.076

"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 7.672 thousand (12.429 thousand euros at 31 December of 2019).

"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 15.246 thousands an amount that includes 9.341 thousand euros in advances paid to agents who have intervened in the execution of the purchase and sale agreements pending deed (Note 4.13).

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

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.

There is no restriction for the availability of the cash and cash equivalents of the Group neither as of 31 December 2020 nor 31 December 2019, except for the fact that, 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 19.940 thousand at 31 December 2020 (EUR 43.454 thousand 2019), 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, according to the following breakdown:

	31.12.2020		31.12.2019	
	% 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	28,01	221.285	28,01	221.285
Adar Capital Partners Ltd	19,34	152.819	19,34	152.819
Goldman Sachs International (Note 15.4)	-	-	6,71	52.997
Bank of Montreal	5,21	41.154	5,21	41.162
Remain stock exchange	47,44	374.792	40,73	321.787
Total	100,00	790.050	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 2020 and 31 December 2019 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 2020 and 31 December 2019 are as follows:

Company	Thousands of euros	
	31.12.2020 (*)	31.12.2019 (*)
Full consolidation:		
Parent Company	66.211	52.364
Neinor Norte, S.L.U.	17.660	(2.918)
Promociones Neinor 1, S.L.U.	(297)	(290)
Promociones Neinor 2, S.L.U.	(15.024)	(15.002)
Promociones Neinor 3, S.L.U.	(1.848)	(1.049)
Neinor Works, S.L.U.	(5.311)	(5.293)
Promociones Neinor 5, S.L.	(5.679)	(5.399)
Neinor Península, S.L.U.	(109.870)	(92.284)
Neinor Sur, S.L.U.	63.257	13.559
Reserves at fully consolidated companies	(57.112)	(108.676)
Total	9.099	(56.312)

(*) The Parent has also set up a legal reserve of EUR 4.773 thousand at December 2020 (EUR 3.363 thousand at December 2019) not included in this detail. The consolidated reserves include the legal reserve of the subsidiaries for an amount of EUR 13.534 thousand (EUR 7.194 thousand at December 2019)

At 31 December 2020 and 2019 the negative reserves contributed by the subsidiaries Promociones Neinor 1, S.L.U., Promociones Neinor 2, S.L.U., Promociones Neinor 3, S.L.U., Promociones Neinor 4, 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 recognised 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 authorised 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 (Note 11), 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.

As of December 31, 2020, the total Treasury Stock of the Parent Company amounts to 4.645.608 securities (4.671.296 at 31 December 2019). The average unit purchase price of the securities was 11,00 euros (11,04 euros at December 2019).

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 (EUR 1.418 thousand at 31 December 2019).

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 2020 this plan gave rise to the recognition of staff costs of EUR 75 thousand with a balancing entry under equity in the accompanying consolidated balance sheet.

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. If the amounts set by the Board of Directors do not exhaust the maximum amount during the indicated period, this agreement would be rendered null in regard of the amount not distributed. On January 2021, the Parent's Board of Directors has approved to distribute a dividend of EUR 0.5 per share (Note 29).

16. Provisions

16.1 Current provisions

Changes in current provisions in 2020 and 2019 are as follows:

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

At 31 December 2019

Description	Thousands of euros		
	For taxes (see Note 22.4)	Other provisions (see Note 22.4)	Total
Balance at 31 December 2018	5.872	7.157	13.029
Charges	(1.228)	1.805	577
Amounts used	(712)	(1.689)	(2.401)
Balance at 31 December 2019	3.932	7.273	11.205

"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 recognised 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 recognised 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 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, as additional expenses as consequence of the health emergency situation (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 recognises the related provisions. In this connection, at 31 December 2020 there are legal claims in relation with assets owned by the different companies of the Group for a total amount of EUR 30.507 thousand (at 31 December 2019 EUR 12.765 thousand), mainly corresponding to two construction contract resolution for an amount of EUR 7.735 and EUR 11.215 thousand euros respectively, which include EUR 7.923 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 11.027 thousand) no provision has been accounted, considering the

directors of the Group that qualify the risk related to this litigation as possible. Additionally, there is a claim amounting to EUR 9.211 thousand euros due to the cancellation of a purchase of two plots of land for a total amount of EUR 41.459 thousand, for which EUR 2.187 thousand guarantee has been extended and EUR 2.187 anticipated. 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 2020 the Group has recognized provisions amounting to EUR 830 thousand (EUR 489 thousand at 31 December 2019) 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 2020 and 31 December 2019 are as follows:

	Thousands of euros	
	31.12.2020	31.12.2019
Long-term bank borrowings:		
Other loans (*)	70.659	50.000
Total (non-current)	70.659	50.000
Short-term Bank borrowings (see Note 23):		
Interest payable	584	1.187
Mortgage loans (*)	240.948	241.090
Treasury shares acquisition (Note 15.4)	-	49.334
VAT lines	2.101	-
Factoring	-	-
Other loans (*)	18.702	24.089
Total (current)	262.335	315.700

(*) Borrowings are presented at amortised cost, net of the debt arrangement expenses amounting to EUR 6.552 thousand (EUR 6.201 thousand in 2019).

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

31 December 2019

Scheduled maturities:	31.12.19
2020	132.205
2021	63.902
2022	25.352
2023 and following	144.241
Total	365.700

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 240.948 thousand at 31 December 2020 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 2021-2053.

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

Specifically, the Group has contracted 8 new mortgage loans during 2020 with a limit of EUR 158 million, of which an amount of EUR 39 million has been withdrawn. In addition, the limit and maturity of 13 loans contracted during the previous years have been extended, and their maturity for the years 2021-2053 has been established.

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 2021 and bears interest at market rates. The limit on these loans amounts to EUR 15 million of which the amount of EUR 2.101 thousand has been disposed at December 2020 (no balance had been drawn down at 31 December 2019). 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).

VAT Factoring

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 2020 and 2019. 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 is for an initial term of 12 months and may be renewed for an additional 12 months. During the 2018, the maturity of this loan has been extended until August 2019 and the limit has been reduced to 75 million euros. It may be 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. The financing agreement gave rise to fees and commissions of EUR 129 thousand, which were recognised under "Finance Costs (Net of Capitalised Borrowing Costs)" in the consolidated statement of profit or loss for the period ended 31 December 2019. This financing initially matured in April 2020, although it may be partially 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). The financing agreement included early repayment clauses, which include most notably the undertaking not to exceed a net debt to gross asset value (GAV) of the Group's property assets ratio of 35%. Additionally, the financing agreement includes as security for the full and timely compliance with the obligation a right of pledge over the shares of Neinor Norte, S.L.U., Neinor Península, S.L.U. and Neinor Sur S.A.U. On 29 January 2020, debt agreement has been novated. Maturity date for this financing is January 2021, although it may 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 has made a voluntary repayment amounting to 25 million euros. This repayment is 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 the year and which was recognised under non-current liabilities in the consolidated balance sheet, based on the conditions´

fulfillment for the maturity extension. The financing agreement establishes a fixed market interest rate of Euribor plus a spread (which may be increased if there are extensions). At the end of January 2021 the agreement has been novated increasing the limit to a maximum amount of EUR 133 million subject to the merger with Quabit Inmobiliaria, S.A. going ahead (Note 29).

As indicated in Note 15.4, on 4 April 2019 Neinor Homes, S.A. signed an agreement with Goldman Sachs International whereby the bank undertook to acquire treasury shares and payment for the shares was initially established on 5 October 2020, with the transaction bearing interest at a fixed rate. The financial agreement has been settled at the end of March 2020.

In April 2020 the Parent arranged financing amounting to EUR 40 million, the final maturity of which is 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. The financing includes early repayment clauses, including most notably the obligation not to exceed a debt-to-capital ratio of 7.5. This financing was novated on 30 December 2020 through the arrangement of two new loans of EUR 15 million and EUR 25 million, respectively, the first of which has three separate maturities: June 2021 (EUR 6 million), December 2021 (EUR 5 million) and June 2022 (EUR 4 million). The principal of the second loan has a grace period of four months and the repayments on it are made on a straight-line basis over the following two years. Both loans bear a fixed rate of interest, slightly higher than the initially arranged loan, until maturity. These loans are classified under "Non-Current Liabilities" and "Current Liabilities" in the consolidated balance sheet for EUR 21 million and EUR 19 million approximately and respectively.

Covenants and early repayment clauses

In connection with the borrowings arranged 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- 50%.
- In relation to the 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.
- In relation with the financial agreement arranged on 2020, the Group has the obligation not to exceed a debt-to-capital ratio of 7.5.

At year-end 2020, the Group was fully compliant with the covenants and clauses established in the aforementioned loans.

Other

In addition, the Group had several undrawn reverse factoring lines amounting EUR 18.249 thousand at 31 December 2020 with a limit of EUR 95.366 thousand at that date (EUR 13.900 thousand at 31 December 2019 with a limit of EUR 62.953 thousand at that date).

All the loans and credit facilities outstanding at 31 December 2020 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 0,85% to 3,5% in 2020 (from 0,85% to 2,5% in 2019). The average cost of the borrowings calculated for 2020 and 2019 is approximately 3,06% and 2,93%, respectively.

At 31 December 2020, the Group companies have undrawn VAT and factoring loans totaling EUR 28 million (EUR 30 million at 31 December 2019).

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:

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

2019

	01/01/2019	Cash Flow	Without cash flow impact			31/12/2019
			Variation in fair value	Reclassifications	Others (*)	
Long Term Loans	-	-	-	50.000	-	50.000
Short Term Loans	380.529	(72.151)	-	(50.000)	57.322	315.700
Total Liabilities from financing activities	380.529	(72.151)	-	-	57.322	365.700

(*) It corresponds mainly to the debt related to the acquisition of the treasury shares.

17.2 Other financial liabilities

The main change with respect to 2019 related to the recognition of the variable amount payable resulting from the acquisition of 75% of the shares of Umber Jurídico Inmobiliario, S.L. (see Note 2.8), recognised at amortised cost for EUR 2.557 thousand.

Additionally, this caption includes to the leased assets held by the Group. At 31 December 2020 the net book value associated to this concept amounts to 3.487 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 1.609 and 2.148 thousand euros, respectively. The maturities of the contracts associated with these leases expire from 2021 to 2027.

18. Other current and non-current liabilities

Details of other current and non-current liabilities at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of euros			
	31.12.2020		31.12.2019	
	Non-current	Current	Non-current	Current
Lease liabilities (see Note 17.2)	2.148	1.609	2.153	1.312
Guarantees and deposits received	1	337	1	53
Other financial liabilities (Note 17.2)	2.557	-	-	-
Other financial liabilities	4.706	1.946	2.154	1.365
Remuneration payable	-	3.602	-	2.865
Customer advances (see Note 12)	-	108.564	-	110.696
Other current liabilities	-	112.166	-	113.561
Total, gross	4.706	114.112	2.154	114.926

"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 2020, this caption also included a payable amounting to EUR 37.351 thousand corresponding to the deferred portion of the price of a land purchased in these exercises (EUR 37.685 thousand at 31 December 2019) (see note 12).

In addition, this heading of the consolidated balance sheet includes at 31 December of 2020 an amount of EUR 40.918 thousand (EUR 31.749 thousand at 31 December 2019) 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 2020	Period ended 31 December 2019
	Days	Days
Weighted average payment term to suppliers	51	54
Paid operations ratio	55	58
Outstanding payments ratio	23	26
	Thousands of euros	Thousands of euros
Total payments made	411.262	297.248
Total outstanding payments (^)	55.606	50.196

(*) 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 2020 and 31 December 2019 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 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. U., Promociones Neinor 2, 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. as the parent and Neinor Sur, S.A.U., Promociones Neinor 1, S.L. U., Promociones Neinor 2, S.L.U., Promociones Neinor 3, S.L.U., Neinor Works, S.L.U., and Promociones Neinor 5, S.L., as subsidiaries. The Tax Group pays income on a tax consolidation basis with effect from 1 January 2020 in accordance with the Act 27/2014, of November 27, 2014.

20.2 Tax rules and years open for review by the tax authorities

Neinor Homes, S.A. and Neinor Norte, S.L. file consolidated tax returns for the tax periods commencing on or after 1 January 2017 as tax group no. 021175BSC in accordance with the consolidated tax regime established in Vizcaya Income Tax Regulation 11/2013, of 5 December. Neinor Península, S.L.U., Neinor Sur, S.A.U., Promociones Neinor 1, S.L. U., Promociones Neinor 2, S.L.U., Promociones Neinor 3, S.L.U., Neinor Works, S.L.U., and Promociones Neinor 5, S.L. pay income on a tax consolidation basis with effect from 1 January 2020 in accordance with the Act 27/2014, of November 27, 2014. Renta Garantizada, S.A. (Note 2.8) files individual tax returns pursuant to Spanish Income Tax Law 27/2014, of 27 November.

At 31 December 2020, 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 recognised 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 recognised 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 2020 and 2019. 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 favourable 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. At the date of authorisation for issue of these condensed consolidated financial statements, the assessment had been signed on an uncontested basis, giving rise to no tax contingencies in this connection.

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 are 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							
	31.12.2020				31.12.2019			
	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)	-	4.898	-	25.491	-	5.188	-	18.607
Income tax (*)	-	652	-	17.324	-	1.348	-	13.717
Personal income tax withholdings payable	-	-	-	1.799	-	-	-	1.856
Social Security contributions payable	-	-	-	617	-	-	-	565
Deferred tax asset	25.355	-	-	-	25.500	-	-	-
Deferred tax liability	-	-	271	-	-	-	7	-
	25.355	5.550	271	45.231	25.500	6.536	7	34.745

(*) 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 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

At 31 December 2019

	Thousands of euros		
	Group 02117BSC	Other entities	Total
Profit/(Loss) before tax	46.011	35.276	81.287
Consolidated Adjustments	(88)	-	(88)
Permanent differences -	24	35	59
Temporary differences	966	(1.643)	(677)
Preliminary Taxable income/(loss)	46.913	33.668	80.581
Tax losses compensation	-	(12.346)	(12.346)
Taxable income/(loss)	46.913	21.322	68.235
Tax rate	24%	25%	-
Tax accrued	11.259	5.331	16.590
Not capitalised Tax assets accrued in the period	-	3.928	3.928
Deferred Tax Asset capitalised	(360)	(8.587)	(8.947)
Deferred Tax Asset discharged	1.283	4.349	5.632
Other adjustments for income tax	123	213	336
Income tax expense	12.305	5.234	17.539

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 2020, which correspond with those generated by the subsidiaries Neinor Península, S.L.U., Neinor Sur, S.L.U., Promociones Neinor 1, S.L.U., Promociones Neinor 2, S.L.U., Promociones Neinor 3, S.L.U., Neinor Works, S.L.U. and Promociones Neinor 5, S.L. are as follows:

Year of generation	Thousands of euros		Year of maturity
	Unrecognised	Recognised	
Other entities tax losses:			
Exercise 2008	32	-	2038
Exercise 2010	813	-	2040
Exercise 2011	7.569	883	2041
Exercise 2012	18.711	-	2042
Exercise 2013	1.798	-	2043
Exercise 2014	167	-	2044
Exercise 30 of June 2015 (*)	52	-	2045
Exercise 31 of December 2015	55	-	2045
Exercise 2013	-	7.968	No maturity
Exercise 2014	-	15.405	No maturity
Exercise 30 of June 2015	2.473	5.697	No maturity
Exercise 31 of December 2015	27.586	18.690	No maturity
Exercise 2016	14.778	20.081	No maturity
Exercise 2017	24.730	10.205	No maturity
Exercise 2018	18.110	-	No maturity
Exercise 2019	15.594	-	No maturity
Exercise 2020	-	-	No maturity
Total	132.468	78.929	

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

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 recognise 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 63.416 thousand at 31 December 2020 (EUR 63.760 thousand at 31 December 2019) 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 121 thousand, from the management activity and supervision of the construction of 3 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 Neinor Península, S.L.U., Promociones Neinor 1, S.L.U., Promociones Neinor 2, S.L.U., Promociones Neinor 3, S.L.U. and Promociones Neinor 5, S.L 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 recognise any deferred assets for these companies, since their recoverability is not reasonably assured.

20.6 Tax credits

At 31 December 2020 the Group had unrecognised tax credits amounting to EUR 59 thousand (at 31 December 2019 unrecognised 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 2020 and 2019 were as follows:

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

Exercise ended 31 December 2019

	31.12.19	Additions	Disposals	Other	31.12.20
Deferred taxes	6.201	2.949	(5.419)	206	3.937
Total	6.201	2.949	(5.419)	206	3.937

As in the case of the tax losses, and for the same reason, the accompanying consolidated financial statements only include the deferred tax assets relating to the deferred tax assets of the Parent, Neinor Norte S.L.U., Neinor Sur, S.A.U., Neinor Works S.L.U and Renta Garantizada S.A. amounting to EUR 5.568 thousand.

In this regard, at 31 December 2020, before taking into consideration the adjustments made in the estimate of the tax base relating to this reporting period, there are unrecognised deferred taxes amounting to EUR 41.407 thousand (in the tax base) (EUR 42.442 thousand at 31 December 2019) relating to adjustments to the tax base made, mainly for impairment of investee companies' impairment registered by Neinor Norte, S.L.U.

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 2020, the Group had provided guarantees to third parties for a total amount of EUR 158.921 thousand (EUR 133.453 thousand at 31 December 2019). Included in this figure there is an amount of EUR 38.527 thousand (EUR 25.528 thousand at 31 December 2019) thousand related mainly to guarantees provided to different local authorities to secure the development of different properties and EUR 120.393 thousand to secure payments in advance received by customers (EUR 107.925 thousand at 31 December 2019). 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 2020 from different suppliers and contractors guarantees for a total amount of EUR 36.387 thousand (EUR 38.575 thousand at 31 December 2019) 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	
	31.12.2020	31.12.2019
Legacy	3.544	14.320
Development	545.151	442.345
Assets Management – Servicing (Note 13)	23.572	32.192
Rental	534	-
Total	572.801	488.587

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 2020 exercise an amount of EUR 23.572 thousand to the aforementioned companies of the Kutxabank Group (EUR 32.192 thousand at 31 December 2019).

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	
	31.12.2020	31.12.2019
Cost of sales	413.735	328.752
Sites and land	10.852	11.717
Construction work in progress and completed buildings	402.883	317.035

22.3 Employee benefits expense and average headcount

Details of "Employee benefits expense" are as follows:

	Thousands of euros	
	31.12.2020	31.12.2019
Wages, salaries and similar expenses	18.326	17.647
Termination benefits	(32)	29
Social security costs	3.438	3.258
Other employee benefit costs	290	238
Total	22.022	21.172

The caption "Wages, salaries and similar expenses" includes an amount of EUR 1.790 thousand corresponding to incentive planes (EUR 1.326 thousand in 2019) (see Notes 4.19, 15.6 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.

At December 2020, the average headcount at Group companies was 284 (274 at 31 December 2019). The breakdown by category is as follows:

	31.12.2020			31.12.2019		
	Women	Men	Total	Women	Men	Total
Higher degree staff	87	139	226	94	135	229
Medium degree staff	40	22	62	34	10	44
Total	127	161	288	128	145	273

In addition, at 31 December 2020, the Group had 3 employees with a disability of more than 33% (3 at 31 December 2019).

22.4 External services

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

	Thousands of euros	
	31.12.2020	31.12.2019
Leases and royalties	256	306
Maintenance	1.214	1.809
Independent professional services	20.295	20.164
Transport	13	1
Insurance premiums	764	708
Bank Services	1.338	1.293
Advertising and marketing	2.685	2.755
Supplies	275	244
Other external services	2.502	3.137
Levies (see Note 16)	7.337	3.800
Total	36.679	34.217

"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 (Note 6).

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 2020 and 2019 by each company included in the consolidated group are as follows:

Entity	Thousands of euros	
	31.12.2020	31.12.2019
Full consolidation (*)		
Parent Company	7.868	13.979
Neinor Norte, S.L.U.	24.126	19.728
Promociones Neinor 1, S.L.U.	(27)	(7)
Promociones Neinor 2, S.L.U.	6	(22)
Promociones Neinor 3, S.L.U.	(427)	(799)
Promociones Neinor 4, S.L.U.	314	(18)
Promociones Neinor 5, S.L.U.	(187)	(280)
Neinor Península, S.L.U.	(4.911)	(18.508)
Neinor Sur, S.L.U.	43.371	49.675
Renta Garantizada, S.A.	(13)	-
Total	70.120	63.748

(*)It includes consolidation adjustments related to the application of IFRS 9 and IFRS 16 amounting EUR 99 thousand at December 31, 2019 (EUR 121 thousand at December 31, 2019).

22.6 Changes in trade provisions

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

	Thousands of euros	
	31.12.2020	31.12.2019
Change in trade provisions – Others		
Impairment losses of inventories (see Note 12)	(1.947)	(9.613)
Provision for bad debts (see Note 13)	(388)	50
Other provisions	1.604	(1.260)
Total change in trade provisions	(731)	(10.823)

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 recognised 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. and Aqula Lux S.V., S.A.R.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)		Financial Incomes	Cost of Sales – Purchases (Note 22.3)	External Services (Note 22.4)	Financial costs (Note 17)
	Sales	Services Provided				
Exercise 2020						
Other Group´s “related parties”-						
Banco de Santander, S.A.	-	-	-	-	70	2.249
1810 Capital Investments, S.L.	-	-	-	-	-	-
Global Hespérides, S.L.	10.088	-	-	-	-	-
Aquila Lux S.V., S.A.R.L.	-	10	-	-	-	-
	10.088	10	-	-	70	2.249

	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 22.1)		Financial Incomes	Cost of Sales – Purchases (Note 22.3)	External Services (Note 22.4)	Financial costs (Note 17)
	Sales	Services Provided				
Exercise 2019						
Other Group´s “related parties”-						
Banco de Santander, S.A.	167	-	-	-	63	977
1810 Capital Investments, S.L.	4.691	-	-	-	-	-
Global Hespérides, S.L.	-	-	-	-	-	-
	4.858	-	-	-	63	977

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

- Financial expenses arising on the loans and credit lines with the financial entity.
- Sales to 2 related parties.

The breakdown of the main transactions carried out during 2019 is as follows:

- Financial expenses arising on the loans and credit lines with the financial entity.
- Sales to 2 related parties.

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 2020 and 2019 are as follows:

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

31 December 2019

Thousands of Euros	Cash a cash equivalents	Short-term Bank borrowings	Current trade and other receivables	Customer prepayments
Other Group´s "related parties"-				
Banco Santander, S.A.	99.340	34.926	-	-
1810 Capital Investments, S.L.	-	-	980	293
	99.340	34.296	980	293

On 29 June 2020, 72 housing units (together with their garages and storage rooms), linked to five developments in progress, which will 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 2020, a total of 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, which was reduced by EUR 386 thousand as the estimated yield on the gross leasable area was lower than the guaranteed revenue for the related company. On 31 December 2020, 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 2020 and 31 December 2019 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, 2020, 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 1.809, as well as other remuneration (see Note 4.19) amounting to EUR 13 thousand (1.346 and 80 thousand euros, respectively, as of December 31, 2019).

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 111 thousand in 2020 (EUR 65 thousand in 2019).

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 2020 and at 31 December 2019), at 31 December 2020 and 31 December 2019 is summarised as follows:

Number of employees		Thousands of euros					
		31.12.2020			31.12.2019		
		Fixed and variable remuneration	Other Total	Total	Fixed and variable remuneration	Other Total	Total
31.12.2020	31.12.2019						
7	8	1.673	270	1.943	1.659	1.065	2.724

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 2020 for the different companies in the Neinor Homes Group and subsidiaries, provided by the statutory auditor and companies related thereto have amounted to EUR 123 thousand (EUR 115 thousand at 31 December 2019). Likewise, fees for verification services and other services provided by the statutory auditor for the exercise ended at 31 December 2020 have amounted to EUR 45 thousand and EUR 28 thousand at 31 December 2019.

Additionally, companies related to the statutory auditor have provided additional services amounting to EUR 41 thousand for the exercise ended 31 December 2020 (EUR 88 thousand 31 December 2019).

26. Environmental information

Due to the nature of the business in which the Neinor Home Group is engaged, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that might have a significant impact on its equity, financial position or profit or loss. Additionally, the Group does not have any issue related to emission rights.

Therefore, no specific environmental disclosures have been included in these notes to the consolidated financial statements.

27. Exposure to risk

The Group manages its capital to ensure that Group companies will be able to continue as profitable businesses and to maximise 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 centralised 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 2020, the undrawn VAT and factoring lines amounted to EUR 28 million (the undrawn credit facilities amounted to EUR 30.000 thousand at 31 December 2019).

The Group's available cash position at 31 December 2020 was EUR 270.213 thousand (173.415 thousand at 31 December 2019) of which EUR 19.940 thousand (43.454 thousand at December 2019) 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 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 million if the interest rate applicable to the Group's current borrowings increases or decreases by 1% in relation to 2020 reporting period (+/- 3 million in 2019) (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

The emergence and global expansion of the Covid-19 pandemic in early 2020 and its indefinite duration, the lack of a vaccine, and the impact of the virus on health systems around the world has led to a series of measures being taken by the respective governments to contain its spread, which include or have included: isolation, lockdown, quarantine and restriction of the free movement of people, closure of public and private premises, closure of borders and drastic reduction of air, sea, rail and land transport.

These measures have significantly affected the global economy, due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty, evidenced by an increase in the volatility of asset prices, exchange rates and a decrease in long-term interest rates.

In Spain in particular, the impact of the virus has been particularly significant in the second quarter of the year, coinciding with the further spread of the virus in the country and the lockdown measures in place.

The approval of the vaccine and the start of vaccination against Covid-19 in the last quarter of the year has fuelled expectations about recovery. However, the risks have not yet dissipated: the arrival of a third wave of infections, the discovery of new strains of the virus and a rise in business insolvency will be a drag on economic recovery. Moreover, given the complexity of the markets due to their globalisation, the measures taken by the Spanish government in relation to the recovery and uncertainty in housing demand, the consequences for the Group's operations are still uncertain and will depend largely on the pace of vaccination and market confidence.

Therefore, at the date of preparation of these consolidated financial statements, it is premature to make a detailed assessment or quantification of the possible impact that Covid-19 will have on the Group in 2021, due to the uncertainty of its consequences in the short, medium and long term. However, we are confident the real estate sector will be a reactivating force in the economy.

The Group, within its Integrated Risk Management and Control System, has from the start of the state of emergency 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 Director's 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 in the Group's business 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 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 has been and still is to safeguard the health of its employees, which is why during practically the entire state of emergency, employees have been teleworking, the measures established by the authorities, at the very least, have been implemented in all work centres, the correct implementation of measures has been verified in our works in progress, and preventative measures have also been set up at the points of sale.

Once the state of emergency has been lifted, various de-escalation phases have been established and communicated for the gradual incorporation of workers into offices, which have been updated at least once a month always in accordance with the evolution of the pandemic and taking as the minimum applicable measures the most restrictive measures established by the authorities

- **Motivational risk of the team:** Neinor Homes has considered the team/staff as a key element in the recovery, the maintenance of the business and the best guarantee of performance in relation to our clients and suppliers. For this reason, from the beginning of the state of emergency, the Group has decided not to carry out any redundancy processes (ERTE), has made periodic communications to ensure visibility and transparency vis-à-vis the ongoing situation at all times and has taken advantage of a time of less commercial and operative intensity of the Group to carry out internal reviews, improve processes and provide training in diverse matters.

- **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:** in January of this year (2020), the Group paid 25 million euros and refinanced 50 million euros, the repayment of which does not mature until 29 December 2022, provided that certain conditions are met. In the first half of the year, a corporate loan was signed for 40 million euros to reinforce the cash position, which has been refinanced at the end of the year by two new policies
 - **Developer financing:** the Group has continued to maintain its usual pace/dynamics of developer loan signings. As of the date of these consolidated financial statements, the Group has granted more than 584 million euros in development loans.
 - **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, the chief of these being: a plan for savings in operating expenses, the adoption of a more conservative policy with regard to land investments and the suspension of the planned payment of the dividend approved in the General Shareholders' Meeting.

In addition, the Group has received an inflow of funds from the signing of the deeds of all the developments that were scheduled for delivery this financial year, in compliance with the pre-Covid-19 Business Plan.

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 and at the close of the year it has reached more than 250 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, along with the implementation of specific plans for the improvement and efficient management of liquidity, have enabled us to handle these tensions and meet all our payment obligations.

- **Operating risk (works in progress):** the public health emergency and lockdown situation may have led to the risk of a slowdown in the execution of the works in progress or even a temporary interruption in production due, among other reasons, to specific breaks in the supply chain, the implementation of the measures established by the health authorities, which have led to changes in the ways in which works are carried out and organised, due to the limited capacity of construction companies and subcontractors to continue with the execution of the works, and to contagion caused at the works.

For this reason, the Group has established a series of measures to help eliminate or alleviate the effects of this public health emergency. These include the following two noteworthy measures:

- 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 results, the 4 developments being carried out by Neinor Works have made optimum progress
- 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 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.

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, except between 30 March and 13 April on the basis of RDL 10/200 of 29 March in the context of the fight against Covid-19, and none of them have been suspended.
- 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.
- Expected delay in the completion of the works due to the state of emergency decreed or due to Covid-10 has been minimal and in most cases has been recovered.

With regard to deliveries in the 2020 financial year, all the works committed to in the Business Plan for the year were completed except for one, due to an insolvency proceeding involving the construction company (for non-Covid-19 reasons). In addition, we were able to bring forward 6 developments which were scheduled for delivery in 2021.

In short, despite Covid-19 and the two-week hiatus during the lockdown, in 2020 we have completed work on 28 developments: 22 of the 23 developments which we had committed ourselves to for 2020 and 6 developments with delivery scheduled for 2021 which we have been able to bring forward to this year.

- **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.
 - **Securing the order book / reservations:** Securing the pre-sales contracts by converting them into private contracts. In this connection, with the aim of helping our customers who were in a difficult situation, as a result of the state of emergency, all our customers were offered the possibility of postponing the payment of two monthly instalments, without any financial cost. Only 8% of our customer portfolio took advantage of this measure.

Likewise, customers who may have a special work or health situation were monitored, with the support of Family Homes Protection insurance, which provides them with protection in the event of job loss or illness. In 2020 the use of Family Homes Protection has increased considerably: 87 customers have been receiving benefits from this insurance since 13 March 2020 compared to 5 customers who had used it since its launch in September 2017.

Finally, the full implementation of the digital signature platform has been promoted in all the Group's developments.

The data that the Group currently has on its customer portfolio are:

- 75% of our customers have signed a private sale and purchase contract.
- These customers have paid on average 16% of the price of the house in advance.

The cancellations/terminations of reserve contracts have been around 0.5% during the year, a percentage that does not much vary from the 0.5% that the Group has recorded over the last two years.

- **Continuation of sales activity:** the implementation of online sales, the development of CRM, virtual visits with customers and digital signatures, together with the launch of specially designed marketing campaigns, have minimised the negative impact of the pandemic.

This has led to the implementation of online training for sales staff in the new processes.

The evolution of new construction sales during the year reached 81% compliance with 1.393 units compared to the 1.713 foreseen in the Group's business plan. This compliance translates to 88% if we consider only the promotions that have been launched according to the forecasts of the business plan, with a Business Plan resulting in 1,587 units. If we also exclude from the analysis the months of lockdown (March-April-May), compliance was 109%, with 1.218 units out of a target of 1.118 units. These clearly favourable results have placed us at the vanguard of the market.

At the closing date of these financial statements, the units sold of the deliveries scheduled for 2020 amounted to 94%, also having 60% of units pre-sold of the deliveries scheduled for 2021.

- **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.).

Despite the lockdown, the background of uncertainty and the restrictions, Neinor has delivered 1.587 homes, meeting 93% of the delivery target set for 2020 in the Business Plan.

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

Our income from this branch of activity depends on three variables: asset write-offs, the volume of assets under management (the most important indicator) and the percentage of these assets sold.

However, we believe that it is necessary to differentiate between the type of new build assets of those managed through Servicing with a valuation of over 60% corresponding to land (of which 70% require planning and management, not yet licensable), and the type of housing assets with an average valuation between 70.000 and 120.000 euros.

Inasmuch as there could arise not only a potential loss of income for the Group, but also a loss of efficiency or a reputational loss with the customer, in order to mitigate the risks and make the most of the situation, we have implemented actions focused on three main areas: evaluating our exposure to third parties with whom we work in the Servicing area, reinforcing the quality of the services provided to the entity, as well as their control, and updating the sales figures for this year.

To this end, the control of strategic external suppliers has been reinforced by analysing their contingency plans in relation to Covid-19 and a series of measures for improvement have been taken throughout the value chain, as well as the implementation of 17 new KPIs (compared to the 12 initially planned) to take advantage of this extraordinary situation to refine and improve processes, so that our customer Kutxabank does not see a loss of efficiency as a Servicer. Likewise, the sales budget has been updated in order to transfer the correction to the estimated sales figures for this year, sharing an exhaustive portfolio analysis and documenting in detail the reasons why we estimate that the final figure will decrease as a result of the pandemic, agreeing the new figure with the customer once the reasons for the adjustment have been shared. This set of actions is monitored in fortnightly client-manager meetings, in order to document and evaluate them.

As of the date of these consolidated financial statements, we have exceeded the agreed sales budget by 32% after the adjustment derived from the Covid-19 situation and we have fulfilled all

the action plans put in place, our customer indicating the effectiveness of the measures implemented and its satisfaction with the results obtained.

In terms of income, this has been slightly affected by the lower volume of sales in the year (caused by the pandemic), which has meant billing of 50% less than expected for this concept. It should be remembered that 65% of Servicing income comes from the management fee, so a reduction in sales has a positive opportunity cost, as we continue to invoice in relation to non-transferred assets.

However, we are 79% compliant with the pre-Covid-19 Business Plan (101% if we consider the post-Covid-19 Business Plan).

- **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 the valuation carried out as at 31 December 2020, the fair value of the Group's assets amounts to €1.585 million, which is 31% higher than the carrying amount of the Group's inventories of €1.208 million at that date.

According to the valuation of 31 December 2019, the fair value of the Group's assets was €1.722 million, which is 42% higher than the carrying amount of the Group's inventories at that date.

Given that the situation of uncertainty in which we still find ourselves has had an effect on the current valuation of the portfolio, affecting selling periods and KPIs of the market. However, we consider to have exceeded our best expectations, and in relation to which we must bear in mind that the growth in GDP forecast for the recovery of the economy once the Covid-19 effect has passed, low interest rates, the consideration of housing as an investment "safe haven" and the adjustment of supply due to the dissolution of other developers, will once again lead to the recovery of the percentage that we had. Even if this is not yet recovered, the Group considers that it maintains a reasonable margin with respect to the net book value of the assets, which consequences may arise from a fall in the demand for housing due to the macroeconomic environment.

- **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.

Unfortunately, in a complex environment and with difficult access to sources of financing, consolidation in the sector and the discontinuity of many small and medium-sized development companies is likely.

There is a minimal demand in Spain for new housing, which irrespective of the current economic cycle could have a lower band of around 60.000 to 80.000 units.

The situation that has materialized from a possible recession in the short term has coincided with a much healthier, professionalized, procedural and innovative development sector, which has very reasonable levels of leverage with respect to its balance sheets.

We believe that, one way or another, the market will reward those companies that pivot their business on factors such as sustainability and digital transformation. The Group started working years ago on both these aspects, as is shown in detail in the respective Social Responsibility Reports published on the Group's website.

In addition to the development business, the Group maintains a line of service as Servicer of Kutxabank, with a contract until 2022, which allows it to bring in recurring income.

- **Diversification and growth:** before the pandemic hit, the Group Board approved, and continues to approve, the financing of its rental line of business. Likewise, other lines of business are being explored on a recurring basis, such as delegated development, value chain integration, public-private agreements, construction of social rental housing etc., and the Group is continually exploring alternatives for both organic and inorganic growth.

Furthermore, of the measures taken to mitigate the various risks, in 2020 the following were carried out as part of the strategy of diversification and non-dependence on the development/demand cycle and macro situation:

- Consolidation of this new line of business with the acquisition of 75% of Renta Garantizada, one of the leading rental management companies in Spain that provides property and asset management services to institutional and private customers and has more than 2.500 properties under management. In this way, Neinor integrates an operating company into its rental business line and creates the only residential platform in Spain that integrates 100% of the Build to Rent and granular rental management services.
- Reinforcement of the platform with the acquisition of a PRS (Private Rented Sector, finished and rented product) portfolio of 9 residential buildings (391 homes), which further strengthens this line of rental business (Note 29).

Taking into account all of the above factors, and additionally considering those described in the preceding paragraphs, the directors consider that the conclusion detailed in Note 2.1 on the application of the going concern principle remains valid.

In this regard, the Group considers it relevant to point out that its recurrent or structural operating expenses (payroll, insurance, office rent, etc.) amount to approximately 25 million euros per year, a figure that is already covered by the income from the "Servicing" business line.

We consider it relevant to consider that within the risks that the situation created by the pandemic may entail, the Group, while maintaining 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.

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

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 will take place on March 2, 2021.

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 5.740 thousand. EUR 5.749 thousand were advanced in December 2020, corresponding to approximately one-tenth of the transaction, and recognised under "Non-Current Financial Assets" in the consolidated balance sheet as at 31 December 2020. The remaining amount was paid on the date of the public deed. The Parent's directors decided to recognise the transaction provisionally as an asset acquisition, since the acquired company does not have processes, organised procedures necessary for the owner to produce a product or an organised 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.

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 authorisation 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 en 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 agreement, which at the reporting date is 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 will consist 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 will acquire 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 will be 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 will mean 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. will be issued, representing a total of 7% of its share capital (post-dilution). In any case, this exchange will be 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. For tax purposes, the transaction will be governed by the special regime for mergers regulated in Title VI, Chapter VII of the Vizcaya Income Tax Regulation 11/2013, of 5 December.

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 will also apply.

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), provided that the merger, and the consideration was established as follows:

- Payment of approximately EUR 85 million, 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. will submit 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 composing the share capital of Quabit Las Lomas Flamenco, S.L.U (currently a subsidiary of Quabit Inmobiliaria, S.A.), which owns certain land making up the "Las Lomas del Flamenco" 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:
 - o 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,
 - o 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%.

This consideration must be paid within one month from the date on which the merger deed is registered at the Mercantile Registry.

Also, Neinor Homes, S.A. and Avenue irrevocably undertook to take 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 shares of XXXX, owner of the "Las Lomas de Flamenco" project.

At 30 June 2020, the consolidated assets, consolidated revenue and consolidated loss of Quabit Inmobiliaria, S.A. and its subsidiaries amounted to EUR 680 million, EUR 73 million and EUR 50 million, respectively.

The expenses incurred by the Group, mainly in relation to independent professional services, as a result of the transactions described above amounted to EUR 1.573 thousand and were recognised under "Outside Services" in the consolidated statement of profit or loss for the year ended 31 December 2020.

At the end of January 2021 a novation agreement was entered into with Deutsche Bank and J.P. Morgan in relation to the agreement signed in April 2019 increasing the limit to a maximum amount of EUR 133 million subject to the merger with Quabit Inmobiliaria, S.A. going ahead, with initial maturity in December 2022, although the term may be partially extended at the discretion of the Group until December 2022 with a limit of EUR 100 million and applying small increases in the applicable interest rate, provided that certain conditions similar to those provided for in the first novation are met (see Note 17.1).

Between January 1, 2021 and the date of formulation of the present consolidated annual accounts for the year ended December 31, 2020, 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		Shareholder	Auditors
			31.12.2020	31.12.2019		
Neinor Norte, S.L.U.	Bilbao	Real Estate Development	100%	100%	Neinor Homes, S.A.	Deloitte, S.L.
Promociones Neinor 1, S.L.U.	Madrid	Real Estate Development	100%	100%	Neinor Homes, S.A.	Deloitte, S.L.
Promociones Neinor 2, 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.	Córdoba	Real Estate Development	100%	100%	Neinor Homes, S.A.	Deloitte, S.L.
Neinor Sur, S.A.U.	Córdoba	Real Estate Development	100%	100%	Neinor Península, S.L.U.	Deloitte, S.L.
Renta Garantizada, S.A.	Madrid	Rental business	75%	-	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, 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

Company	Total equity at December 31, 2019 (thousands of euros)						
	Share capital	Share premium	Reserves	Previous years' losses	Profit / (Loss)	Other equity	Total equity
Neinor Norte, S.L.U.	235.091	-	14.398	-	19.682	704	269.875
Promociones Neinor 1, S.L.U.	301	-	59	(48)	(7)	-	305
Promociones Neinor 2, S.L.U.	880	-	170	(51)	(22)	-	977
Promociones Neinor 3, S.L.U.	594	-	256	(198)	(799)	2.500	2.353
Neinor Works, S.L.U.	2.981	-	627	-	(18)	-	3.590
Promociones Neinor 5, S.L.	5.649	593	619	-	(279)	-	6.582
Neinor Peninsula, S.L.U.	558.422	-	114	(44.076)	(18.508)	765	496.717
Neinor Sur, S.A.U.	158.981	-	29.110	-	49.675	15	237.781

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 2020

Neinor Homes, S.A. and Subsidiaries

1. The Group: Organisational structure and operations

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.

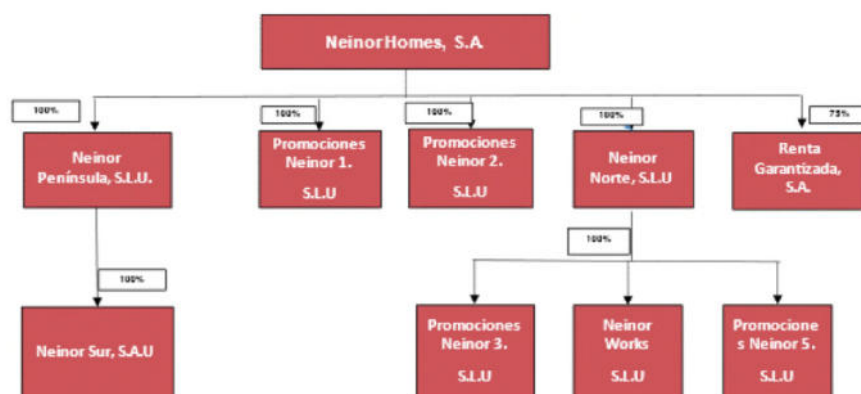
On 1 January 2015, within the context of the transaction (the "Transaction"), all the employees who had been performing the property development group's development and management tasks, and the technical resources and means required to carry out the activity, were transferred to Neinor Homes, S.A.

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.).

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 Parent's land portfolio is comprised of 160 lots with a total of 9.700 buildable units. The portfolio is distributed over the Parent's five main geographical areas of activity, namely: Madrid, Catalonia, the Basque Country, Valencia and Andalusia.

The land portfolio arose as a result of both the Transaction detailed in Note 1 and subsequent purchase and sale transactions in 2015, 2016, 2017, 2018, 2019 and 2020.

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 5.000 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. and the advanced for the acquisition of Sardes Holco, S.L.U.

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 these services, the Kutxabank Group pays a fixed remuneration based on the type and volume of the managed assets, and an additional variable success remuneration applicable for the marketing thereof and for the execution of certain specific actions relating to the assets.

D) Legacy business line:

Business activity consisting of the disposal of non-strategic assets acquired in the Transaction.

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 2020 they held 6 meetings.

The main agreements, approvals and activities of the Supervision by the Board and Committees that have occurred during 2020 are the followings:

- a) The call for the General Shareholders' Meeting
- b) Business Plan for 2020-2024
- c) External Accounts Audit Plan for 2020
- d) Annual plan for the CAC and Nomination and Remunerations Committee for 2021
- e) Incentive plan, salary objectives and bonus system
- f) Re-election of external auditors
- g) Verification of the independence of the external auditors
- h) Re-election of Directors
- i) Follow-up of the Company's Covid19 Risk Map and monitoring of the measures taken.

- j) Annual accounts and directors' report
- k) Quarterly, semi-annual and annual financial results and presentation to markets
- l) Distribution of 2019 and 2020 income
- m) Proposal for the distribution of dividends
- n) Presentation and review of the asset valuation methodology
- o) Presentation of the acquisitions and launches and planned program for 2021
- p) Supervision of the Internal Code of conduct
- q) Strategy and analysis of new business lines
- r) Analysis of corporate operations
- s) The Activities Report of the Board and its Commissions
- t) The Corporate Social Responsibility Report 2019 and the CSR Plan 2020
- u) The independence report of the external auditors.
- v) Evaluation report the Board of Directors and its Committees
- w) The 2020 Annual Corporate Governance Report.
- x) The annual remuneration report 2020.
- y) The 2020 report of activities of Internal Audit and the annual plan for 2021
- z) The report of conflicts of interest and related operations
- aa) Approval of financing and refinancing operations
- bb) The 2020 report compliance activities
- cc) Report of activities carried out for the supervision of the RIC
- dd) Analysis and supervision of related-party transactions and conflict of interest
- ee) Analysis of Investors Plan and Valuation of shares
- ff) Supervision of ICFR
- gg) Supervision of the control model of Prevention of Money Laundering and Financing of Terrorism
- hh) Supervision of the integrated model of Internal Control and Risks

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 SCIIIF, 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 governance report is part of the director's report and it is possible to access to its content through CNMV web page (www.cnmv.es).

2. Business performance and earnings - Significant aggregates

In 2020, the Group recognised revenue of EUR 572.801 thousand achieving a gross margin of EUR 159.066 thousand and adjusted EBITDA of EUR 110.394 thousand. At equity level, total assets at 31 December 2020 amounted to EUR 1.558.959 thousand, equity to EUR 860.898 thousand and current and non-current liabilities to EUR 698.061 thousand.

Revenue and gross margin

By business volume, the Development business line has recognised sales of EUR 545.151 thousand, with a gross margin of EUR 159.066 thousand, representing a margin of 24,75%. This is followed by the volume in Servicing business line, with revenue of EUR 23.572 thousand. Finally, the Legacy business line recognised revenue of EUR 3.544 thousand and gross margin of EUR 52 thousand.

Legacy sales correspond to more than 70 main units, situated mainly in Southern Spain (57%).

Development sales are due mainly to the completion and delivery many property developments among which the followings stand out: Aura Homes with sales of EUR 78.687 thousand, Alea Homes with sales of EUR 32.861 thousand, Sant Just Homes IV with sales of EUR 29.143 thousand, Teatinos Homes with sales of EUR 27.843 thousand and Prado Homes with sales of 25.200 EUR and Limonar Homes with sales of 20.838 thousand.

Servicing revenue relates mainly to: *Management Fee* on the EUR 1.3Bn of managed assets (EUR 18.403 thousand (78%)), *Success Fee* calculated on total sales of EUR 100 million (EUR 4.750 thousand (20%)), and other income (EUR 419 thousand (2%)).

EBITDA

The adjusted EBITDA in 2020 reached EUR 110.394 thousand, mainly due to "Development" with an adjusted EBITDA of EUR 98.334 thousand, "Legacy" with a negative adjusted EBITDA of EUR 1.617 thousand, Servicing' a positive adjusted EBITDA of EUR 13.494 thousand and Rental a positive EBITDA of 183, which results in a margin on sales of 19,3%.

The EBITDA in 2020 reached EUR 100.784 thousand, mainly due to "Development" with an EBITDA of EUR 89.074 thousand, "Legacy" with a negative EBITDA of EUR 1.642 thousand, Servicing' a positive EBITDA of EUR 13.119 thousand and Rental with a positive EBITDA of EUR 145 thousand, which results in a margin on sales of 17,6%.

Profit for the year

The consolidated profit of 2020 amounts to EUR 70.116 thousand, from which EUR 70.120 thousand are attributable to owners of the Company.

Financial position

The current liabilities and non-current liabilities at 31 December 2020 amounted to EUR 698.061 thousand compared to EUR 679.564 thousand at 31 December 2019 (an increase of EUR 18.497 thousand).

The borrowing position at 31 December 2020 continues to indicate very sound debt/equity ratios: 5,4% Loan To Cost ratio (LTC) and 4,2% Loan To Value ratio (LTV).

Borrowings at 31 December 2020

At the end of 2020, EUR 332 million was recognised under current and non-current bank borrowings. The detail of bank borrowings is as follows:

- Corporate facilities: EUR 90 million.
- Land financing facilities: EUR 115,5 million with a limit of EUR 129 million
- Capex financing facilities: EUR 130 million with a limit of EUR 509 million
- Interest payable: EUR 0,6 million

- Debt arrangement expenses: EUR (6,6) million
- VAT facilities: a limit of EUR 15 million with EUR 2,1 millions disposed
- Factoring facilities: a limit of EUR 15 million with no disposals

During 2020 the Group has paid repayed EUR 25 million of corporative debt arranged with Deutsche Bank (totally disposed by Neinor Sur, S.A.U.).

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 2020, the average number of employees employed in the various companies that make up the Group was 284 people, representing an increase of 3,6% on the twelve month period ended 31 December 2019 (274 people). The distribution of the headcount, by gender and professional category, was as follows:

	31/12/20			31/12/19		
	Women	Men	Total	Women	Men	Total
University graduates	87	139	226	94	135	229
Further education college graduates	40	22	62	34	10	44
Total	127	161	188	128	145	273

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 2020, is the financing, mainly of land and corporate projects, obtained by the Group, which amounts to an on balance sheet balance of EUR 332.994 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 scantily material.

6. Significant events after the reporting period

Subsequent to 2020 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 2021

The Group's main lines of action for 2021 focus on:

Development business line

- Monitoring of the construction projects which the Group had at 2020 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 2021, while taking due care of our clients' satisfaction and experience.

Rental business line

- Manage and build 1,200 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.
- Acquisition of a PRS (Private Rental Sector, finished and rented product) portfolio consisting of 391 homes, consolidating the rental business.

Servicing business line

- Maintaining the level of client satisfaction.
- Complying with the KPIs agreed between the parties, mainly at the level of new assets that come under management, administrative management of real estate assets, and the launch of their marketing and sale.

Legacy business line

- Continuing with the divestment in order to monetise the majority of the portfolio in 2021.
- The gains on this divestment will mainly be used to fund the acquisition of new land for the Development business line.

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 2020, the Company's share capital was represented by 79.005.034 fully subscribed and paid shares of EUR 10 par value each. All these shares carry identical voting and dividend rights.

During 2020, treasury shares have been acquired, including an amount of EUR 51.115 thousand on the balance sheet at 31 December 2020.

At 31 December 2020, the Parent Company held 4.645.608 treasury shares being the average purchase price of EUR 11,00, 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

Definition: Profit or loss before tax + Incentive plan costs + Net financial profit or loss and other income and expenses + Depreciation and amortisation charge + Impairment of assets + Growth expenses + Additional after-sale 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 after-sale expenses.

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 non-current financial liabilities (accounts payable from the acquisition of 75% of Umber Jurídico, S.L. (see Notes 2.8 and 17.2) - "Cash and Cash Equivalents" –"Other financial assets".

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

	31/12/20
Non-current liabilities - bank borrowings	70.659
Current liabilities - bank borrowings	262.335
Other non-current financial liabilities (amount payable from the acquisition of 75% of Umber Jurídico, S.L.)	2.558
Cash and cash equivalents - available cash (Note 14)	(270.213)
Net financial debt	65.339

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 acquisition of 75% of Umber Jurídico, S.L.

Adjusted Net financial debt

Definition: Bank borrowings (current and non-current liabilities) + Other non-current financial liabilities (accounts payable from the acquisition of 75% of Umber Jurídico, S.L. (see Notes 2.8 and 17.2) + deferred payment for the purchase of land recognised under "Trade and Other Payables" under both non-current and current liabilities (see Note 17 to the consolidated financial statements) - "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 (see Note 14 to the consolidated financial statements).

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

	31/12/19
Non-current liabilities - bank borrowings	70.659
Current liabilities - bank borrowings	262.335
Other non-current financial liabilities (amount payable from the acquisition of 75% of Umber Jurídico, S.L.)	2.558
Deferred land payments	37.351
Cash and cash equivalents - available cash (Note 14)	(250.273)
Net financial debt	122.630

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 2020
Net financial debt	65.339
Assets market value	1.540.321
LTV	4.2%

Loan to Value (LTV) - Adjusted

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 2020
Net financial debt - Adjusted	122.630
Assets market value	1.540.321
LTV	8.0%

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 2020
Net financial debt - Adjusted	65.339
Inventories	1.208.442
Investment Property	185
LTC	5,4%

Loan to Cost (LTC) - Adjusted

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 2020
Net financial debt - Adjusted	122.630
Inventories	1.208.442
Investment Property	185
LTC	10,1%

ANNEX I – FORM

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

PARTICULARS OF THE ISSUER

REPORTING DATE	2020
Tax No. A- 95786562	
Registered office: C/ Ercilla 24, Bilbao	
Company: NEINOR HOMES, S.A.	

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table with information about the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
28/03/2017	790.050.340	79.005.034	79.005.034

Remarks

State whether there are different classes of shares associated with different rights:

Sí No

Class	Number of shares	Nominal unit price	Number of unit voting rights	Rights and obligations conferred

Remarks

A.2. Indicate the direct and indirect owners of significant shareholdings at the reporting date, excluding directors:

Shareholder's name	% voting rights attached to the shares		% voting rights held via financial instruments	% total voting rights
	Direct	Indirect		
ORION EUROPEAN REAL ESTATE FUND V, SLP	0	28,009%	0	28,009%
ADAR CAPITAL PARTNERS LTD	0	17,444%	1,899%	19,343%
BANK OF MONTREAL	0	5,209%	0	5,209%

Remarks

Details of indirect shareholdings:

Indirect shareholder's name	Direct shareholder's name	% of voting rights associated with the shares	% of voting rights held through financial instruments	% of total voting rights
Remarks				

State any material changes in the shareholder structure arising during the year:

Shareholder's name	Transaction date	Description of the transaction
NEINOR HOMES, S.A.	01/06/2020	Increase in the percentage of treasury stock voting rights from 5.252% to 5.896%.

A.3. Complete the following tables with information about members of the company's board of directors holding voting rights associated with shares in the company:

Name or company name of the director	% of voting rights associated with the shares		% of voting rights held through financial instruments		% of total voting rights	% voting rights transferable via financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
SEGAL, ANDREAS	0,013				0,013		

% of total voting rights held by the board of directors 0,013%

Remarks

Details of indirect shareholdings:

Name or company name of the director	Name or company name of the direct owner	% of voting rights associated with the shares	% of voting rights held through financial instruments	% of total voting rights	% voting rights that can be transferred through financial instruments

Remarks

A.4. Where appropriate, state any family, business, contractual or corporate relations existing between the owners of significant shareholdings, insofar as they may be known to the company, unless such relations are immaterial or are the result of ordinary business or trading activities, except for the relations reported in section **A.6 below**:

The Company has no knowledge of any family, business, contractual or corporate relations between owners of significant shareholdings.

Related party's name	Nature of relationship	Brief description
-	-	-

A.5. Where appropriate, state any business, contractual or corporate relations existing between the owners of significant shareholdings and the company and/or its group, unless such relations are immaterial or are the result of ordinary business or trading activities.:

The Company has no knowledge of any family, business, contractual or corporate relations between owners of significant shareholdings.

Related party's name	Nature of relationship	Brief description
-	-	-

A.6. Describe any relations, unless immaterial to both parties, existing between significant shareholders and/or shareholders represented on the board and the directors or their representatives in the case of legal entity directors.

Where appropriate, explain how significant shareholders are represented. Specifically, identify any directors appointed to represent significant shareholders, any directors appointed at the instigation of a significant shareholder, and any directors related with a significant shareholder and/or group entity, stating the nature of the relationship.

In particular, state the existence, identity and office held by any members of the board or representatives of directors of the listed company who are, in turn, members of the boards of directors, or representatives of directors of any companies owning significant shareholdings in the listed company or in any entities belonging to such significant shareholders' business groups.

Related director's or representative's name	Related significant shareholder's name	Name of the significant shareholder's group entity	Description of relationship / office
JORGE PEPA	ADAR MACRO FUND LTD		Proprietary director until 8 April 2019 and since that date has been an executive director and vice-president of the company.
LAHHAM, AREF H.	ORION EUROPEAN REAL ESTATE FUND V, SLP		
STULTS, VAN J.	ORION EUROPEAN REAL ESTATE FUND V, SLP		

Remarks

A.7. State whether the company has been notified of any shareholders' agreements affecting it pursuant to Articles 530 and 531 of the Capital Companies Law. Where appropriate, provide a brief description and list the shareholders bound by the agreement:

Sí
 No

Parties to the shareholders' agreement	% share capital affected	Brief description of the agreement	Termination date of the agreement, if any

Remarks

State whether the company has knowledge of any concerted action between shareholders. Describe, where appropriate:

Sí
 No

Parties to concerted action	% of share capital affected	Brief description of the concerted action	Termination date of the concerted action, if any

Remarks

State whether any shareholders' agreements or concerted actions were amended or broken off during the year, expressly indicated the arrangements concerned:

Not applicable.

A.8. State whether there are any natural persons or legal entities who exert, or could exert, control over the company within the meaning of Article 5 of the Securities Market Law. Identify any such individuals or entities, where appropriate:

Sí
 No

Name of the individual or entity

Remarks

A.9. Complete the following tables with information about treasury shares held by the company:

At the reporting date:

Number of direct shares	Number of indirect shares (*)	% of total share capital
4.645.608		5,880%

Remarks

Name of the direct owner of the shareholding	Number of direct shares
Neinor Homes S.A.	4.645.608
Total:	4.645.608

Remarks

Explain any significant changes arising during the year:

Explain the significant changes
<p>On 20/12/2018, the liquidity agreement was suspended and the second treasury stock programme was initiated, through which a total of 4,517,367 own shares were acquired up to 10/12/2019.</p> <p>As of that date, the liquidity agreement was restarted, with a balance as of 31/12/2020 of 41.900 shares and 327,385.20 euros.</p> <p>At year-end, the total number of own shares in the company was 4,645,608 of which 41,900 are deposited in the account associated with the liquidity agreement, 4,603,708 in an account related to a previous treasury stock, where the shares of the second treasury stock with Goldman Sachs have been transferred.</p>

A.10. State the terms of the prevailing mandate granted by the General Shareholders Meeting authorizing the board of directors to issue, buy back or transfer treasury shares

The sole shareholder of the company before the stock market listing granted the Board the following mandate on 6 March 2017:

- 1) To issue bonds or other similar securities, convertible into new shares of the company and/or exchangeable for existing shares of the company, as well as warrants or other similar securities directly or indirectly entitling holders to subscribe new shares or acquire existing shares in the company, subject to the following conditions:
 - Securities: Bonds, notes and other fixed interest or similar securities exchangeable for shares of the company or of any other company, whether or not forming part of the group, and/or convertible into shares of the company, promissory notes, preference shares or warrants.

- Term of the mandate: 5 years
 - Maximum amount: €500,000,000
- 2) Derivative acquisition of treasury shares either by the company or by its affiliates for a period of five years up to a maximum 10% of share capital and for a price or value ranging from a minimum equal to par value and a maximum equal to the higher of (i) 105% of the quoted share price of the company in the Spanish Continuous Market at the time of acquisition, or the closing price in the last stock market session held prior to acquisition, and (ii) the value calculated by increasing the maximum quotation for the three months proceeding the date of acquisition by 10%. The treasury shares may be acquired either for disposal or redemption, for delivery directly to employees or directors of the company, or as a consequence of the exercise of stock options by their holders.

A.11. Estimated free float

Estimated free float	%
	72%

Remarks

A.12. State whether there are any statutory, legislative or other restrictions on the transferability of securities and/or any restrictions on voting rights. In particular, you should report the existence of any kind of restrictions that could hinder or prevent a takeover of the company by means of the acquisition of shares in the market, as well as any requirements established under applicable industry regulations for prior authorization or notification of the acquisition or transfer of financial instruments issued by the company.

Sí No

Description of restrictions

A.13. State whether the General Shareholders Meeting has resolved to adopt any anti-takeover measures in accordance with Spanish Law 6/2007.

Sí No

Where appropriate, explain the measures approved and the conditions under which the resulting restrictions would be lifted:

Explain the measures approved and the conditions under which they would be lifted

A.14. State whether the company has issued any securities that are not traded on a regulated market in the European Union.

Sí No

Where appropriate, list the different classes of shares and the rights and obligations conferred by each class of share.

List the different classes of shares

B GENERAL MEETING

B.1. Indicate and, where applicable, detail, if there are differences with the minimum regime established in the Capital Companies Law with respect to the quorum for the constitution of the general meeting+.

Sí No

	Different % quorum to that established in Art. 193, CCL for general assumptions	Different % quorum to that established in Art. 194, CCL for the special cases of the art. 194 LSC
Quorum required on first call		
Quorum required on second call		
Description of differences		

B.2. State whether there are any differences with the system for the adoption of corporate resolutions established under the Capital Companies Law, and describe said differences where appropriate:

Sí No

Describe any differences with the Capital Companies Law

% established by the entity for the adoption of resolutions	Different qualified majority from Art. 201.2 for the cases mentioned in Art. 194.1 of the Limited Companies Act	Other cases requiring qualified majorities
Description of differences		

B.3. State the rules applicable to amendment of the company's bylaws. In particular, you should report the majorities required and, where appropriate, the rules established for the protection of shareholders' rights in the event of amendment of the bylaws.

In accordance with Article 28.1 of the bylaws, a separate vote must be held for the amendment of each article or group of articles of the bylaws, even where such amendments are included in the same point on the agenda for the meeting.

Article 30 of the Regulations for the General Shareholders Meeting requires an absolute majority of the votes cast to amend the Bylaws where the shares present or represented by proxy exceed 50% of total share capital, or two thirds of shares present or represented by proxy when the shareholders present or represented by proxy at second call hold 25% or more of total subscribed capital with voting rights but less than 50%.

B.4. Provide figures for attendance at the general meetings held during the year referred to in this report and in the prior year:

Date of general meeting	Attendance figures				Total
	% physical attendance	% attendance by proxy	% remote votes cast		
			Electronic votes	Other	
03/04/2019	0,9696%	61,3929%			62,3625%
01/04/2020	6,6279%	47,9817%			54,6096%
Of which floating capital:	6,6279%	19,98%			26.60%

B.5. State whether there were any motions proposed in the agenda for the general meetings held during the year that were not approved by the shareholders for any reason.

Sí No

Motions not approved	% votes against (*)

(*) Where any motion was not approved for reasons other than a majority of votes against, the explanation should be included in the text field, and the remark "n/a" should be entered in the column headed "% votes against".

B.6. State whether there are any statutory restrictions establishing a minimum number of shares needed to attend general meetings, or to vote remotely:

Sí No

Number of shares needed to attend general meetings	
Number of shares needed for remote voting	

Remarks

B.7. State whether the bylaws require that decisions regarding the acquisition, disposal or assignment to any other company of core assets, or any other similar corporate transactions, must be submitted for approval by the shareholders at their general meeting, other than in the cases established by Law.

Sí No

Decisions that must be submitted for approval by the General Shareholders Meeting, other than as required by Law

B.8. State the internet address and means of access to the company webpage containing corporate governance and other information concerning general meetings which must be made available to the shareholders online via the corporate website.

The address where the corporate governance information is posted online is
<https://www.neinorhomes.com/shareholders-inversors>

C CORPORATE MANAGEMENT STRUCTURE
C.1 Board of directors

C.1.1. Maximum and minimum number of directors allowed under the bylaws and number of directors established by the General Shareholders Meeting.

Maximum number of directors	15
Minimum number of directors	5
Number of directors established by the general meeting	9

Remarks

C.1.2. Complete the following table with information about the board members:

Director's name	Representative	Category of director	Office	Date of first appointment	Date of last appointment	Selection procedure	Date of birth
Ricardo Martí Fluxá		Independiente	Presidente	08/03/2017	01/04/2020	Appointed by sole shareholder	08/09/1950
Anna M. Birulés Bertrán		Independiente	Vocal	08/03/2017	01/04/2020	Appointed by sole shareholder	28/06/1954
Alfonso Rodés Vilà		Independiente	Vocal	08/03/2017	01/04/2020	Appointed by sole shareholder	09/08/1961
Jorge Pepa		Ejecutivo	Vocal	18/04/2018		Appointed by the General Meeting	29/10/1980
Andreas Segal		Independiente	Vocal	27/02/2019	03/04/2019	Appointed by the General Meeting	30/08/1969
Van J. Stults		Dominical	Vocal	22/10/2019	01/04/2020	Appointed by sole shareholder	30/09/1954
Felipe Morenés Botín Sanz-de Sautuola		Otros Externos	Vocal	14/05/2015	01/04/2020	Appointed by sole shareholder	13/02/1986
Aref H. Lahham		Dominical	Vocal	12/12/2019	01/04/2020	Appointed by sole shareholder	15/02/1965
Borja García-Egotxeaga Vergara		Ejecutivo	Consejero Delegado	08/04/2019	01/04/2020	Appointed by sole shareholder	23/11/1967

Total number of directors	9
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Indicate any exits from the board of directors during the reporting period, whether due to resignation or by resolution of the general shareholders' meeting:

Director's name	Category of director upon leaving office	Date of last appointment	Leaving date	Membership of any specialist committees	State whether the director served the full term of office

Reasons for leaving the board and remarks

C.1.3. Complete the following tables with information about the members of the board and the different categories of director:

EXECUTIVE DIRECTORS

Director's name	Office held in the company's organization chart	Profile
Borja García-Egotxeaga Vergara	Chief Executive	<p>Borja has extensive experience in the field of residential development, project management in the real estate and industrial sector and strategic business planning.</p> <p>In June 2016, he joined Neinor Homes as Technical Director for the Northern zone, coming from the development company Construcciones Gerrickabeitia where he worked for 13 years in technical and construction management of the group's developments, planning management, land acquisition and sale, and general business planning and supervision.</p> <p>Previously, during his first professional phase, for a period of 10 years, he was linked to the industrial world in the company Befesa Zinc of the Abengoa Group, where he led the continuous improvement of processes and the environmental situation of the company as Deputy Technical and Production Manager, and was also responsible for external relations, various systems of management and benchmarking with other factories of the group distributed throughout Europe.</p> <p>He was also a member of the board of directors of the companies of Abengoa, Sondika Zinc and Zindes and worked with Aclima and Eurometaux with headquarters in Brussels. After graduating from a high school in the USA, Borja studied Industrial Engineering at the Escuela Superior de Ingenieros Industriales in Bilbao and has a Master's degree in Business Management from INSIDE at the University of Deusto.</p>
Jorge Pepa	Executive vice-president	<p>Jorge was a Director at 1810 Capital Investments S.L., a real estate investment company, before becoming Executive Vice President of the company. He has over 15 years of investment banking experience. He recently worked as Executive Director at UBS in New York, in charge of the Latin American division of private financing. Previously, he was Vice President at Credit Suisse New York, where he was in charge of Latin American client accounts. Before that, Jorge worked in the emerging markets division of Deutsche Bank in New York. Jorge has a degree in Business Administration and Management from the Universidad de San Andrés in Buenos Aires.</p>

Total number of executive directors	2
% of total board	22,2%

Remarks

EXTERNAL PROPRIETARY DIRECTORS

Director's name	Name of the significant shareholder represented or who proposed the director's appointment	Profile
Aref H. Lahham	Pyxis V Lux S.À.R.L. (Orion)	<p>Aref H. Lahham is Managing Director and Founding Partner of Orion Capital Managers and is a member of the Firm's Investment Committee. Based in Orion's London offices, he serves as Orion's Managing Director and Chief Investment Officer, setting strategy and leading Orion's acquisition team and investment activities, as well as directing asset management activities in a significant number of Orion's investments.</p> <p>Mr Lahham has 33 years of experience in real estate investment and development in the United States and Europe. Prior to forming Orion in 1999, he was Managing Director of LaSalle Partners, which he joined in 1992 and directed its operations and investment activities in France.</p> <p>Before working for LaSalle Partners, Mr Lahham was a Project Manager for SEGECE (a subsidiary of the BNP group), a French shopping centre developer based in Paris. Previously, Mr Lahham was an International Project Manager and Design Engineer in New York with the structural engineering consulting firm Leslie E. Robertson Associates.</p> <p>Previously, he was also a member of the Board and Strategic Committee of the French-listed real estate company, Société Foncière Lyonnaise.</p> <p>Mr Lahham holds a B.Sc. in Civil Engineering from Purdue University, an M.Sc. in Civil Engineering from Cornell University where he serves on the Board of the School of Engineering, and an MBA from INSEAD</p>
Van J. Stults	Pyxis V Lux S.À.R.L. (Orion)	<p>Mr Van J. Stults is Managing Director and Founding Partner of Orion Capital Managers and is a member of the Firm's Investment Committee.</p> <p>Mr Stults has 41 years of experience in real estate investment management. Prior to forming Orion in 1999, Mr Stults was a member of the Board of Directors of LaSalle Partners (now "JLL"), Managing Director, member of the Operating Committee and head of European investment activities.</p>

		<p>Mr Stults joined LaSalle Partners in 1984. Prior to LaSalle Partners, he was Assistant Treasurer of Lane Industries, a privately held U.S. family-owned conglomerate, and before Lane Industries, he was a Commercial Banking Officer at First National Bank of Chicago.</p> <p>Mr Stults is a member of the Pension Real Estate Association and is a Global Governing Trustee of the Urban Land Institute. Mr Stults holds a bachelor's degree in economics from Claremont McKenna College and an MBA in finance and accounting from the University of Chicago Booth School of Business.</p>
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Total number of proprietary directors	2
% of total board	22,2%

Remarks

INDEPENDENT EXTERNAL DIRECTORS

Nombre o denominación del consejero	Perfil
Ricardo Martí Fluxá	<p>Mr Martí Fluxá is Chairman of the Spanish Association of Real Estate Consulting Companies (ACI), Director of Liteyca and Advisor to John Cockerill Defense España, S.U.L. and Órbital Critical Systems.</p> <p>He was Secretary of State for Security from 1996 to 2000. As a member of the Spanish Diplomatic Profession he held different positions abroad and finally that of Head of Protocol and Activities of His Majesty the King of Spain.</p> <p>In the private sector, he was Chairman of Industria de Turbo Propulsores, S. A. (ITP), of Marco Polo Investments, Director of the Tomás Pascual Group, Member of the Advisory Board of the investment bank Arcano Capital, Director of Ibersecurities, Director of the technology company IKUSI and member of the Executive Committee and Chairman of the Remuneration Committee of the Caja de Ahorros y Monte de Piedad de Navarra.</p> <p>He is currently chairman of the Board of Trustees of the Museo Nacional Centro de Arte Reina Sofía, chairman of the Tomás Pascual Institute for Nutrition and Health and chairman of the Ankaría Foundation.</p>
Anna M. Birulés Bertrán	<p>Ms Birulés is an independent director, Chairman of the Investment Committee and a member of the Executive and Remuneration and Appointments Committees of the Pelayo Group, a mutual insurance and reinsurance company. She is also an independent director, Chairman of the Audit and Risk Committee and a member of the Remuneration and Appointments Committee of Banco Mediolanum. She is a member of several business advisory boards. She was Minister of Science and Technology of the Spanish Government and Secretary General of Banco Sabadell. With a doctorate in Economics, she began her professional career at the Ministry of Industry and Energy of the Catalonia Regional Government and was Managing Director of the Centre for Information</p>

	<p>and Business Development (CIDEM), as well as chair of the Consortium for Commercial Promotion of Catalonia (COPCA). She was Managing Director of Retevisión (now owned by the Abertis and Vodafone groups), from where she led the expansion process of the telecommunications operator and its subsidiaries (now owned by Orange).</p> <p>She has been a director of companies in various sectors and terrains. She is a member of the Círculo de Empresarios and the Círculo de Economía. She has strong links with leading business schools; IESE, where she chairs Finaves, international entrepreneurial initiatives, through seed capital, and ESADE, where she is a member of the Professional Advisory Board.</p>
Andreas Segal	<p>Mr Segal has over 20 years of experience in the real estate sector. He was a member of the board of directors of several listed companies in this sector, including Buwog Group, Deutsche Wohnen and GSW Immobilien.</p> <p>Mr Segal has a degree in Economics from the University of Berlin FU (Germany) and is also a graduate in Law. He also has a Senior Management Program at Harvard Business School (Boston, USA).</p>
Alfonso Rodés Vilà	<p>Mr Rodés is Chairman of Havas Media Group, Chairman of Havas Group Spain and Director of Havas SA, a multinational advertising company with a capitalization of over €4,000 million and part of the Vivendi group.</p> <p>Previously, Mr Rodés was Managing Director of Media Planning Group, S.A. ("MPG"). MPG was a company controlled by the Rodés family, which merged with Havas in 2001. Mr Rodés joined MPG in 1996 as Director of Corporate Development after a period in private banking. Mr Rodés has been Executive Director of Havas SA since 19 June 2012.</p> <p>Additionally, he participates in other investment vehicle boards controlled by the Rodés family.</p>

Total number of independent directors	4
% of total board	44,4%

Remarks

State whether any director categorized as an independent receives any moneys or benefits from the company or its group in respect of any item other than director's remuneration, or maintains, or in the last year maintained, any business relationship with the company or with any company forming part of its group, either on their own behalf or as a significant shareholder, director or senior executive of an entity maintaining, or which may in the past have maintained, any such relationship.

Where appropriate, include a reasoned statement from the board stating the reasons why it considers that the director concerned can nevertheless discharge his/her functions as an independent director.

Director's name	Description of the relation-ship	Reasoned statement

OTHER EXTERNAL DIRECTORS

Identify any other external directors and state the reasons why they should not be considered either proprietary or independent directors, as well as their links with the company, its management or its shareholders:

In the financial year to which this report refers, one member of the board is still classified under "other external directors"; said director was a proprietary director appointed by the previous sole shareholder Neinor Holdings, S.L. two years ago (Lone Star). However, the reduction of the shareholding of said shareholder, together with the resignation of the directors from their positions in said shareholder, led the Board of the company to consider the continuity of this person due to the significant value and experience that he/she contributed and the fact that he/she had been involved since the beginning of the Company. Therefore the appointments and remuneration committee agreed on his/her continuity and proceeded to reclassify him/her under 'other external directors' at its meeting held on 22 January 2018. As of 31 December 2020, Mr Morenés continues to serve as a director as "Other external".

Director's name	Reasons	Company, executive or shareholder with whom the director is related	Profile
Felipe Morenés Botín Sanz-de Sautuola	Proprietary director of the former shareholder		<p>Felipe Morenés Botín-Sanz de Sautuola is a founding partner of Stoneshield Capital. He was previously a Director of Lone Star, where he was involved in the fund's investment operations in Europe. In 2013 he was put in charge of analysis structuring and supervising a number of investments in both debt and equity. Before joining Lone Star, he worked for five years as an Associate Director in UBS Investment Banking and in the UBS Credit Restructuring Desk in London. While working for UBS, he advised on M&A transactions, capital raising and structured finance for banks and hedge funds.</p> <p>Mr Morenés holds a degree in Political Science and Economics from Georgetown University.</p>

Total other external directors	1	1
% of total board	11,1%	11,1%

Remarks

Indicate any changes arising in the category of each director over the period, where applicable:

Director's name	Date of change	Previous category	Current category

Remarks

C.1.4. Complete the following table with information about the number of female directors at the close of each of the last four years, and the category of the directors concerned:

	Number of female directors				% of total directors in each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive	0	0	0	0	0%	0%	0%	0%
Proprietary	0	0	0	0	0%	0%	0%	0%
Independent	1	1	1	1	25%	25%	33%	25%
Other external	0	0	0	0	0%	0%	0%	0%
Total:	1	1	1	1	11,1%	11,1%	12,5%	14,29%

Remarks

C.1.5. State whether the company has diversity policies for the board of directors in relation to issues such as age, gender, disability, and professional qualifications and expertise. In accordance with the definition established in the Spanish Audit Act, small and medium-sized enterprises should report at least on the policy established in relation to gender diversity.

Sí No

If yes, describe the diversity policies, their objectives, the measures implemented and the manner in which they were applied, and the results obtained in the year. You should also indicate the specific measures adopted by the board of directors and the appointments and Remunerations Committee to ensure a balanced and diverse make-up of directors.

If the company does not apply a diversity policy, explain the reasons why not.

Description of the policies, objectives, measures and how they have been implemented, and the results achieved.
<p>In 2017, the company approved a director selection policy which establishes that it will favour the diversity of gender, experience and knowledge of its directors and will ensure that there are no implicit biases that could lead to any type of discrimination, especially that which impedes selection of female directors.</p> <p>A clear equal opportunities policy is adhered to for the avoidance of any kind of discrimination based on gender. Gender is not considered to be grounds for selection under any circumstances, and this also applies to the appointment of directors.</p> <p>Diversity is understood in its broadest sense, covering, by way of example and not exhaustively, aspects such as age, nationality, gender, disability and professional experience and training.</p> <p>During the financial year, it was not considered necessary to replace or appoint new directors in order to deliberately incorporate people who could improve the board's gender balance.</p>

The policy is available at

<https://www.neinorhomes.com/accionistas-inversores/Gobierno/Corporativo/Códigos y políticas>

C.1.6. Explain any measures adopted by the appointments committee, where applicable, to ensure that selection procedures are free of any bias which might hinder the selection of female directors, and that the company deliberately seeks and includes women meeting the professional profile sought among potential candidates so as to ensure that it achieves a balanced make-up between women and men:

Explanation of the measures

In 2017, the company approved a director selection policy which establishes that it will favour the diversity of gender, experience and knowledge of its directors and will ensure that there are no implicit biases that could lead to any type of discrimination, especially that which impedes selection of female directors.

The Appointments and Remuneration Committee (ARC) oversees the implementation of the diversity policy in the appointment of the boards. In this regard, care was taken to ensure the inclusion of women among the candidates and at least one woman among the board members.

In compliance with the provisions of the Board Regulations, the selection policy and the group's code of conduct, the ARC includes women with the appropriate professional experience among the potential candidates and ensures that there is no implicit bias in the selection procedures that might hinder the selection of female directors.

With a view to a new appointment, in the event of a balance of skills, knowledge and abilities between two applicants, the female gender will be given priority in the selection process with the aim of achieving greater parity on the Board.

New appointments will arise as a result of the departure of existing board members. The company is not currently planning to increase the number of directors as this number is appropriate for the size of the company and its effective and efficient management, as described in the evaluation of the functioning of the Board and its committees by an independent third party of recognised standing.

The policy is available at

<https://www.neinorhomes.com/accionistas-inversores/Gobierno/Corporativo/Códigos y políticas>

Where there are few or no female directors despite the measures adopted, where applicable, explain the reasons for this circumstance:

Explanation of reasons

The board has, except for gender, a wide diversity of directors and its number is considered adequate for the size of the company and for its effective and efficient management.

It would be considered unfair for the company to resort to the removal of a highly qualified and experienced current board member in order to reduce the current gender gap on the board.

With a view to future appointments, female applicants should always be considered and, if they are equally qualified, they should be selected with a view to obtaining the representation required by the good governance recommendations.

C.1.7. Explain the appointments committee's findings on its verification of compliance with policy aimed at promoting an appropriate composition of the board of directors.

The Appointments and Remuneration Committee has not reached any conclusions regarding compliance with the selection policy insofar as:

(i) In the financial year 2020, there have been no appointments as a director of the company.

On the occasion of the removal of any independent director, the Appointments and Remuneration Committee is assisted in the process of searching for and selecting a replacement by an external specialised professional firm, which always includes in its instructions that the profile sought must comply exhaustively with the director selection policy.

C.1.8. Where appropriate, explain the reasons why any proprietary directors were appointed at the proposal of shareholders owning less than 3% of capital:

Not applicable.

Shareholder's name	Reason for appointment

State whether the company has refused any formal requests for seats on the board made by shareholders holding interests in share capital equal to or greater than the holdings of other shareholders at whose request proprietary directors were appointed. Where appropriate, explain the reasons why these requests were turned down:

Sí No

Shareholder's name	Explanation

C.1.9. Indicate any powers and authorizations, if any, delegated by the board to directors or any of the board committees:

Director's name	Brief description
Borja García-Egotxeaga Vergara	The CEO has been delegated all the powers of the Board except those that cannot be delegated by law or by the company's bylaws (in particular, the power to acquire land).

C.1.10. Where appropriate, list any board members who also hold office as directors or executive positions in other companies forming part of the listed company's group:

Director's name	Group entity's name	Office	Executive functions?
Borja García-Egotxeaga Vergara	Neinor Norte, S.L.U. Neinor Península, S.L.U. Neinor Sur, S.A.U.	Sole Director	Sí
Borja García-Egotxeaga Vergara	Promociones Neinor 1, S.L.U. Promociones Neinor 2, S.L.U. Promociones Neinor 3, S.L.U. Neinor Works, S.L.U. Promociones Neinor 5, S.L	Joint director	Sí
Jorge Pepa	Renta Garantizada, S.A.	Counselor	No

Remarks

C.1.11. Where appropriate, list any directors or representatives of corporate directors of your company, who have notified the same that they hold seats on the boards of any other listed companies unrelated with your group as directors or representatives of corporate directors:

Not applicable.

Director's name	Listed company's name	Office

Remarks

C.1.12. State whether the company has established any rules with regard to the maximum number of company boards on which its Directors may hold seats, and where appropriate explain such rules, indicating where such they are established:

Sí No

Explanation of rules and identification of the document establishing the same
In accordance with the Board's Regulations, the directors may not hold seats on more than four boards of other listed companies (aside from the company itself).

C.1.13. State the total amounts paid out in respect of the following directors' remuneration items:

Remuneration accruing to the Board of Directors during the year (thousands of euros)	1.821
Cumulative pension rights accruing to current directors (thousands of euros)	N/A
Cumulative pension rights accruing to former directors (thousands of euros)	N/A

Remarks

C.1.14. Identify any senior managers who are not also executive directors, and state the total remuneration earned by the same during year:

Name of the individual or entity	Position
Jordi Argemí García	Deputy CEO and y Chief Financial Officer
Mikel Etxebarria Dobarán	Chief Corporate Officer
Gabriel Sánchez Cassinello	Chief Business Officer
Mario Lapiedra Vivanco	Chief Investment Officer
Julio Egusquiza González-Gil	Chief Servicing Officer
Fernando Hernanz de Dueñas	Chief Investor Relations Officer
Álvaro Conde Herranz	Governance, Risk and Compliance Officer

Number of women in senior management	
Percentage of total senior management members	

Total senior management remuneration (thousands of euros)	1.943
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Remarks

C.1.15. State whether there have been any changes in the board's regulation during the year:

Sí No

Description of changes

C.1.16. Explain the procedures in place for the selection, appointment, resell action and removal of directors. Indicate the competent bodies, the procedural steps involved and the criteria applicable to each procedure.

Selection:

The company has approved a Directors Selection Policy, which sets out the selection procedure. In accordance with this policy, the selection process shall be based on a prior analysis of the Company's needs by the Board of Directors assisted by the Appointments and Remunerations Committee. The Appointments and Remunerations Committee shall define the candidates' functions and skills and shall assess the time and dedication required for each vacancy, so as to ensure that the eventual appointee is able appropriately to discharge his/her responsibilities.

The Company may seek external advice in order to complete its needs analysis and/or its annual assessment of compliance with the selection policy.

With regard to the criteria for the selection or reelection of directors, candidates shall meet the conditions established in point 4.2 of the policy (i.e. they must be reputable persons of acknowledged ability and professional solvency, with the appropriate experience, qualifications, training, availability and commitment to discharge the office concerned, and they must be unaffected by any of the incompatibilities enumerated in this section).

Additionally, in the evaluation of the Board for the 2018 financial year, among the measures that had been taken by the Appointments and Remuneration Committee, one of them was the definition of the characteristics that the directors had to comply with in their profile, as detailed below:

- Honourable, honest, upright person of good repute.
- Experience and qualified training in the following areas, preferably:
 - ✓ Real estate sector and market (transactions and regulations)
 - ✓ Finance and accounting.
 - ✓ Risk control and management.
 - ✓ Cybersecurity and digital transformation.
 - ✓ Sustainability and non-financial information.
 - ✓ Capital market and financing.
- Experience in administrative, management, control or advisory functions to other companies.
- Availability and commitment to perform their role.
- Fluent in Spanish and English.
- Professional career in line with the principles set out in the company's Code of Ethics.
- No conflicts of interest with Neinor Homes or with companies in the sector that are competitors.
- Not involved in any case of incompatibility or prohibition established in the applicable law.
- Not affecting for any reason the image and reputation of Neinor Homes or putting at risk, in any other way, the company's interests, including not having a criminal record or accusation in legal proceedings.

The Company shall foster diversity in terms of gender, experience and expertise among the directors and shall ensure that no implicit bias exists such as might result in any kind of discrimination, especially where this might hinder the selection of female directors.

Appointment and reelection:

The directors are appointed by the General Shareholders Meeting or may be co-opted by the Board of Directors, subject to a report from the Appointments and Remunerations Committee, or in the case of independent directors at the proposal of said committee.

The directors shall hold office for a term of three years, at the end of which they may be reselected one or more times for the same maximum term.

Directors co-opted onto the Board shall hold office until the next General Shareholders Meeting held after their appointment, and they shall resign their office in the event that said appointment is not ratified at the General Shareholders Meeting.

Before proposing the reelection of directors to the General Shareholders Meeting, the board shall assess the quality of the work carried out and the dedication to their office shown by the directors proposed during their previous term in office, who shall absent themselves from said assessment.

Assessment:

With regard to assessment, Article 18 of the Regulation of the Board of Directors requires the Board annually to assess (i) its functioning and the quality of work; (ii) the discharge by the Chairman and the Chief Executive Officer of their functions as such, based on the report issued by the Appointments and Remunerations Committee; (iii) the diversity of the Board's members and the skills of the directors; and (iv) the functioning of the Board Committees based on the reports issued by the same. For these purposes, the Chairman of the Board of Directors shall organize and coordinate the assessment process with the Chairs of the Board Committees.

Every three years, the Board of Directors shall be assisted in its evaluation by an external consultant, whose independence shall be verified by the Appointments and Remunerations Committee.

Based on the results of the annual assessment, the Board of Directors may propose an action plan to correct any weaknesses observed in relation to the quality and efficiency of the Board's functioning, the functioning and membership of committees, diversity, the work of the Chairman and of the Chief Executive, and the work and contributions made by each director.

Removal:

The directors shall cease to hold office when the term for which they were appointed ends, or where so decided by the General Shareholders Meeting.

Directors shall tender their resignation to the Board in the cases mentioned in Article 21.2 of the Board's Regulation (see section C.1.21 below).

The Board of Directors may only propose the removal of an independent director before the end of his/her statutory term of office upon sufficient grounds, established by the Board of Directors subject to a report by the Appointments and Remunerations Committee. The removal of independent directors may also be proposed as a consequence of a public takeover bid or of mergers and other similar corporate operations that would result in changes in the company's capital structure, provided such changes arise in line with corporate good governance recommendations applicable to the Company from time to time.

C.1.17. Explain the extent to which annual Board assessments have resulted in significant changes in its internal organization and in the procedures applicable to its activity:

Description of modifications
<p>In accordance with the provisions of Article 529 <i>nonies</i> of the LSC and Recommendation 36 of the Good Governance Code, as well as with the CNMV's Technical Guide 3/2017, in relation to the Audit Committee, the Company, in the last quarter of the financial year, carried out an evaluation of the functioning of the Board and of its respective Committees assisted by an external expert, as this was the third year that it had carried out such evaluation following the best national and international market practices.</p> <p>The evaluation carried out has been linked to an action plan for improvement measures.</p> <p>The evaluation of the Board has not led to major changes in its internal organisation, as the Board and the respective Committees have been assessed as functioning very positively and in line with the best practices of good governance of public interest companies.</p> <p>The strengths identified in the external expert's evaluation of the Board were:</p> <ol style="list-style-type: none"> 1. As regards both the directors' assessments and the external advisor's analysis, Neinor Homes' Board of Directors has a structure aligned with good practices in terms of its current size, including a high level of diversity in terms of qualifications, experience, knowledge and nationalities. In this regard, the international diversity of Neinor Homes' Board of Directors is above the national industry average and very close to benchmark Ibex 35 companies. 2. Proper internal functioning of the Board of Directors as regards the frequency of meetings, the advance notice given and the level of director attendance. In this respect, various members of the Board of Directors have highlighted the proper functioning of the governing body, particularly in view of COVID-19 restrictions. 3. Effective and satisfactory decision-making process of the Board of Directors, resolving differences of opinion within the Board in a smooth and orderly manner.

4. Good level of interaction between the Board of Directors and Senior Management, particularly the availability of the company's executives, the rigour and preparation of their appearances and the appreciation of the Board's guidance and oversight role.
5. The findings of the analysis of the documents provided to the external advisor and the information available on the Neinor Homes website, the existence of a policy on the communication of economic-financial, non-financial and corporate information, a procedure for conflicts of interest and related-party transactions, as well as a corporate criminal liability prevention model, are very positive. As regards the above-mentioned policies and procedures, and bearing in mind the findings of the benchmark study performed, Neinor Homes is one of the pioneering listed companies in complying with recommendations 2, 4 and 22 of the CGGLC Recommendations, having put in place and communicated rules and mechanisms to prevent possible negative attitudes or actions by directors from causing harm or possible harm to the Company's credibility and reputation.
6. Although the Neinor Homes Board did not need the advice/collaboration of numerous external advisors or consultants during the year assessed, the directors' perception as regards the availability of the same is very positive, highlighting the Board's access to services of this kind when so required. In this regard, and as evidence of this accessibility, this self-assessment exercise addressing the Board of Directors of Neinor Homes and its Committees has been conducted with the support of an external consultant, thereby fulfilling CGGLC Recommendation 36, which states that the Board will be assisted during the assessment, every three years, by an external consultant, whose independence will be verified by the appointments committee. In addition, and as an illustrative example of the Board of Directors' access to external advisors, during 2020 the Appointments and Remuneration Committee received support from a specialised firm to analyse the suitability and qualifications of the directors and in relation to the Company's incentive plan.
7. Highly positive opinion of the directors with respect to the activities of the committees of the Neinor Homes Board of Directors.
8. Very positive assessment of the activities of the Chairman in his areas of responsibility, the calling and chairing of meetings, coordination of the periodic assessment of the Board and its Committees and preservation of the Board's independence having been generally highlighted.
9. Very positive assessment of the activities of the CEO in his areas of responsibility, highlighting aspects related to his approach to extraordinary/urgent events, implementation of control systems and reporting to the Board.
10. Very positive assessment of the activities of the Board Secretary in her areas of responsibility, highlighting her support for the Chairman, advice to the Board, raising of minutes and assurance that the CNMV's recommendations were observed.
11. Very positive assessment in general as regards the quality and level of detail of the information and documents made available to the directors for analysis and decision-making during the performance of their duties.
12. Very positive unanimous assessment of the performance of the head of Neinor Homes' Governance, Risk and Compliance (GRC) and Internal Audit Department, as a management unit reporting to the Audit and Control Committee (ACC), in relation to the support and reasonable assurance functions carried out when monitoring good practices in corporate governance, compliance, risk management, internal control, internal audit and Corporate Social Responsibility (CSR), both from the perspective of the directors and through the analysis of Neinor Homes' internal documentation and regulations.
13. The analysis of Neinor Homes' internal documents and regulations reveals a high level of fulfilment of the CGGLC Recommendations (54 fulfilled, 3 partially fulfilled and 7 not applicable due to the Company's structure).

The improvement measures in the action plan are to:

- Continue working to promote gender diversity.
- Increase the detail and depth of the Succession Plan.
- Give more information on the variable remuneration of executive directors in the annual remuneration report.
- Ensure that committee meetings have sufficient space to ensure their independence.

Describe the assessment process and the areas evaluated by the Board of Directors with the assistance, where applicable, of an external consultant, with respect to the functioning and membership of the board and its committees, and any other area or issue subject to assessment.

The evaluation of the functioning and composition of the Board and its committees has been carried out in 2018 and 2019 internally by the company's GRC management, which encompasses the areas of Internal Audit, Corporate Governance, Risks, Compliance, Quality and Corporate Social Responsibility.

Upon completion of the 3-year period in the current financial year, for this purpose and in accordance with the provisions of Article 18.3 of the Regulations of the Board of Directors of the company, Neinor Homes has considered it appropriate to carry out a process of self-assessment of the Board of Directors and its Committees for the financial year 2020 with the help of an external consultant, in accordance with Article 18 of the Regulations of the Board of Directors and thus following recommendation 36 of the CNMV's Good Governance Code for Listed Companies.

The evaluation process in which we have been assisted by the external expert has been carried out following four working approaches in order to try to obtain greater visibility and objectivity; these four approaches are:

1. Support for self-assessment of the functioning and quality of the work of the Board of Directors of Neinor Homes and its Committees, through questionnaires and personal interviews, with the anonymity of the answers being preserved.
2. Analysis of the documentation, internal functioning, dedication, commitment, involvement and knowledge of the directors and analysis of the fulfilment of responsibilities on the following specific fronts:
 - Compliance with best practices: Analysis of the "tone at the top", awareness and interest on the part of the Board and its Committees in ethics, compliance, transparency and continuous improvement for the implementation of best practices in corporate governance.
 - Diversity: Analysis of the number of women on the Board and its Committees. Number of foreign members on the Board and its Committees.
 - Experience and expertise of directors:
 - Analysis of the directors' sector experience based on the information contained in their CVs.
 - Analysis of experience in Corporate Governance based on the number and type of Boards on which they participate other than that of Neinor Homes.
 - Analysis of the training given to directors, within the framework of their membership of the Board and its Committees, in sectorial aspects and Corporate Governance.
 - Succession of directors: Analysis of the existence of a succession plan for the CEO and other directors.
 - Quality and availability of information:
 - Analysis of the level of adequacy and quality of the information supplied to directors for decision-making.
 - Analysis of the availability, in due time and form, of the information supplied to the directors for decision-making.
 - Operation:
 - Analysis of the planning of the calendar of meetings and of the actual meetings.
 - Analysis of the time taken to send out notices of meetings, as well as the agenda for the sessions.
 - Analysis of the duration of meetings of the Board and its Committees.
 - Composition:
 - Analysis of the number of members of the Board and its Committees.
 - Analysis of the number of directors by type: executive, proprietary, independent and other external.
 - Analysis of the number of years in office of each director.
 - Connection with senior management and/or external parties: analysis based on the information in the minutes of the Board and its Committees of the participation of General Management and/or external auditors in the meetings of the Board and its Committees without the presence of the CEO.
 - Dedication / involvement of directors: Analysis of the number of absences by directors from meetings of the Board and its Committees, also considering the analysis of non-executive directors in accordance with Art. 11 a) of the Regulations of the Appointments and Remuneration Committee.

- Directors' remuneration: Analysis of the use of comparative market studies carried out by external experts on directors' remuneration.
3. Comparative analysis of the corporate governance practices of Neinor Homes analysed against the performance of comparable listed companies and companies in the sector (6 to 8 companies), both national and international. The benchmark has been based on public information from the 2019 and 2020 financial years of the selected companies (Annual Corporate Governance Report (ACGR), policies, website content, etc.). The selection of the companies included in the benchmark has been from among consolidated Ibx 35 companies, listed companies in the sector in Spain and peers in Europe. The external expert contributed his experience as a consultant of repute in various listed companies.
4. Diagnosis of the company's situation in terms of Good Corporate Governance, considering the following reference standards:
- CNMV Recommendations on Good Governance, good practices stated in the Code of Good Governance approved by the Board of the National Securities Market Commission (CNMV) in February 2015.
 - Best practices on the functioning of the audit and control committees (Technical Guide 3/2017) as well as the appointments and remuneration committee (Technical Guide 1/2019).
 - The CNMV's new recommendations of the Good Governance Code, June 2020.
 - The CNMV's recommendations on the information published in the previous year's Annual Corporate Governance Reports (ACGRs).
 - The Directors Institute's Proprietary Director's Guide, Spain 2019.
 - The European Banking Authority (EBA) corporate governance guidelines in 2018.
 - The King IV Report of the Institute of Directors in Southern Africa, South Africa, 2016

C.1.18. For those years in which evaluations were assisted by an external consultant, describe the business relations maintained by the consultant or any entity forming part of its group with the company or any group company.

The external consultant selected by the Appointments and Remuneration Committee on the basis of a selection and tendering process, in which Deloitte, KPMG and E&Y also participated, was PricewaterhouseCoopers Auditores S.L.

The business relationships maintained with the consultant or any company of its group in the current financial year with such consultant or any company of its group, in addition to the actual work of assisting in the evaluation of the Board and its committees, are detailed below:

- Limited review and testing of the effectiveness and efficiency of the controls established in the company's internal Financial Reporting Control System.
- Support in the review of anti-money laundering analysis operations.
- Advising on the integration and restructuring of companies acquired in the current financial year.
- Prior review and analysis of the legal, tax, employment and financial aspects of companies acquired by or merged with by the company.
- Advice and analysis of the servicing market at the national level.

The amount of the business relations that the external consultant has maintained with the company and its group companies in the current financial year and which have been detailed above amounted to 629 thousand euros.

C.1.19. Describe the circumstances in which directors are obliged to resign.

Directors must tender their resignations to the Board of Directors in the following circumstances:

- when they cease to hold the executive posts associated with their appointment to directorships;
- where they are affected by any case of incompatibility or disbarment established by law or in the bylaws.
- when they are admonished by the Board of Directors for infringing any of the obligations incumbent upon the directors;
- when their continuance as members of the Board could jeopardize or harm the interest, credit or reputation of the Company, or where the reasons for their appointment are removed, including, without limitation, as a result of significant changes in their professional situation or in the conditions under which they were appointed to their directorship;
- when they are prosecuted for any offence or are the subject of disciplinary proceedings instigated by the supervisory authorities in relation to any serious or very serious offence;

- in the case of proprietary directors, (i) when the shareholder represented sells its entire shareholding or materially reduces said the same, or (ii) by the requisite number, when the shareholder represented reduces its shareholding to a level requiring a reduction in the number of proprietary directors;
- when a director is a member of more than four Boards of listed companies (aside from the Company);
- when alleged wrongdoing by a director means that his/her continuance could be seriously detrimental to equity or corporate the reputation in the Board's opinion.

C.1.20. Are qualified majorities other than those established by law required for any decisions?:

Sí No

Describe the differences, where applicable.

Description of differences

C.1.21. State whether any specific conditions exist for appointment as chairman the board other than those applicable to directors.

Sí No

Description of conditions

C.1.22 State whether the bylaws or the Board's Regulations establish any age limits for directors:

Sí No

Edad límite presidente

Edad límite consejero delegado

Edad límite consejero

Remarks

C.1.23. State whether the bylaws or the Board's Regulations establish any limits on mandates or other stricter requirements in addition to the conditions established by law or applicable regulations for independent directors:

Sí No

Additional requirements and/or maximum term of mandates in years

C.1.24. State whether the bylaws or the Board's Regulations establish any specific rules for proxy votes by other directors at board meetings, the procedure for the issue of proxies and, in particular, the maximum number of proxies a director may hold. Likewise, state whether any restrictions exist with regard to the categories of director to whom proxies may be issued above and beyond the restrictions established by law. Where appropriate, provide a brief description of the rules.

Neither the bylaws nor the Board's Regulations establish any specific rules for proxy votes at Board meetings, and there are no restrictions with regard to the categories of directors to whom proxies may be granted above and beyond the restrictions established by law.

C.1.25 State the number of meetings held by the board of directors during the year. Where appropriate, indicate the number of board meetings that were not attended by the chairman. In this computation, the chairman should be treated as attending where represented by proxy with specific instructions.

Number of board meetings	8
Number of board meetings not attended by the chairman	0

Remarks	

State the number of meetings held by the coordinating director with the other directors but not attended by the CEO either in person or by proxy.

Not applicable, because the chairman is not the CEO.

Number of meetings	-
---------------------------	---

State the number of meetings held by the different board committees during the year:

Number of meetings of the executive or steering committee	- *
Number of meetings of the audit committee	7
Number of meetings of the appointments and Remunerations Committee	5
Number of meetings of the appointments committee	- *
Number of meetings of the remuneration committee	- *
Number of meetings of the Land Investment Committee (LIC)	5

* Not applicable, because of this committee does not exist.

Remarks	

C.1.26. State the number of meetings held by the board of directors during the year and the attendance data for the board members:

Number of meetings attended in person by at least 80% of directors	8
% attendance in person / total votes cast during the year	97,22%
Number of meetings attended by all directors either in person or by proxies issued with specific instructions	8
% of votes cast by directors in person or by proxies issued with specific instructions / total votes cast during the year	100%

Remarks

C.1.27 State whether the individual and consolidated annual accounts presented to the board for approval are previously certified:

Sí No

Where appropriate, identify the person(s) who certified the individual and consolidated annual accounts of the company for preparation by the board:

Name	Office

Remarks

C.1.28. Explain the mechanisms, if any, established by the Board of Directors to ensure that the annual accounts submitted by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations.

In accordance with Article 39.3 of the Board's Regulations, the Board of Directors shall endeavour to the prepare the final annual accounts in such manner as to ensure that there is no need for the auditor to include any emphasis of matter or qualifications in the opinion issued. In the exceptional cases where emphasis of matter paragraphs or qualifications may exist, both the Chair of the Audit and Control Committee and the external auditors shall provide the shareholders with clear explanations as to the contents of the same. Where the Board considers that it must maintain its stance, it shall publicly explain the meaning and extent of the difference of opinion.

Article 9.1(d) of the Audit and Control Committee Regulation expressly requires the Committee to ensure that the Board of Directors is able to present the financial statements to the Annual General Meeting without scope limitations or qualifications and, in the exceptional cases where such may exist, the Chair of the Audit and Control Committee and the external auditors shall clearly explain to the shareholders of the meaning and extent of such scope limitations and qualifications.

In accordance with Article 9.6(e) of the Audit and Control Committee Regulation, the Committee shall meet periodically with the external auditor (once in the planning phase before audit procedures begin and once after the audit in the drafting phase for reports). At least one such meeting each year shall be held without the presence of any members of the Company's management team in order to debate audit tasks and any issues arising from the audit procedures carried out.

C.1.29. Is the secretary to the board a director?

 Sí

 No

Complete the following table if the secretary is not a director:

Secretary's name	Representative
Silvia López Jiménez	

Remarks

C.1.30. Describe the specific mechanisms established by the company to protect the independence of external auditors, as well as the mechanisms, if any, to protect the independence of financial analysts, investment banks and rating agencies, including a brief explanation of how the pertinent legal provisions were implemented in practice.

The company has established selection, approval and evaluation procedures for all relevant providers to support and ensure transparency in tender processes.

With regard to the services concerned in this section, the company retains the services of external auditors applying the procedures mentioned in the preceding paragraph on the same basis as for other service providers.

In order to safeguard the independence of the company's external auditors, the Audit and Control Committee has also established the following policies and procedures:

- Employment policy for former auditors
- Policy for the provision of non-audit services by the external auditor
- Annual internal audit report on the independence of the external auditor
- Annual Independence Letter/Report issued by the external auditor

The company's Governance, Risk and Compliance management ensures compliance with these policies.

C.1.31. State whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

 Sí

 No

Outgoing auditor	Incoming auditor

Remarks

State whether there were any disagreements with the outgoing auditor and explain their content:

Sí No

Explanation of disagreements

C.1.32. State whether the audit firm carries out any other non-audit work for the company and/or its group, and if so state the fees paid for such work in absolute terms and as a percentage of the total fees billed by the auditor to the company and/or its group:

Sí No

Cost of other non-audit work (thousands of euros)	Company	Group companies	Total
		Neinor Homes S.A.	
Cost of other non-audit work (thousands of euros)			9%

The amount of fees invoiced for audit work by the external auditor (210,000 euros) mainly corresponds to audit work on the annual accounts and half-yearly financial statements, verification related to information on the Internal Financial Information Control System, the anti-money laundering audit and the verification report on non-financial information (sustainability report).

The amount of fees invoiced for non-audit work by the external auditor relates to tax advisory services provided to the company.

C.1.33. State whether the auditor's report on the annual accounts for the prior year contained any emphasis of matter paragraphs or qualifications. Where applicable, state the reasons offered by the chairman of the audit committee to the shareholders at the annual general meeting to explain the contents and scope of such emphasis of my paragraphs and/or qualifications.

Sí No

Explanation of reasons and direct link to the document made available to shareholders at the time of the call in relation to this matter

C.1.34. State the number of consecutive years for which the current audit firm has examined the individual and/or consolidated annual accounts of the company. Also, state the number of years examined by the current auditor as a percentage of the total number of years in which the annual accounts have been audited:

Number of consecutive years	Individual	Consolidated
	7	7

Number of years examined by the current audit firm / Number of years in which the company has been audited (%)	Individual	Consolidated
	100%	100%

Remarks

C.1.35. State whether there is any procedure to ensure that the directors are provided sufficiently in advance with the necessary information to prepare meetings of the governing body, and where applicable explain such procedure:

 Sí

 No

Description of procedure
<p>In accordance with Article 16 of the Board's Regulations, calls for meetings of the Board of Directors must be issued at least 72 hours prior to the date of the meeting, accompanied by all relevant information duly prepared and summarized. In practice, both calls and the documentation for meetings are sent 6-7 days in advance using a restricted tool to which only the directors have access, in order to guarantee information security.</p> <p>The agenda for board meetings shall indicate clearly the points on which the board of directors is required to adopt a decision or resolution, so that the directors can examine or obtain the necessary information in advance.</p> <p>Moreover, Article 23 of the Regulation permits the directors to request information on any matter falling within the purview of the Board of Directors and to examine the books, ledgers, documents and other documentation.</p> <p>Requests for information must be addressed to the Secretary of the Board of Directors, who will submit them to the Chairman of the Board and to the appropriate interlocutor in the Company.</p> <p>The Secretary shall advise the director concerned of the confidential nature of the information requested and received, and of his/her duty of confidentiality pursuant to the Regulation.</p> <p>The Chairman may refuse to provide the information where he considers (i) that it is not needed for the proper discharge of the functions incumbent upon the director, or (ii) that the cost is not reasonable in view of the importance of the problem and the Company's assets and revenues.</p> <p>Additionally, as a consequence of the provisions of final provision nine of Royal Decree-Law 19/2018, which transposes a number of European directives and amends the text of the Securities Market Law (the "TRLMV") to adapt it to, among other things, the Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("the MAR") and complete the transposition of the Commission implementation (EU) 2015/2392 of 17 December 2015 on MAR concerning the communication of possible or actual infringements. The company has proceeded to modify and update the internal rules on conduct in the stock exchanges, an update that was approved at the Board of Directors meeting held on 24 July 2019, in order to adapt it to the aforementioned regulations.</p>

The main changes are as follows:

- 1.- Redefinition of inside and relevant information.
- 2.- Delegation of the various responsibilities of the Law to the Compliance Department in accordance with the regulations for listed companies.
- 3.- Inclusion, clarification and standardization of specific obligations for certain stakeholders such as reference to the RDP and related persons.
- 4.- Inclusion of a communication protocol that governs requests for information from shareholders and directors of the company.
- 5.- Inclusion of the obligation of the CEO and CFO to report corporate transactions of inside information.
- 6.- Elimination of the justification to the CNMV, the delay of a relevant event as stipulated in the regulations.

The Regulations are published on the company's corporate website.

C.1.36. Indicate whether the company has established rules obliging directors to report and, where appropriate, resign when situations arise that affect them, whether or not related to their actions in the company, which could damage the company's credit and reputation:

 Sí

 No

Explanation of rules

In accordance with Article 21.2(iv) of the Board's Regulations, the directors are required to tender their resignation to the Board of Directors where their continuance could jeopardize the interest, credit or reputation of the Company. The Board shall accept such resignation where deemed appropriate.

In such cases, the director concerned shall explain the circumstances in a letter sent to all of the Board members, and his/her removal shall also be duly explained in the Annual Corporate Governance Report.

C.1.37. Indicate, unless special circumstances have arisen which have been recorded in the minutes, whether the board has been informed or has otherwise become aware of any situation affecting a director, whether or not related to his or her performance in the company itself, which could damage the company's credit and reputation:

 Sí

 No

Director's name	Criminal charge	Remarks

In the above case, indicate whether the board of directors has examined the case. If the answer is affirmative, explain in a reasoned manner whether, in view of the specific circumstances, it has adopted any measure, such as opening an internal investigation, requesting the resignation of the director or proposing his removal.

Also indicate whether the board's decision has been reported to the appointments committee.

 Sí

 No

Decision adopted / action taken	Reasoned explanation

C.1.38. List any agreements entered into by the company, which will come into force, be amended or be terminated in the event of a change in control of the company resulting from a public takeover debate and its effects.

The majority of the loan agreements made by the company with banks require the lender's prior consent for any change in control of the company.

C.1.39. Indicate any agreements between the company and its directors, managers and employees, which provide for compensation, guarantees or golden parachutes in the event of resignation or unfair dismissal, or where contractual relations are terminated as a consequence of a public takeover bid or any other type of corporate transaction. These agreements should be identified individually in the case of directors and on aggregate in other cases.

Number of beneficiaries / Type of beneficiary	Description of the agreement
CEO, Executive Vice Chairman and part of the Management Committee.	In the event of termination of the agreement by the Company - unless such termination is due to a serious and culpable breach by the beneficiaries of the obligations incumbent on them by law or contract - the beneficiaries shall be entitled to receive compensation equivalent to two years of their last stipulated fixed salary.

State whether these agreements must be reported to and/or approved by the company's management bodies or by the group in any cases other than those established by applicable law. If so, specify the procedures, the case is concerned and the nature of the management bodies responsible for approval and for reporting.

Body authorizing clauses	Board of directors	General Meeting
	X	

Are these clauses reported to the General Shareholders Meeting?	YES	NO
	X	

Remarks

C.2. Board of committees

C.2.1. List all board committees, their members and the proportion of executive, proprietary, independent and other external holding seats on the same:

There is no Executive or Steering Committee.

EXECUTIVE COMMITTEE

Name	Office	Category
-	-	-

% executive directors	
% proprietary directors	
% independent directors	
% other external directors	

Remarks

Explain any functions delegated or assigned to this committee other than those already mentioned in section C.1.10 ten above, and describe the procedures and rules governing the committee's organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

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AUDIT COMMITTEE

Name	Office	Category
Anna M. Birulés Bertran	Presidenta	Consejera independiente
Ricardo Martí Fluxá	Vocal	Consejero independiente
Alfonso Rodés Vilá	Vocal	Consejero independiente
Van J. Stults	Vocal	Consejero dominical
Felipe Morenés Botín-Sanz de Sautuola	Vocal	Consejero "otro externo"

% executive directors	0%
% proprietary directors	20%
% independent directors	60%
% other external directors	20%

Explain the functions assigned to this committee including any additional functions to those provided for by law, and describe the procedures and rules governing the committee's organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

Procedures and rules governing organization and functioning:

Article 42 of the Company's Bylaws is as follows:

1. The Board of Directors shall create a permanent Audit and Control Committee as an internal informational and consultative body without executive duties, but vested with reporting, advisory and proposal-making powers within its remit, as established in sub-section 5 of this Article. The Audit and Control Committee shall have a minimum of three and a maximum of five members, being non-executive directors appointed by the Board. The majority of the Audit and Control Committee's members shall be independent directors, and one of them shall be appointed taking into account his/her knowledge and expertise in accounting and/or audit matters.

2. The Board of Directors shall appoint the Committee's Chair from among the independent directors holding seats on the same. The Board of Directors shall likewise appoint a Deputy Chair where considered appropriate. The Deputy Chair shall be appointed under the same conditions as the Chair.
3. The office of Secretary to the Audit and Control Committee will be held by the person appointed by the Board of Directors. The secretary need not be a full member of the Audit and Control Committee, in which case it will not be necessary for the Secretary to be a member of the Board of Directors. The Secretary to the Audit and Control Committee need not be the same person as the Secretary to the Board of Directors.
4. The directors holding seats on the Audit and Control Committee shall discharge their functions while they continue in office as directors of the Company, unless otherwise agreed by the Board of Directors. The renewal, reelection and removal of the directors holding seats on the Committee shall be governed by the pertinent resolutions of the Board of Directors.

The office of Chair shall be held for a maximum term of four years, after which period the outgoing Chairman shall not be reelected until at least one year has passed since his/her termination, notwithstanding his/her continuation or reelection as a member of the Committee.

5. Notwithstanding any other tasks that may be assigned to it by the Board of Directors from time to time, the Audit and Control Committee shall have the following basic functions:
 - (i) To report to the General Shareholders Meeting on any questions raised by the shareholders within the remit of the Committee and, in particular, to report on the results of the audit, explaining how it contributed to the integrity of the financial information and the role played by the Audit and Control Committee in the audit process.
 - (ii) To supervise the effectiveness of the Company's and the group's internal controls, internal audit function and risk management systems (including the management of tax risks), and to discuss any significant weaknesses in the internal control system detected in the course of audit procedures with the auditor without thereby compromising its independence. For these purposes, the Committee may present its recommendations and proposals to the management body, establishing the pertinent monitoring periods.
 - (iii) To supervise the process by which regulated financial information is prepared and presented, and to make recommendations and proposals to the Board of Directors to safeguard the integrity of such information.
 - (iv) To make proposals to the Board of Directors, for eventual approval by the General Shareholders Meeting, with regard to the selection, appointment, reelection or replacement of the auditors, in accordance with prevailing legislation, as well as proposals relating to the terms of engagements; to seek and obtain regular information from the auditors with regard to their audit plan and the progress thereof; and to safeguard the independence of the auditors in the discharge of their functions.
 - (v) To supervise internal audits in the Company.
 - (vi) To establish appropriate relations with the auditors in order to obtain information regarding any matters which might compromise their independence for examination by the Audit and Control Committee, as well as information concerning the audit procedures carried out and, where applicable, as required for the authorization of other non-audit services permitted under prevailing legislation, and to receive all other communications required under legislation governing the audit of financial statements and by prevailing audit standards. In any event, the Audit and Control Committee shall obtain the external auditors' annual letter of representations establishing their independence from the company and other companies directly or directly related with the same, as well as detailed, itemized information on any additional non-audit services of any kind and the fees received in respect of thereof by the external auditor or by any persons or entities related with the same, in accordance with prevailing audit legislation.
 - (vii) To issue an annual report expressing an opinion on the independence or otherwise of auditors and audit firms. Said report shall be issued before the audit opinion is received. The Audit and Control Committee's report shall in any case address the provision of the additional non-audit services referred to in the preceding paragraph, considered both individually and as a whole, and it shall likewise address the system in place to assure the independence of the auditor in accordance with prevailing audit regulations;
 - (viii) To report to the Board of Directors in advance on all relevant matters where so required by Law, the Bylaws or the Board's Regulations, in particular with regard to: (i) the financial information published periodically by the Company; (ii) the creation, or acquisition of equity investments in, special purpose vehicles or entities registered in countries or territories listed as tax havens; and (iii) related-party transactions.
 - (ix) In relation to the external auditor: (i) to ensure that fees do not compromise audit quality or the auditor's independence; (ii) to supervise the issue of a relevant event notice to the CNMV in the event of any change of auditor, and to accompany such notice with a declaration regarding the possible existence and contents of any disagreements with the outgoing auditor, where applicable; and (iii) to ensure that the Company and the external auditor respect and abide by prevailing rules governing the provision of non-audit services, limits on the concentration of the auditor's business and, in general, any other rules governing auditor independence.
 - (x) To summon any employee or executive of the company, and where appropriate to require their attendance without the presence of any other director or executive.

(xi) Any other functions assigned by the Board of Directors in its Regulation.

6. The Audit and Control Committee shall meet quarterly on an ordinary basis to review the periodic financial information to be reported to stock market supervisors, as well as any information requiring the approval of the Board of Directors for inclusion in the annual reports published. The Committee shall also meet at the request of any of its members and wherever convened by its Chair, who shall convene a meeting whenever the Board of Directors or the Chairman of the Board requires a report or the adoption of proposals, and in any event whenever appropriate for the proper discharge of its functions. Committee meetings shall be deemed quorate whenever attended, either in person or by proxy, by half plus one of its members. Resolutions shall be adopted by majority vote. The Chair shall not have a casting vote in the event of tie.
7. The Board of Directors may draw up and approve a Regulation implementing the foregoing.

Also, Article 14 of the Board's Regulations provides as follows:

- (i) To report on transactions which imply, or could imply, any conflict of interest.
- (ii) To report on transactions involving structural or corporate changes which the company plans to carry out, the financial terms and accounting impact of such transactions, and the exchange ratio proposed, if any.
- (iii) To oversee a whistle-blowing mechanism allowing employees confidentially to report any irregularities, especially of a financial or accounting nature, which they may observe in the company, as well as any matters that could give rise to any criminal liability on the part of the Company.

The Audit and Control Committee shall prepare an annual report on its activities, explaining the main matters arising, if any in relation to the Committee's functions. Where the Audit and Control Committee may deem it appropriate, it may include proposals to improve the Company's governance rules in said report.

The Audit and Control Committee may summon any member of the companies management team or staff to appear before it, even without the presence of any other manager. Persons so summoned shall be required to attend the meetings of the Audit and Control Committee and to offer their full cooperation and access to any information they may hold. That committee may likewise require the auditors to attend its meetings.

With a view to achieving the best possible outcomes, the Audit and Control Committee may seek the advice of external experts where deemed necessary to ensure the adequate discharge of its functions.

The Company shall establish an Internal Audit Department to supervise the proper functioning of information systems and internal controls under the oversight of the Committee. The Internal Audit Department shall report functionally to the non-executive Chairman of the Board of Directors or to the Chair of the Audit and Control Committee. The head of the Internal Audit Department shall present the department's annual working plan to the Audit and Control Committee. The Department head shall likewise report any incidents arising in the course of internal audit activities and shall submit a report to the Committee at the end of each financial year.

Among the Committee's actions during the year, we can highlight:

- (i) Supervision and review of the financial statements reported to the market every quarter.
- (ii) Re-appointment of Deloitte as external auditor of the company
- (iii) Verification of the external auditor's independence.
- (iv) Analysis and supervision of the methodology and calculation used by the external assessor.
- (v) Review and implementation of the general economic-financial and corporate communication policy.
- (vi) Review and monitoring of the Risk Contingency Plan put in place by the company to mitigate, avoid and even take advantage of the effects caused by COVID-19.
- (vii) Analysis and supervision of Related-Party Transactions and conflicts of interest arising during the financial year.
- (viii) Supervision of the activities and work carried out by the GRC (Governance, Risk and Compliance) department in relation to the management and execution of work plans within the integrated internal control and risk management model.
- (ix) Monitoring the risks and impacts caused by the pandemic situation (Covid-19).
- (x) Supervision of corporate transactions.
- (xi) Monitoring and supervision of the company's Corporate Social Responsibility Plan and of the non-financial information transferred to markets.

Identify the directors appointed to seats on the audit committee in view of their knowledge and expertise in accounting and audit matters and state the date of the Committee Chair's appointment to office.

Name of directors with relevant expertise	Anna M. Birulés Bertrán
Date of appointment as Committee Chair	08/03/2017

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Office	Category
Ricardo Martí Fluxá	President	Independent director
Felipe Morenés Botín-Sanz de Sautuola	Vocal	Other external director
Alfonso Rodés Vilà	Vocal	Independent director
Anna M. Birulés Bertran	Vocal	Independent director
Van J. Stults	Vocal	Proprietary director

% executive directors	0%
% proprietary directors	20%
% independent directors	60%
% other external directors	20%

Explain the functions assigned to this committee including any additional functions to those provided for by law, and describe the procedures and rules governing the committee's organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

Procedures and rules governing organization and functioning:

Article 43 of the Company's Bylaws provides as follows:

1. The Board of Directors shall create a permanent Appointments and Remunerations Committee as an internal informational and consultative body without executive duties, but vested with reporting, advisory and proposal-making powers in its area of activity, as described in sub-section 5 of this Article. The Appointments and Remunerations Committee shall have a minimum of three and a maximum of five members, being non-executive directors appointed by the Board of Directors at the proposal of its Chairman. The majority of the members of the Appointments and Remunerations Committee shall be independent directors.
2. The Board of Directors shall appoint the Committee's Chair from among the independent directors holding seats on the same. The Board of Directors shall likewise appoint a Deputy Chair where considered appropriate. The Deputy Chair shall be appointed under the same conditions as the Chair.
3. The office of Secretary to the Appointments and Remunerations Committee will be held by the person appointed by the Board of Directors. The secretary need not be a full member of the Appointments and Remunerations Committee, in which case it will not be necessary for the Secretary to be a member of the Board of Directors. The Secretary to the Appointments and Remunerations Committee need not be the same person as the Secretary to the Board of Directors.
4. The directors holding seats on the Appointments and Remunerations Committee shall discharge their functions while they continue in office as directors of the Company, unless otherwise agreed by the Board of Directors. The renewal, reelection and removal of the directors holding seats on the Committee shall be governed by the pertinent resolutions of the Board of Directors.
5. Notwithstanding any other tasks that may be assigned to it by the Board of Directors from time to time, the Appointments and Remunerations Committee shall have the following basic functions:
 - (i) To evaluate the competences, expertise and experience required by the Board of Directors; For these purposes, the Appointments and Remunerations Committee shall define the necessary skills and abilities of the candidates to cover any vacancy and shall evaluate the time and dedication required to discharge the related duties effectively.

- (ii) To establish a target for representation by the minority gender in the Board of Directors, and to prepare guidelines for the attainment of that target.
- (iii) To make proposals to the Board of Directors for the appointment of independent directors by co-option or for presentation and approval at the General Shareholders Meeting, as well as proposals for the reelection or removal of such directors by the General Shareholders Meeting.
- (iv) To make proposals for the appointment of other directors by co-option or for presentation and approval at the General Shareholders Meeting, as well as proposals for the reelection or removal of such directors by the General Shareholders Meeting.
- (v) To make informed proposals for the appointment or removal of management personnel, and on the basic terms and conditions of their contracts.
- (vi) To examine and organize the succession of the Chairman of the Board and of the Chief Executive Officer of the Company and, where applicable, to make proposals to the Board of Directors to ensure an orderly and well-planned succession.
- (vii) To report to the Board of Directors on policy regarding the remuneration of directors and senior managers or other persons holding management posts and reporting directly to the Board of Directors, executive committees or executive directors, as well as the individual remuneration and other contractual terms applicable to the executive directors, and to verify compliance with the policy established.

6. The functioning of the Appointments and Remunerations Committee shall be governed by such rules as may be determined by the Board of Directors in the pertinent Regulation.

Also, Article 15 of the Board's Regulations provides as follows:

The Appointments and Remunerations Committee shall meet quarterly on an ordinary basis, and at least four times each year. The Committee shall also meet at the request of any of its members and wherever convened by its Chair, who shall convene a meeting whenever the Board of Directors or the Chairman of the Board requires a report or the adoption of proposals, and in any event whenever appropriate for the proper discharge of its functions.

Meetings of the Appointments and Remunerations Committee shall be deemed quorate whenever attended, either in person or by proxy, by half plus one of its members. Resolutions shall be adopted by majority vote.

The Committee shall record its deliberations in the minutes, copies of which shall be forwarded to all members of the Board of Directors.

The Committee shall consult with the Chairman of the Board and the Company's Chief Executive, in particular on matters relating to executive directors and senior management personnel.

With a view to achieving the best possible outcomes, the Appointments and Remunerations Committee may seek the advice of external experts where deemed necessary to ensure the adequate discharge of its functions, taking the necessary steps to ensure that any possible conflicts of interests do not compromise the independence of the external advice received by the Committee.

Among the Committee's actions during the year, we can highlight:

- (i) Review and monitoring of workforce development and remuneration.
- (ii) Review and approval of the proposal made by the external expert on the senior management retention and incentive plan.
- (iii) Review of the suitability of the directors whose terms of office were due to expire with a view to deciding whether or not to renew them on the Board.
- (iv) Monitoring and review of the evaluation of the functioning of the Board and its committees.
- (v) Review and supervision of the company's remuneration plan for the financial year.
- (vi) Senior management performance monitoring.
- (vii) Supervision of the performance of executive directors.

APPOINTMENTS COMMITTEE

The Company does not have an Appointments Committee, the functions and duties of which are assigned to the Appointments and Remunerations Committee.

Name	Office	Category

% executive directors	
% proprietary directors	
% independent directors	
% other external directors	

Explain the functions assigned to this committee including any additional functions to those provided for by law, and describe the procedures and rules governing the committee's organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

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REMUNERATIONS COMMITTEE

The Company does not have a Remuneration Committee, the functions and duties of which are assigned to the Appointments and Remunerations Committee.

Name	Office	Category

% executive directors	
% proprietary directors	
% independent directors	
% other external directors	

Explain the functions assigned to this committee including any additional functions to those provided for by law, and describe the procedures and rules governing the committee's organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

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LAND INVESTMENT COMMITTEE

Name	Office	Category
Aref H. Lahham	Chairman	Proprietary director
Borja García-Egotxeaga Vergara	Member	Executive director
Ricardo Martí Fluxá	Member	Independent director
Van J. Stults	Member	Proprietary director
Andreas Segal	Member	Independent director
Felipe Morenés Bofín Sanz-de Sautuola	Member	Other external director
Jorge Pepa	Member	Executive director

% executive directors	28,5%
% proprietary directors	28,5%
% independent directors	28,5%
% other external directors	14,5%

Explain the functions assigned to this committee, describe the procedures and rules governing its organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

Procedures and rules governing organization and functioning:

The internal Regulation of the Land Investment Committee establishes, inter alia, the following:

1. The Committee shall be formed by a minimum of three and a maximum of seven members. The Committee members shall be appointed by the Company's Board of Directors at the proposal of the Appointments and Remunerations Committee, subject to consultation with the Chair of the Land Investment Committee.
2. The majority of the Committee members shall be non-executive directors. All members of the Committee shall have broad, recent and appropriate professional, technical and financial experience in the real estate sector and in financial investment, whether securities investment or investment in real estate assets.
3. Only the Committee members shall be entitled to attend its meetings. However, other directors and employees, and other natural persons and external advisers may be invited to attend the Committee's meetings on a regular basis, and other persons who are not members of the Committee may also be invited to attend all or part of a meeting wherever deemed necessary or appropriate. Only the Committee members shall have the right to vote on its resolutions, and any other persons attending shall be permitted only to speak.
4. The committee members shall be appointed for a maximum term of three years, which may be extended by a further two 3-year terms, provided search Committee members continue to be members of the Board of Directors.
5. The Committee's Chair shall be appointed by the Board of Directors. In the absence of the Committee's Chair and his/her appointed stand-in, the other members of the Committee attending shall select one of their number to chair the meeting.
6. The office of Secretary to the Land Investment Committee shall be held by such persons as may be appointed by the Board of Directors. The Secretary to the Land Investment Committee need not be a full member of the same, in which case (i) he/she shall not have the right to vote, and (ii) he/she shall not be a member of the Board of Directors. The Secretary to the Land Investment Committee need not be the same person as the Secretary to the Board of Directors.
7. The Committee's resolutions shall be adopted by majority vote. All members of the Committee attending its meetings shall vote on all items on the agenda except where any conflict of interest may exist, in which case the Committee member affected shall leave the meeting and shall not take part in deliberations or vote on any matters where he/she may have a conflict of interests.

8. All reports prepared by the Committee and submitted to the Board of Directors for its consideration before the approval of any Board resolution shall expressly mention that all proposals made by the Committee are in compliance with prevailing legislation.
9. The Committee shall meet at least four times each year, and whenever necessary. Notwithstanding, the Committee shall meet wherever so requested by any of its members or wherever it is validly convened by the Chair.
10. The Committee Chair shall convene a meeting wherever the Board of Directors or the Chairman of the Board may request that a report be prepared or a proposal approved, and in any event wherever deemed expedient for the due discharge of its functions.
11. Committee meetings shall be convened by the Secretary to the Committee at the request of any of its members, or at the request of the Chairman of the Board.
12. Unless otherwise established, the call for each meeting shall state the venue, the date and the time of the same, and the agenda setting out the business of the meeting, and it shall be sent to each of the Committee members and any other persons required to attend, as well as non-executive directors, at least three (3) business days in advance of the date of the meeting. Any background documentation shall be delivered to the Committee members and any other parties invited to attend, where applicable, together with the call for the meeting.
13. Notwithstanding the above, Committee meetings shall be understood to be validly convened without the need for any prior call if all of its members are present, either in person or by proxy, and unanimously agree to hold a meeting and the agenda for the same. Likewise, the members of the Committee may vote by letter without holding a meeting, provided none of the directors opposes this procedure.
14. The Committee members may also meet simultaneously at more than one venue connected by any system allowing recognition and identification of participants, uninterrupted communication between the same wherever they may be and participation in voting, all in real time. Subject to the foregoing, the Committee may hold its meetings by conference call or video conference, and by other similar methods of communication.

Wherever the participants in a Committee meeting may find themselves, it shall be understood that all of them attend the same meeting. Any such meetings shall be understood to be held at the venue where the majority of the Committee members are met, or in the event of a tie, at the venue where the Committee Chairman or his stand-in as chair of the meeting may be located.
15. The Committee shall discharge the following functions for the company and its principal affiliates:
 - (i) To define general investment policies and strategies, investment objectives, the rules for and limitations applicable to the purchase and disposal of real estate assets, and all other investment policies followed by the Company, and where applicable to present all of the foregoing to the Board for its approval.
 - (ii) To review all of the aforementioned strategies and objectives at least annually, and to adopt and approve any changes.
 - (iii) To evaluate and adopt a final decision either in favour of or against the possible acquisition of real estate assets, possible real estate developments and the financing of real estate purchases and/or developments undertaken by the Company, whether directly or via any group entity, and to evaluate and adopt a final decision with regard to the financial viability of such investments, their fit with the Company's investment policies and compliance with applicable laws.
 - (iv) To prepare the pertinent reports on all matters examined by the Committee and to present the same to the Board, especially in cases where a resolution of the Board is required in accordance with prevailing legislation.
 - (v) To analyse and track the Company's investment results and performance in relation to the investment strategies, objectives, policies, rules and limits approved by the Committee, including without limitation, examination of the procedures applied by the Company to establish that investments are made in accordance with the aforementioned investment strategies, objectives, policies, rules and limits.
 - (vi) To approve the evaluation methods utilized by the Company in relation to the purchase or disposal of real estate portfolios and assets.
 - (vii) To address any other issues or tasks that may fall within the Committee's remit.
16. The Chairman of the Committee shall report formally to the Board on the Committee's actions with regard to all issues falling within its remit after each meeting. The Chairman shall likewise report formally to the Board with regard to the discharge of the Committee's responsibilities, including analysis of compliance with legal, regulatory and internal requirements applicable to the evaluation and execution of investments and, in general, the outcomes of all actions concerned in the tasks assigned to the Committee.

17. The Committee shall report to the Board on all purchases, investments and disposals of land for real estate development prior to approval by the Board, wherever the amount of the transaction concerned exceeds €10 million.
18. In general, the Committee shall report to the Board on all and any other matters where the same may request the Committee's opinion, and on any issues which the Committee understands it should remit to the Board for its consideration.
19. The Committee shall make all such proposals to the Board as it may consider necessary with regard to matters falling within its remit and requiring action or the implementation of improvement measures.
20. The Committee shall prepare an activity report for inclusion in the Company's annual report. This report shall provide details of all investments and disinvestments made by the Company, as well as a brief summary of each and every one of the transactions carried out and the conclusions of the Committee reports in relation to each of the same.

Among the Committee's actions during the year, we can highlight:

- (i) Approval of the purchase or sale of land by the Company.
- (ii) Approval of the commercial launch of all the developments launched by the Company and the associated CAPEX financing.
- (iii) Approval of the start of construction of the developments.
- (iv) Review, analysis and, where appropriate, approval of corporate transactions.
- (v) Review, analysis and approval, where appropriate, of the strengthening or implementation of new lines of business.

C.2.2. Complete the following table with information about the number of female directors holding seats on board committees at the reporting date for the last four years:

	Number of female directors			
	Year t Number %	Year t Number %	Year t Number %	Year t Number %
Executive committee	-	-	-	-
Audit committee	1	1	1	-
Appointments and Remunerations Committee	1	1	1	-
Appointments committee	-	-	-	-
Remuneration committee	-	-	-	-
Land investment committee	0	0	0	-

C.2.3. Where applicable, state whether there are any regulations for the board committees, where they are kept available for consultation, and whether they have been amended during the year.

Also, state whether any annual reports on the activities of each commission have been voluntarily prepared.

Each of the three Board Committees has its own Regulations. All of these regulations are available on the Company's website (www.neinorhomes.com) in the Shareholders and Investors section, subsection Corporate Governance and Sustainability.

The current Regulations were approved on 8 March 2017 before the Company was listed on the Stock Exchange. There have been no amendments since.

D RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1. Where applicable, explain the procedure for approval of related-party and intragroup transactions.

Procedure for proposals to approve related-party transactions

The procedure followed by the Company to inform the approval of related-party transactions is set out in the Conflicts of Interest & Related Parties policy approved by the Board of Directors and published on the corporate website.

This policy establishes the following:

- 1) Where any Company Parties learn of a possible Related-Party Transaction, they shall inform the Secretary to the Board of Directors and the Chief Compliance Officer as soon as they become aware of the same.

If it is found upon examination that a transaction is a Related-Party Transaction, the Company Party shall prepare a written report addressed to the Secretary to the Board of Directors and the Chief Compliance Officer showing that the transaction would be carried out under market conditions and would respect the principle of equality between shareholders.

- 2) Any transactions that could give rise to a conflict of interests in the opinion of the Legal Department and the Compliance Department shall be reported to the Chair of the Audit Committee (the "Committee") for analysis at the next meeting of the Committee. This report shall be included among the documents presented to the Committee for debate. Any transactions without an attached report shall be submitted to the Committee only under exceptional circumstances, and the reasons for presenting the transaction shall be presented to the Secretary to the Board of Directors, who shall pass the matter on to the Committee for evaluation.

- 3) The Committee shall evaluate the transaction, for which purpose it may request reports from independent experts where appropriate. When a transaction could affect equal treatment of the shareholders, reference shall be made to paragraph 4.1.4 of the policy.

- 4) When the Committee's approval is obtained, the transaction shall be submitted to the Board of Directors for review and approval. If a director has any conflict of interests related with a transaction, he/she shall withdraw from the decision-making process.

Approval of transactions may be delegated to an Executive Committee in urgent cases and subsequently ratified by the Board of Directors.

The company's compliance department shall at least quarterly carry out (i) a review of compliance with the conditions established herein, and (ii) confirm that transactions were actually carried out under the approved terms. A report on this review shall be submitted to the Chair of the Audit and Control Committee.

That Audit and Control Committee may seek clarification with regard to any given transaction and/or request additional documentation to assess whether the transaction was carried out under the approved terms.

D.2. List significant transactions entered into between the company or its group companies and significant shareholders of the company in terms of the amounts involved or the nature of the transaction:

Significant shareholder's name	Company or group company involved	Nature of the relationship	Transaction type	Amount (thousands of euros)

Remarks

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D.3. List significant transactions entered into between the company or its group companies and directors or senior managers of the company in terms of the amounts involved or the nature of the transaction:

Director's or senior manager's name	Related party's name	Relationship	Nature of the transaction	Amount (thousands of euros)
Global Hesperides S.L	Neinor norte y Neinor Sur	(Beneficial owner of the company coinciding with shareholder)	Asset purchase	24.186

Remarks

Corresponds to the acquisition of 82 dwellings and annexed units. Transaction analysed and reviewed by GRC management and the Audit and Control Committee.

D.4. Report any significant transactions carried out by the Company with other group entities, wherever such transactions are not eliminated in the consolidation of the financial statements and do not form part of the company's ordinary business given their nature and terms.

You should in any event mention any intergroup transactions carried out with entities registered in countries or territories listed as tax havens:

Group entity's name	Brief description of the transaction	Amount (thousands of euros)

Remarks

D.5. List any significant transactions carried out by the company or any of its group entities with any other related parties, where such transactions are not reported above.

➤ **Related entity's name:**

Banco Santander (Grupo Santander).

Amount (thousands of euros): 70

Brief description of the transaction: Expenses for financial intermediation services and guarantees.

Amount (thousands of euros): 2.249

Brief description of the transaction: Financial expenses.

Amount (thousands of euros): 78.552

Brief description of the transaction: credit balance/financial debt liabilities as at 31/12/2020 for financing transactions of developers and corporate debt.

Amount (thousands of euros): 113.408

Brief description of the transaction: debit balance/assets. Net cash position of this company in favour of the company as at 31/12/2020.

➤ **Related entity's name:**

1810 Capital Investments, S.L.U

Amount (thousands of euros): 879

Brief description of the transaction: credit balance/assets. Advances from customers for the paid portion of homes with final contract not signed as at 31/12/2020.

➤ **Company name of the related entity:**

Aquila lux., S.A.R.L.

Amount (thousands of euros): 10

Brief description of the transaction: income from the provision of real estate consultancy services.

D.6. Explain the mechanisms established to detect, determine and resolve possible conflicts of interests between the company and/or the group and its directors, managers and significant shareholders.

The mechanisms established to detect, determine and resolve possible conflicts of interests are set out in the Conflicts of Interest and Related Parties policy approved by the Board and published on the Company's website.

In addition to this policy and the provisions established therein, the company has implemented an internal controls structure in this regard, which is based on the following elements providing reasonable assurance for the companies control bodies:

- ✓ Reporting channel for related-party transactions and other operations likely to generate conflicts of interest.
- ✓ Recording of transactions and analysis of these transactions.
- ✓ Compliance, acceptance and notification letter in relation to any transactions or conflicts of interest involving directors, senior managers and other executives in view of their functions and duties.
- ✓ Cross-checking against analysis tools and knowledge of natural and legal persons of directors and senior management, to identify those companies with which they have commercial or employment relations.
- ✓ Cross-referencing of the companies identified in the previous section with the company's accounts (invoicing sent and received).
- ✓ Periodic reviews and analysis of related-party transactions by the Internal Audit Department.
- ✓ Report on related-party transactions and conflicts of interest brought to the attention of and examined by Internal Audit. This report is prepared for submission to the Audit and Control Committee.
- ✓ Annual presentation of the register of related-party Transactions and conflicts of interest arising during the year to the Audit and Control Committee.
- ✓ Annual presentation of the register of related-party Transactions and conflicts of interest arising during the year to the Audit and Control Committee.

D.7. Indicate whether the company is controlled by another entity within the meaning of article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them.

 Sí No

Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries on the one hand, and the parent company or its subsidiaries on the other hand, have been publicly disclosed with accuracy:

 Sí No

Report the respective areas of activity and any business relationships between the listed company or its subsidiaries on the one hand, and the parent company or its subsidiaries on the other hand, and identify where these aspects have been publicly disclosed.

Identify the mechanisms in place to resolve possible conflicts of interest between the parent company of the listed company and the other companies in the group:

Mechanisms for resolving potential conflicts of interest

E SISTEMAS DE CONTROL Y GESTION DE RIESGOS

E.1. Explique el alcance del Sistema de Control y Gestión de Riesgos de la sociedad, incluidos los de naturaleza fiscal.

Neinor Homes has defined an integrated control system (ICS), implemented throughout the organization, which associates risks with strategic objectives, processes and control activities and identifies the officers responsible for carrying out and supervising controls, as well as the evidence supporting the system.

Continuous monitoring of this system ensures attention to day-to-day operations and contingencies, facilitating the management of all areas of risk that could affect the successful attainment of the Company's objectives (e.g. business, financial, tax and regulatory risks). In short, the Neinor Homes model seamlessly integrates all regulatory compliance environments with the entire business risk control structure to provide an all-round view that fosters synergies and eliminates duplication.

The main ICS inputs are as follows:

- Compliance risks controls: Internal control of financial information, money-laundering, data protection, prevention of criminal liability, conflict of interest, fraud and corruption, etc.
- Corporate risks and controls: External factors, competitive environment, cyber security, persons, etc.
- Business risks and controls (value chain): Land purchases, product, contracting, and commercial and sales management among other matters.

Neinor Homes uses an Enterprise Risk Management methodology (also known as COSO II), which adds value by ensuring the identification, management and monitoring of business risks.

In the area of tax risk, Neinor Homes has adopted the necessary control mechanisms to ensure compliance with tax legislation in the context of effective business management. The company dedicates appropriate, sufficiently qualified human and material resources for these purposes.

Every two years, the company reviews and updates its strategic/corporate risk map, which is submitted to the Board and the Audit and Control Committee for review and consideration.

This year, following the outbreak of the pandemic, the company, as part of its Integrated Risk Control and Management System, has defined a specific model for dealing with the risks that could arise from this situation (Project Scipio). This has been disseminated throughout the entire organisation, is linked to strategic objectives, processes and control activities and is monitored periodically, and its results are reported to senior management and the Audit Committee.

In this connection, this risk structure of the company, together with certain conservative and prudent measures taken prior to the declaration of the state of emergency by the respective general managements in the company's business, have placed the company in an advantageous position in view of the period of uncertainty we are facing.

One of the strengths that appears again and again in the audit report of the ISO 9001 certification is the risk management system implemented by the company. This year, the risk-based action plan prepared to respond to the consequences of the impact of the "Scipio" pandemic has been highlighted by the auditors as one of the two most significant strengths of the company.

E.2. Identify the corporate bodies responsible for the preparation and implementation of the risk control and management system, including control and management of tax risks.

In accordance with Article 5.6 of the Board's Regulations, approval of the risk control and management policy falls within the Board's remit, including the management of tax risks and periodic monitoring of internal information and control systems.

The Board delegates these functions to the Audit and Control Committee (ACC), and in accordance with Article 9.7 of the Audit and Control Committee Regulation, therefore, the ACC has the following risk management functions:

- To identify and assess the different types of risk (operational, technological, financial, legal, corporate, environmental, political, tax and reputational risk, among others) to which the Company is exposed, including contingent liabilities and other off-balance sheet risks among financial and business risks.
- To establish the levels of risk considered acceptable by the Company.
- To identify the measures in place to mitigate the impact of the risks identified in the event of materialization.
- To identify the information and internal control systems used to control and manage risks, including contingent liabilities and off-balance sheet risks.

Initial responsibility for the supervision of the Integrated Risk Control and Management System in Neinor Homes lies with each business area involved, and the periodic reviews conducted by the Compliance Department and the Internal Audit Department constitute additional second and third lines of defence, while ultimate validation of the system is the responsibility of the Audit and Control Committee and the Board of Directors.

In the tax area, in particular, the Company's tax officer reports annually to the Board of Directors, either directly or via the audit committee, on the tax policies applied.

E.3. State the principal risks, including tax risks and corruption risks (within the meaning of Spanish Royal Decree Law 18/2017), where material, which could affect the successful attainment of business objectives.

Neinor Homes has classified the various risks to which it is exposed into 5 global categories:

- **Environmental risks:** related to the real estate sector and the cyclicity of the business. Correlation of our sector closely linked to the economic cycle. Business structure/resources not aligned to the changes in the cycle/diversification of Servicing/Equity/Leasing activity. Administrative impact of the sector. New tax and regulatory policies for the sector, policies regarding land, management and licensing deadlines. Increase in construction and land acquisition costs, as the existing supply and demand in the market and competitive environment are not homogeneous: associated with the competitiveness of the various agents involved in the real estate sector. Increased competition. Non-homogeneous competition.
- **Operational Risks:** Management of customer expectations and satisfaction. Excessive dependence on suppliers and sometimes limited supplier capacity of execution in time and form. Loss of business knowledge due to the outsourcing of essential services in the value chain. Retention and succession of key people. Inadequate adaptation to the industrial model. Alienation from the transformation and digitalization of the sector.
- **Compliance and ethical risks:** Non-compliance in time and quality of homes delivered. Illegal acts / criminal offences specified in the regulations, carried out by the company or its employees. Non-compliance with the rules and regulations to which the company is subject.
- **Financial and market risks:** Management of the capital market and all those related to the fulfilment of the expectations agreed with the shareholder/market. Excessive linkage to the financial sector. Non-compliance with margins and profit expected by investors and the market.
- **Strategic Risks:** Failure to meet deadlines or cost targets for strategic land development (land not ready for development) / and land acquisition. Valuation of assets and lack of discipline, coherence and reason in the acquisition of land. Failure to achieve sales foreseen in the Business Plan. Conflicts of interest in the strategic development and long-term viability of the company versus the expectations of investors and the market with a more short-term vision. Non-compliance or poor performance in the management of the Servicing contract.

The Integrated Control System (ICS) implemented is a dynamic tool, and as such it is intended to provide up-to-date, continuous information on the possible risks to which the Company may be exposed. Neinor Homes periodically compiles data on development / events that could potentially pose a risk from the various risk detections sources defined in order to facilitate analysis and continuous monitoring, to take any remedial measures required, and, where appropriate, to include any appropriate control / mitigation measures, and to analyse the effectiveness and value of the measures already in place in the ICS.

E.4. State whether the entity applies risk tolerance levels, including in relation to tax risks.

Risk tolerance levels are defined in the risk assessment scale used by Neinor Homes to evaluate the potential risks to which it is exposed, classifying those that the company is willing to assume or reject (in order to achieve its strategic objectives) and placing these risks on the Risk Map.

These assessment scales consider both the financial and reputational impacts which the materialization of the risks evaluated could entail.

In addition, the final risk evaluation made applying the assessment scales addresses the likelihood of materialization in view of both historic data and future estimates.

Risks are evaluated both at the inherent level and at the residual level, i.e. after the application of the control measures established in each case. This procedure ensures effective prioritization of all risk events.

The final risk classification includes both qualitative elements and elements that could affect the attainment of the company's strategic goals or interfere with its mission, vision and values.

The analyses made are contrasted with the opinions of third parties interested in the company and against internal sources.

In the tax area, Neinor Homes ensures strict compliance with tax legislation in the different territories where the group operates, settling the taxes due in accordance with the law based on a reasonable interpretation of prevailing rules, notwithstanding the possibility of legitimate disputes arising with the tax authorities in relation to the interpretation of the applicable tax legislation, despite the application of a best tax practice policy.

The Audit and Control Committee is responsible for reviewing these variables each year in order to update and approve the appropriate tax practices.

E.5. State any risks, including tax risks, which have materialized during the year.

During 2020, some risks inherent in the real estate business of Neinor Homes and in the appearance of the Covid-19 pandemic materialised, although they did not have a material impact on the development and operation of the company.

These risks have been strongly linked on the one hand to real estate operations and strategy, and on the other hand to the consequences of the Covid-19 pandemic.

With regard to the first group, the company continues to be very prudent in the acquisition of land compared to initial years, due to the increase in costs that has occurred in the same. Therefore, after an intense internal analysis in the company and in order to ensure the competitiveness of the same and its future viability, it has been decided to maintain discipline in terms of acquisition policies, pending compliance with expected margins. As a result, the acquisition of land has been deferred, awaiting a foreseeable reduction in price or analysis of land portfolio transactions with institutional investors and corporate transactions.

Moreover, incidents have also been detected in relation to quantity claims by certain suppliers/construction companies, in connection with the increase in production costs that is taking place, and there have also been incidents specific to the development business arising from the management of expectations of some customers who have occasionally expressed dissatisfaction with the product, in relation to materials and finishes, as well as in relation to delivery times.

There have also been delays in the completion time of certain developments due to a lack of resource and production capacity of certain construction companies.

The company has reasonably managed these incidents on the basis of the contracts signed with both parties concerned, the continuous monitoring of external and internal works, established contingency and response plans, protocols and procedures for after-sales service, bonds requested and withholdings made.

In this regard, the extension in waiting times in administrative management for the processing and approval of new works, construction and first-occupancy licences has had a fundamental impact on the relationship with suppliers and customers, as production and delivery times for housing have been affected as a result.

The company has reasonably managed these incidents on the basis of the contracts signed with both parties involved, continuous monitoring of the works, contingency and response plans established, protocols and procedures for after-sales service, bank guarantees sought, withholdings made, the creation of a new

construction business division (Neinor Works) and, lastly, continuous interaction with public institutions which, in turn, for the benefit of economic activation and dynamism, are starting to facilitate the administrative management of the business. (Statement of Compliance for the start of development works etc.).

Regarding the risks and consequences materialised in the year as a consequence of Covid-19, please refer to the note which has been included in the annual accounts at the request of ESMA.

In addition, in 2017 (1 June 2017), verification and investigation activities were initiated in respect of the companies in the NEINOR SUR group (VAT 2014-2016; Company Tax 2012-2015) and NEINOR PENINSULA (VAT 2015-2016; Company Tax 2015).

On 8 January 2019, the tax authorities concluded the verification and investigation procedure in respect of the companies and taxes described above, by means of a final settlement agreement with the following result:

- In relation to NEINOR SUR, no contingent liabilities have been detected that could represent a risk for the company;
- In relation to NEINOR PENINSULA:
 - Previously contingent liabilities (year ended 30 June 2015) in Company Tax have materialised due to differences in allocation over time, and tax penalties were issued. However, in the opinion of the company and its advisors, there is no evidence that the liabilities arising from such sanctions carry the remotest risk for the inspected company, given the nature of the discrepancy, and therefore the probability of being confirmed by the courts is remote.
 - In addition, previously contingent liabilities were detected for VAT (2015), and it is believed that it is likely that these liabilities will be confirmed by the courts, and therefore the company has made full provision for such risk.
 - In this regard, during 2019, the company filed an economic-administrative complaint with the Central Economic Administrative Tribunal (TEAC) against the inspection reports. The company and its advisors believe it is likely that the Court will be able to resolve the aforementioned claim in a manner that will be favourable for the company's interests.

In the 2020 financial year, there were no new developments in this respect, with the actions described above continuing at the appeal stage.

For further information, see section 20.2 of the Consolidated Report.

E.6. Explain the response and oversight plans for the entity's principal risks, including tax risks, as well as the procedures followed by the company to ensure that the board of directors responds to any new challenges arising.

When it updated the Corporate Risk Map, the company defined not only the risks and risk events affecting its business objectives and regulatory compliance by Neinor Homes, but also the necessary control measures to mitigate such risk events.

The officers responsible for execution and supervision were identified for each of the controls established, and the supporting evidence required to show due implementation was defined.

In this regard, the functions envisaged in the Annual Activity Plans of both the Compliance Department and the Internal Audit Department include periodic reviews of control activities to ensure their effectiveness and, where any control weaknesses may be observed, to make recommendations and propose relevant action plans.

Such periodic reviews of control activities are a fundamental part of the companies entire control structure, which integrates the different compliance systems implemented since the company was founded in May 2015, such as the FICCS and the criminal liability prevention, money laundering and terrorism finance prevention, data protection, related-party transactions and conflicts of interest, and fraud and corruption prevention systems, etc.

In order to effectively and efficiently integrate all of the compliance systems, the same uniform, standard implementation process was applied in every case, the key steps of which comprised analysis of external and internal expectations and risk appetite, analysis of domestic and international best practice policies and regulations, risk analyses, drafting of policies, analysis of the existing internal control structure, implementation and, where appropriate, design of additional controls / improvement measures, identification of the governance system (implementation / supervision / reporting), training and communication to the organization.

In addition, the Audit and Control Committee is provided with periodic reports for supervisory purposes on risk management developments in the company, the status of critical risks, monitoring and the progress of the response plans agreed.

With regard to tax risks, Neinor Homes has implemented control mechanisms to ensure due compliance with tax legislation and a continued commitment to the application of best text practices, including in particular:

- ✓ Approval of tax criteria in line with the companies tax policy and its commitment to the application of best tax practices. These criteria are reviewed and validated each year by the officer responsible for tax matters.
- ✓ Ongoing supervision and control of effective implementation of the criteria established. This supervision is carried out both internally by the department responsible for tax matters and externally by an independent tax expert.
- ✓ The officer responsible for tax matters periodically reports to the Board of Directors on the results obtained from the application of tax risk control mechanisms.

Finally, with regard to the pandemic that has affected the entire world economy due to the appearance of the Covid-19 virus, the company, within its Integrated Risk Control and Management System, has defined from the beginning of the state of emergency a specific model to deal with the risks that could arise from this situation (Project Scipio). This has been disseminated throughout the entire organisation, is linked to strategic objectives, processes and control activities and is monitored periodically, and its results are reported to senior management and the Audit Committee.

In this regard, the company's risk structure, together with certain conservative and prudent measures taken by the respective General Managements in the company's business prior to the declaration of the state of emergency, have bolstered the organisation's resilience, giving it the capacity to take on business opportunities, which has strengthened it and put it in an advantageous position in view of the period of uncertainty we are facing. (See note XXX of the report.)

F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PREPARATION AND ISSUE OF FINANCIAL INFORMATION (FIICS)

Describe the mechanisms making out the risk control and management systems relating to the preparation and issue of financial information by the company (FIICS).

F.1. Entity's control environment

Explain at least the following, describing key characteristics:

F.1.1. What bodies and/or departments are responsible for (i) the existence and application of an adequate and effective FIICS, (ii) implementation, and (iii) supervision.

Article 5.4 of the Board's Regulations establishes the powers of the Board of Directors in this area, and subparagraph xxi specifically mentions its "ultimate responsibility for the existence and application of an adequate and effective Financial information internal control system (FIICS)".

Implementation of the FIICS is a matter for all of the business areas defined in Neinor Homes, insofar as they are responsible for the application in practice of control mechanisms and measures to ensure the reliability of the company's financial information.

In its work of supervising the appropriate implementation and application of the system, the Board receives the support of the Audit and Control Committee (ACC), which is assigned the following tasks in accordance with Article 9.3 of the Audit and Control Committee Regulation:

- o To assess the suitability and effectiveness of internal financial controls and internal risk control and management systems, including oversight of the Financial information internal control systems (FIICS) to ensure that the main risks are duly identified, managed, assessed and reported.
- o To provide assurance that these systems appropriately mitigate risks in the context of the policy established by the Board of Directors, where appropriate.

F.1.2. Whether the following exist, especially in relation to the preparation of financial information:

- **Departments and or mechanisms for (i) the design and review of the organizational structure, (ii) the definition of lines of responsibility and authority, including appropriate distribution of tasks and duties, and (iii) the existence of sufficient procedures and awareness of the same throughout the company.**

Neinor Homes' Board of Directors competences include defining the structure of the company, and it therefore has maximum responsibility for assigning duties related with the preparation and supervision of financial information and ensuring that each of the departments involved is duly apprised of its functions.

The General Finance Department (GFD) has primary responsibility for preparing the financial information, although all departments of the company are required to foster transparency and ensure the accuracy of the information they handle and supply to the market.

- **Code of conduct, approval body, diffusion and training, principles and values included (stating any specific mentions of transaction recognition and the preparation of financial information), and body responsible for analysing non-compliance and proposing corrective actions and sanctions.**

Neinor Homes Code of Ethics was approved by the Board of Directors on 14 May 2015, and it has since been updated on several occasions, the last time on 10 March 2017. The company's Ethics Code is the main pillar of its culture, and it provides the main guide for the activity of Neinor Homes, establishing a catalogue of ethical principles, values and rules of conduct that should effectively direct the activity of all group companies and of the people forming part of the company. This document is distributed to all employees on a periodic basis and upon the induction of new employees into the company for their information. Employees are required to return a signed copy signalling their acceptance.

In addition, the company arranges training in ethics and compliance matters for all employees.

In addition, there is regular annual company-wide training on ethics and compliance.

Specifically, annex 4 of the Ethics Code explains that "persons responsible for entering data in the different physical and digital ledgers utilized by the company in the process of preparing its financial information must

assure the reliability, integrity, accuracy and currency of such data" in order to ensure that the financial information reported reflects a true and fair image of the company's equity, financial position and results of operations.

Both the Ethics Code and the Code of Conduct for third parties, and many of the company's Compliance Policies, Manuals and best practices, compliance with which is mandatory for all employees, are published on the company's website (Shareholders and Investors / Corporate Governance and Sustainability / Codes and Policies). The company's principles and values are set out in its Ethics Code and in the published document titled "Mission, Vision and Values".

In addition, "the effectiveness of the Internal Financial Information Control System (SCIIF) as a whole is assessed annually by the Internal Audit Management or by an independent third party".

One of the principles governing Neinor Homes' operations according to the Ethics Code is transparency, and the company therefore establishes that "it will supply the authorities, its shareholders, the markets in which it operates and its customers with accurate, transparent information on financial and accounting matters prepared in accordance with prevailing legislation".

The body responsible for examining cases of non-compliance with the ethics code and proposing corrective action and sanctions is the company's Monitoring and Control Committee, made up of the directors of the Legal, Human Resources and GRC (Governance, Risk, Compliance and Internal Audit) areas.

- **Whistleblowers channel to allow reporting of financial and accounting irregularities to the audit committee, as well as possible cases of non-compliance with the code of conduct and irregular activities within the organization, stating, where applicable, whether this channel is confidential and whether it allows for anonymous communications, respecting the rights of the whistle-blower and the reported party.**

Neinor Homes has established an Ethics Channel to facilitate reporting (either by post or by email) of irregular or inappropriate conduct related with the accounts, control, risks and financial information, as well as other matters considered relevant in relation to the integrity, conduct and transparency of transactions arising in the course of the company's internal and external functioning.

The communication channels on which it is based are twofold:

- An e-mail address: canal.efico@neinorhomes.com
- A postal address: Neinor Homes; Canal Ético; Paseo de la Castellana 20, 5ª planta; 28046, Madrid

Neinor Homes has published its Whistleblower Management Procedure, which regulates the functioning of the Ethics Channel, on its website.

Only reports identifying the whistleblower are formally accepted, although total confidentiality and anonymity of the person providing the information is guaranteed, and the system also permits reports to be filed without identifying the whistleblower. Whistleblowers' reports are received by the Compliance Department and the Internal Audit Department, and their analysis is a priority for the company. Where appropriate, the matters concerned may be submitted to the Monitoring and Control Department for a decision. Neinor Homes handled 20 complaints formally treated as whistleblower matters by the Compliance Department in 2018. All of these matters were resolved within an average period of 5 business days, in compliance with the deadline established in the Neinor Homes Complaints Management Procedure.

The complaints that are normally received through the ethics channel do not normally relate to reportable events that go against the principles set out in the company's code of ethics, but are more related to after-sales operational incidents due to incidents after the delivery of homes. These incidents are monitored by GRC management to ensure that a response is given and that our procedures are complied with.

In the event of an allegation that does impinge on the company's ethical principles, the facts are analysed by GRC management, which prepares a report and passes it to the CEO and/or the Audit and Control Committee, depending on the relevance and seriousness of the incident.

In 2020, 2 complaints were received in the Ethics Channel which have been investigated and resolved without sanction. There have been no cases of discrimination reported.

In addition to the external and internal Ethics Channel, the company has implemented a confidential internal channel for the communication of inefficiencies, non-compliance with procedures, malpractice and inappropriate conduct on the part of employees. Access to this channel is restricted to the Head of Internal Audit and to the Quality officer.

- **Periodic training and refresher programmes for employees involved in the preparation and**

review of financial information, and in FIICS assessments. These courses, or at least accounting rules, auditing, internal control and risk management.

When the Internal Audit Department was set up it organized an FIICS training course covering matters concerned in the preparation and review of financial information.

Meanwhile, the Internal Audit Department and the external Auditor gave a course to the accounts department when the company was listed on the stock exchange last year, dealing with the obligations of listed companies in relation to the financial information reported to the market and corporate good governance.

In addition, the staff involved in preparing and reviewing the financial information receive periodic training and refresher courses on accounting rules, internal control, risk management and regulatory Compliance.

Mandatory training, which is given on an annual basis, is on compliance, ethics, competition, conduct of business rules in securities markets, prevention of money laundering, cybersecurity and data protection.

In relation to the people who make up the GRC team, responsible for ensuring regulatory compliance in the company, in this financial year, in addition to the training received by the entire workforce, they have received training on:

- ✓ Equality.
- ✓ Conflicts of interest and related parties.
- ✓ Internal Control (in the COSO framework).
- ✓ Complaints channel.
- ✓ Covid-19 risks and impacts.
- ✓ Oversight of Non-Financial Reporting.
- ✓ Prevention of money laundering.

With regard to the company's directors, on joining the company, a welcome protocol is in place which includes training on ethics, compliance, good governance, the use of privileged and confidential information, the company's internal control structure and their responsibilities and obligations as company directors, information which they ratify in various documents which they sign.

In the current financial year, the company's directors have received training on:

- ✓ Corporate Governance: changes to the Corporate Governance recommendations and changes to the naming and management of inside information.
- ✓ Risks in the real estate sector.
- ✓ Macroeconomic situation of the residential market.
- ✓ Relevance, responsibilities and risks in the supervision of non-financial reporting.

F.2. Assessment of financial reporting risks

Report at least the following:

F.2.1. Principal features of the risk identification process, including error and fraud, with regard to:

- **Existence and Documentation of the process.**

Neinor Homes has a procedure in place to established the scope of the processes to be included in the FIICS and to identify the relevant business cycles.

The company has also defined a matrix of controls associated with potential risks and accounting or administrative processes in each procedure included in the FIICS. This matrix is reviewed annually. The officers responsible for execution and supervision, associated policies / procedures in place and the audit evidence required have been established for each control.

The company has established a risk management methodology, which is applied in the process of design and implementation of all internal control and regulatory compliance structures. In this regard, we may highlight the following:

- Consideration of internal and external information for the identification of risks
- Consideration of assessment scales for the evaluation of risks
- Risk prioritization interviews and workshops
- Consideration of financial and reputational impacts in relation to the classification of risks
- Consideration of past, present and future probabilities in the analysis of risk materialization

All of the company's compliance environments, including the FILCS, form part of an integrated internal control and ongoing risk management system. The principal characteristics of this system are as follows:

- Identification of the corporate / strategic risk, strategic objectives, procedures, controls and evidence associated with each risk event, which are included in a controlled schedule to avoid duplication between the controls and risks defined for each regulatory compliance and operational environment.
- Implementation of processes and procedures allowing ongoing identification of the risks materializing and their consideration in the redesign and improvements of the internal control system, as well as the pertinent corrective actions.
- Monitoring and ongoing reporting to the company's Audit and Control Committee on the system's functioning and the risks materializing.

Section E above explains the company's Risk Control and Management Systems in more detail.

- **Whether the process covers all financial reporting objectives (existence and occurrence, integrity, measurement, presentation, details and comparability, and claims and obligations), and the frequency with which procedures are updated.**

The process defined and Neinor Homes covers all financial reporting objectives:

- Existence and occurrence: The transactions, events and other matters reflected in the information actually exist and are recognized at the appropriate time.
- Integrity: The information reflects all transactions, events and other matters to which the entity is party or which affect the same.
- Measurement: Transactions, events and other matters are recognized and measured in accordance with applicable accounting rules.
- Details, presentations and disclosure: Transactions, events and other matters are classified, presented and disclosed in the information in accordance with applicable rules.
- Claims and obligations: The information reflects claims and obligations through the appropriate asset and liability captions in accordance with applicable accounting rules.

These objectives are reviewed and updated when significant changes arise in the company's operations resulting in impacts on the financial information reported.

- **Existence of a process to establish the scope of consolidation, taking into consideration, inter alia, the possible existence of complex corporate structures, instrumental entities and special purpose vehicles.**

The identification of the consolidation perimeter with details of company shareholdings is carried out at least annually or when corporate transactions affecting share capital or reserves take place, which are communicated as soon as they occur by the Dirección Legal a la Dirección General Financiera (DGF), aportando las escrituras y documentación que soporten la operación.

In this way, the company ensures that its equity situation is kept up to date, and the GFD proceeds to

consolidate the new companies in the financial statements and to recognize the transactions concerned on an appropriate basis.

The structure of Neinor Homes' consolidated group does not include any complex corporate structures that could give rise to any interpretations or value judgments such as might affect comprehension of the financial statements. All corporate transactions and operations which could result in changes to the scope of consolidation were discussed with our external auditors to ensure appropriate recognition in the Annual Accounts.

- **Whether the process takes into consideration the effects of other types of risks (operational, technological, financial, legal, tax, reputational and environmental risks, etc.) insofar as they might affect the financial statements.**

The FIICS is one of the components of Neinor Homes integrated control system (ICS). As mentioned in section E.1 above, the system also takes into account the principal risks associated with regulatory compliance, such as the risk of fraud and corruption, money-laundering, data protection, etc., as well as corporate risks and those proper to the operations and business of the company (e.g. acquisitions of land, products, sales and purchases).

For a detail of the risks identified at the corporate level, see section E.3.

- **Which of the entity's governance bodies supervises the process?**

As mentioned in section F.1.1, the Board of Directors is the ability responsible for supervising the FIICS via the Audit and Control Committee (ACC) in order to ensure that the principal risks are adequately identified, managed, measured and reported. In order to carry out this function, the Audit and Control Committee (CAC) relies on the company's Internal Audit Department, which annually reviews the effectiveness and efficiency of the operation of the Internal Financial Information Control System (SCIIF).

F.3. Control activities

Explain at least the following, describing key characteristics:

F.3.1. Procedures involved in the review and authorization of the financial information to be published in the stock market and description of the FIICS, indicating the officers responsible, and of the documentation describing workflows and controls (including controls relating to the risk of fraud) involved in the different types of transactions which could materially affect the financial statements, including the procedures applied in the accounting close and in specific reviews of the use of relevant judgements, estimates, valuations and projections.

In accordance with Article 14.5.iii of the Board's Regulations, responsibility for supervising the preparation and presentation of regulated financial information is delegated to the ACC in order to safeguard its integrity. The Committee relies on the support of the General Finance Department and the Internal Audit Department to discharge this function.

The review and authorization procedure for financial information consists initially of double verification by the Accounts Unit and Accounts Department, followed by a review carried out by the company's Management Control Unit and final verification by the Finance Department.

Financial results are reported to the Audit and Control Committee each month.

Before the approval of quarterly financial information by the Board of Directors and its subsequent publication, the Audit and Control Committee meets each quarter to review and authorize said financial information. This information is provided sufficiently in advance to allow a reasonable margin for analysis.

The Internal Audit Department reviews the efficiency and effectiveness of the FIICS on an annual basis, reporting its findings to the Audit and Control Committee.

At the close of the year, the company had 254 procedures / policies and manuals, non-compliance with which could have a direct or indirect impact on the financial statements. The General Finance Department is responsible for 29

such procedures, covering the Department's principal functions such as accounting, the financial information control system, guarantees, financial debt, payments and collections, receipt of invoices, dividends, bank reconciliations and cash flow, among others.

In the area of closing procedures, Neinor Homes has established a schedule sitting out key milestones and dates to be met in each monthly accounting close. In this regard, the Accounts Department closes out accounting periods sequentially by working group in line with the schedule dates in order to avoid errors in the accounting information. Meanwhile, the management system used does not allow the members of the working groups to make accounting entries where they were themselves responsible for closing the accounting period concerned. Each person responsible for making accounting entries verifies that the closing checklist has been properly followed.

Also, specific individual control measures exist to ensure supervision of the calculations made in relation to estimates and provisions (e.g. provisions for bonuses and accrued salaries payable, for legal contingencies and for tax contingencies). The financial information collected independently by the different departments and units involved is then subjected to an overall review, in which it is validated by the Management Control Department before being passed onto the Accounts Department. An analytic review is also carried out by the Strategic Financial Planning Department and by the Internal Audit Department.

F.3.2. Internal control policies and procedures relating to the information systems supporting relevant corporate processes involved in the preparation and publication of financial information (e.g. access security, change tracking, system operation, operational continuity and segregation of functions).

Most of Neinor Homes' business activities are supported by information systems, which provide the basic support for its internal operations, services management and marketing operations. The information handled by the different systems and applications, as well as the communications infrastructure, represent the principal asset used in the normal conduct of business operations, together with the company's people.

In this connection, the company has prepared a Security Policy, which covers the organizational structure, human and technical resources, processes, plans, procedures and protocols related with prevention and response measures to combat relevant physical, logical, compliance and good governance risks.

Security requirements and objectives are determined by the Information Security Committee based on the criteria established in Neinor Homes' policies and the needs detected by the officers responsible for information assets and for business processes. Their scope takes in all activities related with physical and information security, focusing especially on logical security. These requirements and objectives are applicable not only to the Organization's own Security activities and services directly, but also to third-party providers, who follow the guidelines and instructions provided from the standpoint of an advanced, all-round and integrated approach.

The purpose of this policy is to ensure adequate protection of Neinor Homes' information assets within the scope defined by the Information Security Management System, applying the following security principles:

- Confidentiality: ensure that information can be accessed only by authorized persons. The procedures established relate to:
 - Physical and logical access controls
 - Information marking
 - Supports management and Destruction
- Integrity: assure the accuracy and completeness of information and processing methods.
 - Management of ERP patches and vulnerabilities
 - Change management procedures (new developments, mobility applications, etc.)
 - Security of development and support processes
- Availability: ensure that authorized users can access systems when they require information and associated assets. The scope of procedures yes associated with the availability guarantee comprises:
 - Backup Plan
 - Contingency Plan
 - Business Continuity Plan
 - Sundry Detection, Evaluation and Response procedures relating to disruptive incidents
- Privacy: ensure appropriate treatment of personal data

These basic principles must be protected and assured whatever the format of the information, whether electronic, printed, visual or verbal, regardless whether processing is carried on at Neinor Homes' facilities or elsewhere.

The company has established high levels of security for access, continuous training in cybersecurity, reviews of information sent, protocols for the use of mobile devices, daily security copies of servers, restriction of access to external devices, etc.

Neinor Homes has established authorization processes for the approval of the invoices and payments, which are parameterized in the IT tool utilized, allowing identification of the persons involved in each Department and determination of the segregation of functions.

In the financial year 2019 Neinor Homes is ISO 27001 certified for Information Security. Recently, in December 2019, it has renewed this certification.

Finally, it is worth mentioning that in the 2019 financial year the Governance, Risk and Compliance (GRC) management implemented a project for the segregation of functions through which a diagnosis has been made of incompatibilities between functions, roles and permissions of the various users who participate in the preparation of financial information, its analysis or the settlement and approval of the transactions generated by it.

F.3.3. Internal control policies and procedures relating to supervision of the management of activities subcontracted to third parties, as well as assessments, calculations and evaluations entrusted to independent experts, where the same could materially affect the financial statements.

Neinor Homes has established a procedure for the selection, approval and assessment of providers / third parties (e.g. architects, construction firms, marketing firms, advisors and so on). This procedure allows an objective appraisal of external firms for the purposes of selection and contracting of those considered most suitable for the provision of services in accordance with the law and the company's own internal procedures (which include appropriate processing of financial information and the prohibition of disclosure without authorization, among other matters).

Neinor Homes understands that the scope of the internal control procedures applicable to third parties should include material providers, strategic providers having a potentially significant impact on financial information or at the reputational level, providers using confidential information or providing relevant professional services, as well as external auditors, independent asset appraisers and so forth, all of whom must be required to show their experience, independence and reputation in the market.

The reports issued by independent experts are reviewed by company personnel with relevant experience and technical expertise relating to the matters concerned.

The company has a Code of Conduct for third parties, which establishes the ethical standards that significant business partners are required to maintain when they provide services of any kind to Neinor Homes. These principles include compliance with legal and tax obligations, and the avoidance of any criminal offences, fraud or corruption. This Code is accepted and signed by all strategic parties with whom the company works.

F.4. Information and communication

Explain whether the entity has at least the following, describing key characteristics:

F.4.1. A specific department responsible for defining accounting policies and keeping them up to date (accounting policy unit or department), and for the resolution of concerns or conflicts arising in relation to their interpretation, maintaining fluid communication with the organization's operational managers, as well as a current manual of accounting policies duly issued to all of the entity's business units.

The General Finance Department (GFD) of Neinor Homes establishes the applicable accounting processes, policies and rules, and it is responsible for coordinating with the various departments involved in the preparation of financial information. Meanwhile, the GFD's Administration and Accounting Unit is responsible for defining accounting policies and resolving any concerns arising with respect to their interpretation.

In this regard, Neinor Homes has an Accounting Policy Manual prepared internally but checked by independent accounting experts. This Manual is periodically reviewed and defines the classification and measurement criteria applicable in the preparation of the financial statements.

The staff involved in the preparation and review of the financial information are kept constantly abreast of changes in

accounting and tax rules by means of ongoing communication with the company's tax advisers, its external auditor and via the alerts and notifications received from leading audit firms and professional services providers.

The Audit and Control Committee is charged with supervising and reviewing the annual accounts in conformity with prevailing legislation and with generally accepted accounting principles.

Where the application sheet of regulations involves interpretation of a certain complexity, the company seeks the advice of its external auditor and other advisers, or of the regulatory authority.

F.4.2. Mechanisms for the collection and preparation of applicable standard format financial information for use by all of the company's departments and by the group to support the financial statements and the explanatory notes thereto, as well as the FIICS information.

The process concerned in the preparation of financial information is duly defined in Neinor Homes, including a description of all standardized activities involved in the accounting close and in the preparation of the financial statements, as well as the officers assigned to the preparation and review of the same.

A common IT tool (ERP) this is used to process the financial information reported (PRINEX) by all of the group companies, which facilitates subsequent consolidation.

Furthermore, a single Chart of Accounts is used, which has been implemented for the preparation and management of accounting functions in all of the group companies.

F.5. Supervision of the system's functioning

Explain at least the following, describing key characteristics:

F.5.1. Supervisory activities undertaken in relation to the FIICS by the audit committee, and whether the entity has internal audit unit whose competences include supporting said committee in its supervision of the internal control system including the FIICS. Also, explain the scope of the FIICS evaluation carried out in the year and the procedure by which the party responsible for such evaluation reports its findings, whether the entity has an action plan establishing eventual corrective measures, and the consideration given to the possible impact on the financial information..

As explained in section F.1.1 above, the Board of Directors of Neinor Homes oversees the implementation and the application of the FIICS with the support of the Audit and Control Committee (ACC), which in turn delegates monitoring tasks to the Internal Audit Department.

The Internal Audit Department is thus an objective unit which is independent of all other departments, inasmuch as it reports directly to the Audit and Control Committee and indirectly but functionally to the Board of Directors.

The functions assigned to the Internal Audit Department include supervision of the functioning of the FIICS in order to assess the effectiveness of the internal control system and obtain reasonable assurance of the efficiency with which resources are used, the reliability of the financial information and compliance with applicable laws and regulations, and internal policies and procedures.

In addition, in order to identify improvements in the design of the controls and to improve the effectiveness of the system detected in previous audits by the internal audit management, this year an assessment of ICFR compliance was carried out by an external expert in order to safeguard the independence of internal audit with regard to the preparation and design of the controls to be implemented and to have an additional viewpoint.

The internal audit department has carried out an evaluation of FIICS compliance as it does every year.

Each year the FIICS review addresses the design and efficacy of controls and the integrity of the evidence supporting said controls.

The following matters were verified in 2019:

- The integrity and accuracy of the information reported in section F of the ACGR
- Compliance in relation to the execution of certain controls for a sample of periods and group companies

- Alignment between the design of the controls included in the matrix and the risks which they are intended to mitigate or remove, in order to obtain reasonable assurance of the fulfilment of design purposes
- Integrity of the evidence supporting the controls

Based on these reviews during the 2020 financial year, a series of measures have been proposed to improve the Internal Financial Information Control System (SCIIIF) model derived from the recommendations made by the internal auditors, which will be put in place in the next financial year.

F.5.2. Whether the entity has a discussion procedure allowing the auditor (in accordance with technical audit standards or NTA in the Spanish acronym), the internal audit department and other experts to communicate with senior management, the audit committee and the directors to report any significant internal control weaknesses observed in the course of their review procedures carried out in relation to the annual accounts and any other matters required of them. Also, report whether there is any action plan in place to correct or mitigate the weaknesses observed.

As established in the regulations of the Board of Directors, the Audit and Control Committee will supervise the effectiveness of the internal control of the Company and its group, the internal audit and risk management systems, as well as discuss with the auditor any significant weaknesses in the internal control system detected in the course of the audit, among other things.

Therefore, Neinor Homes prepares a quarterly report for Senior Management and the Audit and Control Committee, in which the Internal Audit Department presents its analysis and follow-up on the internal control and risk management system implemented, as well as the key issues identified and the action plans drawn up.

This report also includes the findings from other mandatory regulatory compliance audits carried out in partnership with the Compliance Department (e.g. data protection, money laundering, etc.).

The external auditors also report their findings on the interim and annual financial statements, as well as any weaknesses observed during the audit.

The Internal Audit Department, the Compliance Department and the external auditor also hold regular meetings with the ACC without the presence of senior management to discuss the functioning of control systems.

In addition to their presence at the committee meetings held in 2018, the external auditors also held two meetings with the ACC without the presence of senior management, and the internal audit department maintained an ongoing flow of communication with the audit committee, reporting on various issues such as demands received from supervisory bodies, the risks identified and the audit carried out, as well as analyses of new legislation and training imported.

Various protocols and policies are in place to deal with weaknesses and incidents of non-compliance related with ethical issues and fraud.

Finally, compliance is analysed and supervised in relation to conflicts of interest and related parties, as well as compliance with the Internal Code of Conduct established by the entity as a public company. These matters are periodically reported to the Audit and Control Committee for its information and approval, when applicable.

F.6. Other relevant information

Not applicable.

F.7. External auditor's report

Report of Deloitte, S.L., see annex I.

F.7.1. Whether the FIICS information published in the markets was subjected to a review by the external auditor, in which case the entity should include the pertinent report in an annex. Otherwise, explain the reasons.

With a view to assuring the greatest possible transparency in relation to the preparation of the financial statements presented to all stakeholders, Group Management has opted to subject the FIICS information contained in section F of the Annual Corporate Governance Report for 2018 to review by the external auditor. The auditor's Report on the information relating to the financial information internal control system (FIICS) of Neinor Homes, S.A. for the year ended

31 December 2020 is attached to this Annual Corporate Governance Report in an annex.

The external auditor's strategy since 2016 to focus the audit is based on reliance on controls, and information is therefore collected to establish how the entity addresses the risk of errors in relation to each of the significant business cycles (e.g. procurements, sales, stocks, etc.).

G IMPLEMENTATION OF CORPORATE GOVERNANCE RECOMMENDATIONS

State the degree of implementation by the company with respect to the recommendations contained in the Code of Good Governance for listed companies.

Provide a detailed explanation of the reasons if any recommendation is not followed, or is only partially followed, so that the shareholders, investors and markets in general are provided with sufficient information to evaluate and assess the company's actions. General explanations will not be considered acceptable.

1. The bylaws of listed companies should not limit the maximum number of votes which may be cast by a single shareholder, or contain any other restrictions which might hinder a takeover of the company by means of the acquisition of shares in the market.

Cumple

Explique

2. That when the listed company is controlled, within the meaning of Article 42 of the Commercial Code, by another entity, whether listed or not, and has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them, it publicly and accurately discloses:
 - a) The respective areas of business and possible business relations between group companies, and the nature of the listed affiliate's business with other group companies.
 - b) The mechanisms you established to resolve any potential conflicts of interest that could arise.

Cumple

Cumple parcialmente

Explique

No aplicable

3. During the annual general meeting, the chairman of the Board of Directors should supplement the published annual corporate governance report with a sufficiently detailed verbal report to the shareholders on key corporate governance issues in the company, including in particular the following:
 - a) Changes occurring since the last annual general meeting.
 - b) The specific reasons why the company does not follow any of the Corporate Good Governance recommendations, and whether any alternative rules are applied to the matters in question.

Cumple

Cumple parcialmente

Explique

4. That the company defines and promotes a policy of communication and contacts with shareholders and institutional investors in the context of their involvement in the company, as well as with proxy advisors, that fully respects the rules against market abuse and gives similar treatment to shareholders in the same position. **And that the company makes this policy public on its website, including information on how it has been put into practice and identifies the parties or persons responsible for implementing it.**

And that, without prejudice to the legal obligations to disclose inside information and other types of regulated information, the company also has a general policy regarding the communication of economic-financial, non-financial and corporate information through the

channels it deems appropriate (media, social networks or other channels) that contributes to maximising the dissemination and quality of the information available to the market, to investors and to other stakeholders.

Cumple **Cumple parcialmente** **Explique**

5. The Board of Directors should not seek the delegation from annual general meetings of powers to issue shares or convertible bonds where such issues exclude preferential subscription rights and exceed 20% of share capital at the time of delegation.

Where the board of directors approves any issue of shares or convertible securities involving the exclusion of preferential subscription rights, the company should immediately publish the reports on such exclusion required in accordance with prevailing companies legislation on its website.

Cumple **Cumple parcialmente** **Explique**

6. Listed companies preparing the reports mentioned below, whether on a mandatory or voluntary basis, should publish the same on their corporate website sufficiently in advance of the date of the annual general meeting, even where publication is not mandatory:

- a) Report on auditor independence
- b) Reports on the functioning of the audit and appointments and Remunerations Committees
- c) Audit committee report on related-party transactions
- d) Report on the corporate social responsibility policy.

Cumple **Cumple parcialmente** **Explique**

7. The company should broadcast shareholders' general meetings live on its website.

And that the company has mechanisms that enable proxy voting and voting by electronic means and also, in the case of large capitalisation companies and to the extent proportionate, attendance and active participation in the General Shareholders' Meeting

Cumple **Explique**

8. That the audit committee ensures that the annual accounts submitted by the board of directors to the general shareholders' meeting are drawn up in accordance with accounting regulations. In those cases where the auditor has included a qualification in its audit report, the chairman of the audit committee clearly explains to the general shareholders' meeting the audit committee's opinion on its content and scope, making a summary of this opinion available to shareholders at the time of publication of the notice of call to the meeting, together with the rest of the proposals and reports of the board.

Cumple **Cumple parcialmente** **Explique**

9. The company should publish the requirements and procedures required to establish ownership of shares, the right of attendance at shareholders' general meetings and arrange proxy votes on its website on a permanent basis.

Such requirements and procedures should be designed to foster attendance and the exercise of voting rights by shareholders, and they should be applied on a non-discriminatory basis.

Cumple **Cumple parcialmente** **Explique**

10. Where any shareholder may legitimately have exercised the right to make any addition to the agenda or to present new proposals for resolutions before the date of the annual general meeting, the company should:

- a) Immediately publish such additional agenda items and new proposals for resolutions.
- b) Publish the form of the attendance card, proxy voting form or remote voting form containing the necessary changes to allow voting on the new points on the agenda and alternative proposals, in accordance with the terms proposed by the board of directors.
- c) Submit all such agenda items or alternative proposals to a vote applying the same voting rules as in the case of proposals made by the board of directors, including in particular any assumptions or deductions with regard to the nature of votes.
- d) After the General Shareholders Meeting, the company should provide a breakdown of votes cast on any such additional agenda items or alternative proposals.

Cumple **Cumple parcialmente** **Explique** **No aplicable**

11. If the company intends to pay any premiums for attendance at the annual general meeting, it should establish a general policy regarding such premiums in advance and apply said policy on a stable basis.

Cumple **Cumple parcialmente** **Explique** **No aplicable**

12. The board of directors should perform its duties with unity of purpose and independence, according all shareholders the same treatment. It shall be guided at all times by the company's best interest, to be understood as establishing a profitable business that is sustainable in the long run, promoting business continuity and maximizing the company's value.

In pursuit of the corporate interest, the company should not only abide by applicable laws and regulations and act in good faith, ethically and with due respect for custom and generally accepted best practice, but also seek to reconcile said corporate interest with the legitimate interests of its employees, suppliers, customers and other stakeholders potentially affected by the conduct of affairs, and with the impact of the company's activities on the community as a whole and on the environment.

Cumple **Cumple parcialmente** **Explique**

13. The Board of Directors should be of an appropriate size to ensure effective functioning and participation, and in this light it is advisable that it should have between five and fifteen members.

Cumple **Explique**

14. The board of directors should approve a policy for the selection of directors which:
- a) Is concrete and verifiable.
 - b) Ensures that proposals for appointment or reelection of members are based on a prior analysis of the board's needs.
 - c) Encourages diversity of knowledge, experience, age and gender. For these purposes, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.

The result of the prior analysis of the board's needs should be set out in a report of the appointments committee, which should be published on the occasion of the call to the general meeting at which the ratification, appointment or reelection of each board member is to be proposed to the shareholders.

The policy for the selection of board members should contribute to the objective of ensuring that at least 30% of the total directors are female by 2020.

The appointments committee should verify compliance with the policy for the selection of board members on an annual basis and should explain its findings in the annual corporate governance report.

Cumple **Cumple parcialmente** **Explique**

15. Proprietary and independent directors should represent and ample majority on the board of directors, and the number of executive directors should be the lowest possible taking into consideration the complexity of the corporate group and the percentage of shares in the company held by the executive directors.

And that the number of female directors accounts for at least 40% of the members of the board of directors by the end of 2022 and thereafter, and is no less than 30% prior to this.

Cumple **Cumple parcialmente** **Explique**

In the financial year that has ended, the number of female directors did not reach 30% of the total number of board members, as there have been no changes in the composition of the board and the number and diversity (except for gender) of the board members is considered appropriate as has been shown in the evaluation of the functioning of the board and its committees carried out by the appointments and remuneration committee assisted by an external expert of repute.

With regard to new board members, the Company will encourage diversity of gender, experience and knowledge among its directors and will ensure that there are no implicit biases that could lead to any kind of discrimination, especially in the selection of female directors.

For future appointments (not foreseen in the short term), female candidates must always be considered and, given equal qualifications, must be selected.

- 16.** The percentage of proprietary directors out of the total non-executive directors should not be greater than the proportion between the shares in the company represented by said proprietary directors and the rest of the share capital.

This criterion may be relaxed in the following circumstances:

- a) In companies with significant capitalization in which there are very shareholdings that would legally be defined as significant.
- b) In the case of companies where numerous unrelated shareholders are represented on the board of directors.

Cumple

Explique

The percentage of proprietary directors over total non-executive directors is practically equal to the proportion between the capital they represent and the rest of the capital.

The main reason is the existence of two executive directors, none of whom belong to the audit and control and appointment and remuneration committees where there is a majority of independent directors.

- 17.** Independent directors should make up at least half of the total number of directors.

Nevertheless, where a company is not a large capitalization concern, or if it is, where a single shareholder or several acting in concert control more than 30% of share capital, the number of independent board members should represent at least one third of the total board members.

Cumple

Explique

- 18.** Companies should publish the following information about directors on their corporate websites, keeping said information up to date at all times:

- a) Professional and biographical profile.
- b) Other boards of which directors are members, whether or not in listed companies and any other remunerated activities undertaken, whatever their nature.
- c) Indication of the category of director to which each board member belongs, stating the shareholder represented or with whom a director has links in the case of proprietary directors.
- d) Date of first appointment as a director of the company, and dates of any subsequent reappointments.
- e) Shares and stock options held in the company.

Cumple

Cumple parcialmente

Explique

- 19.** Subject to verification by the appointments committee, the annual corporate governance report should explain the reasons for the appointment of proprietary board members at the request of shareholders holding equity interests of less than 3% of share capital. Likewise, the reasons for the refusal, where applicable, of any formal requests for seats on the board made by shareholders holding interests of equal size or greater than the interests owned by other shareholders at whose request proprietary board members were appointed.

Cumple Cumple parcialmente Explique No aplicable

20. Proprietary directors should tender their resignation whenever the shareholder represented transfers its interest in share capital. An appropriate number of proprietary directors should also do so where the shareholder represented lowers its shareholding to a level requiring a reduction in the number of proprietary directors.

Cumple Cumple parcialmente Explique No aplicable

21. The Board of Directors should not propose the removal of any independent director before the end of the statutory term of office for which the same was appointed, except with good cause established by the board subject to a report of the appointments committee. In particular, good cause shall be deemed to exist where the director takes up any new office or contracts new obligations which would prevent him/her from dedicating the time necessary to discharge the functions proper to the office of director, or fails to discharge the duties inherent in his/her office, or is affected by any circumstances in view of which he/she might lose the condition of independence within the meaning of applicable legislation.

The removal of independent directors may also be proposed as a consequence of any public takeover bid, merger or similar corporate transactions which would entail a change in the company's capital structure, where such changes in the make-up of the board of directors are obey the principle of proportionality mentioned in recommendation 16.

Cumple Explique

22. Companies should establish rules obliging directors to report and, where applicable, to resign in any circumstances that could detrimentally affect the credit and reputation of the company, and requiring them to notify the board of directors of any criminal charges that may be brought against them and explain the progress of trial proceedings.

And that the board, having been informed of or otherwise having knowledge of any of the situations mentioned in the preceding paragraph, examines the matter as promptly as possible and, in view of the particular circumstances, decides, after a report from the Appointments and Remuneration Committee, whether or not to take any action, such as initiating an internal investigation, requesting the resignation of the director or proposing his or her removal. And that a report is included in the annual corporate governance report, unless there are special circumstances justifying it, which must be recorded in the minutes. This is without prejudice to any information that the company must disclose when the corresponding measures are adopted.

Cumple Cumple parcialmente Explique

23. All directors should clearly express their objections when they consider that any proposal submitted to the board for a decision is contrary to the corporate interest. In particular, the independent and other directors who are not affected by a potential conflict of interests should likewise object wherever they consider that any decisions might be detrimental to the interests of other shareholders not represented on the board of directors.

Where the board of directors adopts any significant decision in relation to which a director may have expressed serious reservations, or where it may repeat any such decision, the director concerned should consider their position and, if they opt to resign, they should explain their reasons in the letter mentioned in the next recommendation.

This recommendation also applies to the secretary to the board of directors, even where the same is not a director.

Cumple **Cumple parcialmente** **Explíque** **No aplicable**

24. That when, either by resignation or by resolution of the general shareholders' meeting, a director resigns before the end of his or her term of office, he or she sufficiently explains the reasons for his or her resignation or, in the case of non-executive directors, his or her opinion on the reasons for the removal by the board, in a letter to be sent to all members of the board of directors.

And that, without prejudice to the disclosure of all the above in the annual corporate governance report, insofar as it is relevant for investors, the company publishes the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

Cumple **Cumple parcialmente** **Explíque** **No aplicable**

25. The appointments committee should ensure that non-executive directors have sufficient time available for the appropriate discharge of their duties.

The Board's Regulations should establish a maximum number of other companies' boards on which the directors may hold seats.

Cumple **Cumple parcialmente** **Explíque**

26. The board of directors should meet as often as necessary to perform its functions effectively and at least eight times per year, following a schedule of dates and issues established at the start of the year. However, each director may also individually propose other initially unscheduled items for inclusion in the agenda.

Cumple **Cumple parcialmente** **Explíque**

27. Failure on the part of board members to attend meetings should be confined to unavoidable cases and non-attendance should be quantified in the annual corporate governance report. Proxies should be arranged with instructions in the event of inability to attend.

Cumple **Cumple parcialmente** **Explíque**

28. Where the directors or the secretary express any concerns over a proposal, or in the case of directors, over the conduct of the company's affairs, and such concerns are not resolved at a meeting of the board of directors, the concerns raised shall be recorded in the minutes at the request of the party expressing the same.

Cumple **Cumple parcialmente** **Explíque** **No aplicable**

29. The company should establish appropriate channels to allow the directors to obtain the necessary advice to discharge their duties, including external advisory services payable by the company where circumstances so require.

Cumple **Cumple parcialmente** **Explique**

30. Irrespective of the expertise required of directors for the discharge of their duties, companies should offer the directors training programmes to refresh their knowledge and skills, where circumstances so require.

Cumple **Cumple parcialmente** **Explique**

31. The agenda for board meetings should indicate clearly the points on which the board of directors is required to adopt a decision or resolution, so that the directors can examine or obtain the necessary information in advance.

Where the chairman may wish in exceptional circumstances and for reasons of urgency to propose decisions or resolutions which are not included in the agenda for approval by the board of directors, the express prior consent of the majority of the board members present shall be required and shall be recorded in the minutes.

Cumple **Cumple parcialmente** **Explique**

32. Board members should be periodically informed of changes in the shareholder structure and of the opinions of the company held by significant shareholders, investors and credit rating agencies.

Cumple **Cumple parcialmente** **Explique**

33. As the officer responsible for the effective functioning of the board of directors, the chairman shall exercise the functions attributed by law and the bylaws, and should prepare and submit to the board of directors a schedule of dates and an agenda, organize and coordinate periodic assessments of the board, and where appropriate, of the company's chief executive officer. The chairman should likewise direct the work and effective functioning of the board, ensuring that sufficient time is given over to the discussion of strategic issues, and agreeing and reviewing the programmes established to refresh the knowledge of each director where circumstances so require.

Cumple **Cumple parcialmente** **Explique**

34. Where there is a coordinating director, the bylaws or Board's Regulations should attribute the following functions to said officer in addition to the powers legally assigned to the same: to chair the board of directors in the absence of the chairman and deputy chairs, where applicable; to take note of the concerns voiced by non-executive directors; to maintain contacts with investors and shareholders in order to learn their points of view and form an opinion of their concerns, in particular with regard to corporate governance of the company; and to coordinate the plan for succession of the chairman.

Cumple Cumple parcialmente Explique No aplicable

35. The secretary to the board of directors should oversee the board's actions and decisions, ensuring that they are based on the good governance recommendations applicable to the company as set forth in the Code of Good Governance.

Cumple Explique

36. The board of directors shall meet once per year in full session to evaluate and, where appropriate, adopt an action plan to correct any weaknesses identified with respect to:

- a) The quality and effectiveness of the board's functioning.
- b) The functioning and membership of its committees.
- c) The diversity of the board's membership and competences.
- d) The performance of the chairman of the board of directors and of the company's chief executive.
- e) The performance and contribution of each director, focusing in particular upon the directors responsible for each of the Board committees.

Assessments of the different committees should be based upon the reports submitted by the same to the board of directors, while the evaluation of the board itself shall be based on the report submitted by the appointments committee.

Every three years, the board of directors should be assisted in its evaluation by an external consultant, whose independence should be verified by the appointments committee.

Business relations maintained by the company or any group company with the consultant or any company forming part of the consultant's group shall be duly disclosed in the annual corporate governance report.

The processes and areas evaluated should be described in the annual corporate governance report.

Cumple Cumple parcialmente Explique

37. That when there is an executive committee, at least two non-executive directors sit on it, at least one of whom is independent; and its secretary is the secretary of the board of directors.

Cumple Cumple parcialmente Explique No aplicable

38. The board of directors should at all times be apprised of the matters debated and decisions taken by the executive committee, and all directors should receive copies of the minutes to meetings of the executive committee.

Cumple Cumple parcialmente Explique No aplicable

39. That the members of the audit committee as a whole, and especially its chairman, are appointed taking into account their knowledge and experience in accounting, auditing or risk management, both financial and non-financial.

Cumple Cumple parcialmente Explique

40. A unit should be set up under the supervision of the audit committee to perform the internal audit function and oversee the proper functioning of information and internal control systems. The internal audit unit should report functionally to the non-executive chairman of the board or to the audit committee.

Cumple Cumple parcialmente Explique

41. That the head of the unit responsible for the internal audit function presents his/her annual work plan to the audit committee for approval by the committee or by the board, reports directly to it on its implementation, including any incidents and limitations on scope arising in the course of its implementation, the results and follow-up of his/her recommendations, and submits an activities report to it at the end of each year.

Cumple Cumple parcialmente Explique No aplicable

42. In addition to those established by law, the audit committee should perform the following functions:

1. In relation to information systems and internal control:

- a) To supervise and assess the preparation process and the integrity of financial and non-financial information, as well as the control and management systems for financial and non-financial risks relating to the company and, where appropriate, the group - including operational, technological, legal, social, environmental, political, reputational and corruption-related risks - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
- b) To ensure the independence of the unit assuming the internal audit function; proposing the selection, appointment and removal of the head of the internal audit department; proposing the budget for internal audit; approving or proposing approval to the board of the annual internal audit orientation and work plan, ensuring that its activity is primarily focused on relevant risks (including reputational risks); receiving regular information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
- c) To establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, reporting any potentially significant irregularities, including financial and accounting irregularities, or of any other type, related to the company that they

notice within the company or its group. This mechanism must guarantee confidentiality and, in any case, provide for cases in which communications may be made anonymously, respecting the rights of the whistleblower and the reported party.

- d) To ensure in general that the established internal control policies and systems are effectively implemented in practice

2. In relation to the external auditor:

- a) To examine the circumstances and reasons in the event the external auditor should resign.
- b) To ensure that the external auditor's fees for its work do not compromise quality or its independence.
- c) To oversee reporting by the company of any change of auditor to the CNMV, and to ensure that it is accompanied by a statement with regard to the possible existence of disagreements with the outgoing auditor, if any, and the contents thereof.
- d) To ensure that the external auditor holds an annual meeting with the whole of the board of directors to report on the audit work carried out and on the evolution of accounting matters and the risks to which the company is exposed.
- e) To ensure that the company and the external auditor respect prevailing regulations governing the provision of non-audit services, the limits on the concentration of the auditor's business and the terms of other regulations governing auditor independence in general.

Cumple **Cumple parcialmente** **Explique**

43. The audit committee should be able to call any employee or executive of the company, and even to require attendance without the presence of any other executive.

Cumple **Cumple parcialmente** **Explique**

44. The audit committee should be informed of all transactions involving structural or corporate changes which the company plans to carry out. The committee shall examine such information and report in advance to the board of directors on the financial terms and accounting impact of such transactions, and in particular on the exchange ratio proposed, if any.

Cumple **Cumple parcialmente** **Explique** **No aplicable**

45. The risk control and management policy should define at least:

- a) The different types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks, including those related to corruption) faced by the company, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
- b) A tiered risk management and control model, including a specialised risk committee where sectoral rules so provide or where the company deems it appropriate.
- c) The measures established to mitigate the impact of the risks identified, in the event any should materialize.
- d) The information and internal control systems used to control and manage risks, including contingent liabilities and off-balance sheet risks.

Cumple Cumple parcialmente Explique

46. An internal control and risk management function headed up by an internal unit or department of the company should be set up under the direct supervision of the audit committee or, where appropriate, of a specialized board committee to take charge of the following functions:

- a) To ensure the proper functioning of risk control and management systems and, in particular, to ensure that the same adequately identify, manage and quantify all significant risks to which the company may be exposed.
- b) To participate actively in the preparation of the risk strategy and significant decisions with regard to risk management.
- c) To ensure that risk control and management systems adequately mitigate risks within the framework of the policy defined by the board of directors.

Cumple Cumple parcialmente Explique

47. The members of the appointments and Remunerations Committee (or of the appointments committee and remuneration committee where separate) should be appointed in view of their expertise, skills and experience with regard to the functions they are required to discharge, and the majority should be independent board members.

Cumple Cumple parcialmente Explique

48. Large capitalization companies should establish a separate appointments committee and remuneration committee.

Cumple Explique No aplicable

49. The appointments committee should consult with the chairman of the board and the company's chief executive officer, in particular on matters relating to executive board members.

Any director should be able to request that the appointments committee take potential candidates to cover vacancies in the board into consideration, where they understand the same to be suitable.

Cumple Cumple parcialmente Explique

50. The remuneration committee should exercise its functions independently. In addition to those attributed by law, said functions shall comprise the following:

- a) To propose the basic terms of senior management contracts to the board of directors.
- b) To verify compliance with the remuneration policy established by the company.
- c) Periodically to review the remuneration policy applied to directors and senior executives, including share-based remuneration systems and their application, if any, and to provide assurance that individual remuneration is proportionate and in line with the compensation paid to other directors and senior executives of the company.
- d) To ensure that potential conflicts of interest do not adversely affect the independence of external advice provided to the committee.
- e) To verify information on the remuneration of directors and senior executives contained in corporate documents, including the annual report on directors' remuneration.

Cumple **Cumple parcialmente** **Explique**

51. The remuneration committee should consult with the chairman of the board and the company's chief executive, in particular on matters relating to executive directors and senior management personnel.

Cumple **Cumple parcialmente** **Explique**

52. The rules governing the membership and functioning of supervisory and control committees should be set out in the Board's Regulations and should be consistent with those applicable by law to mandatory committees in accordance with the foregoing recommendations, including:

- a) Membership should comprise exclusively non-executive directors and a majority should be independent board members.
- b) Committee chairpersons should be independent directors.
- c) The board of directors should appoint the members of committees in view of the expertise, skills and experience of directors and the duties entrusted to each committee and should debate their proposals and reports. Each committee should likewise be held to account for its activity and work at the first full meeting of the board held after each of committee meeting.
- d) Committees should seek external advice where considered necessary for the due discharge of their functions.
- e) Minutes should be kept of each meeting and should be provided to all of the directors.

Cumple **Cumple parcialmente** **Explique** **No aplicable**

53. That the supervision of compliance with the company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, is entrusted to one or several committees of the board of directors, which could be the audit committee, the appointments committee, a committee specialising in sustainability or corporate social

responsibility or any other specialised committee that the board of directors, in the exercise of its powers of self-organisation, decides to create. And that such a committee is composed solely of non-executive directors, the majority of whom are independent, and it is specifically attributed the minimum functions indicated in the following recommendation.

Cumple **Cumple parcialmente** **Explique** **No aplicable**

54. That the minimum functions referred to in the above recommendation are as follows:

- a) Overseeing compliance with the company's corporate governance rules and with the internal codes of conduct, and ensuring that the corporate culture is aligned with the purpose and values thereof.
- b) The supervision of the application of the general policy regarding the communication of economic-financial, non-financial and corporate information as well as communication with shareholders and investors, proxy advisors and other stakeholders. The way in which the entity communicates and interacts with small and medium-sized shareholders will also be monitored.
- c) The periodic review and evaluation of the corporate governance system and of the company's environmental and social policy, so that they fulfil their mission of promoting the interests of society and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Monitoring that the company's environmental and social practices are in line with the strategy and policy established.
- e) Monitoring and evaluation of stakeholder engagement processes.

Cumple **Cumple parcialmente** **Explique**

55. That the sustainability policies on environmental and social issues identify and include, as a minimum:

- a) The principles, commitments, objectives and strategy with regard to shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and prevention of corruption and other illegal conduct.
- b) Methods or systems for monitoring compliance with policies, associated risks and their management.
- c) The mechanisms for monitoring non-financial risk, including those related to ethical and business conduct issues.
- d) The channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that avoid manipulation of information and protect integrity and honour.

Cumple **Cumple parcialmente** **Explique**

56. Directors' remuneration should be set at the necessary levels to attract and retain directors with the desired profile, and to reward the dedication, qualifications and responsibility required by their office, but it should not be set so high as to compromise the independence of non-executive directors.

Cumple **Explique**

57. Variable remuneration linked to the company's results and personal performance should be confined to the executive directors, as should remuneration systems based on the allocation of shares, options or rights over shares or other instruments linked to the share price, and long-term savings systems such as pension plans or retirement and other prudential schemes.

Share-based remuneration may be considered for non-executive directors subject to the condition that any securities delivered by held until the director concerned leaves office. This condition shall not apply to any securities which the board member concerned may need to dispose of, where applicable, to settle acquisition costs.

Cumple **Cumple parcialmente** **Explique**

58. In the case of variable pay, remuneration policies should establish the necessary limits and technical precautions to ensure that such rewards relate to the professional performance of beneficiaries and do not accrue merely as a result of the general evolution of the markets, the industry in which the company operates or other similar circumstances.

In particular, variable pay components should:

- a) Be linked to predetermined, measurable performance criteria, and such criteria should take into account the risks assumed to obtain results.
- b) Promote the sustainability of the company and include non-financial criteria related to long-run value creation, as well as compliance with the company's internal rules and procedures, and with its risk control and management policies.
- c) Be structured on the basis of balance between the attainment of objectives in the short, medium and long term, so as to remunerate ongoing success and performance over a sufficient period of time to appreciate the contribution made to the sustainable creation of value and ensure that the performance variables measured do not refer only to one-off, occasional or extraordinary events.

Cumple **Cumple parcialmente** **Explique** **No aplicable**

59. **That** the payment of variable components of remuneration **are** subject to sufficient verification that performance or other pre-established conditions have been effectively met. Institutions **will** include in the annual directors' remuneration report the criteria as to the time required and methods for such verification depending on the nature and characteristics of each variable component.

In addition, institutions are assessing the establishment of a "malus" clause based on the deferral for a sufficient period of time of the payment of a part of the variable components involving their total or partial loss in the event that an event occurs prior to the time of payment that makes this advisable .

Cumple **Cumple parcialmente** **Explique** **No aplicable**

60. Compensation that is tied to the company's earnings should take into account the qualifications, if any, contained in the external auditor's report where the same reduce earnings.

Cumple **Cumple parcialmente** **Explique** **No aplicable**

61. A relevant percentage of the variable remuneration paid to executive directors should be linked to the delivery of shares or financial instruments indexed to the share price.

Cumple **Cumple parcialmente** **Explíque** **No aplicable**

62. That once the financial instruments, options or shares corresponding to the remuneration systems have been allocated, executive directors may not transfer ownership or exercise such rights until at least three years have elapsed.

An exception is made where the director, at the time of the transfer or exercise, has a net financial exposure to changes in the share price of a market value equivalent to an amount of at least twice his/her annual fixed remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director needs to dispose of in order to meet the costs related to their acquisition or, subject to the favourable opinion of the appointments and remuneration committee, to deal with any extraordinary situations that so require.

Cumple **Cumple parcialmente** **Explíque** **No aplicable**

63. Contractual agreements with directors should include a clause allowing the company to claim reimbursement of variable remuneration items where payment was not in line with the performance conditions established, or where payment was made in view of data later found to be inaccurate.

Cumple **Cumple parcialmente** **Explíque** **No aplicable**

64. Severance payments made on the termination of contracts should not exceed two years' total annual remuneration, and they should not be made until the company has been able to verify that the director concerned fulfils the performance criteria established.

For the purposes of this recommendation, contractual cancellation or termination payments include any payments whose accrual or payment obligation arises as a result of or in connection with the termination of the director's contractual relationship with the company, including amounts not previously vested in long-term savings schemes and amounts paid under post-contractual non-competition agreements.

Cumple **Cumple parcialmente** **Explíque** **No aplicable**

H

OTHER MATTERS OF INTEREST

1. Briefly describe any other relevant corporate governance matters in the company or its group entities that are not considered in the preceding sections of this report and require inclusion to complete the reasoned information offered on the governance structure and practices of the entity and its group.

2. You may also include in this section any other information, clarification or qualification related with the preceding sections of this report, to the extent that such explanations are not repetitious.

Specifically, state whether the company is subject to any corporate governance legislation other than Spanish law and, where applicable, include any information that you are under the obligation to provide other than that required in this report.

3. The company may also state whether it has voluntarily adhered to any other international, industry or other ethical or best practice codes. Indicate the code in question and the date of adhesion, where applicable. In particular, you should mention whether the company has adhered to the Code of Best Tax Practice of 20 July 2010.

H.1

Neinor Homes is fully aware of its significance as a business, institutional and social reality and as a benchmark company in the area of residential development in Spain, and in this light it cannot ignore the importance of conducting its entire business with the maximum diligence in terms of Good Governance, ethics and transparency.

We consider it necessary to provide the following information to ensure a proper understanding of the company from a Good Governance standpoint, and of the efforts it has made to progress in this area.

Neinor Homes relies principally on its own proprietary Code of Conduct, which sets out the main mandatory guidelines and criteria governing the conduct of all Neinor Homes employees. This code is communicated to and acknowledged by all employees on an annual basis.

According to the previous paragraph, then, Neinor Homes' Corporate Governance rules are established in its Corporate Bylaws, in the Regulations of the Board of Directors and the General Shareholders Meeting, in the Regulations of all of the Board Committees, in the Internal Regulations Governing Conduct in the Securities Markets, all of which have been duly approved by the Board of Directors and have applied since the first day's trading of the company's shares on the Spanish Stock Exchanges.

In this connection, Neinor Homes has prepared a series of mandatory policies and regulations monitored by the integrated control system and designed to underpin and provide support in matters of Good Governance for the regulations of its Governing Bodies, some of which are published online in the corporate website:

- Code of Conduct for third parties.
- Conflict of interest and related parties transactions.
- Code of best practices in the real estate mediation services.
- Crime Prevention System.
- Director selection policy.
- Tax policy.
- Compliance Handbook.
- Internal Audit Handbook.
- Policy on provision of non-audit services.
- Employment policy for former employees of the Company's auditor.
- Electronic shareholder forum operating rules.
- Risk management policy.
- Equality policy.
- Corporate Governance policy.
- Corporate Social Responsibility policy.
- Shareholder communication policy.
- Remuneration policy for the member of the Board of Directors.

- Quality, environment and innovation policy.
- Treasury shares policy.
- Financing and investment policy.
- Internal code of conduct in security markets.
- General economic, financial and corporate communication policy.

We would also stress that the company's Board of Directors has given much thought since the day of its incorporation to its relations with all stakeholder groups in its role as a leader in the transformation that we are determined to effect in the real estate sector, eschewing a narrow focus on the shareholders and the financial community. We have implemented numerous initiatives and measures which we wish to see reflected in our way of doing business, and which we trust will benefit our human team, our suppliers, our customers, the environment, the regulatory authorities, the media and society in general, including:

1. **Ongoing Internal Control and Risk Management Model.** The quality certification (ISO 9001) repeatedly considers the company's risk management as one of its most significant strengths. On the same lines, also this year, risk management due to Covid-19 and its impact on all the company's operations has been considered to be one of the best practices in the company's management. See section F.

2. **Continuous Corporate Governance Advancement System,** resting basically on the following to pillars:

- The company has created a continuous tracking and monitoring system to assess progress with its goal of continuous improvement in non-financial projects in the areas of environment, innovation, etc.
 - The company has implemented a Continuous Good Governance Management System to monitor good governance activities over the course of the year. For this purpose it has made an in-depth analysis of both Spanish and international regulations, establishing the obligatory activities that must be included in the agenda of the Board and of each Committee, and it prepares annual diagnoses of compliance with the recommendations of the CUBG, LSC, new Spanish Audit Act, and best international practices (King IV, Federal Sentencing Guidelines, etc.).
3. **White Book.** Neinor Homes has created the first residential sector White Book, consisting of a design and construction manual that seeks to standardize the quality, sustainability and design parameters defining all real estate developments. The White Book systematizes and details all of the processes required throughout the lifecycle of Neinor Homes' products so that both architects and builders are able to apply the relevant parameters to the high standards defined by the company.
4. **Certificación BREEAM.** We are the residential developer in Spain with the highest number of BREEAM certifications. BREEAM promotes sustainable construction that results in economic, environmental and social benefits for everyone involved in the life of a building (tenants, users, developers, owners, managers, etc.) while at the same time conveying the company's Corporate Social Responsibility to society and to the market in an unequivocal and easily perceptible way.
5. **Certification of Neinor Homes' integrated management system. The company holds the following certificates: Quality Management (ISO 9001), Environmental Management (ISO 14001), R&D Management (UNE 166002) and Information Security Management (ISO 27001). All of these certificates were obtained in prior years and have been renewed in 2018. Neinor Homes is the first new cycle real estate developer to obtain these four certificates.**
6. Preparation of the Corporate Social Responsibility report based on GRI standards, **publicly reflecting the resources applied and efforts made by the company in the field of corporate responsibility. The report includes a materiality analysis, which is highly valuable from a strategic standpoint because it focuses on those corporate, environmental and economic issues that are most relevant to the company's business and that most influence stakeholder value creation.**

It also reveals the enormous opportunity offered by the transformation and consolidation of the real estate sector in terms of the generation of sustainable value for all interested parties. Our principal objective is to generate margins and returns in line with the development and risks assumed, building homes for people, establishing stable relations with our suppliers and increasing value for our employees.

We also wish to make clear that Neinor Homes is fully committed to sustainability and its impact on our society, and although it is not directly subject to the Law on non-financial and diversity reporting approved on 13 December 2018, the company fully complies with its provisions and publishes a sustainability report in line with old disclosure requirements contained in the new legislation. The integrity and accuracy of this report is further verified in a review carried out by an independent third party.

H.2

Neinor Homes adheres to the Code of Best Tax Practice promoted by the Spanish Large Companies Forum and Tax Service, which was first approved by the Board on 26 July 2017, and it is careful to comply with its provisions.

This annual corporate governance report was approved by the company's board of directors at its meeting held on 24 February 2021.

State whether any directors voted against the approval of this Report or abstained.

Sí

No

Names of directors who did not vote in favour of approving this report	Type of vote (against, abstention, absence)	Explain the reasons

Neinor Homes, S.A.

**Auditor's report on "Information
relating to the internal control over
financial reporting (ICFR)" of Neinor
Homes, S.A. for the year ended 31
December 2020**

February 24, 2021

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

AUDITOR'S REPORT ON "INFORMATION RELATING TO THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF NEINOR HOMES, S.A., FOR THE YEAR ENDED 31 DECEMBER 2020

To the Directors of Neinor Homes, S.A.:

At the request of the Board of Neinor Homes, S.A. (hereinafter the Company), and in accordance with our proposal dated October 21, 2020 we applied certain procedures to the accompanying "ICFR related information" included in section F) of the Annual Corporate Governance Report for Neinor Homes, S.A., for the year ended 31 December 2020, which summarizes the Company's internal control procedures regarding annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR related information included in section F) of the Annual Corporate Governance Report.

It is worth nothing that apart from the quality of design and operability of the Company's internal control system as far as annual financial reporting is concerned, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the consolidated financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of Neinor Homes, S.A. and Subsidiaries' (the Group) internal control system was to establish the scope, nature, and timing of the audit procedures performed on its consolidated financial statements. Therefore, our internal control assessment performed for the audit of the aforementioned financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the *Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies*, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Group's financial data for the year ended 31 December 2020 described in the accompanying ICFR information included in section F) of the Annual Corporate Governance Report. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters have been disclosed which would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements or a review in accordance with the Spanish Audit Law, we do not express an audit opinion in the terms provided for therein.

The following procedures were applied:

1. Reading and understanding the information prepared by the Company in relation to the ICFR –as disclosed in the Directors' Report- and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICFR, in the model of Annual Corporate Governance Report, as established in Circular nº 5/2013 of the National Securities Market Commission dated June 12, 2013, and subsequent amendments, the most recent being CNMV Circular 1/2020, of 6 October (“the CNMV Circulars”).
2. Making enquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions (iii) gather information regarding whether the described control procedures are implemented and functioning within the Group.
3. Review the explanatory documentation supporting the information described in section 1 above, which should basically include everything directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the Audit Committee.
4. Comparison of the information contained in section 1 above with the Group's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the consolidated financial statements.
5. Reading the minutes of the Board Meetings, Audit Committee, and other committees of the Group, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICFR and the information described in section 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in section 1 above.

As a result of the procedures applied on the Neinor Homes, S.A. and Subsidiaries' ICFR related information, no inconsistencies or incidents have come to our attention which might affect it.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and “the Circulars of the NMSC”, for the purposes of describing the ICFR in Annual Corporate Governance Reports.

DELOITTE, S.L.



Iñigo Úrculo
February 24, 2021