Neinor Homes, S.A. and Subsidiaries

Summarised Consolidated Interim Financial Statements for the period ended 30 June 2021, prepared in accordance with International Financial Reporting Standards, together with Report on Limited Review

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 summarised consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Ercilla, 24
48011 Bilbao
España

Tel: +34 944 44 70 00
www.deloitte.es

Translation of a report originally issued in Spanish and of interim summarised 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 17). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Neinor Homes, S.A., at the request of Board of Directors,

Report on the Interim Summarised Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim summarised consolidated financial statements ("the interim financial statements") of Neinor Homes, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the summarised consolidated statement of the financial position as of 30 June 2021, summarised consolidated income statement, summarised consolidated statement of comprehensive income, summarised consolidated statement of changes in equity, summarised consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim summarised financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2021 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim summarised financial statements.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Emphasis of Matter

We draw attention to Note 2.1 to the accompanying interim summarised consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2020. Our conclusion is not modified in respect of this matter.

We also draw attention to Note 16 to the condensed consolidated financial statements for the six-month period ended 30 June 2021, which describes an uncertainty relating to the outcome of the COVID-19 crisis situation and the effects it might have on the Group's future operations, specifically, on the determination of the market value of the Group's inventories (Note 7), given the uncertainty involved in any information based on future expectations, since there could be differences between projected and actual results. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2021 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2021. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Neinor Homes, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Board of Directors of Neinor Homes, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of Consolidated Spanish Securities Market Law approved by Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Iñigo Úrculo
28 July 2021

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2021 AND 31 DECEMBER 2020

(Thousands of Euros)

ASSETS	Explanatory notes	30.06.2021	31.12.20 (*)	EQUITY AND LIABILITIES	Explanatory notes	30.06.2021	31.12.20 (*)
NON-CURRENT ASSETS:				**EQUITY:**			
Goodwill		4.470	4.470	Share capital		799.886	790.050
Other intangible assets		9.091	1.886	Share premium		3.493	39.247
Right-of-use assets	11	3.127	3.487	Legal reserve		5.570	4.773
Property, plant and equipment	6	6.771	5.996	Reserves of the Parent		65.490	66.211
Investment property	3	69.801	185	Own shares		(6.971)	(51.115)
Non-current Investments in group companies and associates	14	1.157	-	Other reserves		(2.691)	(1.561)
Non-current financial assets		4.444	6.364	Reserves at fully consolidated companies		5.041	(57.112)
Deferred tax assets	12	91.425	25.355	Profit for the year attributable to owners of the Company		44.683	70.120
Total non-current assets		**190.286**	**47.743**	**Total equity attributable to owners of the Company**		**914.501**	**860.613**
				Non-controlling interests		1.250	285
				Total equity	9	**915.751**	**860.898**
				NON-CURRENT LIABILITIES:			
				Provisions		11.297	195
				Bank borrowings	11	31.140	70.659
				Other non-current liabilities	11	298.994	4.706
				Deferred tax liabilities	12	3.642	271
				Total non-current liabilities		**345.073**	**75.831**
CURRENT ASSETS:							
Inventories	7	1.533.283	1.208.442	**CURRENT LIABILITIES:**			
Trade and other receivables	8	66.828	24.813	Provisions	10	23.345	16.680
Current Investments in group companies and associates		8.587	-	Bank borrowings	11 and 14	372.165	262.335
Current financial assets		3.217	2.198	Other current financial liabilities	11	5.528	1.946
Tax receivables	12	13.796	5.550	Current payables to group companies and associates		89	-
Cash and cash equivalents		315.329	270.213	Current trade and other payables	7	270.680	183.872
				Tax payables	12	49.708	45.231
				Other current liabilities	7	148.987	112.166
Total current assets		**1.941.040**	**1.511.216**	**Total current liabilities**		**870.502**	**622.230**
TOTAL ASSETS		**2.131.326**	**1.558.959**	**TOTAL EQUITY AND LIABILITIES**		**2.131.326**	**1.558.959**

(*) Presented just for comparative purposes.

Notes 1 to 17, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of financial position regarding to the period of six months ended 30 June 2021.

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

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2021 AND 2020

(Thousands of Euros)

	Explanatory notes	30.06.21	30.06.20 (*)
Net revenues	13	322.536	99.848
Cost of sales	13	(235.708)	(65.316)
Employee benefits expenses	13	(13.588)	(9.372)
Depreciation and amortisation charges	6	(2.728)	(1.851)
External services	13	(22.366)	(12.998)
Change in trade provisions	13	2.121	2.259
Other operating gains/(losses)		244	416
Change in fair value of investment properties	3	11.585	-
Negative goodwill on business combinations	3	142	-
PROFIT / (LOSS) FROM OPERATIONS		**62.238**	**12.986**
Finance revenue		1.632	4
Finance costs	11 and 14	(7.242)	(3.352)
PROFIT / (LOSS) BEFORE TAX		**56.628**	**9.638**
Income tax	12	(11.983)	(2.838)
PROFIT / (LOSS) FOR THE YEAR		**44.645**	**6.800**
a) Attributable to the Parent		**44.683**	**6.800**
b) Attributable to non-controlling interests		**(38)**	-
Earnings/(losses) per share (Euros):			
Basic	9	0,583	0,092
Diluted	1	0,583	0,092

(*) Presented just for comparative purposes.

Notes 1 to 17, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of comprehensive income corresponding to the period of six months ended 30 June 2021.

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

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2021 AND 2020

(Thousands of Euros)

	Explanatory notes	30.06.21	30.06.20 (*)
CONSOLIDATED PROFIT / (LOSS) FOR THE PERIOD		**44.645**	**6.800**
OTHER RECOZNIZED INCOME (EXPENSES)		-	-
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		-	-
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		-	-
TOTAL RECOGNISED INCOME AND EXPENSE		**44.645**	**6.800**
a) Attributable to the Parent		**44.683**	**6.800**
b) Attributable to non-controlling interests		**(38)**	**-**

(*) Presented just for comparative purposes.

Notes 1 to 17, described in the explanatory notes atteched, form an integral part of the condensed consolidated statement of recognised income and expense at 30 June 2021.

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2021 AND 2020

(Thousands of Euros)

	Share capital	Share premium	Legal reserve	Other reserves of the Parent	Own shares	Other reserves	Reserves at consolidated companies	Consolidated profit/loss for the period	Non-controlling interests	Total equity
Balance at 31 December 2019 (*)	**790.050**	**39.247**	**3.363**	**52.364**	**(51.191)**	**522**	**(108.676)**	**63.748**	-	**789.427**
Distribution of profit/loss for the period:										
To reserves	-	-	1.410	12.688	-	-	49.650	(63.748)	-	-
Income/expense recognised in the period	-	-	-	-	-	-	-	6.800	-	**6.800**
Transactions with Treasury Shares	-	-	-	-	362	-	-	-	-	**362**
Other (Note 9)	-	-	-	772	(447)	(1.946)	1.145	-	-	**(476)**
Balance at 30 June 2020 (*)	**790.050**	**39.247**	**4.773**	**65.824**	**(51.276)**	**(1.424)**	**(57.881)**	**6.800**	-	**796.113**
Income/expense recognised in the period	-	-	-	-	-	-	-	63.320	(4)	**63.316**
Increment in equity due to business combination	-	-	-	-	-	-	-	-	289	**289**
Transactions with Treasury Shares	-	-	-	387	161	-	-	-	-	**548**
Other (Note 9)	-	-	-	-	-	(137)	769	-	-	**632**
Balance at 31 December 2020 (*)	**790.050**	**39.247**	**4.773**	**66.211**	**(51.115)**	**(1.561)**	**(57.112)**	**70.120**	**285**	**860.898**
Distribution of profit/loss for the period:										
To reserves	-	-	797	7.170	-	-	62.153	(70.120)	-	**-**
Income/expense recognised in the period	-	-	-	-	-	-	-	44.683	(38)	**44.645**
Transactions with Treasury Shares	(46.156)	-	-	(4.584)	50.740	-	-	-	-	**-**
Other (Note 9)	55.992	1.456	-	(3.307)	(6.596)	(1.130)	-	-	1.003	**47.418**
Dividend distribution	-	(37.210)	-	-	-	-	-	-	-	**(37.210)**
Balance at 30 June 2021	**799.886**	**3.493**	**5.570**	**65.490**	**(6.971)**	**(2.691)**	**5.041**	**44.683**	**1.250**	**915.751**

(*) Presented just for comparative purposes.

Notes 1 to 17, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of changes in equity at 30 June 2021.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2021 AND 30 JUNE 2020

(Thousands of Euros)

	Explanatory notes	30.06.21	30.06.20 (*)
Cash flows from/(used in) operating activities			
Profit/(loss) from operations		56.628	9.638
Adjustments-			
Depreciation and amortisation	6	2.728	1.851
Change in provisions	6, 7 and 10	(1.897)	(1.304)
Impairment and gains/(losses) on disposal of intangible and tangible assets		7.242	-
Finance costs		(1.632)	3.352
Finance revenue		(61)	(4)
Incentive Plans	9	(11.585)	6
Negative goodwill on business combinations		(142)	-
		51.281	**13.539**
Increase/(Decrease) in current assets and liabilities:			
Inventories	7	(13.035)	(111.536)
Trade and other receivables	8	(2.569)	1.401
Current trade and other payables		33.529	4.448
Other current and non-current assets and liabilities		1.659	27.720
Net income tax payment		(1.520)	755
Total net cash flows from operating activities (I)		**69.345**	**(63.673)**
Cash flows from/(used in) investing activities:			
Investments/(disposals) of intangible and tangible assets		208	(227)
Investments in investment properties	6	(52.525)	-
Investments in other non current financial assets		(7.176)	(14.453)
Disposals of other non current financial assets		3.908	-
Total net cash flows from investing activities (II)		**(55.585)**	**(14.680)**
Cash flows from/(used in) financing activities:			
Proceeds from bank borrowings	11	461.713	125.816
Repayment of bank borrowings	11	(394.795)	(84.662)
Interests paid and loan agreement expenses	11 and 14	(6.412)	(3.320)
Transactions with Treasury Shares and other equity transactions		(10.971)	-
Dividends payment		(37.210)	
Total net cash flows from financing activities (III)		**12.325**	**37.834**
Net increase/(decrease) in cash and cash equivalents (I+II+III)		**26.085**	**(40.519)**
Cash and cash equivalents at beginning of the period		270.213	173.415
Cash and cash equivalents for the business combination - Cash flows from investing activities	3	19.031	
Cash and cash equivalents at end of year		**315.329**	**132.896**

(*) Presented just for comparative purposes.

Notes 1 to 17, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of cash flows for the period of six months ended 30 June 2021.

Translation of summarised consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

Neinor Homes, S.A. and Subsidiaries

Notes to the Summarised Consolidated Interim Financial Statements for the period ended 30 June 2021

1. Activity of the Neinor Homes Group

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

In addition to the operations carried out directly, Neinor Homes, S.A. is the Parent of a Group of subsidiaries with the same corporate purpose and which, together constitute Neinor Homes Group the Parent´s shares were admitted to trading on the official secondary market during 2017. Therefore, the Parent Company is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements and half-yearly financial reports for both the Parent and the consolidated Group in accordance with Royal Decree 1362/2007, of 19 October, implementing Spanish Securities Market Law 24/1988, of 28 July, in relation to the transparency requirements regarding the information on issuers whose securities are admitted to trading on an official secondary market or on another regulated market in the European Union.

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

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

Additionally, in 2017, in accordance with the terms and conditions established in the property asset administration and management agreement, Kutxabank and the Neinor Homes Group entered into an agreement whereby the Neinor Homes Group has 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 30 June 2021, amounting to EUR 75 thousand are not recognised in the accompanying summarized consolidated interim financial statements (94 thousand euros at 31 December 2020), 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.

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

The Group´s consolidated financial statements for 2020 were approved by the Company´s Shareholders on March 31, 2021.

These summarized consolidated interim financial statements are presented in euros as this is the currency of the primary economic area in which he Group operates.

2. Basis of presentation of the summarised consolidated interim 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.

The Group's 2020 consolidated financial statements were prepared at 24 February 2021 by the Parent Company Directors in compliance with the International Financial Reporting Standards adopted by the European Union, and applying the basis of consolidation, accounting standards and measurement bases described in Note 4, so as to present fairly the Group's consolidated equity and financial position, consolidated results of operations, consolidated changes in equity, and consolidated cash flows for the reporting period ended on 31 December 2020.

These summarised consolidated interim financial statements are in compliance with IAS 34 on interim financial reporting, and were prepared by the Group Directors on 28 July 2021, all the above in accordance with Section 12 of Royal Decree 1362/2007.

Pursuant to IAS 34, the only purpose of interim financial reporting is to update the contents of the latest consolidated financial statements presented by the Group, placing emphasis on any new activity, event or circumstance occurred over the six-month period, but not repeating the information previously reported on the 2020 consolidated financial statements. Therefore, for a better understanding of the information contained in these summarised consolidated six-month financial statements, they should be read together with the Group's 2020 consolidated financial statements.

These six-monthly summarised consolidated financial statements were prepared using the same accounting policies and methods used for the 2020 consolidated financial statements.

2.2 Adoption of International Financial Reporting Standards

The following mandatory standards and interpretations, already adopted in the European Union, became effective in 2021. Where applicable, the Group has used them in the preparation of these interim summarized consolidated financial statements, with no significant impact:

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

Approved for use in the European Union		**Mandatory application for annual periods beginning on or after:**
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 –Interest Rate Benchmark Reform – Phase 2	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the Interest rate benchmark reform (phase 2)	1 January 2021
Amendments to IFRS 4 - Extension of the temporary exemption from applying IFRS 9	Deferral of the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 to 1 January 2023	1 January 2021

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.

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

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

Not Approved for use in the European Union		**Mandatory application for annual periods beginning on or after:**
Amendment to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021	The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	1 April 2021
Amendment to IAS 1 - Classification of Liabilities as Current or Non-Current	Amendment to IAS 1 that provides a more general approach to the classification of liabilities	1 January 2023
Amendment to IAS 1 - Disclosure of Accounting Policies	Amendment that is intended to help preparers in deciding which accounting policies to disclose in their financial statements	1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates	1 January 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition	1 January 2023
IFRS 17 Insurance contracts (issued on May 2017)	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, replacing IFRS 4	1 January 2023

The Group has performed a preliminary assessment in relation to the impacts of the standards that come into force in 2021 and subsequent years and no significant impact has been identified.

2.3 Estimates

The consolidated profit(loss) and equity are sensitive to the accounting standards and principles, measurement bases and estimates applied by the Parent Company Directors when preparing the interim summarised consolidated financial statements. The main accounting policies and principles and measurement criteria are indicated in Note 4 to the consolidated financial statements for 2020.

The summarised consolidated interim financial statements incorporate a number of estimates made by the Senior Management of the Parent Company and consolidated entities to measure certain items of their assets, liabilities, income, expense and commitments registered therein. These estimates, which are based on the best available information, basically refer to:

1. The corporate tax expense, which under IAS 34 is recognised on interim periods according to the best estimate of weighted average tax rate calculated by the Group for the whole year, and taking into account that the Tax Groups headed by Neinor Homes, S.A. and Neinor Península, S.L.U. will pay taxes under tax consolidation basis in 2020 in accordance with Article 99.2 of Bizkaia Corporation Tax Regulation 11/2013, of 5 December and in accordance with the Act 27/2014, respectively(Note 12).
2. The market value of the Group Real Estate assets. The Group has obtained valuations from independent experts on 30 June 2021 for its Real Estate assets and a sensitivity analysis for the key assumptions related to these valuations (Notes 7 and 16).
3. The assessment of possible impairment losses on certain assets
4. The useful life of the property, plant and equipment and intangible assets.
5. The calculation of provisions.
6. The assessment of the possibility to have future taxable profits to which to apply any recognised and unused tax credits.
7. The valuation of long-term employee benefits.
8. The compliance with the covenants and clauses established by arranged borrowings (Note 11).
9. The definition of the transactions carried out by the Group as a business combination in accordance with IFRS 3 or as an acquisition of assets (Note 3).

Although these estimates were made on the basis of the best available information on the analysed facts, 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 16, 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 summarised consolidated interim financial statements and, in particular, in relation to the valuation of the Group's property assets.

No significant changes were made to the estimates used at 2020 year-end during the six-month period ended on 30 June 2021.

2.4 Contingent assets and liabilities

Note 21 to the Group´s consolidated financial statements for the period ended on 31 December 2020 contains the information on the guarantee commitments to third parties and other contingent liabilities as that date. During the first six-month period of 2021 there have been no significant changes in this area.

At 30 June 2021 the Group had provided guarantees to third parties for a total amount of EUR 416.625 thousand (EUR 158.921 thousand at 31 December 2020). Included in this figure there is an amount of EUR 106.197 thousand (EUR 38.527 thousand at 31 December 2020) related mainly to guarantees provided to different local authorities to secure the development of different properties and EUR 310.428 thousand to secure payments in advance received by customers (EUR 120.394 thousand at 31 December 2020). Furthermore, guarantee amounting 3 million euros has been provided in relation to final disciplinary proceedings concerning tax inspections (Note 12).

Additionally, the Group has received at 30 June 2021 from different suppliers and contractors guarantees for a total amount of EUR 48.170 thousand (EUR 36.387 thousand at 31 December 2020) to secure the perfect completion of the corresponding construction works. “Current Trade and Other Payables” under current liabilities in the half-yearly condensed consolidated balance sheet as at 30 June 2021 includes an amount of EUR 44.169 thousand (31 December 2020: EUR 40.918 thousand) relating to amounts withheld from contractors as a guarantee.

There is no restriction for the availability of the cash and cash equivalents of the Group neither as of 30 June 2021 nor 31 December 2020, except for the fact that, as described in Law 20/2015, of July 14, advances received and associated with a development (Note 7) 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 35.404 thousand at 30 June 2021 (EUR 19.940 thousand at 31 December 2020), which differs from the advances (Note 7) as a result of the cash used to pay the progress billings of developments to which such advances are allocated.

2.5 Comparative information

The information relating to the 2021 interim summarised consolidated financial statements is presented for comparison purposes with that relating to period ended 31 December 2020. For this comparison changes that took place in the scope of consolidation of the Neinor Homes Group should be considered (Note 3).

2.6 Seasonal nature of the Group’s transactions

Given the nature of the activities conducted by the Group’s Companies and the percentage of completion accounting criterion, the Group’s transactions are not cyclical or seasonal. Therefore, these notes to the summarised consolidated financial statements for the six-month period ended 30 June 2021 do not contain any specific breakdown.

2.7 Relative importance

Pursuant to IAS 34, when determining which details to disclose in these notes to the interim summarised consolidated financial statements in relation to the various items of the financial statements or other issues, the Group has considered the relative importance of the summarised consolidated financial statements for the six-month period.

2.8 Correction of errors

In preparing the accompanying summarised consolidated interim financial statements relating to the six-month period ended 30 June 2021, no errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for year ended 31 December 2020.

2.9 Summarised consolidated cash flow statements

The summarised 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.

2.10 Subsequent events

No significant events have been taken since the end of these summarised consolidated interim financial statements.

3. Changes in the Group´s composition

The consolidation principles used in the preparation of these six-month summarised consolidated financial statements are consistent with those used for the 2020 consolidated financial statements.

Appendix I to the notes to the 2020 consolidated financial statements includes the detail of the consolidated Group companies and the information related thereto at 31 December 2020.

During the six-month period ended on 30 June 2021 following changes took place in the scope of consolidation of the Neinor Homes Group:

Business combinations

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

- The presentation of the required documentation in the event of a tender offer or an IPO, including any registration requirement that the Spanish National Securities Market Commission might establish, and notification of the merger to the corresponding competition authorities, and, as the case may be, the obtainment of 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 acquisition date was established as 19 May 2021 following the obtainment, on the immediately preceding day, of authorisation of the Merger from the competition authorities and, thus, the fulfilment of all of the conditions precedent described above; as a result, Neinor Homes, S.A. obtained control of Quabit Inmobiliaria, S.A.

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

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

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

- Payment of approximately EUR 85 million (of which 3 million euros have already been paid by the subsidiaries of Quabit Inmobiliaria, S.A. prior to the acquisition date) , corresponding to both the purchase of the "Class B" shares of Quabit Inmobiliaria, S.A. for their retirement and to the rest of the financing granted by Avenue. Prior to this, the Board of Directors of Quabit Inmobiliaria, S.A. submitted for approval by the same Annual General Meeting the merger and (prior to the proposed merger agreement) the buyout of all the shares.
- The transfer to Avenue of all the plots of 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:
    - property asset development and management agreement, in which the Neinor Homes Group will act as manager and on the basis of which a market fee will be established for such management,
    - a financing agreement, in which the Neinor Homes Group will be the lender for an amount of up to EUR 11 million, on which a security interest must be created by the counterparty and which will earn interest at a fixed rate of 4%, with minor interest rate increases depending on LTV Ratio.

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

- the execution of a public deed terminating the warrants held by Avenue vis-à-vis Quabit Inmobiliaria, S.A. which enabled the owners thereof to subscribe a maximum of 5.06% of the share capital of the absorbed company;
- subscription and execution in a public deed of a letter of payment before a notary to pay off the amounts corresponding to the borrowings granted by Avenue; and
- execution of the corresponding public deed to transfer to Avenue all of the shares of Quabit Las Lomas del Flamenco, S.L.U., owner of the "Las Lomas de Flamenco" project.

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

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

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

(*) Calculated considering the share price of Neinor Homes, S.A. at the date the shares have been transferred.
(**) These impacts correspond mainly to the agreements signed with Avenue and SAREB regarding the debt removal, amounting to EUR 17 million, approximately.
(***) This impact corresponds mainly to the client portfolio identified in the subsidiary Quabit Construcción, S.A., amounting to EUR 7 million, approximately.

The amount of revenue recognised in the accompanying summarized consolidated interim financial statements at 30 June 2021 from the date of the acquisition of control, relating to Quabit Inmobiliaria, S.A. and subsidiaries amounted to EUR 14.797 thousand, with a gain before tax of EUR 375 thousand. If Quabit Inmobiliaria, S.A. and subsidiaries had been consolidated as from 1 January 2021, revenue would have increased by approximately EUR 82.712 thousand and profit for the year would have decreased by approximately EUR 15.377 thousand, respectively.

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

Acquisition of assets

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

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

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

At 30 June 2021, the Group has used the valuation carried out by independent experts to determine the updated fair value of the investment property, which amounts to EUR 69.620 thousand, giving rise to a revaluation amounting to EUR 11.585 thousand that has been recorded under the caption "Change in fair value of investment properties" of the interim consolidated profit and loss account at 30 of June 2021.

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

Other

In May 2021 the Neinor Homes Group, in alliance with Grupo Cevasa, was awarded the tender sponsored by the public company Habitatge Metròpolis Barcelona, S.A. (until then owned 50% by the Barcelona Metropolitan Area and 50% by the Barcelona City Council) for the construction and subsequent management under rental arrangements of 4,500 government-subsidised homes in the metropolitan area of Barcelona. In this connection, on 9 June 2021, Neinor Homes, S.A. and Compañía Española de Viviendas en Alquiler, S.A. ("Cevasa") jointly incorporated, each with a 50% ownership interest, Nicrent Residencial, S.L. with an initial share capital of EUR 3 thousand. It is stipulated that through this company, in the second half of 2021, a monetary contribution of EUR 6 million will be made to Habitatge Metròpolis Barcelona, S.A., in exchange for a 50% ownership interest in its share capital. As provided for in the terms of the tender, Nicrent Residencial, S.L. has also undertaken to make, in an estimated period of one to five years, successive contributions that will total, together with the aforementioned initial contribution, an amount of between a minimum of approximately EUR 58 million and a maximum of approximately EUR 104 million. For their part, the public shareholders of Habitatge Metròpolis Barcelona, S.A. will contribute to this company the land required for the construction of the above-mentioned homes and will make the necessary monetary contributions to ensure that their 50% ownership interest remains unchanged. After it has become a shareholder of Habitatge Metròpolis Barcelona, S.A., Nicrent Residencial, S.L. will be responsible for the administration and the management of the assets of Habitatge Metròpolis Barcelona, S.A., which will entail, inter alia, managing the construction and development of the land of this company and managing the rental of the homes, for which it will obtain an arm's length remuneration.

4. Dividends paid by the Group in the period

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

5. Segment information

Note 6 to the Group's consolidated financial statements for the year ended 31 December 2020 details the criteria used by the Group to define its operating segments, and there have been no changes in its segmentation criteria. In this regard, it was determined that all the real estate assets acquired through the business combination with Quabit Inmobiliaria, S.A. (see Note 3) should be included under "Development".

Additionally, in February 2020 the Board of Directors of the Parent Company approved the development of a new line of business of owned housing units using the current land bank. This development is initially limited to a maximum of 1,200 housing units, but the objective is to create a portfolio of 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. during the year 2020 and the acquisition of Sardes Holdco, S.L.U in January 2021 (Note 3) (both subsidiaries have been classified under the segment "Rental").

The main magnitudes of the summarised consolidated interim profit and loss account by segment at 30 of June 2021 and 2020 are the following:

	Thousands of Euros									
	Legacy		Development (***)		Assets management – Servicing / Corporate		Rental		Total	
	30.06.21	30.06.20	30.06.21	30.06.20	30.06.21	30.06.20	30.06.21	30.06.20	30.06.21	30.06.20
Income:										
Third party sales	1.261	1.391	306.609	87.039	12.539	11.418	2.127	-	322.536	99.848
Cost of sales	(1.081)	(1.422)	(234.627)	(63.894)	-	-	-	-	(235.708)	(65.316)
Gross margin	**180**	**(31)**	**71.982**	**23.145**	**12.539**	**11.418**	**2.127**	-	**86.828**	**34.532**
Employee benefits expenses	(210)	(179)	(7.944)	(6.485)	(3.123)	(2.686)	(596)	-	(11.873)	(9.350)
Employee benefits expenses – Incentive Plan (Notes 9 and 15)	(34)	-	(1.166)	(22)	(515)	-	-	-	(1.715)	(22)
External Services (**)	(408)	(524)	(18.097)	(10.320)	(2.774)	(2.154)	(1.087)	-	(22.366)	(12.998)
Change in trade provisions	-	119	2.121	2.140	-	-	-	-	2.121	2.259
Other operating gains / (losses)	-	63	244	353	-	-	-	-	244	416
Change in fair value of investment properties	-	-	-	-	-	-	11.585	-	11.585	-
Negative goodwill on business combinations	-	-	142	-	-	-	-	-	142	-
EBITDA	**(472)**	**(552)**	**47.282**	**8.811**	**6.127**	**6.578**	**12.029**	-	**64.966**	**14.859**
Net interest expense and others	-	-	(3.821)	(2.793)	(1.456)	(555)	(333)	-	(5.610)	(3.348)
Depreciation and amortization	(244)	(6)	(1.943)	(1.391)	(541)	(454)	-	-	(2.728)	(1.851)
Profit / (Loss) Before Tax	**(716)**	**(558)**	**41.518**	**4.627**	**4.130**	**5.569**	**11.696**	**-**	**56.628**	**9.638**
Employee benefits expenses – Incentive Plan (Note 9)	34	-	1.166	-	516	-	-	-	1.716	-
Dismissals (Nota 9)	-	-	469	-	-	-	-	-	469	-
Growth expenses (Note 13.4)	-	-	1.773	-	-	-	-	-	1.773	-
Property tax provision	7	-	797	-	-	-	-	-	804	-
Bono costs	-	-	123	-	-	-	-	-	123	-
Net interest expense and others	-	-	3.821	2.793	1.456	555	333	-	5.610	3.348
Depreciation and amortization	244	6	1.943	1.391	541	454	-	-	2.728	1.851
EBITDA AJUSTADO (*)	**(472)**	**(552)**	**51.610**	**8.811**	**6.643**	**6.578**	**12.029**	**-**	**69.851**	**14.837**

(*) A financial measure used by Group management, which does not take into consideration the personal expenses associated with incentive plans.

(**) Includes the provision under "Legacy" and "Development" segments of Real Property Tax for the entire portfolio owned by the Group on January 1, as of both June 30, 2021 and 2020.

(***) Includes under "Development" segment an amount of EUR 289 thousand in 2021 corresponding to sales of plots of land, which were sold before development (EUR 6 million in 2020). Cost of sales of those plots of land amounted to EUR 283 thousand (EUR 6,1 million in 2020).

The main figures of the summarised consolidated statements of financial position by segment at 30 June 2021 and for the exercise 2020 are as follow:

	Thousands of Euros											
	Legacy		Development		Management Assets - Servicing		Others / Corporate		Rental		Total	
	30.06.21	31.12.20	30.06.21	31.12.20	30.06.21	31.12.20	30.06.21	31.12.20	30.06.21	31.12.20	30.06.21	31.12.20
Balance sheet:												
Non-Current assets	181	73	24.232	10.252	-	-	95.874	27.087	69.999	10.331	190.286	47.743
Current assets	6.654	7.867	1.603.818	1.224.681	8.174	8.002	321.320	269.024	1.074	1.642	1.941.040	1.511.216
Total Assets	**6.835**	**7.940**	**1.628.050**	**1.234.933**	**8.174**	**8.002**	**417.194**	**296.111**	**71.073**	**11.973**	**2.131.326**	**1.558.959**
Non-current Bank Borrowings	-	-	-	50.000	-	-	-	20.594	31.140	65	31.140	70.659
Current Bank Borrowings	-	-	369.107	242.864	-	-	3.058	19.471	-	-	372.165	262.335
Other Non-current liabilities	-	-	13.678	2.614	-	-	299.967	-	288	2.558	313.933	5.172
Other current liabilities	6.469	524	472.168	351.776	10.405	1.462	8.388	5.613	897	520	498.327	359.895
Total Liabilities	**6.469**	**524**	**854.953**	**647.254**	**10.405**	**1.462**	**311.413**	**45.678**	**32.325**	**3.143**	**1.215.565**	**698.061**

6. Property, plant and equipment

The changes in this heading in the six-month period ended 30 June 2021 and the exercise ended 31 December 2020, were as follows:

6 months period ended 30 June 2021

	Thousands of euros		
	Technical items and machinery	Other items of Property, Plant and equipment	Total
Cost:			
Balance at 31 December 2020	8.291	2.473	10.764
Additions	36	61	97
Disposals	(712)	-	(712)
Business combination (Note 3)	619	1.160	1.779
Balance at 30 June 2021	**8.234**	**3.694**	**11.928**
Accumulated amortisation:			
Balance at 31 December 2020	(2.699)	(1.479)	(4.178)
Charges	(903)	(197)	(1.100)
Disposals	712	-	712
Balance at 30 June 2021	**(2.890)**	**(1.676)**	**(4.566)**
Accumulated depreciation:			
Balance at 31 December 2020	(591)	-	(591)
Balance at 30 June 2021	**(591)**	-	**(591)**
Net Balance at 30 June 2021	**4.753**	**2.018**	**6.771**

In the year ended 31 December 2020

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

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

At 30 June 2021 there were EUR 402 thousand of property, plant and equipment items fully amortised (at 31 December 2020, there were no property, plant and equipment items fully amortised).

At 30 June 2021 and 31 December 2020, there were no property, plant and equipment items provided as collateral for any obligation.

At 30 June 2021 and 31 December 2020, the Group did not have any significant commitments to purchase items of property plant and equipment.

7. **Inventories**

Details of “Inventories” at 30 June 2021 and 31 December 2020 are as follows:

	Thousands of euros	
	30.06.21	31.12.2020
Sites and land	481.682	287.898
Construction work in progress	847.904	711.834
Completed buildings	216.185	211.052
Advances to suppliers	11.837	24.268
Less – Impairment losses (Note 6 and 13.5)	(24.325)	(26.610)
	1.533.283	**1.208.442**

In the period ended 30 June 2021 borrowing costs amounting to EUR 2.098 thousand were capitalised to inventories (in the year ended 31 December 2020 EUR 4.166 thousand were capitalised).

The additions in the period 2021 relate mainly to work certifications of the ongoing promotions and capitalized costs associated with the pre-construction for a value of EUR 170 million (355 million euros in the year ended 31 December 2020). Additionally, during 2021 purchases of land have taken place for a value of EUR 125 million (EUR 5 million in 2020).

Also "Trade and Other Payables - Payable to Suppliers" under "Current Liabilities" in the condensed consolidated balance sheet as at 30 June 2021 includes EUR 76 million relating to the deferred portion of the price for the purchase of plots of land, which will be due and payable as follows: 53 million in 2022 and 23 million in 2023.

Furthermore, in 2021 the Group delivered mainly 3 new property developments in Andalusia (Málaga - Limonar Homes RP5, Mojácar - Cantal Homes and Córdoba - Zahir Homes), 2 in Catalonia (Hospitalet de Llobregat - Plaza Europa 38 Homes and Sitges -Aigualdolç II Homes), 1 in Bizkaia (Sopela Homes) and 1 in Valencia (Saler Homes). At 30 June 2021, it had 66 property developments recognised under “Developments in Progress”.

At 30 June 2021 there are assets included in "Inventories" caption in the accompanying consolidated balance sheet with a net cost of EUR 1.514 million corresponding to assets classified as "Development" (EUR 1.177 million at 31 December 2020) and 7 million euros relating to “Legacy” assets (EUR 8 million at 31 December 2020). Likewise, the advances granted for an amount of 12 million euros correspond to assets that will be classified as "Development" (EUR 24 million at 31 December 2020).

At 30 June 2021, there are assets included under “Inventories” with a gross cost of EUR 893 million 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 11) (EUR 921 million at 31 December 2020).

At 30 June 2021 and 31 December 2020, there were no commitments to sell any plots of land.

At 30 June 2021 and 31 December 2020, the Group had made advances to suppliers for future purchases of land amounting to EUR 11.837 thousand and EUR 24.268 respectively net of impairment loss all of which are guaranteed by a mortgage or by a deposit 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 a purchase option on the units left to be marketed, exercisable only by the Parent prior to 31 December 2023 (which can be extended to 31 December 2026, provided that certain objectives regarding the number of units marketed are achieved).

At 30 June 2021 and 31 December 2020 the Group does not maintain commitments to purchase additional significant land.

The property development sale commitments entered into with customers at 30 June 2021 and 31 December 2020, relating to those units in which a private purchase and sale agreement was signed, have resulted in the collection or reception of notes receivables amounting to EUR 143.934 thousand and EUR 108.564 thousand respectively, which have been recognised under “Current liabilities - Customer advances” in the consolidated balance sheet at 30 June 2021 and 31 December 2020.

The Group periodically reviews the fair value of its inventories, recognising, where appropriate, the related inventory write-downs. The changes in the period ended 30 June 2021 and in the exercised ended 31 December 2020 in the write-downs associated with the inventories were as follows:

	Thousands of Euros
Balance at 31.12.2019	**29.793**
Write-downs recognised	1.947
Write-downs reversed	(5.130)
Balance at 31.12.2020	**26.610**
Write-downs recognized	-
Write-downs reversed	(2.285)
Balance at 30.06.2021	**24.325**

At 31 May 2021, 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 owned by the Group amounted to approximately EUR 2.189 million (EUR 2.291 million including the value of land advances). Considering CAPEX and units sold during June 2021 the value for the inventories amounts to approximately EUR 1.962 million (EUR 2.064 million including the value of land advances).

Considering the external appraiser's methodology, the key assumptions identified in the appraisals for the development assets 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 positive performance of sale prices was envisaged, given that the appraisal models involved conservative assumptions on the current economic situation and, accordingly 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, taking into account the change in the key assumptions:

	Thousands of Euros					
	Discount Rate		Sale Price			
Assumption	+1%	-1%	+1%	-1%	+5%	-5%
			Increase (Decrease)			
Change in appraised values	(57.984)	61.019	31.622	(34.801)	159.203	(173.047)
Change in carrying amount (*)	(4.789)	2.378	749	(1.318)	3.393	(12.271)

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

The effect on the value of the real estate assets reflecting this sensitivity analysis, which considers a 1%/ 5% fall in prices in the base scenario without subsequent price growth and the other variables remaining constant, would be a reduction of EUR 34.801 thousand and EUR 173.047 thousand, while it would have an effect on the net book value of the assets of EUR 1.318 thousand and EUR 12.271 thousand.

8. Trade and other receivables

“Trade and other receivables” includes the following items:

	Thousands of euros	
	30.06.21	31.12.2020
Trade receivables and notes receivables	26.991	9.373
Other receivables – Down Payments	20.058	15.246
Other receivables – Provision of Services	68	45
Other receivables – Personnel	19	11
Others	29.086	261
Impairment	(9.394)	(123)
	66.828	**24.813**

"Trade Notes Receivable" in the foregoing table mainly includes the amount receivable relating to the asset management and administration agreement entered into between various companies of the Kutxabank Group and Neinor Homes Group amounting to EUR 8.327 thousand (7.672 thousands of EUR at 31 December 2020).

“Other receivables” in the foregoing table includes mainly the amounts receivable from third parties for services rendered (Notes 13.1 and 14) and amounts paid in advance by the Group to service providers for deeds and management of housing taxes, as well as the commercialization of promotions that have not been accrued and / or liquidated. As of June 30, 2021, the advances paid by the Group to creditors amount to 20.058 thousand euros, an amount that includes 9.965 thousand euros of advances paid to agents that have intervened in the execution of the purchase and sale agreements pending deed (EUR 15.246 thousand and EUR 9.341 thousand, respectively, as of December 31, 2020).

Finally, “Others” in the foregoing table includes mainly the amounts receivable owed by Empresa de Gestión Urbanística y Servicios de Alboraya, S.L. (“EGUSA”) to the subsidiary Grupo Mediterráneo Costa Blanca, S.L. These amounts refer to both the principal of the debt, EUR 23.425 thousand, and the accrued interest, EUR 2,342 thousand, figures that coincide with those expressed in judgement no. 535/2016 of 15 December 2016, handed down by Valencia Court of First Instance number 6. These amounts are secured by a mortgage guarantee on land owned by EGUSA located in the UE-2 sector of Alboraya, the market value of which is higher than the amount recorded as a debit balance. The Group has recorded this receivable as a current asset since it is very likely to be realised in the short term through the delivery of land, which will be classified as a current asset in the consolidated balance sheet.

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

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, the Group considers that the financial assets measured at amortised cost are subject to impairment, taking into consideration the facts and circumstances that exists as indicated below in accordance with a preliminary assessment, since it is still completing its expected credit loss model and this would result in a reduction in the amount of reserves (in thousands of euros):

Concept	Gross Amount 30/06/2021	Estimated loss (%) (*)	Estimated loss at 30/06/2021	Net Amount 30/06/2021
Guarantees and deposits	4.805	0%-3%	(143)	4.662
Advances to creditors (Note 7)	12.203	0%-3%	(366)	11.837
Clients – servicing (Note 13)	8.329	0%	(2)	8.327
Advances to suppliers (Note 13)	20.848	3%	(790)	20.058
Trade and other receivables (Note 8)	38.689	0%-3%	(246)	38.443
Cash	315.478	0%-0,06%	(149)	315.329
TOTAL	**400.352**		**(1.696)**	**398.656**

(*) 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.

An impairment of 62 thousand euros has been charged to the "Change in trade provisions" caption in the six month consolidated income statement. The estimated loss amounting to 1.696 thousand euros has been registered in each of the caption of the consolidated interim balance sheet previously mentioned.

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.

9. Capital and reserves

9.1 Share capital

The statements of changes in equity for the periods ended 30 June 2021 and 31 December 2020 show the changes in equity attributable to the shareholders of the Parent and the non-controlling interests in the aforementioned periods.

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

At 30 June 2021, the Parent's share capital consisted of 79.988.642 fully subscribed and paid shares of EUR 10 par value each (79.005.034 fully subscribed and paid shares of EUR 10 par value each at 31 December 2020).

	30.06.21		31.12.20	
	% Ownership Interest Registered	Total Share Capital Amount (thousands of euros)	% Ownership Interest Registered	Total Share Capital Amount (thousands of euros)
Orion European Real Estate Fund V, SLP	27,67	221.285	28,01	221.285
Adar Capital Partners Ltd	19,11	152.819	19,34	152.819
Bank of Montreal	4,98	39.842	5,21	41.154
Cohen & Steers, Inc.	3,38	27.041	-	-
Remain stock exchange	44,86	358.899	47,44	374.492
Total	**100,00**	**799.886**	**100,00**	**790.050**

9.2 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:

	Thousands of euros	
	30.06.21	30.06.20
Earnings / (loss) for the year (thousands of euros)	44.683	6.800
Weighted average number of shares outstanding (thousands of shares) (*)	76.602	74.132
Basic earnings/ (loss) per share (euros)	**0,583**	**0,092**

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

At 30 June 2021 and 20 June 2020, the diluted earnings/loss per share of the Neinor Homes Group coincided with the basic earnings/loss per share. The impact of the unique variable included in the calculation, the retribution in shares, is not significant.

9.3 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."

On 4 April 2019, Neinor Homes, S.A. signed an agreement with Goldman Sachs International whereby the bank undertook to acquire at the 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 will entail 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 relation to this agreement, Neinor Homes, S.A. provided a guarantee through the delivery of cash, which at December 31, 2019 amounted to EUR 11 million, increasing to EUR 25 million during the first months of the period ending June 30, 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 24 million.

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

At 30 june 2021, the total number of own shares of the Parent Company amount to 634.883 shares (Note 9.1) (4.645.608 shares at December 2020). On June 30,2021, the average unit acquisition price amounts to 10,98 euros (11,00 euros on 2020).

In 2021 and 2020, the accruals of the incentive plans described in Note 4.s have been recorded in this section for 40 key employees of the Group. It consists of three consecutive overlapping three-year periods, i.e. 2017-2019, 2018-2020 and 2019-2021 in which the achievement measurement metrics are, in thirds, EBITDA, the developer margin and shareholder return, with a downward correction coefficient of 10% regarding the achievement of the aforementioned metrics determined by the evolution of the average Loan to Value (LTV) ratio in excess of a target ratio. Minimum amounts below, which the incentives do not accrue, and the possibility of an extra bonus of up to 150% were established. The sale of the number of shares thus acquired is restricted for periods of between one year and six months for the CEO and the members of the management committee. The shares to be received by each participant will be determined by the incentive attributed to each participant in the plan (in ranges of between EUR 10 thousand and EUR 250 thousand), the price of the shares for each three-year period (average of the share price in the 20 trading sessions prior to the commencement of each cycle) and by the achievement of objectives (range between 0% and 150%). Shares acquired under this plan are subject to lock-up commitments for periods of one year and 6 months for both the CEO and members of the management committee. In the case of the CEO and members of the management committee, this incentive is subject to a repayment clause if certain circumstances arise.

Additionally, in 2019 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.

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.

Due to the aforementioned incentive plans, the total amount charged as personnel expense in the consolidated profit and loss account at 30 June 2021 amounted to EUR 50 thousand (EUR 22 thousand at 30 June 2020) (see Notes 13.3 and 14).

10. Provisions

10.1 Current provisions

The movement in the current provisions account in the six-month period ended June 30, 2021 and in the year ended December 31, 2020 is as follows:

Description	Thousands of euros		
	Taxes (Note 13.4)	Other Provisions (Note 13.4)	Total
Balance as of December 31, 2019	**3.932**	**7.273**	**11.205**
Net write-downs recognized	5.513	7.865	13.378
Applications	(3.095)	(4.808)	(7.903)
Balance as of December 31, 2020	**6.350**	**10.330**	**16.680**
Net write-downs recognized	3.313	4.268	7.581
Business combination (Note 3)	-	8.750	8.750
Applications	(2.794)	(6.872)	(9.666)
Balance as of June 30, 2021	**6.869**	**16.476**	**23.345**

"Other provisions" caption includes, mainly, amounts set-aside warranty costs, after-sale 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.

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 30 June 2021 there are legal claims in relation with assets owned by the different companies of the Group for a total amount of EUR 31.173 thousand (at 31 December 2020 EUR 30.507 thousand), mainly corresponding to construction contract resolutions for an amount of EUR 20.180 thousand euros respectively, which include EUR 9.563 thousand corresponding to certifications and warranty withholdings to be paid registered as a current liability in the interim consolidated balance sheet (EUR 7.923 thousand at 31 December 2020). In relation to the remaining amount (EUR 10.617 thousand) no provision has been accounted, considering external legal advisors opinion that qualify the risk related to this litigation as possible. At 30 June 2021 the Group has recognized provisions amounting to EUR 1.252 thousand (EUR 830 thousand at 31 December 2020) since the Parent's directors, and its legal advisors, considered that the possible impacts for the Group arising from these liabilities would not be significant.

11. Bank borrowings and other financial liabilities

11.1 Bank borrowings

Details of bank borrowings and other financial liabilities at 30 June 2021 and at 31 December 2020 are as follows:

	Thousands of euros	
	30.06.2021	31.12.2020
Long-term bank borrowings:		
Mortgage loans (*)	31.140	-
Other loans (*)	-	70.659
Total (non-current)	**31.140**	**70.659**
Short-term Bank borrowings:		
Interest payable	754	584
Mortgage loans (*)	364.992	240.948
VAT Lines	3.059	2.101
Other loans (*)	3.360	18.702
Total (current)	**372.165**	**262.335**

(*) Borrowings are presented at amortised cost, net of the debt arrangement expenses incurred in 2021 amounting to EUR 3.293 thousand (EUR 6.552 thousand at 31 December 2020).

30 June 2021

Scheduled maturities:	30.06.21
2021	246.395
2022	80.959
2023	4.636
2024	15.900
2025 and following	55.415
Total	**403.305**

31 December 2020

Scheduled maturities:	31.12.19
2021	36.160
2022	83.574
2023	32.012
2024 and following	181.248
Total	**332.994**

Long-term and Short-term bank borrowings

Mortgage loans

The balance recognized under "Bank borrowings – Mortgage loans for land" in the foregoing table which amounts to EUR 396.132 thousand relates to the amount payable on loans regarding real estate assets which secure repayment of these loans (EUR 240.948 thousand in the period ended 31 December 2020). These loans bear interest at a market rate and ultimately mature between 2021 and 2054.

Certain Group companies are jointly and severally guaranteeing most of these loans.

More specifically, in the first half of 2021 the Group arranged 17 new mortgage loans with an amount of EUR 37.208 thousand. Additionally, the limit and maturity of loans contracted in previous years have not been extended.

At 30 June 2021, the Group's main mortgage loan related to the financing granted by Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. ("SAREB"), the amortised cost of which amounted to EUR 51.812 thousand. On 25 March 2021, the aforementioned loan was novated, and the effectiveness and entry into force of the novation was subject to the registration of the merger in the Mercantile Register (see Note 3); under the novation it was agreed to reduce the payable interest rate to 1%, and the following repayment schedule was established:

Scheduled maturities:	Thousands of euros
31 July 2021	5.030
31 July 2022	11.324
31 July 2023	11.324
31 July 2024	14.155
31 July 2025	14.788
Total	**56.621**

In relation to this loan, on 16 September 2020 the Board of Directors of Quabit Inmobiliaria, S.A. approved the issue of warrants in favour of SAREB agreed within the framework of the refinancing agreement signed between the parties on 29 July 2020. These warrants entitled the holder to subscribe up to a maximum of 2.003.552 new Quabit Inmobiliaria, S.A. shares up to a maximum interest of 1% in its share capital. These warrants are going to be cancelled once the execution regarding the public deed of the cancellation of the Avenue warrants takes place (Note 3).

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 upon per annual periods. 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 3.096 thousand has been disposed at June 2021 (EUR 2.101 thousand at 31 December 2020). To secure repayment of the borrowings, the receivables relating to input VAT arising for the public administration in these transactions were pledged to the financial institutions (Note 12).

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 EUR 15 million. At 30 June 2021 no amount has been drawn (no balance had been drawn down at 31 December 2020). The amounts owed to it by virtue of the transactions performed will be used to guarantee the repayment of this financing.

Other loans

On 28 August 2017, the Group signed a financing agreement with J.P. Morgan for EUR 150 million. The loan was arranged for an initial term of 12 months and could be renewed for an additional 12 months. It has been drawn by Neinor Norte, S.L.U., Neinor Sur, S.A.U and Neinor Peninsula, S.L.U, acting Neinor Homes S.A. only as guarantor of this debt. Mainly for the purpose of repaying this loan and improving the Group's financial structure, in April 2019 a financing agreement was entered into with Deutsche Bank for a maximum amount of EUR 75 million, with Neinor Sur, S.A.U. acting as the lender and Neinor Homes, S.A., Neinor Península, S.L.U. and Neinor Norte, S.A.U. as guarantors. This financing initially matured in April 2020, although it could be extended at the Group's discretion until October 2021, provided that certain conditions are met (such as the delivery of a specified number of housing units). On 29 January 2020, debt agreement has been novated. Maturity date for this financing was January 2021, although it could be partially extended for an amount of 40 million euros, with minor interest rate increases, at the Group's discretion until December 2022, provided that certain conditions are met (in line with those fixed in the original contract). In this regard, the Group made during the year 2020 a voluntary repayment amounting to 25 million euros. This repayment was one of the conditions fixed for the maturity extension until December 2022. This financing, against which EUR 50 million had been drawn down at the end of December 2020. On 29 April 2021 this financing has been fully repaid with the funds obtained from the bonds issued by the Parent Company (Note 11.2).

In April 2020 the Parent arranged financing amounting to EUR 40 million, the final maturity of which was scheduled for April 2023, with a one-year grace period in respect of the principal and repayments being made on a straight-line basis over the subsequent two years, and bearing interest at a fixed rate until maturity. On 29 April 2021 this financing has been also fully repaid with the funds obtained from the bonds issued by the Parent Company (Note 11.2).

Covenants and early repayment clauses

In connection 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- 45%.

  In relation to the factoring contract (see Note 11), 15% worsening in the coverage ratios (net financial debt to EBITDA ratio) and/or leverage (net financial debt to equity ratio) as compared to the measurement of these ratios in the latest annual financial statements; furthermore, when a depreciation of the Group's situation causes doubts as to the viability of its business, on the basis of market information. Management believes that the financial institution is aware of the current situation of the Group.

At June 2021 and 2020, the Group was fully compliant with the covenants and clauses established in the aforementioned loans. Additionally, the Group expects to comply with the covenants and clauses established at 31 December 2021.

Other

There are other amounts included in the borrowings indicated above, totaling EUR 20.893 thousand (31 December 2020: EUR 78.642 thousand), that have been drawn down against financing granted by a bank related to the Group. The aforementioned amount relates to mortgage loans.

The Group had several undrawn reverse factoring lines amounting EUR 25.429 thousand at 30 June 2021 with a limit of EUR 115.401 thousand at that date.

All the loans and credit facilities outstanding at 30 June 2021 and 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 3,00% (from 0,85% to 3,5% in 2019). The average cost of the borrowings calculated for 2021 and 2020 are 2,56% and 3,06%, approximately.

11.2 Other long and short term financial liabilities

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

- Repay EUR 152,6 million of outstanding indebtedness of Quabit Inmobiliaria, S.A. and its subsidiaries (Note 3).
- Repay the debt signed with the financial entity Deutsche Bank which at the period end on exercise 2020 was disposed in an amount of EUR 50 million, as well as two financial contracts with an amount of EUR 15 and 25 million, respectively, arranged with Banco Santander.
- Investments in connection with the rental property business line.
- Pay fees, commissions and expenses incurred directly attributable to the offering amounting to EUR 7 million, approximately, which have been deducted from the carrying value of the debt.

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

On April 11, 2021, in connection with the notes, the issuer and the guarantors entered into a revolving credit facility that provides for total commitments of up to EUR 50 million and which final maturity is 2026. The revolving credit facility is secured by substantially the same guarantees provided for the notes and will be available to finance or refinance the Group's working capital requirements and general corporate purposes. The credit facility will bear interest at a variable rate of Euribor plus a market spread ranging from 2,5% to 3,25% calculated depending on the "LTV Ratio". At 30 June 2021 no amount has been drawn.

Furthermore, at 30 June, 2021, the net book value corresponding to the leased assets held by the Group (IFRS 16) amounts to 3.127 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 2.381 and 1.042 thousand euros, respectively. The maturities of the contracts associated with these leases expire from 2021 to 2027.

Risk management

The basic risks to which the Group is exposed and the risk management policies are detailed in the consolidated financial statements for 2020 and are reproduced in the directors report which forms part of these half-yearly condensed consolidated financial statements.

12. Tax matters

All the Group companies, except the subsidiaries Neinor Península, S.L.U. and Neinor Sur, S.A.U., paid 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. In any case, it should be taken into account that the tax credits that in the previous Tax Group were considered as tax credits generated within the Group, this nature is maintained in the new Tax Group.

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, 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, under Bizkaia Corporation Tax Regulation 2/2018, of March 21, approved in 2018, and whose main change was the reduction of the tax rate to 26% in the 2018 fiscal year and to 24% from the 2019 fiscal year onwards.

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.

Also, at the end of 2020 Quabit Inmobiliaria, S.A. headed tax group no. 131/07, which filed consolidated tax returns under the special consolidated tax regime regulated in Chapter VI of Title VII of Spanish Income Tax Law 27/2014, of 27 November, and which comprised substantially all of its subsidiaries, since it held, directly or indirectly, ownership interests of more than 80% in them and they were domiciled for tax purposes in Spain (excluding Navarra and the Basque Country). The extinguishment, through dissolution without liquidation, of Quabit Inmobiliaria, S.A. means that the tax period of the tax group of which it was the parent ended on the date on which it was extinguished and, also, obliges the subsidiaries to conclude their tax period on that same date, without prejudice to their subsequent inclusion, where appropriate, in the tax group headed by Neinor Península, S.L.U., once the pertinent requirements for application of the special consolidated tax regime to these subsidiaries have again been met.

The Group calculated the provision for income tax at 30 June 2020 in accordance with the applicable tax legislation. However, if the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof.

The account payable arising from the calculation of the income tax expense for the six-month period ended 30 June 2021 is recognised under "Receivable from Public Authorities" in the accompanying half-yearly condensed consolidated statement of financial position.

Tax receivables and payables

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

	Thousands of euros							
	30.06.21				31.12.20			
	Tax assets		Tax liabilities		Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
VAT receivable / payable	-	11.576	-	22.284	-	4.898	-	25.491
Income tax receivable	-	2.220	-	24.156	-	652	-	17.324
Personal income tax withholdings payable	-	-	-	2.445	-	-	-	1.799
Social Security contributions payable	-	-	-	823	-	-	-	617
Deferred tax assets	91.425	-	-	-	25.355	-	-	-
Deferred tax liability	-	-	3.642	-	-	-	271	-
Others	-	-	-	-	-	-	-	-
	91.425	**13.796**	**3.642**	**49.708**	**25.355**	**5.550**	**271**	**45.231**

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. However, the input VAT paid in transactions that do not give rise to the right to a deduction will not be deductible and the general deductible proportion rule will be applied to common expenses.

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 30 June 2021 and 31 December 2020. In addition, during the initial procedural formalities, penalties of EUR 6.3 million also became evident, but no provision has been recorded, considering that the administrative appeal filed by the Group will, in any event, give rise to a 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. During July 2020, the assessment was signed by the Company's representative on an uncontested basis, giving rise to no tax contingencies in this connection.

Furthermore, on 8 February 2012, Quabit Inmobiliaria, S.A. received notification of the commencement of the verification and investigation of corporate income tax for the years 2007 to 2009, value added tax for the years 2008 and 2009 and withholdings on income from work for professionals and from movable capital for the years 2008 and 2009. In March2013, the assessments relating to the completion of the review process were received. The amount claimed by the tax authorities amounts to EUR 2.171 thousand, corresponding to settlement agreements issued by the Central Delegation for Large Taxpayers of the State Tax Administration Agency (''AEAT'') in March 2013. This amount is broken down into principal (EUR 1.088 thousand), interest (EUR 614 thousand) and a penalty (EUR 469 thousand), of which EUR 1.134 thousand had already been paid at the date of preparation of the accompanying interim condensed consolidated financial statements, and it was agreed to settle the remaining amount (EUR 1.037 thousand), which is provided for under "Tax Payables" in the condensed consolidated statements of financial position, through monthly instalments that will end in November 2021. In addition, in its assessments, the AEAT proposed certain corrections to the taxable base for corporate income tax with no effect on the tax payable, as they correspond to periods in which the application of these corrections would not result in a positive taxable base and, therefore, in a payable tax. The proposed increase in the 2008 and 2009 tax bases proposed in the assessments was EUR 6.004 thousand and 7.204 thousand, respectively. The main adjustment item arose from amortisation of goodwill from the merger in 2008 (EUR 5.641 thousand in 2008 and EUR 7.051 thousand in 2009). This difference in amortisation derives from the difference in the quantification of amortisation: EUR 152.332 thousand according to the AEAT compared to EUR 293.308 thousand calculated by Quabit Inmobiliaria, S.A. in its income tax settlements. Quabit Inmobiliaria, S.A. submitted pleas to the non-conformity assessments relating to corporate income tax and subsequently lodged an appeal with the Central Economic-Administrative Court (TEAC). In January 2017, Quabit Inmobiliaria, S.A. received a resolution from the TEAC rejecting all the pleas presented in its appeal. In March 2017, Quabit Inmobiliaria, S.A. filed an administrative appeal with the National High Court requesting a stay of the contested order. This suspension has been granted by the Court. Subsequently, on 7 December 2017, Quabit Inmobiliaria, S.A. filed a complaint with the Administrative Litigation Division of the National High Court. In September 2020, Quabit Inmobiliaria, S.A. received notification of the National Court's ruling rejecting all of its pleas. A cassation appeal was filed with the Supreme Court and, at the date of preparation of these interim condensed consolidated financial statements, the ruling either giving this appeal leave to proceed, or refusing it, had not been received.

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

Deferred tax assets

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 a reassessment was carried out and, in the specific case of Neinor Sur, S.A.U., it was considered reasonably assured that future taxable profits would be obtained to enable the offset of this subsidiary's tax losses. There were no changes in the reporting period in the estimate made. In this regard, this subsidiary has obtained a profit from operations of EUR 63.416 thousand at 31 December 2020 and the Group is in line with the budget drawn up, existing adequate visibility in terms of revenue in the next three years. During 2020 the Group considered for Neinor Works, S.L.U, probable that sufficient future taxable profits would be obtained to enable the offset partially 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.

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.

In addition, as a result of the purchase price allocation process relating to the business combination of Quabit Inmobiliaria, S.A., deferred tax assets amounting to EUR 68.000 thousand associated with that transaction were identified.

At 30 June 2021 under "Deferred tax assets" an amount of 91.425 thousand euros is recognized (25.355 thousand euros at 31 December 2020). The recoverability has been analyzed considering the impact on assets valuation considering the most probable scenario (Note 7), without any adjustment needed.

13. Revenue and expense

13.1 Revenues

The detail of total revenue is presented in Note 5 with the segment information. All sales took place in Spain.

13.2 Cost of sales

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

	Thousands of euros	
	Total Group	
	30.06.21	30.06.20
Cost of sales	**235.708**	**65.316**
Sites and land	283	6.167
Construction work in progress and completed buildings	235.425	59.149

13.3 Employee benefits expense and average headcount

Details of "Employee benefits expense" are as follows:

	Thousands of euros	
	30.06.20	30.06.19
Wages, salaries and similar expenses	10.572	7.587
Termination benefits	757	(32)
Social security costs	2.083	1.660
Other employee benefit costs	176	157
Total	**13.588**	**9.372**

The average headcount at Group companies during the six-month period ended 30 June 2021 was 293 (270 during the six-month period ended at 30 June 2020). The breakdown by category is as follows:

	30.06.21			30.06.20		
	Women	Men	Total	Women	Men	Total
Higher degree staff	92	140	232	121	142	263
Medium degree staff	41	19	60	4	3	7
Total	**133**	**159**	**292**	**125**	**145**	**270**

In addition, at 30 June 2021, the Group had 3 employees with a disability of more than 33% (4 employees in 30 June 2020).

13.4 External services

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

	Thousands of euros	
	30.06.21	30.06.20
Leases and royalties	300	108
Maintenance	719	568
Independent professional services	12.180	5.514
Transport	3	1
Insurance premiums	763	387
Bank services	753	621
Advertising and marketing	1.514	1.348
Supplies	289	142
Other external services	1.957	1.328
Levies (Note 10)	3.888	2.981
Total	**22.366**	**12.998**

"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 the sales; on 30 June 2021 the amount registered under this caption is 8,8 million euros (3,5 million on 30 June 2020).

The expenses incurred by the Group, mainly in relation to independent professional services, as a result of the transactions described above in Note 5, amounted to EUR 1.773 thousand.

Additionally, under the caption "Levies" property tax expenses are registered amounting to 1,7 million euros (1,9 million euros on 30 June 2020).

13.5 Changes in trade provisions

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

	Thousands of euros Income / (Expense)	
	30.06.21	30.06.20
Change in trade provisions – Others		
Impairments of inventories	-	-
Other commercial provisions (Note 10)	(2.121)	(2.259)
Total change in trade provisions	**(2.121)**	**(2.259)**

14. Related party transactions

The Group's "related parties" are deemed to be, in addition to the subsidiaries, associates and jointly-controlled entities, the shareholders, the Parent's "key management personnel" (its directors and managers, and their close family members) and the entities over which key management personnel may exercise significant influence or control or by which they may be influenced. Specifically, related party transactions are deemed to be transactions with parties outside the Group but with which there are ties as defined in Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, and in Spanish National Securities Market Commission (CNMV) Circular 1/2005, of 1 April. Pursuant to the aforementioned criteria, for disclosure purposes the bank Banco de

Santander, S.A. is considered a related party, due the link between a senior executive and director of the group and one of the directors. Also, in accordance with the definitions and criteria contained in these provisions, “1810 Capital Investments, S.L”., “Global Hespérides, S.L.”, “Rayet Medio Ambiente, S.L.”, “Banco Santander, S.A”, “Grupo Rayet S.A”, “Sistemas Integrales Cualificados, S.L.”, “UTE I-15”, “Global Henares, S.L.” and “Editorial Nueva Alcarria, S.A.” are also considered to be related companies, due to their relatedness to shareholders, directors and managers.

	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 13.1)					
Six-month period ended 30 June 2021	Sales	Services Provided	Financial Incomes	Cost of Sales – Purchases (Note 13.2)	External Services (Note 13.4)	Financial costs (Note 11)
Other Group´s “related parties”-						
Banco Santander, S.A.	-	-	-	21	198	1.080
Global Hespérides, S.L.	3.280	9	89	-	-	-
Rayet Medio Ambiente, S.L.	-	-	3	-	6	-
Sistemas Integrales Cualificados, S.L.	-	-	-	-	51	-
Total	**3.280**	**9**	**92**	**21**	**255**	**1.080**

	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 13.1)					
Six-month period ended 30 June 2020	Sales	Services Provided	Financial Incomes	Cost of Sales – Purchases (Note 13.2)	External Services (Note 13.4)	Financial costs (Note 11)
Other Group´s “related parties”-						
Banco Santander, S.A.	-	-	-	-	33	812
1810 Capital Investments, S.L.	-	-	-	-	-	-
Global Hespérides, S.L.	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**33**	**812**

The breakdown of the transactions carried out is as follows:

- The finance costs arose on various loans and credit facilities with the related bank.

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 11 in relation to the VAT facilities.

The balances held with companies related to the Group at 30 June 2021 and 31 December 2020 are as follows:

30 June 2021

Thousands of Euros	Cash and cash equivalents	Credits granted	Current bank borrowings	Accounts receivable	Advances to suppliers	Customer prepayments	Accounts payable
Associates (*)							
Programa de actuación de Baleares, S.L.	-	8.384	-	-	-	-	-
Landscape Larcovi, S.L.	-	203	-	-	-	-	-
Total	-	**8.587**	-	-	-	-	-
Other Group´s "related parties"-							
Banco Santander, S.A.	186.936	-	20.893	-	-	-	-
Rayet Medio Ambiente, S.L.	-	1.438	-	11		-	11
Grupo Rayet, S.A.	-	-	6	-	-	-	11
Global Henares S.L.	-	-	-	-	-	1	13
Sistemas Integrales Cualificados, S.L.	-	-	-	-		-	3
UTE I-15	-	893	-	1.858	1.635	-	57
Editorial Nueva Alcarria, S.A.	-	-	-	-	-	-	8
Total	**186.936**	**10.918**	**20.899**	**1.869**	**1.635**	**1**	**103**

(*) As a result of the business combination the Group holds shares in Alboraya Marina Nova, S.L., Programa de Actuación de Baleares, S.L., Landscape Corsan, S.L., Landscape Larcovi, S.L., Landscape Gestión de Activos, S.L. and Masia del Monte Sano, S.L. with a cost of 601 thousand euros as of June 30 2021.

31 December 2020

Thousands of Euros	Cash andcash equivalents	Non-current bank borrowings	Current bank borrowings	Accounts receivable	Customer prepayments
Banco Santander, S.A.	113.408	20.659	57.983	-	-
1810 Capital Investments, S.L.	-	-	-	-	879
Global Hespérides, S.L.	-	-	-	-	3.307
Total	**113.408**	**20.659**	**57.983**	**-**	**4.186**

On 29 June 2020, 72 housing units (together with their garages and storage rooms), linked to five developments in progress, which 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 9.702 thousand. During the 6 months period ended 30 June 2021 a total of 7 housing units have been 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 3.410 thousand

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

Directors' compensation and other benefits

As of June 30, 2021, the Directors of the Parent Company, including those who have at the same time the status of members of the Senior Management (2 persons in 2021 and in 2020), have received a fixed and variable compensation for their position as administrators an amount of EUR 2.214 (1.103 thousand euros on 30 June 2020). In addition, the Group has recorded an expense charged to the "Employee benefits expenses" caption in the accompanying consolidated income statement for an amount of EUR 50 thousand (22 thousand euros on 30 June 2020) in relation to the management incentive plans. During the six-month period of 2021 and 2020 no bonus has been accrued.

The Parent has taken out third-party liability insurance for directors and senior executives the cost of which amounts to EUR 251 thousand in 2021 (EUR 111 thousand in 2020).

The Parent has no pension obligations to the Directors.

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

Senior executives' compensation and other benefits

The remuneration of the Parent's senior executives and persons discharging similar duties, including those who are simultaneously members of the Board of Directors (one person), at 30 June 2021 and June 2020 is summarised as follows:

Number of employees		Thousands of euros					
		30.06.21			30.06.20		
30.06.21	30.06.20	Fixed and variable remuneration	Other remuneration	Total	Fixed and variable remuneration	Other remuneration	Total
7	7	2.896	-	2.896	1.180	25	1.205

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

16. Disclosures related to COVID-19 impacts

The first half of 2021 was marked by a phase which saw first a worsening and then an improvement in the covid-19 pandemic during which different variants of the virus appeared, resulting in governments adopting a series of measures to contain its spread. Restrictions on the free movement of people therefore continued, curfews were imposed, public and private premises and borders were closed, and there was a drastic reduction in 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.

The impact on Spain was particularly significant in the first quarter of the year, which coincided with the arrival of a new wave of infections at the beginning of the year, restrictions on movement and the closure of many businesses.

The start of the vaccination campaign against covid-19 at the end of 2020 and the good vaccination rate achieved, with more than 50% of the population fully vaccinated at the date of issue of this note, improved expectations regarding a recovery.

However, the risks have not yet dissipated: the arrival of a fifth wave of infections among 12 to 19 year-olds, the increase in the number of infections due to new strains of the virus and a rise in company insolvencies could slow down the reactivation of the economy. Regardless of the situation of the markets due to their globalisation, the demand for homes has remained high and the result for the Group's operations has been an increase in revenue, with sales at historic highs, leading us to expect the targets in the business plan to be comfortably met at the end of the year.

Accordingly, at the date of preparation of these interim financial statements, based on the scant effect on sales and the maintenance of sustainable demand, since the industry is seen as a safe harbour due to the volatility of other markets and low interest rates, we still expect the property industry to drive economic recovery. Although the data are very positive and encouraging, we should act with caution and continue along the same lines we have followed to date.

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

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

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

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

  Different phases were established and communicated in line with the evolution of the pandemic: a containment phase in which, due to the worsening of the pandemic, it was decided that 90% of the employees would work remotely; a gradual return to on-site working, in which employees went back to office working in a system of shifts that guaranteed that the established safety measures would be met (minimum distance between employees in their work stations, capacity of offices, etc.). The phases were updated at least once a month and the most restrictive measures established by the authorities were applied as minimum measures.

- **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. Additionally, periodic communications have been made to ensure visibility and transparency vis-à-vis the ongoing situation 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 (Note 11)**: the Group issued a five-and-a-half-year EUR 300 million green bond to repay Neinor's corporate debt and Quabit's debt prior to the merger at a significantly lower interest rate. The bond provides long-term stability and strengthens the cash position with a view to undertaking investments and favouring growth.

  - ✓ **Developer financing**: the Group has continued to maintain its usual pace/dynamics of developer loan signings. As of the date of these interim consolidated financial statements, the Group has granted more than 745 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, being the main measure a plan for savings in operating expenses. With the fulfilment of the objectives and the business plan prior to covid-19, the envisaged delivery of homes resulted in the expected generation of cash and, therefore, the Group has resumed its investments in land and also paid the dividend approved at the General Meeting as initially envisaged, both of which had been halted under the contingency plan.

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

    In this regard, it is reported that our net cash position at the beginning of the month of March, when the cash flow contingency plan was established, was 95.8 million euros. At the close of the year 2020 it has reached more than 250 million euros and as of June 30, 2021, it amounted more than 315 million euros. This is due to the adoption of the aforementioned measures and, to a large extent, fulfilment of the deliveries envisaged in our Business Plan.

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

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

  In this regard, 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 interim financial results, 2 developments already delivered were carried out by Neinor Works and there are 2 other developments in progress, which have made optimum progress during this period.

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

In addition to the above measures, other types of actions, already planned during the past year, have been taken, i.e.: planning and advancing payments for supplies, recommendations for the implementation of preventative measures, works acceleration programs, analysis of the optimization of projects underway as well as the organization and forms of conduct of the works, in order to transfer the best practices to each of our current developments. In addition, this year the Group started an assessment and planning process in relation to procurements, in view of the possible scarcity and increased prices of raw and other materials.

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

- ✓ All our WIP works have maintained their activity and none of them have been suspended.
- ✓ Works have been closely monitored regarding COVID risks. Those outbreaks that have occurred on construction sites have been isolated and have been quickly controlled thanks to the application of the protocols established in each case.
- ✓ There have not been significant delays in the completion of the works due Covid-19.

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

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

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

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

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

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

    - ✓ 80% of our customers have signed a private sale and purchase agreement.
    - ✓ These customers pay in advance an average of 16% of the price of a property.

    Cancellations/terminations of reservation agreements stood at around 0.7%* in the first half of the year which, although a very low percentage, is higher than the 0.5% of the last two years.
    * This percentage does not include the terminations of the developments from Quabit, as its criterion for counting cancellations/terminations is different from that used at Neinor Homes and, therefore, the two criteria are being made uniform

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

  Sales of new build properties clearly performed well. In the first half of the year 166% of targets were met, with 1,459 units compared to the 837 planned in the Company's business plan being sold. This excellent figure is due to the fact that customers who are in a good financial position consider that this is the ideal time to buy and are looking for new build properties with specific characteristics for their day-to-day well-being and comfort (larger homes, with larger terraces, and better quality and more specialised communal spaces). These clearly favourable results put us in a leadership position in the market.

  At the date of these interim financial statements, the pre-sold units scheduled for delivery for 2021 account for 90% (including units already delivered) and 63% of the units scheduled for delivery in 2022.

- ✓ **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, the Group has delivered 1.028 units during the first 6 months of 2021, meeting 34% of the delivery target set for 2021 in the Business Plan.

- **Asset management service risk (servicing)**: 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.

  To the extent that there could be not only a potential loss of revenue for the Group but a decline in our effectiveness or reputation with our customers, in order to mitigate risks and make a virtue out of necessity, in the first half of the year actions based around three broad areas were implemented and continue to be our focus now: assess our exposure to the third parties we work with in the Servicing area; strengthen the quality and control of the services provided to the entity (particularly the metrics to reduce time to market and the action plans for the management of urban planning, due to the importance of land compared to the total portfolio managed); and meet the sales figures agreed upon for this year.

  To this end, the control and the assessment 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 interim consolidated financial statements, we have exceeded the agreed sales budget by 49% and we have improved by 13% the assets impairment ratio. Additionally, 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.

Regarding revenue, we closed the first half of the year 10% above the business plan projection, with management fee revenue slightly lower than estimated in the business plan, but with a great performance of write-downs and sales, in relation to which the fees accounted for 35% of the Servicing revenue, and enabled us to end the first half of the year with a highly satisfactory figure in this regard.

- **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 30 June 2021, the fair value of the Group's assets amounts to €2.140 million, which is 34% higher than the carrying amount of the Group's assets of €1.208 million at that date.

  According to the valuation carried out as at 31 December 2020, the fair value of the Group's assets amounts to €1.584 million, which was 31% higher than the carrying amount of the Group's inventories of €1.208 million at that date.

  The rise in the value of assets is due to the inclusion in the Company's portfolio of assets from the portfolios of Quabit and Sardes, both acquired in the first half of the year, as well as to the new land purchases made to complement the acquisition of these portfolios.

  Comparing the valuations at December 2020 and June 2021, we can see that the fair value of the assets and the carrying amount of the inventories remained stable. This is due to the forecast growth in the CPI and its rise in the second quarter of the year, low interest rates, investment in property being seen as a "safe harbour" and the adjustment to supply due to the failure of other developers.

- **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.

  - ✓ Although the demand for new build property in Spain rose by 18% from June 2020 to June 2021, it continues to be minimal (around 70,000 – 80,000 units), the increase in demand has not led to a rise in prices and the accumulated stocks of unsold new build properties total around 450,000 units.

  - ✓ The situation caused by the pandemic in 2020, which coincided with a property development industry that was much healthier financially, more professionalised, with better procedures and more innovative, meant that the recession had less impact on the new build property industry, with slight falls in the number of transactions and in prices.

- ✓ According to current trends, the market will reward companies that are leaders in the adoption of digital and sustainable practices. The Group has been working on both aspects for some years now, as shown in its Sustainability Reports published on its website and, this year, it has undertaken projects concerning the assessment by expert analysts of the sustainability criteria it applies and the creation of a framework for sustainable financing.

- ✓ Accordingly, in February 2021 Sustainalytics, one of the leading analysts of ESG criteria (environmental, sustainability and governance facets of companies), awarded the Neinor Homes Group a score of 10.5 (low risk), acknowledging it as the world's best developer in ESG terms.

- ✓ 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.

- ✓ Additionally, the Group has the rental business line, which was reinforced last year with the acquisition of 75% of Renta Garantizada one of the leading rental management companies in Spain. This business line was also reinforced with the acquisition of a PRS (Private Rented Sector, finished and rented product) portfolio.

- ✓ The business diversification allows Neinor Homes to create a residential platform as it is described in the following paragraphs.

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

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

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

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

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

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

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

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

17. Explanation added for translation to English

These summarised consolidated interim financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (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.

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

DIRECTORS' REPORT

6 month period ended 30 June 2021
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.

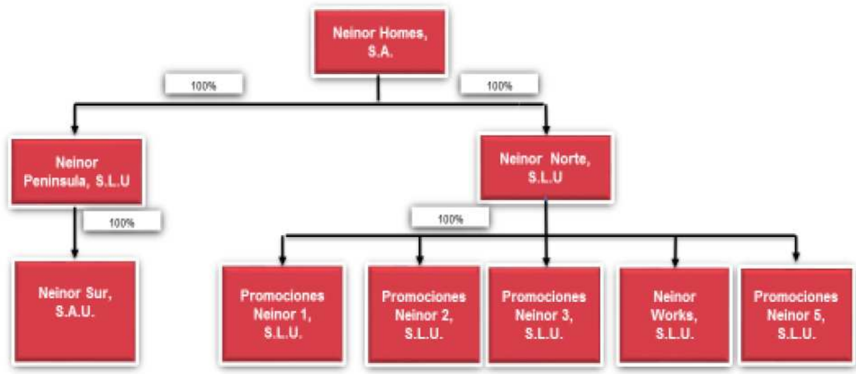
On 4 January 2021, the Group company Promociones Neinor 1, S.L.U executed in a public deed and completed the acquisition of all the shares of 100% of Sardes Holco, S.L.U., a company owning nine developments earmarked for lease and located in Alicante, Badalona, Gerona, Madrid, Málaga Sabadell, Terrassa and Valencia.

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

Additionally, In May 2021 the Neinor Homes Group, in alliance with Grupo Cevasa, was awarded the tender sponsored by the public company Habitatge Metròpolis Barcelona, S.A. for the construction and subsequent management under rental arrangements of 4,500 government-subsidised homes in the metropolitan area of Barcelona

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 four business lines:

A) Development business line:

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

The Group's land portfolio is comprised of 290 lots with a total of 16.000 buildable units. The portfolio is distributed over the Gorup'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 and subsequent purchase described in Note 1 of the Group´s consolidated financial statements and sale transactions during 2015-2021, as well as in Note 3 of the consolidated financial statements in connection with the merger with Quabit Inmobiliaria, S.A.

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 with the objective of creating a portfolio of 5.000 rental homes in the next five years.

The commitment of this business line has been consolidated through the acquisition of Renta Garantizada, S.A., the purchase of Sardes Holco, S.L.U. in January and the alliance with Grupo Cevasa for the construction and subsequent rental management of 4,500 housing units with public protection in the metropolitan area of Barcelona.

C) 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.

D) 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.

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 the first half of 2021 they held 9 meetings.

Following are the main agreements, approvals and supervisory activities entered into, granted and performed, respectively, by the Board and its committees in the first six months of 2021.

a) The call for the Genearl Shareholders' Meeting
b) External Accounts Audit Plan for 2021
c) Incentive plan, salary objetives and bonus system
d) Re-election of external auditors
e) Annual accounts and directors' report
f) Quarterly, semi-annual and annual financial results and presentation to markets
g) Distribution of 2020 income
h) Review of the negotiation with the Company's own shares
i) Presentation of the acquisitions and launches and planned program for 2021
j) Strategy and analysis of new business lines
k) The Activities Report of the Board and its Commissions
l) The Corporate Social Responsibility Report 2020 and the CSR Plan 2021
m) The independence report of the external auditors.
n) Review of the external Audit effectiveness.
o) The 2020 Annual Corporate Governance Report.
p) The annual remuneration report 2020.
q) The 2020 report of activities of Internal Audit and the annual plan for 2021
r) The report of conflicts of interest and related operations
s) The 2020 report compliance activities
t) Report of activities carried out for the supervision of the RIC
u) Supervision of ICFR
v) Supervision ot the control model of Prevention of Money Laundering and Financing of Terrorism
w) The audit report on Prevention of Money Laundering and Financing of Terrorism
x) Supervision of the integrated model of Internal Control and Risks
y) Monitoring of markets communications
z) Monitoring and approval of the disclosure to be included in the interim summarised consolidated financial statements according to the impacts due to COVID-19.
aa) Report and approval of the reelection of the Executive Vice President.
bb) Report and approval of the reclassification of a Director to Independent Director.

cc) Approval and authorization of the Company's refinancing transactions.
dd) Determination of the amount and date of distribution of the dividend.
ee) Approval of the merger project between Quabit and Neinor Homes.
ff) Approval of a program for the repurchase of own shares as treasury stock.
gg) Approval of corporate operations and investments.
hh) Approval of the acquisition of portfolios to strengthen the Rental portfolio

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 regarding implementations and projects in the field of compliance.

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

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

The balance scorecard of the model includes:

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

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

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

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

In the first half of 2021, the Group recognised revenue of EUR 9 322.536 thousand achieving a gross margin of EUR 86.828 thousand and EBITDA of EUR thousand an adjusted EBITDA of EUR 69.851 thousand (without MIP). At equity level, total assets at 30 June 20201 amounted to EUR 2.131.325 thousand, equity to EUR 915.757 thousand and current and non-current liabilities to EUR 1.215.568 thousand.

Revenue and gross margin

By business volume, the Development business activity recognised sales of EUR 306.909 thousand, with a gross margin of EUR 71.982 thousand, representing a margin of 23,48%.

This is followed by the volume in the Servicing business line, with a recognised revenue of EUR 12.539 thousand, the Legacy business line has registered a revenue of EUR 1.261 thousand and gross margin of EUR 180 thousand and the rental line business has registered a revenue and a gross margin of 2.127. The sales of Legacy business line correspond to more than 25 main units, mostly located in southern Spain (76%).

Development sales are due mainly to the completion and delivery of some property developments: Limonar Homes RP4 y RP5 with sales of EUR 36.194 thousand, Saler Homes with sales of EUR 30.118 thousand, Sopela Homes with sales of EUR 26.339 thousand, Plaza Europa 38 Homes with sales of EUR 19.353 thousand, Fuentelucha Homes with sales of EUR 16.511 thousand, Aiguadolc Homes with sales of EUR 9.752 thousand, Zahir Homes with sales of EUR thousand, El Lagar Cala Mijas with sales of EUR 6.005 thousand and Tavira Residencial with sales of EUR 5.709 thousand.

Finally, servicing revenue relates mainly to: *Management Fee* on the EUR 1.300 million of managed assets (EUR 8.431 thousand (67%)), *Success Fee* (EUR 3.865 thousand (31%)), Boarding fee and other income (EUR 242 thousand (2%)).

EBITDA

The Adjusted EBITDA for the first six of 2021 amounted to EUR 69,851 thousand, mainly due to Development line business with adjusted EBITDA of EUR 51,602 thousand, Legacy with negative adjusted EBITDA of EUR 320 thousand, Servicing with positive adjusted EBITDA of EUR 6,640 thousand, and Rental with adjusted Ebitda of EUR 12,029 thousand resulting in a margin on sales of 21.66%.

The EBITDA in the first half of 2021 stood at EUR 64.966 thousand, mainly due to "Development" with an EBITDA of EUR 47.174 thousand, "Legacy" with a negative EBITDA of EUR (361) thousand, " Servicing" with an EBITDA of EUR 6.124 thousand and Rental with an EBITDA of 12.029 thousand, which represents a net margin of 20,14%.

Profit/Loss for the year

Consolidated profit for the first half oth 2021 amounted to EUR 44,645 thousand, of which EUR 44,683 thousand related to the parent company.

Financial position

The current liabilities and non-current liabilities at 30 June 2021 amounted to EUR 1.215.575 thousand compared to EUR 698.061 thousand at 31 December 2020 (an increase of EUR 517.514 thousand).

The borrowing position at 30 June 2021 continues to indicate very sound debt/equity ratios: 30,6% Loan To Cost ratio (LTC) and 22,9 % Loan To Value ratio (LTV).

Borrowings at 30 June 2021

At 30 June 2021, EUR 403 million was recognised under current and non-current bank borrowings. The detail of bank borrowings is as follows:

- Corporate facilities: EUR 62 thousand.
- Land financing facilities: EUR 198 million with a limit of EUR 211 million
- Capex financing facilities: EUR 175 million with a limit of EUR 647 million
- Mortgage loans: EUR 31,3 million.
- Interest payable: EUR 0,7 million
- Debt arrangement expenses: EUR (4,6) million

- VAT facilities: a limit of EUR 15 million with EUR 3,1 millions disposed
- Factoring facilities: a limit of EUR 15 million with no disposals

At 12 April 2021, the Board of Directors of the parent company approved the emission of senior bonds guaranteed with a due date in 2026, amounted to EUR 300 millions. In the emissión date (14 April 2021) was established that the bonds return an annual fixed interest rate of 4,5% payable semesterly.

The Group has paid EUR 152,6 millions debt of Quabit Inmobiliaria, S.A and their subsidiaries. In addition, it has paid EUR 133 millions of debt, signed with the financial entity Deutsche Bank which at the period end on exercise 2020 was disposed in an amount of EUR 50 million, as well as two financial contracts with an amount of EUR 15 and 25 million, respectively, arranged with Banco Santander.

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 30 June 2021, the average number of employees employed in the various companies that make up the Group was 292 people, representing an increase of 3,6 % in comparison with the period ended on 30 June 2020 (270 people). The distribution of the headcount, by gender and professional category, was as follows:

	30.06.21			30.06.11		
	Women	Men	Total	Women	Men	Total
sity graduates	92	140	232	121	142	263
r education college graduates	41	19	60	4	3	7
	133	**159**	**292**	**125**	**145**	**270**

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

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

In this first semester highlights the financing, mainly of land and mortgage loans, obtained by the Group, which amounts in balance to a total of EUR 372.168 thousand (296.474 without corporative debt).

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

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

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

The most significant financial risks are:

Market risk

Exposure to interest rate risk

The Group does not use interest rate hedges.

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

Exposure to credit risk

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

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

Exposure to solvency risk

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

Exposure to exchange rate risk

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

6. Significant circumsntances after the reporting period

Subsequent to six month period ended 30 June 2021 no additional events took place 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 the second half of 2021 focus on:

Development business line

- Monitoring ongoing promotions which the Group had at 2020 year-end, plus the tenders and contracting of new projects until the end of the current exercise.

- 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 forecasted for 2020, while taking due care of our clients' satisfaction and experience.

Rental business line

- Manage and build 2.000 units for this business line.
- Give services in property and assets management to third parties though acquired company Renta Garantizada, S.A one of the leading rental management companies in Spain.
- Manage the renting of 9 promotions destined to residential lease of Sardes.

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 disinvestment in order to monetise the majority of the portfolio in 2021.

- The gains on this disinvestment will mainly be used to fund the acquisition of new land for the Development business line.

8. R&D&i activities

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

9. Treasury shares

At 30 June 2021, the Company's share capital was represented by 79.988.642 fully subscribed and paid shares of EUR 10 par value each. All these shares carry identical voting and dividend rights.
At 30 June 2021, there are treasury shares on the company's balance sheets for an amount of EUR 6.971 thousands. The number of shares as of June 30, 2021 would be 634.973 shares, with an average price of unit purchase of 10,98 euros.

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 Group presents the calculation of gross profit in Note 5 to the consolidated financial statements.

Explanation of use: the Group 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 Group 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 Group presents the calculation of EBITDA in Note 5 to the consolidated financial statements.

Explanation of use: the Group 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 Group 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 (MIP) + Net financial profit or loss and other income and expenses + Depreciation and amortisation charge + growth expenses + expenses related to bond's emission + aditional after-sales expenses

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

Explanation of use: the Group 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 Group presents comparative figures for the prior year.

Consistency: the criterion used to calculate EBITDA is the same as that used in the period 2018 to 2020 incorporating growth costs of the company and after-sales provission.

Borrowings

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

Reconciliation: the Group 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 Group 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) – "Non-current financial assets" (including long term guarantees) - "Cash and Cash Equivalents".

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

	30 June 2021
Non-current liabilities - bank borrowings	31.140
Current liabilities - bank borrowings	374.797
Current trade and other payables - deferred payment for land	296.595
Current financial assets	(288.171)
Net financial debt	**414.361**

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 Group 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.

Net financial debt adjusted

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

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

	30 June 2021

Non-current liabilities - bank borrowings	31.140
Current liabilities - bank borrowings	374.797
Deferred land payment	296.595
Cash and cash equivalents - available cash	76.675
Adjusted net financial debt	**491.036**

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):

	30 June 2021
Net financial debt	414.361
Assets market value	2.140.433
	19,4%

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):

	30 June 2021
Net financial debt adjusted	491.036
Assets market value	2.140.433
	22,9%

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):

	30 June 2021
Net financial debt	414.631
Inventories	1.533.283
Investment Property	69.801
	25,8%

Loan to Cost Adjusted (LTC)

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 thousand euros):

	30 June 2021
Net financial debt	491.036
Inventories	1.533.283
Investment Property	69.801
	30,6%