Neinor Homes, S.A. and Subsidiaries

Summarised Consolidated Interim Financial Statements and Interim Directors´Report for the six-month period ended 30 June 2020, 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 2020, 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 2020 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.

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 2019. Our conclusion is not modified in respect of this matter.

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.

We also draw attention to Note 16 to the condensed consolidated financial statements for the six-month period ended 30 June 2020, 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 are 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 2020 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 2020. 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
29 July 2020

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2020 AND 31 DECEMBER 2019
(Thousands of Euros)

ASSETS	Explanatory notes	30.06.2020	31.12.19 (*)	EQUITY AND LIABILITIES	Explanatory notes	30.06.2020	31.12.19 (*)
NON-CURRENT ASSETS:				**EQUITY:**			
Intangible assets		1.376	1.536	Share capital		790.050	790.050
Right-of-use assets	11	2.799	3.294	Share premium		39.247	39.247
Property, plant and equipment	6	6.527	7.231	Legal reserve		4.773	3.363
Investment property		210	216	Reserves of the Parent		65.824	52.364
Non-current financial assets	9.4	609	763	Own shares		(51.276)	(51.191)
Deferred tax assets	12	25.500	25.500	Other reserves		(1.424)	522
				Reserves at fully consolidated companies		(57.881)	(108.676)
Total non-current assets		**37.021**	**38.540**	Consolidated profit / (loss) for the year		6.800	63.748
				Total equity	9	**796.113**	**789.427**
				NON-CURRENT LIABILITIES:			
				Provisions		78	-
				Bank borrowings	11	90.000	50.000
				Other non-current liabilities		2.239	2.154
				Deferred tax liabilities	12	7	7
				Total non-current liabilities		**92.324**	**52.161**
CURRENT ASSETS:				**CURRENT LIABILITIES:**			
Inventories	7	1.322.204	1.210.668	Provisions	10	10.020	11.205
Trade and other receivables	8	24.522	27.076	Bank borrowings	11 and 14	291.742	315.700
Current financial assets		1.909	12.756	Other current financial liabilities	11	872	1.365
Tax receivables	12	7.053	6.536	Current trade and other payables	7	164.421	150.827
Cash and cash equivalents		132.896	173.415	Tax payables	12	28.832	34.745
				Other current liabilities	7	141.281	113.561
Total current assets		**1.488.584**	**1.430.451**	**Total current liabilities**		**637.168**	**627.403**
TOTAL ASSETS		**1.525.605**	**1.468.991**	**TOTAL EQUITY AND LIABILITIES**		**1.525.605**	**1.468.991**

(*) 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 2020.

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

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2020 AND 2019
(Thousands of Euros)

	Explanatory notes	30.06.20	30.06.19 (*)
Net revenues	13	99.848	161.815
Cost of sales	13	(65.316)	(111.195)
Employee benefits expenses	13	(9.372)	(12.209)
Depreciation and amortisation charges	6	(1.851)	(2.106)
External services	13	(12.998)	(14.322)
Change in trade provisions	13	2.259	(2.146)
Other operating gains/(losses)		416	143
Gains/(losses) on disposal of fixed assets	6	-	(142)
PROFIT / (LOSS) FROM OPERATIONS		**12.986**	**19.838**
Finance revenue		4	8
Finance costs	11 and 14	(3.352)	(4.737)
PROFIT / (LOSS) BEFORE TAX		**9.638**	**15.109**
Income tax	12	(2.838)	(4.701)
PROFIT / (LOSS) FOR THE YEAR		**6.800**	**10.408**
Earnings/(losses) per share (Euros):			
Basic	9	0,092	0,123
Diluted	9	0,092	0,123

(*) 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 2020.

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 2020 AND 2019
(Thousands of Euros)

	Explanatory notes	30.06.20	30.06.19 (*)
CONSOLIDATED PROFIT / (LOSS) FOR THE PERIOD		**6.800**	**10.408**
OTHER RECOZNIZED INCOME (EXPENSES)		**-**	**-**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		**-**	**-**
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		**-**	**-**
TOTAL RECOGNISED INCOME AND EXPENSE		**6.800**	**10.408**
a) Attributable to the Parent		**6.800**	**10.408**
b) Attributable to non-controlling interests		-	**-**

(*) 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 2020.

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2020 AND 2019

(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	Total equity
Balance at 31 December 2018 (*)	**790.050**	**39.247**	**2.192**	**42.820**	**(3.902)**	**1.405**	**(145.133)**	**45.991**	**772.670**
Distribution of profit/loss for the period:									
To reserves	-	-	1.171	10.537	-	-	34.283	(45.991)	**-**
Income/expense recognised in the period	-	-	-	-	-	-	-	10.408	**10.408**
Transactions with Treasury Shares	-	-	-	-	(19.440)	-	-	-	**(19.440)**
Other (Note 9)	-	-	-	1.019	-	709	(34)	-	**1.694**
Balance at 30 June 2019 (*)	**790.050**	**39.247**	**3.363**	**54.376**	**(23.342)**	**2.114**	**(110.884)**	**10.408**	**765.332**
Income/expense recognised in the period	-	-	-	-	-	-	-	53.340	**53.340**
Transactions with Treasury Shares	-	-	-	(2.012)	(27.849)	-	-	-	**(29.861)**
Other (Note 9)	-	-	-	-	-	(1.592)	2.208	-	**616**
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**

(*) 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 2020.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2020 AND 30 JUNE 2019

(Thousands of Euros)

	Explanatory notes	30.06.20	30.06.19 (*)
Cash flows from/(used in) operating activities			
Profit/(loss) from operations		9.638	15.109
Adjustments-			
Depreciation and amortisation	6	1.851	2.106
Change in provisions	6, 7 and 10	(1.304)	(1.052)
Impairment and gains/(losses) on disposal of intangible and tangible assets		-	97
Finance costs		3.352	4.737
Finance revenue		(4)	(8)
Incentive Plans	9	6	2.719
		13.539	**23.708**
Increase/(Decrease) in current assets and liabilities:			
Inventories	7	(111.536)	(37.446)
Trade and other receivables	8	1.401	4.404
Current trade and other payables		4.448	12.463
Other current and non-current assets and liabilities		27.720	16.495
Net income tax payment		755	(1.168)
Total net cash flows from operating activities (I)		**(63.673)**	**18.456**
Cash flows from/(used in) investing activities:			
Investments in intangible and tangible assets		(227)	(1.017)
Disposals of investment property	6	-	354
Other financial assets	9.4	(14.453)	(5.405)
Total net cash flows from investing activities (II)		**(14.680)**	**(6.068)**
Cash flows from/(used in) financing activities:			
Proceeds from bank borrowings	11	125.816	46.472
Repayment of bank borrowings	11	(84.662)	(93.266)
Interests paid and loan agreement expenses	11 and 14	(3.320)	(4.691)
Transactions with Treasury Shares		-	1.086
Total net cash flows from financing activities (III)		**37.834**	**(50.399)**
Net increase/(decrease) in cash and cash equivalents (I+II+III)		**(40.519)**	**(38.011)**
Cash and cash equivalents at beginning of the period		173.415	113.760
Cash and cash equivalents at end of year		**132.896**	**75.749**

(*) 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 2020.

Neinor Homes, S.A. and Subsidiaries

Summarised Consolidated Interim Financial Statements for the period ended 30 June 2020, prepared in accordance with International Financial Reporting Standards

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.

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 2020

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. This agreement has an initial seven-year term and may be extended automatically for further one-year periods. As consideration for these services, the various companies paid remuneration depending on the type and volume of the managed assets, plus additional variable remuneration based on success, applicable to asset sales and for performing certain specific related actions, and accruals. The contract can be terminated early in certain circumstances relating to a change of control at the successful bidder for the contract involving a competitor of Kutxabank, negligence in the provision of the service or interruption thereof for more than seven days, except in the event of fortuitous events or force majeure. In addition, in the event of Kutxabank's loss of control of entities within the scope of this contract, there is an option for early termination, although the corresponding compensation for termination is regulated.In 2017, in accordance with the terms and conditions established in the property asset administration and management agreement, Kutxabank and the Neinor Homes Group entered into an agreement whereby the Neinor Homes Group 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 2020, amounting to EUR 91 thousand are not recognised in the accompanying summarized consolidated interim financial statements (119 thousand euros at 31 December 2019), and nor are any liabilities, income or expenses associated with the balance recognised in the accompanying consolidated financial statements.

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

Neinor Homes is part of the Ibex Small Cap, a stock market financial index prepared by Bolsas y Mercados Españoles (BME), which groups together the small-cap companies of the four Spanish stock exchanges.

The Group´s consolidated financial statements for 2019 were approved by the Company´s Shareholders on 1 April 2020.

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 2019 consolidated financial statements were prepared at 27 February 2020 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 2019.

These summarised consolidated interim financial statements are in compliance with IAS 34 on interim financial reporting, and were prepared by the Group Directors on 29 July 2020, 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 2019 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 2019 consolidated financial statements.

These six-monthly summarised consolidated financial statements were prepared using the same accounting policies and methods used for the 2019 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 2020. 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 IAS 1 and IAS 8 *Definitions of "materiality"*	Amendments to IAS 1 and IAS 8 to align the definition to meet the conceptual framework	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the Interest rate benchmark reform	1 January 2020
Amendments to IFRS 3 *Definition of a business*	Clarifications for the definition of the business	1 January 2020

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

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

Approved for use in the European Union		**Mandatory application for annual periods beginning on or after:**
IFRS 16 COVID-19 rent concessions amendment	Amendment to IFRS 16 that provides clarifications for rent concessions related to COVID-19	1 June 2020
Amendment to IAS 1 Classification of Liabilities as Current or Non-Current	Amendment to IAS 1 that provides a more general approach to the classification of liabilities	1 January 2023
IFRS 17 *Insurance contracts* (issued on May 2017)	It includes the principles of registration, valuation and breakdown of insurance contracts, replacing IFRS 4	1 January 2021

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 2019.

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 31 December 2019 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

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.

No significant changes were made to the estimates used at 2019 year-end during the six-month period ended on 30 June 2020.

2.4 Contingent assets and liabilities

Note 21 to the Group´s consolidated financial statements for the period ended on 31 December 2019 contains the information on the guarantee commitments to third parties and other contingent liabilities as that date. During the first six-month period of 2020 there have been no significant changes in this area.

At 30 June 2020 the Group had provided guarantees to third parties for a total amount of EUR 178.939 thousand (EUR 133.453 thousand at 31 December 2019). Included in this figure there is an amount of EUR 38.561 thousand (EUR 25.528 thousand at 31 December 2019) related mainly to guarantees provided to different local authorities to secure the development of different properties and EUR 140.378 thousand to secure payments in advance received by customers (EUR 107.925 thousand at 31 December 2019).

Additionally, the Group has received at 30 June 2020 from different suppliers and contractors guarantees for a total amount of EUR 39.045 thousand (EUR 38.575 thousand at 31 December 2019) 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 2020 includes an amount of EUR 33.352 thousand (31 December 2019: EUR 31.749 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 2020 nor 31 December 2019, except for the fact that, as described in Law 20/2015, of July 14, advances received and associated with a development (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 37.793 thousand at 30 June 2020 (EUR 43.454 thousand at 31 December 2019), which differs from the advances 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 2020 interim summarised consolidated financial statements is presented for comparison purposes with that relating to period ended 31 December 2019.

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 2020 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 2020, no errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for year ended 31 December 2019.

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 other significant events have been taken since the end of these 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 2019 consolidated financial statements.

Appendix I to the notes to the 2019 consolidated financial statements includes the detail of the consolidated Group companies and the information related thereto at 31 December 2019.

There were no changes in the scope of consolidation of the Neinor Homes Group in the six-month period ended on 30 June 2020.

4. Dividends paid by the Group in the period

No dividend distributions have been approved in the six-month period ended on 30 June 2020. The annual shareholders´ meeting held on April 1, 2020 approved the distribution of a dividend charged to the share premium reserve and/or to other distributable reserves to a maximum amount of 40 million euros, payable in one or more instalments during the years 2020 and 2021. It was also agreed to delegate to the Board of Directors of the Parent Company the power to establish, if appropriate, the amount and the exact date of each payment during said period, always in compliance with the maximum aggregated amount indicated. If the amounts set by the Board of Directors do not exhaust the maximum amount during the indicated period, this agreement would be rendered null in regard of the amount not distributed.

5. Segment information

Note 6 to the Group´s consolidated financial statements for the year ended on 31 December 2019 details the structure of the segment reporting of the Group. During the first six-month period of 2020 there have been no significant changes in this area. However, 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. New rental property business line does not meet the quantitative thresholds to be reported separately according to IFRS 8.

The main magnitudes of the summarised consolidated interim profit and loss account by segment at 30 of June 2020 and 2019 are the following:

	Legacy		Development (****)		Assets management – Servicing / Corporate		Total	
	30.06.20	30.06.19	30.06.20	30.06.19	30.06.20	30.06.19	30.06.20	30.06.19
Income:								
Third party sales (**)	1.391	10.451	87.039	136.084	11.418	15.280	99.848	161.815
Cost of sales	(1.422)	(14.999)	(63.894)	(96.196)	-	-	(65.316)	(111.195)
Gross margin	**(31)**	**(4.548)**	**23.145**	**39.888**	**11.418**	**15.280**	**34.532**	**50.620**
Employee benefits expenses	(179)	(122)	(6.485)	(6.804)	(2.686)	(2.564)	(9.350)	(9.490)
Employee benefits expenses – Incentive Plan (Notes 9 and 15)	-	-	(22)	(2.719)	-	-	(22)	(2.719)
External Services (***)	(524)	(1.669)	(10.320)	(9.870)	(2.154)	(2.783)	(12.998)	(14.322)
Change in trade provisions	119	(1.735)	2.140	(413)	-	2	2.259	(2.146)
Other operating gains / (losses)	63	-	353	143	-	-	416	143
Gains/(losses) on disposal of fixed assets	-	(142)	-	-	-	-	-	(142)
EBITDA	**(552)**	**(8.216)**	**8.811**	**20.225**	**6.578**	**9.935**	**14.837**	**21.944**
Net interest expense and others	-	-	(2.793)	(4.729)	(555)	-	(3.348)	(4.729)
Depreciation and amortization	(6)	(12)	(1.391)	(1.593)	(454)	(501)	(1.851)	(2.106)
Profit / (Loss) Before Tax	**(558)**	**(8.228)**	**4.627**	**13.903**	**5.569**	**9.434**	**9.638**	**15.109**
Employee benefits expenses – Incentive Plan (Note 9)	-	-	-	2.010	-	-	-	2.010
Net interest expense and others	-	-	2.793	4.729	555	-	3.348	4.729
Depreciation and amortization	6	12	1.391	1.593	454	501	1.851	2.106
ADJUSTED EBITDA (*)	**(552)**	**(8.216)**	**8.811**	**22.235**	**6.578**	**9.935**	**14.837**	**23.954**

(*) A financial measure used by Group management, which does not take into consideration the personal expenses associated with the incentive plan assumed by Neinor Holdings, S.L.U.

(**) Includes an amount of EUR 5 thousand in 30.06.2020 (EUR 33 thousand in 2019) corresponding to rental income of the investment properties.

(***) 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, 2020 and 2019.

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

The main figures of the summarised consolidated statements of financial position by segment at 30 June 2020 and for the exercise 2019 are as follow:

	Thousands of Euros									
	Legacy		Development		Management Assets - Servicing		Others / Corporate		Total	
	30.06.20	31.12.19	30.06.20	31.12.19	30.06.20	31.12.19	30.06.20	31.12.19	30.06.20	31.12.19
Balance sheet:										
Non-Current assets	210	216	8.095	8.263	-	-	28.716	30.061	37.021	38.540
Current assets	9.979	11.685	1.337.793	1.221.708	7.917	12.783	132.895	184.275	1.488.584	1.430.451
Total Assets	**10.189**	**11.901**	**1.345.888**	**1.229.971**	**7.917**	**12.783**	**161.611**	**214.336**	**1.525.605**	**1.468.991**
Financial Debt (*)	-	-	341.742	316.366	-	-	40.000	49.334	381.742	365.700
Other Non-current liabilities	1	1	2.323	2.160	-	-	-	-	2.324	2.161
Other current liabilities	910	1.871	336.940	299.196	6.801	4.539	775	6.097	345.426	311.703
Total Liabilities	**911**	**1.872**	**681.005**	**617.722**	**6.801**	**4.539**	**40.775**	**55.431**	**729.492**	**679.564**

(*) Non - Current and Current Bank Borrowings

6. Property, plant and equipment

The changes in this heading in the six-month period ended 30 June 2020 and the exercise ended 31 December 2019, were as follows:

6 months period ended 30 June 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	65	90	155
Balance at 30 June 2020	**8.098**	**2.409**	**10.507**
Accumulated amortisation:			
Balance at 31 December 2019	(1.458)	(1.073)	(2.531)
Charges	(630)	(229)	(859)
Balance at 30 June 2020	**(2.088)**	**(1.302)**	**(3.390)**
Accumulated depreciation:			
Balance at 31 December 2019	(590)	-	(590)
Balance at 30 June 2020	**(590)**	**-**	**(590)**
Net Balance at 30 June 2020	**5.420**	**1.107**	**6.527**

In the year ended 31 December 2019

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

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

At 30 June 2020 and 31 December 2019, there were no property, plant and equipment items fully amortised.

At 30 June 2020 and 31 December 2019, there were no property, plant and equipment items provided as collateral for any obligation.

At 30 June 2020 and 31 December 2019, the Group did not have any significant commitments to purchase items of property plant and equipment.

7. Inventories

Details of "Inventories" at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of euros	
	30.06.20	31.12.2019
Sites and land	369.087	400.763
Construction work in progress	885.911	734.393
Completed buildings	80.149	85.053
Advances to suppliers	14.931	20.252
Less – Impairment losses (Note 6 and 13.5)	(27.874)	(29.793)
	1.322.204	**1.210.668**

In the period ended 30 June 2020 borrowing costs amounting to EUR 2.054 thousand were capitalised to inventories (in the year ended 31 December 2019 EUR 3.466 thousand were capitalised).

The additions in the period 2020 relate mainly to work certifications of the ongoing promotions and capitalized costs associated with the pre-construction for a value of EUR 160 million (264 million euros in the year ended 31 December 2019). Additionally, during 2020 purchases of land have taken place for a value of EUR 2,4 million (EUR 4 million in 2019).

Also "Trade and Other Payables - Payable to Suppliers" under "Current Liabilities" in the condensed consolidated balance sheet as at 30 June 2020 includes EUR 38,2 million relating to the deferred portion of the price for the purchase of two plots of land, which will be due and payable when the development project is definitively approved or three years have elapsed since the agreement was entered into, whichever is sooner (31 December 2019: EUR 37,7 million).

In addition, in 2020 the main property developments delivered by the Group have been the followings; two in Bizkaia (Iturribarri Homes II and Natura Homes), one in Malaga (Alborada Homes) and one in Sevilla (Mairena Homes) and had recognised 51 property developments under "Property Developments in Progress" at 30 June 2020.

At 30 June 2020 there are assets included in "Inventories" caption in the accompanying consolidated balance sheet with a net cost of EUR 1.312 million corresponding to assets classified as "Development" (EUR 1.179 million at 31 December 2019) and 10 million euros relating to "Legacy" assets (EUR 11 million at 31 December 2019). Likewise, the advances granted for an amount of 15 million euros correspond to assets that will be classified as "Development" (EUR 20 million at 31 December 2019).

At 30 June 2020, there are assets included under "Inventories" with a gross cost of EUR 1.297 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 1.179 million at 31 December 2019).

In 2019 the Group entered into a financing agreement for EUR 75 million with Deutsche Bank to repay the loan of the same amount granted by J.P. Morgan. To secure repayment of this financing a mortgage in principle was arranged for the lender on various property assets with a market value of up to EUR 252 million and a loan-to-value ratio of 35% was agreed with the bank (see Note 11).

At 30 June 2020 and 31 December 2019, there were no commitments to sell any plots of land.

At 30 June 2020 and 31 December 2019, the Group had made advances to suppliers for future purchases of land amounting to EUR 14.931 thousand and EUR 20.252 respectively net of impairment loss all of which are guaranteed by a mortgage or by a deposit account. At 30 of June 2020 and 31 December 2019 the Group does not maintain commitments to purchase additional significant land.

The property development sale commitments entered into with customers at 30 June 2020 and 31 December 2019, relating to those units in which a private purchase and sale agreement was signed, have resulted in the collection or reception of notes receivables amounting to EUR 139.172 and 110.696 thousand respectively, which have been recognised under "Current liabilities - Customer advances" in the consolidated balance sheet at 30 June 2020 and 31 December 2019.

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 2020 and in the exercised ended 31 December 2019 in the write-downs associated with the inventories were as follows:

	Thousands of Euros
Balance at 31.12.2018	**28.184**
Write-downs recognised Write-downs reversed	9.613 (8.004)
Balance at 31.12.2019	**29.793**
Write-downs recognized Write-downs reversed	- (1.919)
Balance at 30.06.2020	**27.874**

At 31 December 2019, all the Development assets have been evaluated by an independent expert. The net realisable value determined by "Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U.)" for the inventories and investment property (see Note 9) owned by the Group amounted to approximately EUR 1.722 million. This figure includes the value of land advances for an amount of EUR 86 million. During 2020, the Group has capitalized costs in inventories amounting to 182 million euros and registered sales with an associated market value of 89 million euros, additionally land advances amounted to EUR 19 million have been returned.

In view of the difference between the market value of the development property assets and their carrying amount, the fact that there have been no significant land purchases in the first half of 2020, the location of the main developments in provincial capitals, and the fact that the target consumers of the products are those with medium-high-level purchasing power, as well as the Group's positive operating and commercial performance over this period (see Note 16), the Parent's directors considered that the valuation was not subject to any significant changes, and it was not, therefore, adjusted at 30 June 2020. However, considering the methodology used by the external valuer, the key assumptions identified in the valuations for the assets in progress, consisting of the discount rate and selling prices, were rendered more sensitive. In the case of the discount rate, a sensitivity of +/- 100 basis points was established, based on the various economic scenarios envisaged at short and medium term, and in consideration of the yield rate required by other developers whose characteristics differ from those of the Group. Although selling prices are in any event expected to stabilise at short-medium term, to which end factors such as the large number of pre-sales by the Group and its financial fortitude (see Note 16) were taken into account, the valuation models at year-end included conservative assumptions foreseeing a worsening of the current economic panorama. Specifically, to ensure that the forecasts are adequately sensitive, a 1%/5% drop in selling prices was established.

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					
Assumption	Discount Rate		Sale Price			
	+1%	-1%	+1%	-1% (**)	+5%	-5% (**)
			Increase (Decrease)			
Change in appraised values	(32.241)	33.210	26.919	(22.967)	135.168	(138.116)
Change in carrying amount (*)	(528)	145	154	(446)	393	(3.849)

(*) 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.

(**) Figures corresponding to changes to appraised values include developments totally pre-sold and planned to be delivered during 2020 and 2021. Effects related to a 1%/ 5% fall in prices amount to EUR 7.705 thousand and EUR 38.522 thousand, respectively.

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 22.967 thousand and EUR 138.116 thousand, while it would have an effect on the net book value of the assets of EUR 446 thousand and EUR 3.849 thousand.

8. Trade and other receivables

"Trade and other receivables" includes the following items:

	Thousands of euros	
	30.06.19	31.12.2018
Trade receivables and notes receivables	8.470	14.931
Other receivables – Down Payments	16.101	11.994
Other receivables – Provision of Services	73	266
Other receivables – Personnel	2	9
Impairment	(124)	(124)
	24.522	**27.076**

"Trade Notes Receivable" in the foregoing table mainly includes the amount receivable relating to the asset management and administration agreement entered into between various companies of the Kutxabank Group and Neinor Homes Group amounting to EUR 6.931 thousand (12.429 thousands of EUR at 31 December 2019).

"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, 2020, the advances paid by the Group to creditors amount to 16.101 thousand euros, an amount that includes 11.402 thousand euros of advances paid to agents that have intervened in the execution of the purchase and sale agreements pending deed (EUR 11.994 thousand and EUR 8.988 thousand, respectively, as of December 31, 2019).

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 30/06/2020	Estimated loss (%) (*)	Estimated loss at 30/06/2020	Net Amount 30/06/2020
Bonds and deposits	2.591	0%-3%	(73)	2.518
Advances to creditors (Note 7)	15.392	0%-3%	(461)	14.931
Clients – servicing (Note 13)	6.932	0,02%	(1)	6.931
Advances to suppliers (Note 13)	16.600	3%	(499)	16.101
Trade and other receivables (Note 8)	1.653	0%-3%	(39)	1.614
Cash	132.944	0%-0,06	(48)	132.896
TOTAL	**176.112**		**(1.121)**	**174.991**

(*) 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.

A reversal of 119 thousand euros has been charged to the "Change in trade provisions" caption in the six month consolidated income statement. The estimated loss amounting to 1.121 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 2020 and 31 December 2019 show the changes in equity attributable to the shareholders of the Parent and the non-controlling interests in the aforementioned periods.

At 30 June 2020 and at 31 December 2019, the Parent's share capital consisted of 79.005.034 fully subscribed and paid shares of EUR 10 par value each.

	30.06.20		31.12.19	
	% Ownership Interest Registered	Total Share Capital Amount	% Ownership Interest Registered	Total Share Capital Amount
Orion European Real Estate Fund V, SLP	28,01	221.285	28,01	221.285
Adar Capital Partners Ltd	19,34	152.819	19,34	152.819
Goldman Sachs International (Nota 19.4)	-	-	6,71	52.997
Bank of Montreal	7,86	62.098	5,21	41.162
Resto de Bolsa	44,79	353.848	40,73	321.787
Total	**100,00**	**790.050**	**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	
	30.06.20	30.06.19
Earnings / (loss) for the year (thousands of euros)	6.800	10.408
Weighted average number of shares outstanding (thousands of shares) (*)	74.132	84.654
Basic earnings/ (loss) per share (euros)	**0,092**	**0,123**

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

At 30 June 2020 and 31 December 2019, 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 Other equity holder contributions

As a result of the Parent's admission to listing and in recognition of the work performed by its executives, in February 2017 the Board of Directors of Neinor Holdings, S.L.U. approved an incentive plan for the CEO and five members of the executive team of the Neinor Homes Group, which includes fixed and variable remuneration payable partly in cash and the rest in shares of the Group held by Neinor Holdings, S.L.U. One portion of the incentive was a fixed amount accrued as a result of the Parent's admission to listing (exit bonus, a fixed amount) amounting to approximately EUR 14 million, of which EUR 5,1 million were payable in cash on the date of the stock market flotation and the rest in shares at a pre-set price. The other portion is of a variable amount, payable in shares, for a maximum total amount of EUR 13,5 million, the number of which will be determined based on the share price on each of the three anniversaries following the initial public offering and the accrual of which is subject to the achievement of certain annual increases in the share price during the last quarter prior to each of the three anniversaries of the potential stock market flotation, the first reference date being the date of admission to listing on the Spanish Stock Exchanges, subject in certain cases to minimum holding commitments, with the possibility of accrual in proportion to the share price revaluations obtained in certain circumstances. However, if at any given time during three years following the potential stock market flotation the increase in the share price were to reach 152,09% of the flotation share price (with certain adjustments), the beneficiaries will be entitled to receive all the shares to which they may be entitled under the incentive plan. In any event, it is established that the remuneration will be delivered to them directly by Neinor Holdings, S.L.U. The assistance of an external appraiser was used for the accounting recognition of the variable portion. Applying the Monte Carlo method and, in view of the absence of a reasonable trading period that could be considered as a benchmark by the Parent, taking into consideration the share price volatility of companies in the European real estate industry over a comparable period, the external appraiser estimated that the fair value of the aforementioned variable portion amounted to approximately, EUR

8,1 million. Bearing in mind that payment of these bonuses was approved in its capacity of sole shareholder in February 2017 immediately prior to the flotation and was designed conceptually to be paid in full by Neinor Holdings, S.L.U. (sole shareholder of the Parent until its flotation), the Group recognised the fixed portion and the variable portion on an accrual basis the corresponding contribution of the shareholder in consolidated equity with a charge to "Staff Costs" in the statement of profit or loss. No amounts have been accrued at 2020 and 2019 periods. On the first anniversary, March 2019, and taking into account the evolution of the share price of Neinor Homes, S.A. in the quarter preceding the first anniversary, a variable remuneration was accrued and paid for a total amount of 3.256 euros, which has been payable through the delivery of shares and cash to assume the corresponding taxes, in the terms set out in the brochure of exit to Stock Exchange, being assumed its cost by Neinor Holdings, S.L.U. In relation to the second and third anniversary, no payments have been made and the incentive plan has concluded on March 2020.

9.4 Treasury shares and other reserves

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

On May 4, 2017, the Group began a program of Treasury Stock, and a total of 199,406 treasury shares were acquired until September 20, 2017. On September 22, 2017, the Parent Company signed a contract of liquidity with "Gestión de Patrimonios Mobiliarios, S.V. S.A."

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 accordance with CNMV Circular 1/2017, of 26 April, on liquidity agreements, the agreement establishes that the bank's daily volume of purchases shall not exceed 15% of the average daily trading volume in the previous 30 trading sessions. Also, in relation to this agreement, Neinor Homes, S.A. has provided a guarantee through the delivery of cash, which at December 31, 2019 amounted to EUR 5 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.

At 30 june 2020, the total number of own shares of the Parent Company amount to 4.651.284 (4.671.296 shares at December 2019). On June 30,2020, the average unit acquisition price amounts to 11,02 euros (11,04 euros on 2019).

In 2020 and 2019, 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 2020 amounted to EUR 22 thousand (EUR 709 thousand at 30 June 2019) (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, 2020 and in the year ended December 31, 2019 is as follows:

Description	Thousands of euros		
	Taxes (Note 13.4)	Other Provisions (Note 13.4)	Total
Balance as of December 31, 2018	**5.872**	**7.157**	**13.029**
Net write-downs recognised	(1.228)	1.805	577
Applications	(712)	(1.689)	(2.401)
Balance as of December 31, 2019	**3.932**	**7.273**	**11.205**
Net write-downs recognised	2.424	(169)	2.255
Applications	(1.418)	(2.022)	(3.440)
Balance as of June 30, 2020	**4.938**	**5.082**	**10.020**

"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 2020 there are legal claims in relation with assets owned by the different companies of the Group for a total amount of EUR 9.552 thousand (at 31 December 2019 EUR 12.765 thousand), mainly corresponding to a construction contract resolution for an amount of EUR 7.735 thousand, which include EUR 5.170 thousand corresponding to certifications and warranty withholdings to be paid registered as a current liability in the interim consolidated balance sheet (EUR 5.170 thousand at 31 December 2019). In relation to the remaining amount (EUR 2.565 thousand) no provision has been accounted, considering external legal advisors opinion that qualify the risk related to this litigation as possible. Additionally, there is as claim amounting to EUR 3.916 thousand euros due to the cancellation of a purchase of one plot of land for a total amount of EUR 19.581, for which EUR 1.958 thousand guarantee has been extended. The directors of the Group and the external legal advisor consider purchase conditions were not accomplished and the risk related to this litigation is remote. At 30 June 2020 the Group has recognized provisions amounting to EUR 516 thousand (EUR 489 thousand at 31 December 2019) since the Parent's directors, and its legal advisors, considered that the possible impacts for the Group arising from these liabilities would not be significant.

11. Bank borrowings and other financial liabilities

11.1 Bank borrowings

Details of bank borrowings and other financial liabilities at 30 June 2020 and at 31 December 2019 are as follows:

	Thousands of euros	
	30.06.2020	31.12.2019
Long-term bank borrowings:		
Long-term borrowings (*)	90.000	50.000
Total (non-current)	**90.000**	**50.000**
Short-term Bank borrowings:		
Interest payable	583	1.187
Mortgage loans (*)	291.094	241.090
Treasury shares acquisition	-	49.334
VAT Lines	65	-
Other loans (*)	-	24.089
Total (current)	**291.742**	**315.700**

(*) Borrowings are presented at amortised cost, net of the debt arrangement expenses incurred in 2020 amounting to EUR 5.316 thousand, of which EUR 3.476 thousand were charged to "External services" and "Finance Costs (Net of Capitalised Borrowing Costs)" in the consolidated statement of profit or loss for 2020 (EUR 6.201 and 6.182 thousand respectively in 2019).

30 June 2020

Scheduled maturities:	30.06.20
2020	6.239
2021	41.172
2022 (*)	98.339
2023	6.667
2024 and following	229.325
Total	**381.742**

(*) Includes EUR 50 million corresponding to the financial agreement with Deutsche Bank, extendable until December 2022 provided that certain conditions are met.

31 December 2019

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

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 291.094 thousand relates to the amount payable on loans regarding plots of land which secure repayment of these loans (241.090 in the period ended 31 December 2019). These loans bear interest at a market rate and ultimately mature between 2020 and 2053.

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

More specifically, in the first half of 2020 the Group arranged 3 new mortgage loans with an amount of EUR 10.069 thousand. Additionally, the maturity of 19 loans have been extended, establishing their expiration for the years 2021-2053.

VAT lines

This caption at 30 June 2020 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 2020 and bears interest at market rates. The limit on these loans amounts to EUR 15 million of which the amount of EUR 65 thounsand has been disposed at June 2020 (no balance had been drawn down at 31 December 2019). To secure repayment of the borrowings, the receivables relating to input VAT arising for the public administration in these transactions were pledged to the financial institutions (Note 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 2019 no amount has been drawn (no balance had been drawn down at 31 December 2019). The amounts owed to it by virtue of the transactions performed will be used to guarantee the repayment of this financing.

Other loans

On 28 August 2017, the Group signed a financing agreement with J.P. Morgan for EUR 150 million. The loan is for an initial term of 12 months and may be renewed for an additional 12 months. 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. The financing agreement gave rise to fees and commissions of EUR 129 thousand, which were recognised under "Finance Costs (Net of Capitalised Borrowing Costs)" in the condensed consolidated statement of profit or loss for the six-month period ended 30 June 2019. 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). The financing agreement included early repayment clauses, which include most notably the undertaking not to exceed a net debt to gross asset value (GAV) of the Group's property assets ratio of 35%. On 29 January 2020, debt agreement has been novated. Maturity date for this financing is January 2021, although it may be partially extended for an amount of 40 million euros, with minor interest rate increases, at the Group's discretion until December 2022, provided that certain conditions are met (in line with those fixed in the original contract). In this regard, the Group has made a voluntary repayment amounting to 25 million euros. This repayment is one of the conditions fixed for the maturity extension until December 2022. This financing, against which EUR 25 million had been drawn down at the end of the reporting period and which was recognised under non-current liabilities in the condensed consolidated balance sheet, based on the existing circumstances and the conditions that need to be met for the maturity extension. The financing agreement establishes a fixed market interest rate of Euribor plus a spread (which may be increased if there are extensions).

As indicated in Note 9.4, on 4 April 2019 Neinor Homes, S.A. signed an agreement with Goldman Sachs International whereby the bank undertook to acquire treasury shares and payment for the shares was initially established on 5 October 2020, with the transaction bearing interest at a fixed rate. The financial agreement has been settled at the end of March 2020.

In April 2020 the Parent arranged financing amounting to EUR 40 million, the final maturity of which is scheduled for April 2023, with a one-year grace period in respect of the principal and repayments being made on a straight-line basis over the subsequent two years, and bearing interest at a fixed rate until maturity. The financing includes early repayment clauses, including most notably the obligation not to exceed a debt-to-capital ratio of 7.5.

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- 50%.

  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.

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

At June 2020 and 2019, 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 2020.

Other

There are other amounts included in the borrowings indicated above, totaling EUR 33.740 thousand (31 December 2019: EUR 34.926 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 17.107 thousand at 30 June 2020 with a limit of EUR 127.219 thousand at that date.

All the loans and credit facilities outstanding at 30 June 2020 and at 31 December 2019 indicated above were arranged with leading banks and bear interest tied to Euribor plus market spreads.

In 2020 the Group paid borrowing costs amounting to EUR 6.489 thousand plus debt arrangement expenses of EUR 2.609 thousand. During the first semester of 2020, 3.475 thousand euros have been charged to "External services" and "Finance Cost" in the consolidated statement of profit or loss for 2020 and including 5.316 thousand euros netting Group's financial debt registered in the interim consolidated balance sheet. Additionally, 2.054 thousand euros of financial costs have been capitalized as inventories.

The interest rate applicable to the Group, in general terms, is tied to Euribor plus a market spread ranging from 0,85% to 2,5% (from 0,85% to 2,5% in 2019). The average cost of the borrowings calculated for 2020 and 2019 are 2,89% and 2,93%, approximately.

11.2 Other long and short term financial liabilities

At 30 June, 2020, the net book value corresponding to the leased assets held by the Group (IFRS 16) amounts to 2.799 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 739 and 2.238 thousand euros. The maturities of the contracts associated with these leases expire from 2020 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 2019 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 is 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 will pay income on a tax consolidation basis with effect from 1 January 2020 in accordance with the Act 27/2014, of November 27, 2014

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 2020 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							
	30.06.20				31.12.19			
	Tax assets		Tax liabilities		Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
VAT receivable / payable	-	6.385	-	11.501	-	5.188	-	18.607
Income tax receivable	-	637	-	16.555	-	1.348	-	13.717
Personal income tax withholdings payable	-	31	-	316	-	-	-	1.856
Social Security contributions payable	-	-	-	460	-	-	-	565
Deferred tax assets	25.500	-	-	-	25.500	-	-	-
Deferred tax liability	-	-	7	-	-	-	7	-
Others	-	-	-	-	-	-	-	-
	25.500	**7.053**	**7**	**28.832**	**25.500**	**6.536**	**7**	**34.745**

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 2020 and 31 December 2019. In addition, during the initial procedural formalities, penalties of EUR 6.3 million also became evident, but no provision has been recorded, considering that the administrative appeal filed by the Group will, in any event, give rise to a favourable outcome for it. This policy has also been approved by the Group's external tax advisers.

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

On 17 February 2020, the Regional Inspection Office of the Special Office of Andalusia commenced a limited tax audit on the company Neinor Península for income tax relating to 2016 and 2017. At the date of authorisation for issue of these condensed consolidated financial statements, the assessment had been signed by the Company's representative on an uncontested basis, giving rise to no tax contingencies in this connection.

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

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 partial 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 63.760 thousand at 31 December 2019 and the Group is in line with the budget drawn up, existing adequate visibility in terms of revenue in the next three years. 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., Neinor Works, 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.

At 30 June 2020 and 31 December 2019 under "Deferred tax assets" an amount of 25.500 thousand euros is recognized. 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	
	30.06.20	30.06.19
Cost of sales	**65.316**	**111.195**
Sites and land	6.167	1.592
Construction work in progress and completed buildings	59.149	109.603

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	7.587	10.517
Termination benefits	(32)	24
Social security costs	1.660	1.584
Other employee benefit costs	157	84
Total	**9.372**	**12.209**

The average headcount at Group companies during the six-month period ended 30 June 2020 was 270 (270 during the six-month period ended at 30 June 2019). The breakdown by category is as follows:

	30.06.20			30.06.19		
	Women	Men	Total	Women	Men	Total
Higher degree staff	121	142	263	117	145	262
Medium degree staff	4	3	7	10	2	12
Other						
Total	**125**	**145**	**270**	**127**	**147**	**274**

In addition, at 30 June 2020, the Group had 4 employees with a disability of more than 33% (4 employees in 30 June 2019).

13.4 External services

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

	Thousands of euros	
	30.06.20	30.06.19
Leases and royalties	108	147
Maintenance	568	926
Independent professional services	5.514	8.094
Transport	1	1
Insurance premiums	387	386
Bank services	621	592
Advertising and marketing	1.348	1.459
Supplies	142	106
Other external services	1.328	1.392
Levies (Note 10)	2.981	1.219
Total	**12.998**	**14.322**

"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 2020 the amount registered under this caption is 3,5 million euros (5 million on 30 June 2019). Additionally, under the caption "Levies" property tax expenses are registered amounting to 1,9 million euros (2,4 million euros on 30 June 2019).

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)	
	30.06.20	30.06.19
Change in trade provisions – Others		
Impairments of inventories (Note 7)	-	1.699
Other commercial provisions (Note 10)	(2.259)	447
Total change in trade provisions	**(2.259)**	**2.146**

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. and Global Hespérides, S.L. are also considered to be related companies, due to their relatedness to shareholders and directors.

	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 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**

	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 13.1)					
Six-month period ended 30 June 2019	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.	-	-	-	-	29	339
Banco Popular Español, S.A.	-	-	-	-	-	94
18810 Capital Investments, S.L.	4.691	-	-	-	-	-
Global Hespérides, S.L.	-	-	-	-	-	-
	4.691	**-**	**-**	**-**	**29**	**433**

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 2020 and 31 December 2019 are as follows:

30 June 2020

Thousands of Euros	Cash and cash equivalents	Non-current bank borrowings	Current bank borrowings	Accounts receivable	Customer prepayments
Banco Santander, S.A.	56.361	40.000	33.740	-	-
1810 Capital Investments, S.L.	-	-	-	-	879
Global Hespérides, S.L.	-	-	-	-	3.149
Total	**56.361**	**40.000**	**33.740**	**-**	**4.028**

31 December 2019

Thousands of Euros	Cash andcash equivalents	Current bank borrowings	Accounts receivable	Customer prepayments
Banco Santander, S.A.	99.340	34.926	-	-
1810 Capital Investments, S.L.	-	-	980	293
Global Hespérides, S.L.	-	-	-	-
Total	**99.340**	**34.926**	**980**	**293**

On 29 June 2020, 72 housing units (together with their garages and storage rooms), linked to five developments in progress, which will be handed over separately between the last quarter of 2020 and the end of 2022, were pre-sold to the related company Global Hespérides, S.L. by Neinor Norte, S.L.U. and Neinor Sur, S.A.U. for a total price of EUR 20 million, and 15% of the transaction price was paid in advance on 30 June 2020. 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.

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

Directors' compensation and other benefits

As of June 30, 2020, the Directors of the Parent Company, including those who have at the same time the status of members of the Senior Management (2 persons in 2020 and in 2019), have received a fixed and variable compensation for their position as administrators an amount of EUR 1.103 (1.299 thousand euros on 30 June 2019). 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 22 thousand (1.135 thousand euros on 30 June 2019) in relation to the management incentive plans. During the six-month period of 2020 and 2019 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 111 thousand in 2020 (EUR 63 thousand in 2019).

The Parent has no pension obligations to the Directors.

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

Senior executives' compensation and other benefits

The remuneration of the Parent's senior executives and persons discharging similar duties, including those who are simultaneously members of the Board of Directors (one person), at 30 June 2020 and June 2019 is summarised as follows:

Number of employees		Thousands of euros					
		30.06.20			30.06.19		
30.06.20	30.06.19	Fixed and variable remuneration	Other remuneration	Total	Fixed and variable remuneration	Other remuneration	Total
7	7	1.180	25	1.205	792	725	1.517

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

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

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

At the time of the publication of these interim summarised consolidated financial statements there are clear indications of the control and containment of the virus. However, taking into account the complexity of the markets due to their globalization, the measures taken by the Government in relation to the recovery, the uncertainty in the demand for housing and the absence, for the time being, of effective medical treatment for the virus, the consequences for the Gorup's business are uncertain and will depend to a large extent on the evolution of the pandemic and on any new outbreaks in the coming months, as well as on the reaction and capacity to adapt of all the economic agents affected.

Therefore, at the date of preparation of these interim summarised consolidated financial statements, it is premature to make a detailed assessment or quantification of the possible impact that COVID-19 will have on the Group during the year 2020, due to the uncertainty of its consequences in the short, medium and long term.

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

In this connection, this risk structure of the Group, together with certain conservative and prudent measures taken prior to the declaration of the state of emergency, by the respective Directorate Generals in the Group's business, have put the group in an advantageous position vis-à-vis the period of uncertainty we are facing.

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

- **Health Risk**: the Group's main priority has been and still is to safeguard the health of its employees, which is why during practically the entire state of emergency, employees have been teleworking, the measures established by the authorities, at the very least, have been implemented in all work centres, the correct implementation of measures has been verified in our works in progress, and preventative measures have also been set up at the points of sale.

- **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)**: in January of this year, the Group paid / amortized 25 million euros and refinanced 50 million euros, the repayment of which does not mature until 29 December 2022, provided that certain conditions are met.
    In the first half of the year, a corporate loan was signed for 40 million euros to reinforce the cash position.

  - ✓ **Developer financing**: the Group has continued to maintain its usual pace/dynamics of developer loan signings.
    As of the date of these interim summarised consolidated financial statements, the Group has secured more than 800 million euros in development loans, which provide financing coverage for more than 90% of the developments scheduled for delivery in 2020, 2021 and 2022.

  - ✓ **With regard to the net cash position**: the Group established from the outset an ambitious cash preservation plan. This contingency plan now includes various measures, the chief of these being:
    - A plan for savings in operating expenses.
    - The adoption of a more conservative policy with regards to land investments.
    - Dividend deferral: The suspension of the planned payment of the dividend approved in the General Shareholders' Meeting. Only when we have a clear visibility of the impact of the crisis, the Board of Directors will decide the amount and payment period.

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

    On this point, we can report that our net cash position at the beginning of the month of March, when the cash contingency plan was established, was 95.8 million euros, and at the date of the present interim summarised consolidated financial statements, this has reached 95,1 million euros (Note 2.4).

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

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

- ✓ The creation of a construction company within the group (Neinor Works), which as of the date of these results is fully operational and which will be able 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.

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

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

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

In the first six months, all our WIP works have been active, except between 30 March and 13 April, and none of them has been suspended, so it is thought that the possible delay foreseen in the completion of them due to causes attributable to the state of emergency decreed should not exceed one month.

With regard to the deliveries planned for 2020, although it is not currently possible to reliably quantify their impact, taking into account the conditions and restrictions already indicated, Neinor's objective is to deliver all the units planned.

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

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

    In addition, we have proceeded to monitor those customers who may have some special work or health situation, for which support has been provided by the Family Homes Protection insurance which provides them with protection in the event of loss of employment or illness.

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

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

    - ✓ 75% of our customers have signed a private sales contract.
    - ✓ These customers have already paid on average 16% of the price of the house.
    - ✓ They have been customers for 1.1 years and the average price increase since that date in the Spanish residential market has been 5% accumulative.

    The cancellations/terminations of reserve contracts are at around 0,51 % during this second quarter of greater impact, a percentage that does not vary much from the 0,5 % that the Group has recorded over the last two years.

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

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

  The evolution of new build sales in the first quarter of the year reached 353 units compared to the 350 forecast in the Group's business plan.
  During the second quarter, in the months in which the state of emergency has been most acute and all the situations mentioned above have occurred, including confinement at home, the Group has continued with its sales, and pre-sales have been, respectively, in the months of April, May and June 52, 57 and 215, showing a clearly favourable trend and which has placed us at the vanguard of the market.

  As at the date of these interim summarised consolidated financial statements, the delivery of pre-sold units forecasted for the financial year 2020 is 83 %, and 51 % of the forecasted delivery of units in the financial year 2021. (Figures with June Closed)

- ✓ **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.).

As of today, we do not have sufficient and reliable information to calculate the impact that both a slowdown in sales and a cancellation of reserve contracts could have on the financial statements, given that although these two factors are present, our commercial business is fully operational and the upward sales trend is expected to continue throughout the second half of the year.

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

  However, we believe it is necessary to differentiate the type of new build assets managed in Servicing with a valuation above 60% corresponding to land not ready for development and the type of housing assets with an average valuation between 70,000 and 120,000 euros.

  This is in view of the fact that these could generate, rather than a potential loss of income for the Group, a loss of efficiency or harm to our reputation with the customer. In order to mitigate this and make the need a virtue, measures have been taken focused on three main areas: evaluating our exposure to third parties with whom we work in the servicing area, reinforcing the quality of the services provided to the entity, as well as their control, and updating the sales figures for this year.
  To this end, the control of strategic external suppliers has been reinforced by analysing their contingency plans in relation to COVID-19 and a series of measures for improvement have been taken throughout the value chain, as well as the implementation of 12 new KPIs 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 service provider. 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 summarised consolidated financial statements, we cannot predict what percentage our revenues from this branch of activity will decrease or increase, although we believe that any such change will not be significant, as these revenues depend on three variables: the write-down of assets, a percentage from the sale of assets and an amount for the volume of assets under management, the latter being the indicator that has the most weight in our revenues.

- **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 external funds, the sensitivity of changes in established sales prices, the different use that a development may have (sale or rental), client's solvency, collectability from customers and their creditworthiness to obtain financing, etc. They 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 as consequence of the factors mentioned above could result in a fall in the Groups's asset valuations, although this would probably not have a significant impact on the Group's financial statements, mainly for the following reasons:

- ✓ The independent external valuator’s valuation model is conservative and prudent, its last valuation was developed on 31 December 2019. According to this valuation, the value of the Group's assets is 1,722 million euros of fair value, which is 42% higher than the book value of the Group's stocks at that date. Additionally, in Note 7 of the interim summarised consolidated financial statements key assumptions and sensitivity analysis are included.

Therefore, the Group considers it unlikely that the realisable value of these assets would be lower than their net book value and it would have to record additional provisions/impairments in order to show the real value of the inventories, which mainly consist of developments in progress.

- **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 the largest residential developer nationwide by deliveries and by developments in progress:

  - ✓ Unfortunately, in a complex environment and with difficult access to sources of financing, consolidation in the sector and the discontinuity of many small and medium-sized development companies is likely.
  - ✓ There is a floor to demand in Spain for new housing, which irrespective of the current economic cycle, could have a lower band of around 60,000 to 80,000 units.
  - ✓ The situation that has materialized from a possible recession in the short term has coincided with a much healthier, professionalized, procedural and innovative development sector, which has very reasonable levels of leverage with respect to its balance sheets.
  - ✓ We believe that the market will reward those companies that pivot their business on factors such as sustainability and digital transformation; the Group started working years ago on both these aspects, as is shown in detail in the respective social responsibility reports published on the Group’s website.
  - ✓ The Group maintains a service line as a servicer with a contract until 2022 that allows it to have a recurrent income.
  - ✓ Diversification and growth: before the pandemic hit, the Group board approved, and continues to approve, the launch of its rental line of business. Other lines of business are also being explored on a recurring basis, such as fee development, value chain integration, public-private agreements, etc., while the Group is continually exploring alternatives for both organic and inorganic growth.
  - ✓ In this regard, the Group considers it relevant to point out that its recurrent or structural operating expenses (payroll, insurance, office rent, etc.) amount to approximately 25 million euros per year, a figure that is already covered by the income from the "Servicing" business line.

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

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 2020

Neinor Homes, S.A. and Subsidiaries

1. The Group: Organisational structure and operations

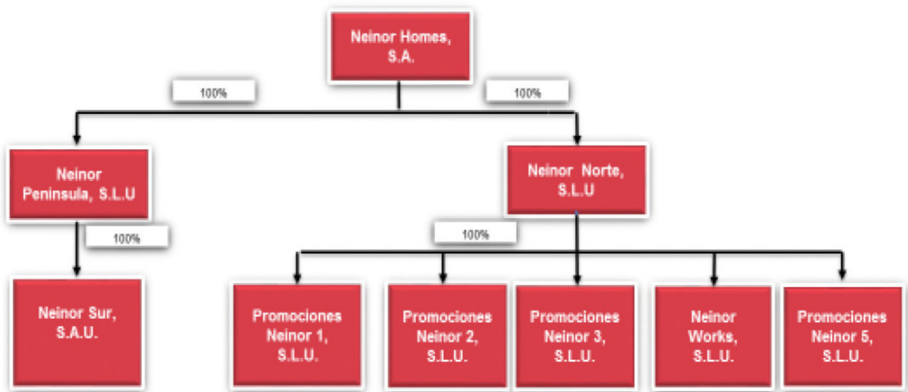
The Neinor Homes Group was incorporated under the memorandum of understanding entered into in 2014 by Kutxabank, S.A. and the Lone Star investment fund, through its investee, Intertax Business, S.L.U. (now Neinor Holdings, S.L.U.), for the purchase and sale of a portion of the Kutxabank Group's property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

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

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

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

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



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

A) Development business line:

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

The Group's land portfolio is comprised of 180 lots with a total of 11.000 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 and sale transactions in 2015, 2016, 2017, 2018, 2019 and 2020.

B) 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.

C) Servicing business line:

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

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

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 2020 they held 6 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 2020.

a) The call for the Genearl Shareholders' Meeting
b) External Accounts Audit Plan for 2020
c) Incentive plan, salary objetives and bonus system
d) Re-election of external auditors
e) External evaluation of the Board of Directors and its Committees.
f) Ratification of directors
g) Annual accounts and directors' report
h) Quarterly, semi-annual and annual financial results and presentation to markets
i) Distribution of 2019 income
j) Review of the negotiation with the Company's own shares
k) Presentation of the acquisitions and launches and planned program for 2020
l) Strategy and analysis of new business lines
m) Creation of a new business line for the support of construcctions

n) Approval of rental business line
o) The Activities Report of the Board and its Commissions
p) The Corporate Social Responsibility Report 2019 and the CSR Plan 2020
q) The independence report of the external auditors.
r) Monitoring the work performed by the external auditors Selection of a profesional service firm to evaluate the Board of Directors and its Committees on 2020
s) The 2019 Annual Corporate Governance Report.
t) The annual remuneration report 2019.
u) The 2019 report of activities of Internal Audit and the annual plan for 2020
v) The report of conflicts of interest and related operations
w) The 2019 report compliance activities
x) Report of activities carried out for the supervision of the RIC
y) Approval of the Economic-Financial Corporate Information Comunication
z) Supervision of ICFR
aa) Supervision ot the control model of Prevention of Money Laundering and Financing of Terrorism
bb) The audit report on Prevention of Money Laundering and Financing of Terrorism
cc) Business stretegy over processes, business and sustainability situation, industrialisation and Comapy's innovation.
dd) Supervision of the integrated model of Internal Cyberscurity Control
ee) Supervision of the integrated model of Internal Control and Risks
ff) Follow-up of the Company's Covid19 Risk Map. Coordination and monitoring of the measures taken to address and mitigate identified risks.
gg) Monitoring of markets communications
hh) Monitoring and approval of the disclosure to be included in the interim summarised consolidated financial statements according to the impacts due to COVID-19.

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 2020, the Group recognised revenue of EUR 99.848 thousand achieving a gross margin of EUR 34.532 thousand and EBITDA of EUR 14.837 thousand an adjusted EBITDA of EUR 14.837 thousand (without MIP). At equity level, total assets at 30 June 2020 amounted to EUR 1.525.605 thousand, equity to EUR 796.113 thousand and current and non-current liabilities to EUR 729.492 thousand.

Revenue and gross margin

By business volume, the Development business activity recognised sales of EUR 87.039 thousand, with a gross margin of EUR 23.145 thousand, representing a margin of 26,6%.
This is followed by the volume in the Servicing business line, with a recognised revenue of EUR 15.280 thousand. Finally, the Legacy business line with revenue of EUR 1.391 thousand and gross margin of EUR (31) and recognising a gross margin of (2,2 %).

Development sales are due mainly to the completion and delivery of some property developments: Iturribarri Homes II with sales of EUR 15.929 thousand, Riverside Homes, with sales of EUR 12.388 thousand, Natura Homes, with sales of EUR 7.078 thousand and Almijara Homes, with sales of 6.156 thousand and Leioandi Homes with sales of EUR 6.501 thousand.

Finally, servicing revenue relates mainly to: *Management Fee* on the EUR 1.400 million of managed assets (EUR 9.355 thousand (69%)), *Success Fee* calculated on total sales of EUR 39 million (EUR 1.901 thousand (17%)), and other income (EUR 162 thousand (1%)).

EBITDA

The EBITDA in the first half of 2020 stood at (EUR 14.837 thousand), mainly due to "Development" with a EBITDA of EUR 8.811 thousand, "Legacy" with a negative EBITDA of EUR (552) thousand. Servicing' profit of EUR 6.578 thousand, which represents a net margin of 14,9%.

Profit/Loss for the year

Profit for the first half of 2020 amounted to EUR 6.800 thousand.

Financial position

The current liabilities and non-current liabilities at 30 June 2020 amounted to EUR 729.492 thousand compared to EUR 679.564 thousand at 31 December 2019 (an increase of EUR 49.928 thousand).

The borrowing position at 30 June 2020 continues to indicate very sound debt/equity ratios: 24,6 % Loan To Cost ratio (LTC) and 18,8% Loan To Value ratio (LTV).

Borrowings at 30 june 2020

At 30 June 2020, EUR 381,7 million was recognised under current and non-current bank borrowings. The detail of bank borrowings is as follows:

- Corporate facilities: EUR 90 million
- Land financing facilities: EUR 67,43 million, 64,77 million euros drawn
- Capex financing facilities: whit a limit of EUR 737,76 million, EUR 231,67 million are drawn.
- Accrual of expenses: EUR (5,3) million
- VAT facilities: EUR 15 million limit and EUR 63 thousand drawn.
- Factoring facilities: undrawn facilities with as of EUR 15 million limit on 30 June 2020,

During the first semester of 2020 the group has repaid debt for a total amount of EUR 25 million to Deutsche Bank, 50 million euros of the financial agreement with Goldman Sachs. In

2020 the Group arranged financing amounting to EUR 40 million and debt agreement with Deutsche Bank has been novated (EUR 50 million), which maturity date was 2021.

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 2020, the average number of employees employed in the various companies that make up the Group was 270 people, as in the period ended 30 June 2019. The distribution of the headcount, by gender and professional category, was as follows:

	30.06.20			30.06.19		
	Women	Men	Total	Women	Men	Total
University graduates	121	142	262	117	145	262
Further education college graduates	4	3	12	10	2	12
Total	**125**	**145**	**274**	**127**	**147**	**274**

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 386.474 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.

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.

Disclosure related to COVID-10 impact are in Note 16.

The most significant financial risks are:

Market risk

Exposure to interest rate risk

The Group does not use interest rate hedges.

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

Exposure to credit risk

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

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

Exposure to solvency risk

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

Exposure to exchange rate risk

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

6. Significant events after the reporting period

Subsequent to six month period ended 30 June 2020 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 2020

The Group's main lines of action for the second half of 2020 focus on:

Development business line

- Monitoring ongoing promotions in order to fullfil the ejecution schedules, as well as mitigate COVID-19 impacts.

- 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.

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

- It is a residual business line, assets clasiffied as legacy amount to EUR 10 million approximatelly.

8. R&D&i activities

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

9. Treasury shares

At 30 June 2020, the Company's share capital was represented by 79.005.034 fully subscribed and paid shares of EUR 10 par value each. All these shares carry identical voting and dividend rights.

The number of shares as of June 30, 2020 would be 4.651.284 shares, with an average price of unit purchase of 11,02 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

Reconciliation: the Group presents the calculation of adjusted EBITDA in Note 5 to 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.

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 11 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 2020
Non-current liabilities - bank borrowings	90.000
Current liabilities - bank borrowings	291.742
Current trade and other payables - deferred payment for land	(132.896)
Current financial assets	(1.909)
Net financial debt	**246.937**

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 2020
Non-current liabilities - bank borrowings	90.000
Current liabilities - bank borrowings	291.742
Deferred land payment	38.159
Cash and cash equivalents - available cash	(95.102)
Adjusted net financial debt	**324.799**

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 2020
Net financial debt	246.937
Assets market value	1.729.237
LTV	**14,28%**

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 2020
Net financial debt adjusted	324.799
Assets market value	1.729.237
LTV	**18,78%**

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 2020
Net financial debt	246.937
Inventories	1.322.204
Investment Property	210
LTV	**18,67%**

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 2020
Net financial debt	324.799
Inventories	1.322.204
Investment Property	210
LTV	**24,56%**