



Neinor Homes, S.A.

Quabit Inmobiliaria, S.A.

**Independent Expert Report regarding the Joint Merger Plan
between Neinor Homes, S.A. and Quabit Inmobiliaria, S.A.**

PRIVATE & CONFIDENTIAL

**Free translation of the report originally issued in Spanish. In the event of
discrepancy, the Spanish-language version prevails**

25 February 2021

KPMG Auditores, S.L.

kpmg.es



KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid
Tel+34 91 456 34 00
Fax +34 91 555 01 32
Web www.kpmg.es

Private and Confidential

Neinor Homes, S.A.
c/ Encilla, 24, 2ª Planta
48009 Bilbao

Quabit Inmobiliaria, S.A.
c/ Poeta Joan Margall 1. Planta 16
28020 Madrid

To the Board of Directors of Neinor Homes, S.A. and Quabit Inmobiliaria, S.A.

25 February 2021

Dear Sirs:

On 25 January 2021, we accepted the appointment to act as independent expert, made by the Mercantile Registrar of Bizkaia, in relation to case number 5/2021, in order to issue a single report regarding the Joint Merger Plan (hereinafter “Merger Plan”) on the planned merger by absorption between Quabit Inmobiliaria, S.A. (hereinafter “Quabit” or the “Absorbed Company”) and Neinor Homes, S.A. (hereinafter “Neinor” or “Absorbing Company”), (hereinafter “the Merger”), as well as the net worth contributed to the Absorbing by the Absorbed Company that will be extinguished, pursuant to article 34 of Law 3/2009 of 3 April on structural modifications to mercantile companies (hereinafter the “LMESM”).

Hereinafter, Neinor and Quabit will be jointly named as the “Participating Entities”

On this regards, KPMG Auditores, S.L. (hereinafter, “KPMG”) issued on 3 February 2021 a proposal for professional services (hereinafter the “Engagement Letter”) regarding this Merger, which has been accepted by both Neinor and Quabit

The content of this Report is as follows:

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1. Description of the transaction

1.1. Identification of the merging companies

- Absorbing Company; Neinor Homes, S.A.

Registered office: currently the registered office is Calle Ercilla nº 24 2ª planta, Bilbao, Spain.

Registered data: entered into the Bilbao Mercantile Registry, in volume 5495, sheet 190, section 8, page number BI 65308, Inscription 1ª.

Tax identification number: A-95786562.

- Absorbed Company: Quabit Inmobiliaria, S.A.

Registered office: currently the registered office is Calle Poeta Joan Maragall nº 1, Planta 16, Madrid, Spain.

Registered data: entered into the Madrid Mercantile Registry, in volume 27993, sheet 105, page M-504462

Tax identification number: A-96911482.

1.2. General description of the merger and share exchange ratio

On 11 January 2021, the Boards of Directors of Neinor and Quabit, signed the project for the Merger, pursuant to articles 30, 31 and related articles of the LMESM, which will be submitted for approval to the general shareholders' meetings of the Participating Companies, as provided for in article 40 of the LMESM. According to articles 22 y 23 of the LMESM.

The proposed Merger subject of the Merger Plan consists of Quabit, as Absorbed Company, being merged into Neinor, as Absorbing Company. In accordance with the provisions of article 22 and 23 of LMESM, the Merger will result in the extinction of the Absorbed Company and the transfer of its assets and liabilities to the Absorbing Company, which will be acquired by universal succession, together with its relevant rights and obligations. Consequently, the Absorbing Company will increase its share capital for the corresponding amount, in accordance with the exchange ratio as described below.

The exchange ratio of the shares of the Participating Entities, which has been determined on the basis of the actual value of the respective assets and liabilities of Neinor and Quabit, will be one ordinary share of Neinor, each with a face value of EUR 10, for each 25.9650 Quabit Class A Shares¹, each with a face value of EUR 0.5 and sole class to be outstanding at the time of the exchange. Therefore, Neinor will issue 5,599,216 ordinary shares amounting to 7.00% of its share capital (post-dilution) for the 145,383,654 Quabit Class A Shares entitled to the exchange ratio as they are outstanding but not treasury shares, in the event that all shares are exchanged and subject to the odd-lots adjustment indicated below. no additional cash compensation is envisaged under the terms of article 25 of LMESM.

¹ According to section 2.2. of the Merger Plan

In making this calculation, the following have been taken into account:

- The dividend against share premium approved by the general shareholders' meeting of Neinor on 1 April 2020, that Neinor intends to distribute prior to the Merger being made effective, for a gross amount of EUR 0.5 per ordinary share of Neinor entitled to receive it;
- The cancellation of 4,615,608 Neinor shares held as treasury shares as at the date of the Merger Plan, to be submitted for approval at the same general shareholders' meeting of Neinor at which the Merger will be submitted for approval (and prior to the Merger's proposal resolution);
- The delivery of a maximum of 30,000 shares of Neinor under its compensation plan for Neinor executives and employees held as treasury stock as of the date of the Merger Plan;
- The existence of 3,380,039 Quabit Class A Shares held as treasury shares as at the date of the Merger Plan and which will be held as treasury shares until the Merger is made effective; and
- the non-exercise and cancellation (whether prior to or following completion of the Merger) of the Avenue Warrants²

1.3. Share capital increase and issue of new shares by Neinor for the merger share exchange

1.3.1. Share capital increase

Neinor will carry out the exchange for Quabit Shares³ in accordance with the exchange ratio established in section 3.2 via newly issued ordinary shares, of the same class and series as those currently in circulation.

Neinor will increase its share capital by the sum necessary to achieve the exchange ratio via the issue of the corresponding number of new ordinary shares required, each with a nominal value of EUR 10, of the same class and series as those currently in circulation, represented by book entries. In accordance with article 304.2 of Royal Legislative Decree 1/2010 of 2 July approving the consolidated text of the Spanish Companies Act ("LSC"), no pre-emptive rights will be established and the subscription of these new ordinary shares of Neinor will be reserved for holders of Quabit Class A Shares.

² According to section 8.2. of the Merger Plan

³ According to section 2.2. of the Merger Plan

The difference between the fair value of the assets received by Neinor as a result of the Merger and the face value of the new shares will be recorded as share premium equivalent to the difference that could occur in the operation according to the applicable accounting regulations on the nominal value of the new shares. Both the face value of the new shares and the corresponding share premium will be fully paid up as a result of the transfer as a whole, upon completion of the Merger, of the assets of Quabit to Neinor, which will acquire all of the assets, rights and obligations of Quabit by universal succession as a consequence of such transaction.

Pursuant to article 26 of the LMESM, under no circumstances will any Quabit Shares owned by Neinor or any shares that Quabit holds as treasury shares be exchanged; these shares will be cancelled under the Merger. On the date of the Merger Plan, Neinor does not own any shares in Quabit and that it will not hold any shares in Quabit until the effectiveness of the Merger. Likewise, Quabit has 3,380,039 own shares as direct treasury shares, and it is expected that Quabit acquires all Quabit Class B Shares⁴ for its full cancellation in accordance with the provisions of section 3.1. of the Merger Plan. In the event of a decrease in the number of own shares held by Quabit as treasury shares, the exchange ratio will be adjusted proportionally to maintain the same number of new shares to be issued by Neinor to Quabit Class A Shares' holders.

Taking into account the total number of Quabit Class A Shares in circulation on the date of the Merger Plan that could be exchanged (i.e. (a) 148,763,693 Quabit Class A Shares, less (b) 3,380,039 own shares, which will be kept as treasury shares until the execution of the Merger and, therefore, will not be exchanged), the maximum number of Neinor shares to be issued to achieve the Merger's exchange ratio is 5,599,216 ordinary shares in Neinor, each with a nominal value of EUR 10, which would represent a capital increase of a maximum nominal amount of EUR 55,992,160, together with the corresponding merger premium, equal to the difference that may arise from the transaction in accordance with the applicable accounting standards over the nominal value of the new shares.

The maximum nominal amount of the capital increase may be lower depending on (i) any Shares in Quabit held by Neinor on the date of the Merger; or (ii) the delivery, where appropriate, of cash to meet the "odd-lots".

Therefore, Neinor will issue 5,599,216 ordinary shares amounting to 7.00% of its share capital (post-dilution) for the 145,383,654 Quabit Class A Shares entitled to the exchange ratio as they are outstanding but not treasury shares, in the event that all shares are exchanged and subject to the odd-lots adjustment indicated in the Merger Plan.

The corresponding increase proposal will be submitted for deliberation and approval to the general shareholders' meeting of Neinor that is to resolve on the Merger.

In this sense, as regards the premium, as of the date of this Report it is not possible to determine the value to which the equity of the Absorbed Company will be contributed since, it depends on the market capitalization of Neinor at the close of the stock market session immediately prior to the date of approval of the Merger by the General Shareholders' Meetings of the Participating Companies.

⁴ According to section 2.2. of the Merger Plan

1.3.2. Admission to trading

Neinor will request the admission to trading of the newly issued shares to achieve the Merger exchange on the Barcelona, Bilbao, Madrid and Valencia stock exchanges, for contracting via the Spanish Stock Exchange Interconnection System, and will carry out all required legal procedures.

1.4. Merger Balance Sheet

For the purposes of article 36.1 of LMESM, the balance sheets closed by Neinor and Quabit on 31 December 2020 shall be considered the Merger balance sheets, which shall be submitted at the respective general shareholders' meetings of the Participating Entities for approval.

Likewise, it is stated that none of the circumstances stated in article 36.2 of LMESM requiring the modification of the valuations contained in the aforementioned balance sheets of the Participating Entities has occurred.

1.5. Date as of which the exchanged shares afford the right to a share of Neinor's earning

In accordance with item seven of article 31 LMESM, the date as of which Quabit's transactions will be considered as having been carried out for accounting purposes on behalf of Neinor will be determined according to section 2.2 of Registry and Valuation Rule 19 of the Spanish General Accounting Plan, approved by Royal Decree 1514/2007, of 16 November 2007, as it is foreseen in the Merger Plan.

Likewise, for the purposes of item six of article 31 of LMESM, the new shares issued by Neinor to achieve the Merger exchange will be ordinary shares of the same class and series as the shares currently in circulation, entitling the holders to the same rights as of the date that the Merger deed is registered with the Commercial Registries of Bilbao and Madrid, and, in the event that registration does not take place in both Commercial Registries on the same day, from the date on which said deed is registered with the second one (the "Date of Effects").

These new shares will entitle holders, as from the Date of Effects, to a share of the earnings under the same conditions as the other holders of Neinor's shares in circulation on that date.

1.6. Conditions precedent to the Merger

The consummation and effectiveness of the Merger is subject to the fulfilment of the following conditions precedent:

- Obtaining consents in connection with the Merger (or, where applicable, the corresponding waivers of the exercise of any rights as a result of the Merger, in particular early-maturity clauses) from Neinor's and Quabit's main lenders or creditors, provided that they are relevant to the Merger, and, if applicable, executing agreements with such lenders or creditors in terms reasonable satisfactory to Neinor taking into account the terms agreed in the Merger Plan for its execution;

- If necessary, the communication of the Merger to the relevant competition authorities and, if applicable, obtaining the authorization or non-opposition to the Merger, whether express or implied, by the aforementioned authorities, as well as obtaining any necessary authorization by the CNMV or any regulatory authority for the execution and effectiveness of the Merger; and
- Following the consultation with the Finance and Tax Department of the Biscay Provincial Council, to which the Merger Plan, among other documents, will be attached, it is confirmed that (i) the special framework for Mergers, divisions, transfers of assets, exchanges of securities, global assignments of assets and liabilities and change of registered office of a European company or a European cooperative society from one Member State of the European Union to another set out in Chapter VII of Title VI of the Provincial Law on Corporate Income Tax in the Historical Territory of Biscay is applicable to the Merger; and (ii) under that special framework, the treatment of any income recorded in the profit and loss account of Neinor as a result of a negative merger difference is not subject to Corporate Income Tax for either Neinor or Quabit.

The boards of directors of Neinor and Quabit or, if applicable, any person authorized by them, may carry out all acts and adopt all resolutions required for requesting, processing and obtaining the above-mentioned authorizations and any other authorizations, statements or releases required or advisable for the success of the Merger, including, but not limited to, offering, proposing or accepting remedies, undertakings, guarantees or conditions from or to the competent authorities (in particular, but not limited to, tax and competition authorities or the governing or supervisory bodies for the stock-market sectors) or refraining from making or rejecting them when they consider that doing so is in the shareholders' interest, ultimately being entitled to declare the above-mentioned conditions precedent met or not met or abandon trying to meet them (to the extent legally possible and advisable).

1.7. Previous agreements

1.7.1. Agreements with shareholders

Prior to the subscription of the Merger Plan but subject to, among others, its subscription and execution by the Board of Directors of the Participating Entities, (i) Grupo Rayet, S.A.U., Restablo Inversiones, S.L.U, Mr. Félix Abánades López, Ondobide, S.A. and various funds managed by Gescooperativo, Augustus Capital AM and Cobas AM who jointly hold approximately 26% of Quabit Class A Shares (as defined in section 2.2); (ii) Cedarville Spain, S.L. ("**Cedarville**") as shareholder, as of the date hereof, of Quabit holding 100% of Quabit Class A Shares; and (iii) Pyxis V Lux S.à r.l., which holds approximately 28% of the share capital of Neinor, have entered into commitments whereby those shareholders have undertaken, among others, to vote in favor of the Merger in the general shareholders' meeting of Quabit and Neinor, respectively.

1.7.2. Agreements with Avenue

Likewise, prior to the subscription of the Merger Plan but subject to, among others, its subscription and execution by the Board of Directors of the Participating Entities, Neinor, Quabit and various funds and entities advised by Avenue Europe International Management L.P. (i.e. Cedarville; GL Europe Luxembourg III (US) Investments, S.à r.l.; GL Europe Luxembourg III (EUR) Investments, S.à r.l.; and GL Europe ASRS Investments, S.à r.l., collectively the "Funds" and, jointly with Cedarville, "Avenue") which are currently financial creditors of Quabit, have entered into an irrevocable commitment (the "Agreement with Avenue") in order to establish the terms and conditions under which:

- All Quabit Class B Shares of which Cedarville is the only owner as of the date of the Merger Plan, currently recorded as a financial liability with special characteristics, will be transferred to Quabit by purchase (redemption) for their complete cancellation;
- The financing granted by certain funds to Quabit (in particular, Avenue's I, II and III Lines, collectively, the "Avenue Lines") will be repaid and cancelled; and
- The Avenue Warrants will be cancelled.

The execution of the transactions described in this section will be carried out in accordance with the provisions of the Merger Plan and the Agreement with Avenue. Likewise, the aforementioned section indicates that the purchase (redemption) of the Quabit Class B Shares for their full cancellation shall be effective in a single act with the effectiveness of the Merger but in the moment immediately prior to the execution of the Merger's public deed and, in addition, will be subject to a condition subsequent (*condición resolutoria*) whereby, in the event that the Merger does not become effective, the referred purchase would be terminated, thus Cedarville would regain ownership of all Quabit Class B Shares.

2. Valuation methods used to determine the share exchange ratio

A description of the methods used by the Directors of Neinor and Quabit to determine the share exchange ratio, is as follows:

2.1. Valuation methods used by the Directors of Neinor

J.P. Morgan AG ("J.P. Morgan"), as financial advisor of Neinor for the Merger, issued a fairness opinion on the Merger (*fairness opinion*), dated 11 January, to the Board of Directors of Neinor, which concludes that the agreed-upon share exchange ratio, and under the assumptions, limitations, certifications, and other established terms, to be paid by Neinor is fair from a financial point of view to Neinor's shareholders.

The board of directors of Neinor, together with J.P. Morgan as financial advisor performed a number of valuation analyses of Neinor y Quabit, being the relative quoted price the method most used to determine the share exchange ratio.

- **Relative quotation price:** the Board has taken as a reference for the value of both Participating Entities the relative quotation price at which both shares have been trading over different periods of time. This method consists of calculating the exchange ratio based on the relative stock exchange quotation price of both shares in the secondary market.

Valuation based on share price is usually the preferred method for determining the actual value of listed securities. By way of example, article 504.2 of the LSC, for the purpose of determining the fair value of shares in share capital increases with exclusion of pre-emptive rights, assumes valuation based on share price except when otherwise justified. The stock price is also the criterion most commonly applied when merging entities are listed companies with floating capital and adequate liquidity.

The timeline of the price calculation must balance any short-term volatility caused by exceptional events, short-term fluctuations and speculative stresses (therefore, a longer time horizon is preferable), as well as the need to reflect the most recent market and company conditions, where recent prices must be taken into account.

Thus, the volume-weighted average prices (the "**VWAP**") of the Participating Entities' shares for the one-month, three-month and six-month periods prior to 8 January 2021 (inclusive) have been taken into account.

2.1.1. Justification for the Exchange rate and valuation applied by the Board of Directors of Neinor

The following table shows the main information on share price used by the Board of Directors of Neinor as a market reference:

Considered period	VWAP Neinor (€/share)	VWAP Quabit (€/share)	Exchange ratio
1 month	10.11	0.36	27.84
3 months	10.19	0.39	26.37
6 months	10.35	0.38	27.16

Source: Madrid Stock Exchange, 8 January 2021

The result of this methodology represents a 7.00% of the share capital of Quabit (post-dilution) in the resulting entity after the Merger

2.2. Valuation methods used by the Directors of Quabit

As financial advisor to Quabit for the Merger, on 5 January 2021 Arcano Corporate, S.L.U. ("Arcano") issued a fairness opinion addressed to Quabit's Board of Directors, which was updated on 10 January 2021, concluding that, as of that date, and based on the items, limitations and assumptions contained in such fairness opinion, the proposed share exchange ratio is fair from a financial point of view for Quabit.

Under Arcano's advice, Quabit's Board of Directors conducted various valuation analyses of Neinor and Quabit, which are based on (i) methods based on a relative valuation between the two Participating Companies, justified by the fact that Quabit shareholders receive Neinor shares and not a cash amount (without prejudice to odd-lot adjustments as described above) and (ii) methods based on an absolute valuation taking into account Quabit's current conditions.

Regarding the specific methodologies based on a relative valuation between the two Participating Companies, the following two have been taken into account:

- **Relative listed prices:** More direct methodology when valuing companies, through the price per share, since it represents the value that investors ascribe to the Participating Entities and at which the shares could be sold/bought at any time.
- **Correlation between P/BV and ROE:** Methodology based on the existing correlation between the Price-to-Book Value (P/BV) and the Return on Equity (ROE) of the Participating Entities, based on historical sector data in previous cycles (and therefore different from the current one) and in companies that have successfully survived the market cycles, calculating the correlation of ROE and P/BV over a period of more than 20 years, thus covering more than one residential cycle and showing the relationship between the two variables through linear regression.

Regarding the specific methodologies based on an absolute valuation, the following two have been taken into account:

- **Quabit listed price:** Methodology based on the historical valuation of Quabit shares, analysing the price over different time periods to establish a normalised premium/discount over time.
- **Theoretical value of ordered sale:** Methodology based on an analysis of the discount applied to the value of the assets in the hypothetical scenario of an orderly sale thereof, based on the S&P guide on discounts applicable to the assets of residential developers in sales scenarios so as to secure liquidity.

2.2.1. Justification for the Exchange rate and valuation applied by the Board of Directors of Quabit

Arcano's application of the aforementioned methodologies based on a relative valuation between the two Participating Entities reflects participation results to be attributed in the entity resulting from the Merger to Quabit shareholders that range from 6.93% to 7.54% (based on the relative list prices methodology) and from 6.62% to 8.07% (based on the correlation methodology between P/BV and ROE). The application of the methodologies based on an absolute valuation reflects a participation of Quabit's shareholders in the entity resulting from the Merger that ranges from 7.34% to 7.54% (based on the Quabit list price methodology) and between 3.65% and 6.35% (based on the Quabit asset recovery value methodology).

The analysis of the whole of these methodologies results in an average Quabit range in the entity resulting from the Merger of between 6.14% and 7.38%.

3. Scope and procedures applied in our work

Our analyses and verifications have been carried out solely to comply with the requirements of article 34 of the LMESM and in accordance with the terms set out in our Engagement Letter.

We have applied the following procedures during the course of our work:

— Procurement and analysis of the following information:

- Document submitted to the Bizkaia Mercantile Registry by the Participating Entities requesting the appointment of an independent expert, and document appointing KPMG as independent expert, dated 25 January 2021;
- Joint Merger Plan prepared and approved by the Boards of Directors of Neinor and Quabit, dated 11 January 2021;
- Certificates of the resolutions of the Boards of Directors of Neinor and Quabit regarding the approval of the Merger Plan, dated 11 January 2021;
- Reports from the Directors of Neinor and Quabit on the Merger Plan for the purposes of and pursuant to article 33 of the LSESM;
- Presentation relating to the absorption of Quabit published by Neinor, dated 11 January 2021;
- Document submitted to the Neinor Board of Directors including the estimated benefits of the Merger, dated January 2021;
- Price sensitive information addressed to the CNMV and submission made by Neinor management on 11 January 2021 to communicate to the market the main terms of the Transaction;
- RICS valuation report prepared by Savills and BDO for the asset portfolio of Quabit and subsidiaries for 2020 and 2019;
- RICS valuation report prepared by Savills for the asset portfolio of Neinor and subsidiaries for 2020;
- Due diligence reports issued by PwC as external advisers of the Neinor transaction;
- Asset and contract review reports prepared by Quabit on Neinor;
- Minutes of the Quabit Board of Directors meetings discussing the study of the Merger Plan (in particular those held on 5 November 2020, 9 December 2020 and 11 January 2021);
Minutes of the Neinor Board of Directors meetings discussing the study of the Merger Plan (in particular those held on 9 December 2020 and 11 January 2021);
- Audited consolidated and individual annual accounts of Neinor and Quabit for the years ended 31 December 2020, 2019 and 2018;
- Disclosure of the number of securities, NBV and valuation of the treasury shares of Neinor and Quabit;
- Signed documentation on the terms/resolutions of the merger between the parties and justification of estimated debt reductions;

- Detail of the resolution to wind up Avenue's financing line as well as the warrants, class B shares and irrevocable commitment to Avenue;
 - Contractual information on Quabit's various financial debt positions at the date of the Merger;
 - Detail of the warrants issued by Quabit and the trading status of each;
 - Quabit inventory list at 31 December 2020;
 - Neinor business plan and financial projections for 2019-2025, prepared by the management, together with the assumptions used in the preparation thereof (not updated at 31 December 2020);
 - Quabit business plan and financial projections 2021-2025, prepared by Quabit management, together with the assumptions used in the preparation, undertaken in the first quarter of 2020;
 - Draft report prepared by Uría & Menéndez on the reasonableness and future deductibility of the tax assets of Quabit and its subsidiaries;
 - Stock market information on the listed price of Neinor and Quabit shares;
 - Stock market information on the listed price of comparable listed companies; and
 - Other available information deemed relevant to the performance of our work.
- Reading and analysis of the valuation reports provided;
 - Reading of the fairness opinion issued by Arcano and J.P. Morgan in the context of this Merger;
 - Analysis of the valuation methods used with the existing supporting documentation and the parameters used to determine the share exchange ratio for the Merger;
 - Sensitivity analyses on the most significant variables that could affect the business performance of Neinor and Quabit (mainly the effect of asset value variations) and, therefore, the estimated values of the Participating Entities and the corresponding share exchange ratio;
 - Cross check of the valuations of the Participating Companies made by their management with other alternative methods, where appropriate;
 - Analysis of the net worth contributed by the Absorbed Company as consideration for the share capital increase to be carried out by the Absorbing Company;
 - Reading and analysis of any other information considered necessary for our work;
 - Discussions and meetings with Management of each of the Companies and their financial advisors to gather additional information considered relevant to our work; and
 - Procurement of a letter signed by the Directors empowered to represent each Participating Entity, confirming that we have been provided with all the necessary information, as well as any other information we might have requested, to prepare our independent expert report, and that the financial projections with which we have been provided, the assumptions used in their preparation, the valuations resulting from the valuation methods applied and the resulting exchange ratio represent their best founded opinion, considering present circumstances and expected future performance.

The information required to carry out our work has been provided to us by Management of the Participating Companies or obtained from public sources.

We have not carried out an independent verification, audit, due diligence review or evaluation of the accounting, tax, legal, labour or environmental position of the Participating Companies in the Merger. Consequently, the scope of our work does not constitute the issuance of an audit opinion or any other type of opinion or confirmation regarding the financial statements of the Participating Companies.

We have assumed that this information is complete and accurate and that it reflects Management's best estimates of the outlook for the Participating Companies' businesses from an operating and financial perspective. Management of the two Companies has confirmed these aspects in writing, as mentioned above.

Our work has not included a comparison of the information obtained from public sources with evidence from outside the Participating Companies. Nonetheless, to the extent possible, we have verified that the information presented is consistent with other data obtained during the course of our work.

We are not obliged to update our report to reflect any events which may arise subsequent to the date of issue thereof. The content of this report should be considered to refer to all information received on events occurring prior to the date of the report.

The scope of our work has not included a review of the Merger Plan from a legal perspective.

We have assumed that all authorisations and registrations required, for the purposes of the foreseen Merger, in Spain and which have a significant impact on our analyses, will be obtained with no adverse effect for those Companies or the profit expected to be generated on the Merger.

The scope of our work described in this report should not be considered, in the context of this transaction or in any other context, as a fairness opinion or an opinion on the present or future value of the Participating Entities, or a recommendation to invest therein.

Finally, our work is of an independent nature and does not, therefore, constitute a recommendation to Management of the Participating Entities, the shareholders of those companies or third parties regarding the position they should adopt in relation to the foreseen transaction or other transactions involving shares of the aforementioned companies.

4. Specific valuation difficulties

In addition to objective factors, all valuation work involves subjective factors which require the use of judgment. Consequently, the value obtained represents only a point of reference for the parties interested in carrying out a transaction. It is therefore not possible to provide assurance that third parties would necessarily agree with the conclusions reached.

Additionally, in the context of an open market, different prices may exist for a particular business due to subjective factors including, but not limited to, negotiating power between the parties or different perceptions of the future prospects of the business.

In works of this nature, the scope of our analysis of the share exchange ratio is mainly based on the analysis of the relative value of the companies and of their shares. Consequently, such work does not necessarily constitute an opinion on the absolute values used to determine the aforementioned share exchange ratio, nor should it be considered as such. The values of Neinor and Quabit have been calculated by the Direction of those companies and their financial advisors based on the different valuation methods summarized above, with a view to determining the share exchange ratio.

It should be noted that Quabit's financial information at 31 December 2020 shows net losses of Euros 147.5 million (mostly derived from the practical elimination of deferred tax assets and the recording of a provision for impairment of the real estate asset portfolio), a current financial debt of Euros 255 million and a cash position of Euros 25 million. Also, the Business Plan prepared by its management and presented to its Board of Directors assumes, in the event that the Merger is not completed, a successful capital increase, new lines of financing and refinancing secured and refinanced financial debt. In this connection, if one of these critical assumptions does not materialise, Quabit's short-term liquidity could be affected, with the corresponding impact on the fair value of its equity.

The net book value ("NBV") is a static valuation method that presents a snapshot of the equity situation on a given date and indicates the own funds available to it, under criteria defined by accounting standards. We consider that in general terms this valuation method has major limitations as a method of estimating the possible fair value of all the shares of a company on a given date. In this regard, it is important to highlight the significant difference between the NBV of Quabit at 31 December 2020 and the fair value arising from the Merger's exchange ratio; accordingly, given the aforementioned limitations in this method, we understand that this valuation method cannot be considered the most appropriate reference for determining its possible fair value.

Our opinion is based on market and economic conditions at the date of the Merger, which corresponds to a period of high volatility in global financial markets and general macroeconomic uncertainty. As far as possible, we have reflected these conditions in our work. However, the factors giving rise to these conditions can change in relatively short periods of time. The impact of any subsequent change in these conditions on the global economy and financial markets in general and on the specific valuation of the Participating Companies could have an impact on the value in the future, either positively or negatively.

In light of the emergence and spread of COVID-19, there is uncertainty, which could persist for some time, as to what this may mean for businesses. As a result, our work may not have faithfully identified or quantified the impact of all of these uncertainties and implications.

5. Conclusion

Based on the information used and the procedures applied, as described in preceding sections, and subject to the specific valuation difficulties mentioned in section 4 above, and for the sole purpose of complying with the requirements of the independent expert appointment, we consider that:

- The valuation methodologies applied by the Board of Directors of Neinor and Quabit to establish the exchange ratio of the Participating Entities' shares in the Merger are appropriate, in the context and the circumstances of the proposed transaction, being justified the exchange ratio proposed in the Merger Plan; and
- The net equity transferred by the Absorbed Company is at least equal to the increase in capital of fifty five million ninety two thousand, one hundred and sixty (55,992,160) euros that the Absorbing Company foresees to carry out.

* * * * *

This report and the information contained herein have been prepared strictly to comply with the requirements of article 34 of the LMESM, and should not, therefore, be used for any other purpose.

Yours faithfully,

(Original in Spanish signed)

José Ignacio Cerrato

Partner

KPMG Auditores, S.L.

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



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