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## **REPORT OF THE BOARD OF DIRECTORS OF NEINOR HOMES, S.A. ON THE JOINT MERGER PLAN BETWEEN NEINOR HOMES, S.A. (AS THE ABSORBING COMPANY) AND QUABIT INMOBILIARIA, S.A. (AS THE ABSORBED COMPANY) AND ON THE SHARE CAPITAL INCREASE TO BE CARRIED OUT ON THE OCCASION OF THE MERGER**

### **1. INTRODUCTION**

The boards of directors of Neinor Homes, S.A. ("**Neinor**") and Quabit Inmobiliaria, S.A. ("**Quabit**" and, together with Neinor, the "**Participating Entities**"), in their respective meetings held on 11 January 2021, drafted, approved and signed the joint merger plan for the merger of Neinor (as the absorbing company) and Quabit (as the absorbed company) (the "**Joint Merger Plan**" and the "**Merger**", respectively).

The Joint Merger Plan was signed by all the directors of the Participating Entities in accordance with article 30 and other relevant articles of Law 3/2009 of 3 April on structural changes to companies ("**Law on Structural Changes to Companies**") and was published on the corporate websites of Neinor and Quabit on 12 January 2021 and 11 January 2021, respectively. The fact that it was published on the corporate websites and the date this occurred was published in the Official Gazette of the Companies Register on 1 February 2021 (regarding the publication on Neinor's corporate website) and 4 February 2021 (regarding the publication on Quabit's corporate website).

In accordance with article 33 and other relevant articles of the Law on Structural Changes to Companies, the directors of Neinor draft and approve, in the terms set out below, this necessary report of the directors on the Joint Merger Plan (the "**Report**") in which, in accordance with the provisions of the aforementioned articles, the Joint Merger Plan's legal and financial aspects are described and justified in detail, with particular reference to the exchange ratio and any special valuation difficulties that may exist, as well as the implications of the Merger for the shareholders, creditors and employees. The Report also contains a report on the capital increase required for the Merger.

The Joint Merger Plan will be submitted to the general shareholders' meetings of Neinor and Quabit for their approval in accordance with article 40 of the Law on Structural Changes to Companies.

### **2. STRATEGIC RATIONALE FOR THE MERGER**

As indicated in the Joint Merger Plan, the Participating Entities agreed to promote their integration with the aim of creating a group that will remain a leader in the residential development sector in Spain and with the aim of increasing its relevance in the Spanish construction market. The merger of the Participating Entities would lead to the creation of value by combining the management capabilities of both groups and operational and financial synergies.

In this regard, the boards of directors of Neinor and Quabit consider that there are several reasons favouring the merger of the Participating Entities, highlighting the following:

- **Combination of complementary businesses:** the Merger would create an ambitious real-estate project with a combined high-quality land bank that would allow the construction of more than 16,000 dwellings by the entity resulting from the Merger within the framework of real-estate developments expected to be carried out in the medium term. The combination would also make it possible to

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- integrate the aforementioned combined land portfolio under a well-defined property-development platform with a combined capacity to deliver housing.
- **Combination value drivers:** the Merger would generate various additional benefits due to the integration, which the Participating Entities would not be able to achieve separately, including:
    - *Operational benefits:* through integrating Quabit’s building capabilities into the entity resulting from the Merger, as well as through defining a more efficient operational structure; and
    - *Financial and accounting benefits:* by rationalizing the structure of financial costs associated with Quabit’s existing debt and optimizing Quabit’s assets transferred to Neinor under the transaction.
  - **Leadership:** access to a high-quality land portfolio that would allow to complement Neinor’s current portfolio, would reinforce the position of the company resulting from the Merger’s leadership in the Spanish real-estate-development market, with the aim of increasing its relevance in the Spanish construction market.
  - **Capital structure:** the Merger would foster the rationalization of Quabit’s capital structure through the creation of a group with a net leverage (loan-to-value) below 30%. The implementation of the joint business plan would permit the resulting company to pursue a conservative financial policy, without the necessity for additional external funds in the medium term to achieve housing-development and delivery targets.
  - **Property platform:** the Merger would reinforce the value proposition of Neinor’s property division by contributing high-quality land for development and rental housing in locations with high demand.
  - **Increased share size and liquidity:** shareholders of the Participating Entities would hold a stake with a potential higher degree of liquidity as a result of the addition of a new shareholder base to the entity resulting from the Merger, as well as the increase in the stock-market capitalization of the entity resulting from the Merger.

For all these reasons, the boards of directors of the Participating Entities have reached the conclusion that the merger of the businesses of Neinor and Quabit would foster a more beneficial and efficient management providing an opportunity for all its stakeholders, including employees, customers, shareholders and creditors.

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### **3. LEGAL ASPECTS OF THE JOINT MERGER PLAN**

#### **3.1 LEGAL STRUCTURE OF THE MERGER**

The legal structure chosen for integrating the businesses of Neinor and Quabit is the merger through the absorption of Quabit (the absorbed company) by Neinor (the absorbing company), with the dissolution without liquidation of Quabit and the transfer, by universal succession, of all its assets and liabilities to Neinor, which will acquire by universal succession, of Quabit's assets and liabilities as a whole; all in accordance with the terms established in articles 22 et seq. of the Law on Structural Changes to Companies.

This transfer by universal succession will involve the acquisition by Neinor, in a single act, of all Quabit's assets and liabilities. Therefore, all the assets, rights and obligations and, in general, all the legal relationships of Quabit will be transferred.

Simultaneously, the Merger will imply that shareholders holding ordinary shares of Quabit belonging to class "A", each with a face value of EUR 0.5 (the "**Quabit Class A Shares**"), will be incorporated as shareholders of Neinor through the attribution to them of the shares representing the portion of the capital of Neinor that corresponds to them, in proportion to their respective interest in the Quabit Class A Shares, under the terms established in the Joint Merger Plan and which are discussed in detail in this Report.

#### **3.2 ANALYSIS OF THE LEGAL ASPECTS OF THE JOINT MERGER PLAN**

The Joint Merger Plan has been drafted in accordance with articles 30 and 31 of the Law on Structural Changes to Companies and, therefore, includes the information that these provisions establish as the minimum required content.

As described below, in addition to the minimum content required by the aforementioned provisions of the Law on Structural Changes to Companies, the Joint Merger Plan contemplates and develops other aspects whose inclusion has been deemed appropriate by the directors of the Participating Entities.

##### **3.2.1 Identification of the Participating Entities**

In accordance with article 31.1 of the Law on Structural Changes to Companies, section 2 of the Joint Merger Plan identifies the Participating Entities by stating their company names, their company types, their respective registered offices, and the data identifying Neinor's registration in the Commercial Registry of Bilbao and Quabit's registration in the Commercial Registry of Madrid, as well as their corresponding Tax ID numbers.

##### **3.2.2 Exchange ratio**

(A) Prior acquisition (redemption) of the Quabit Class B Shares for their cancellation

As indicated in section 3.1 of the Joint Merger Plan, with respect to the non-voting shares of Quabit belonging to class "B" each with a face value of EUR 0.5 (the "**Quabit Class B Shares**"), the board of directors of Quabit, taking into consideration the agreement entered into with various funds and entities advised by Avenue Europe International Management L.P. ("**Avenue**") and described in section 1.1.2 of the Joint Merger Plan (the "**Agreement with Avenue**"), will propose —to the same general shareholders'

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meeting that is to approve the Merger (and prior to the proposal of the Merger resolution)— the acquisition by purchase (redemption) of all of the Quabit Class B Shares for their complete cancellation in the context of the subscription of the Merger pursuant to article 26 of the Law on Structural Changes to Companies, with the exchange of the Merger being exclusively of the ordinary shares (the Quabit Class A Shares).

(B) Exchange ratio

In accordance with article 31.2 of the Law on Structural Changes to Companies, section 3.2 of the Joint Merger Plan establishes the exchange ratio of the Merger, which will be one ordinary share of Neinor, each with a face value of EUR 10, of the same characteristics and with the same rights as the shares of Neinor existing at the time of their issue, for each 25.9650 Quabit Class A Shares, each with a face value of EUR 0.5, and the sole class to be outstanding at the time of the exchange. The exchange ratio was determined on the basis of the actual value of the assets and liabilities of the Participating Entities, without any complementary cash compensation being provided for.

(C) Share exchange procedure

The procedure of the share exchange of Quabit's shares to be cancelled as a result of the Merger is summarized in section 3.4 of the Joint Merger Plan.

In this regard, the exchange of Quabit Class A Shares for shares of Neinor will take place once: (a) the equivalent documentation referred to in article 1(4)(g) and (f) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as applicable —or any registration requirements that may be required by the Spanish National Securities Market Commission ("**CNMV**")— has been filed; (b) the Merger has been approved at the general shareholders' meetings of both Participating Entities, including approval of the Merger, on the terms and conditions established in the Joint Merger Plan, by the holder of the Quabit Class B Shares; (c) the conditions precedent referred to in section 16 of the Joint Merger Plan have been fulfilled; and (d) the deed of Merger has been granted.

The exchange will take place on the date specified in the notice of exchange to be published on the corporate websites of the Participating Entities and, as other relevant information, on the website of the CNMV. Effective delivery of the new shares would take place once the deed of Merger is registered with the Commercial Registries of Bilbao and Madrid. For this purpose, a financial entity will be appointed to act as the exchange agent, which will be indicated in the above-mentioned notices.

The exchange of the Quabit Class A Shares for the new shares of Neinor will be carried out through the entities participating in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear), which are depositaries thereof in accordance with the procedures established for the book-entry system, pursuant to Royal Decree 878/2015 of 2 October on the clearing, settlement and registration of marketable securities represented by book entries, on the regulation of the central securities depository and central counterparty entities, and on the transparency requirements for the issuing of securities admitted to trading on an official secondary market, and with the

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application of the provisions of article 117 of the consolidated text of the Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July (the “**Spanish Companies Act**”), as applicable.

(D) Mechanism for facilitating the exchange

Section 3.5 of the Joint Merger Plan establishes a mechanism aimed at facilitating the implementation of the exchange: holders of a number of Quabit Class A Shares that, according to the agreed exchange ratio, do not entitle them to receive an integer value of shares of Neinor, may acquire or transfer Quabit Class A Shares so that the resulting shares entitle them, according to such exchange ratio, to receive an integer number of shares of Neinor.

Notwithstanding the foregoing, the Participating Entities will appoint a financial entity as "odd-lot dealer", which will act as counterparty for the purchase of excesses or shortfalls. Thus, any Quabit shareholder who, in accordance with the established exchange ratio, and taking into account the number of Quabit Class A Shares held, is not entitled to receive an integer number of Neinor shares or is entitled to receive an integer number of Neinor shares but has additional Quabit Class A Shares that are insufficient to have the right to receive an additional Neinor share, may transfer the surplus Quabit Class A Shares to the odd-lot dealer, which will pay the shareholders in cash for the value of these shares at the price specified in the notice of exchange.

(E) Capital increase to cover the exchange of Quabit Class A Shares

Section 3.3 of the Joint Merger Plan specifies that Neinor will increase its capital by the amount necessary to cover the exchange of the Quabit Class A Shares, in accordance with the exchange ratio established in the Joint Merger Plan, subject, in all cases, to the provisions of article 26 of the Law on Structural Changes to Companies.

For these purposes, Neinor will carry out a capital increase in the amount required to cover the exchange, as indicated in section 6 of this Report.

Pursuant to article 26 of the Law on Structural Changes to Companies, the Quabit Class A Shares that Neinor may hold, as the case may be, and those that Quabit holds in treasury shares, will not be exchanged, and will be cancelled under the Merger. The Joint Merger Plan states that, as of the date of subscription thereof by the directors of the Participating Entities, (i) Neinor did not hold any shares of Quabit; and (ii) Quabit held 3,380,039 of its own shares in direct treasury shares.

See section 6 of this Report for more information on the capital increase to cover the exchange of Quabit Class A Shares.

### **3.2.3 Merger balance sheet**

Section 4.1 of the Joint Merger Plan specifies that the balance sheets of Neinor and Quabit as of 31 December 2020, prepared by their respective boards of directors on 24 February 2021, duly verified by the auditors of Neinor and Quabit, shall be deemed to be the Merger balance sheets for the purposes of the provisions of article 36 of the Law on Structural Changes to Companies, and shall be submitted for the approval of the shareholders at the general shareholders' meetings of each of the Participating Entities

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who will vote on the approval of the Merger, prior to the proposed Merger resolution. It is hereby stated that none of the circumstances established in article 36.2 of the Law on Structural Changes to Companies that would make it necessary to modify the valuations contained in the aforementioned balance sheets of the Participating Entities exist.

#### **3.2.4 Accounts and valuation of the assets and liabilities subject to transfer**

For the purposes of item ten of article 31 of the Law on Structural Changes to Companies, section 4.2 of the Joint Merger Plan states that the conditions under which the Merger is to be carried out have been determined taking into consideration the accounts of the Participating Entities for the financial year ended 31 December 2020, with the financial year of the Participating Entities coinciding with the calendar year.

In order to comply with item nine of article 31 of the Law on Structural Changes to Companies, section 4.3 of the Joint Merger Plan states that the acquired identifiable assets and the liabilities assumed by Neinor from Quabit will be recorded in the accounts of Neinor for their fair values on the date of acquisition, pursuant to Recognition and Measurement Rule 19 of the Spanish General Accounting Plan approved by Royal Decree 1514/2007 of 16 November (the "PGC").

#### **3.2.5 Date as of which the newly exchanged shares of Neinor afford the right to a share of Neinor's earnings**

For the purposes of item six of article 31 of the Law on Structural Changes to Companies, section 5 of the Joint Merger Plan establishes that 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").

In particular, 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 shares in circulation on that date.

#### **3.2.6 Effective date for accounting purposes**

For the purposes of item seven of article 31 of the Law on Structural Changes to Companies, section 6 of the Joint Merger Plan states that 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 pursuant to Recognition and Measurement Rule 19 of the PGC.

#### **3.2.7 Labour contributions and ancillary obligations**

Section 7 of the Joint Merger Plan establishes, in accordance with item three of article 31 of the Law on Structural Changes to Companies, that, since there are no labour contributions, nor are there any ancillary obligations established for any of the Participating Entities, no compensation must be paid for such labour contributions or ancillary obligations.

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### **3.2.8 Special rights and securities other than those representing capital**

In compliance with item four of article 31 of the Law on Structural Changes to Companies, section 8 of the Joint Merger Plan states that, except for the items referred to in this section, there are no special privileged shares or special rights other than the simple ownership of the shares in any of the Participating Entities, and therefore it is not appropriate to grant any special rights or offer any type of options for these purposes. The shares of Neinor delivered to the holders of the Quabit Class A Shares as a result of the Merger will not grant their holders any special rights whatsoever.

Notwithstanding the foregoing, the Joint Merger Plan refers to the following securities issued by Quabit:

#### **(A) Quabit Class B Shares**

With respect to the Quabit Class B Shares, section 8.1 of the Joint Merger Plan states that the privileged rights established in article 5 bis of Quabit's articles of association in favour of the holder of the Quabit Class B Shares will not be recognized in the entity resulting from the Merger.

To this end, the Joint Merger Plan states that at the corresponding general shareholders' meeting of Quabit at which the Merger will be decided upon, the holder of the Quabit Class B Shares must approve, in accordance with the provisions of law and the corresponding provisions of the articles of association and prior to the proposed Merger resolution, the proposed acquisition for redemption of all Quabit Class B Shares in accordance with section 3.1 of the Joint Merger Plan.

#### **(B) Warrants**

As described in section 8.2.1 of the Joint Merger Plan, Quabit has issued several warrants in favour of various funds and entities advised by Avenue Europe International Management L.P. (the "**Avenue Warrants**"). The aforementioned section states, among other matters, that by signing the Agreement with Avenue, the holders of the Avenue Warrants have irrevocably undertaken, among others, (i) not to exercise, in whole or in part, the Avenue Warrants from the moment of the execution of the Agreement with Avenue until the cancellation thereof; and (ii) to execute, as soon as possible after the registration of the Merger with the Commercial Registry of Bilbao, the corresponding public deed to proceed with the cancellation thereof.

In addition, as described in section 8.2.2 of the Joint Merger Plan, Quabit has issued a warrant in favour of Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria, S.A. ("**SAREB**" and the "**SAREB Warrant**"). With respect to the SAREB Warrant, no agreements have been entered into as of the date of this report.

Section 8.2.3 of the Joint Merger Plan states that, following the completion of the Merger, Neinor will take over and succeed Quabit as the issuer of the Avenue Warrants and SAREB Warrant under their terms and conditions. Thus, once the Merger deed has been registered with the Commercial Registries of Madrid and Bilbao, all references to Quabit in the aforementioned issues will be deemed as having been made to Neinor.

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Consequently, after the completion of the Merger, the aforementioned securities will eventually become convertible into ordinary shares of Neinor (instead of Quabit), without prejudice to the agreements reached with their holders indicated above (or those that may be reached after the date of the Joint Merger Plan) in relation to the cancellation of the aforementioned securities after the effectiveness of the Merger.

(C) Notes

As described in section 8.3 of the Joint Merger Plan, Quabit, through its subsidiary Quabit Finance, S.A.U., has issued senior secured notes for a nominal amount of EUR 20 million (the "**Quabit Notes**"). Section 8.3 of the Joint Merger Plan states that, following the completion of the Merger, Neinor will take over and succeed Quabit as guarantor of the Quabit Notes under the corresponding terms and conditions. Thus, once the Merger deed has been registered with the Commercial Registries of Madrid and Bilbao, all references to Quabit Inmobiliaria, S.A. in the aforementioned issue will be deemed as having been made to Neinor.

**3.2.9 Benefits granted to directors and independent experts**

Section 9 of the Joint Merger Plan, in compliance with item five of article 31 of the Law on Structural Changes to Companies, provides that no benefits of any kind in Neinor shall be assigned to the directors of any of the Participating Entities, nor to KPMG Auditores, S.L. ("**KPMG**"), the independent expert appointed to issue the corresponding report in relation to the Joint Merger Plan, in accordance with the provisions of section 3.3.3 below.

**3.2.10 Articles of association**

In order to comply with the requirement contained in article 31.8 of the Law on Structural Changes to Companies, the Joint Merger Plan (i) expressly states in section 11 thereof that the Merger will not require the amendment of Neinor's articles of association, except with regard to the amount of the share capital and number of shares that –as a result of the share capital increase– is required to achieve the Merger exchange; and (ii) includes the text of Neinor's articles of association in effect as of the date of the Joint Merger Plan (available on its corporate website) as an appendix thereto.

**3.2.11 Impact on employment, gender and corporate social responsibility**

For the purposes of item 11 of article 31 of the Law on Structural Changes to Companies, section 12 of the Joint Merger Plan states that, in accordance with the provisions of article 44 of the consolidated text of the Statute of Workers, approved by Royal Legislative Decree 2/2015 of 23 October (the "**ET**"), Neinor, as the absorbing company, will assume the labour relations in connection with active employees of Quabit, becoming their new employer. It also indicates that the Participating Entities will comply with their reporting obligations and, if required, their obligations to consult with the employees' representatives of each entity, in accordance with labour regulations. In addition, the Merger will be notified to the corresponding relevant public entities, in particular to the Social Security General Treasury.

Likewise, section 12 of the Joint Merger Plan indicates that, after the subscription of the Merger, the company resulting from the Merger will complete the analysis of potential overlaps, duplications, and the economies of scale deriving from the process, without any decision having been made as of today in

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relation to the labour measures that will be necessary to adopt in order to proceed with the integration of the workforces as a consequence of the Merger. In any event, the integration of the workforces will take place pursuant to the legal procedures applicable in each case and especially with regard to the reporting obligations and obligations to consult with the employees' representatives, holding meetings and negotiating with them as required to integrate the two workforces on the basis of the greatest possible agreement between the parties.

It is also indicated that it is not foreseen that as a result of the Merger there will be any changes of particular significance in the structure of Neinor's administrative body, from the perspective of its gender distribution. Likewise, the Merger will not modify the policy that has hitherto been governing this matter in Neinor.

Finally, the aforementioned section 12 states that it is not expected that Neinor's current corporate social responsibility policy will change as a result of the Merger.

### **3.2.12 Special tax treatment**

Section 10 of the Joint Merger Plan establishes that the Merger falls within the scope of those regulated in article 76.1 a) of Law 27/2014 of 27 November on Corporate Income Tax ("**CIS**") and in article 101.1 a) of Provincial Law 11/2013 of 5 December on Corporate Income Tax in the Historical Territory of Biscay ("**CITB**"), so that the tax framework established in Chapter VII of Title VII and in the second additional provision of the CIS, based on article 89.1 of the same legal text, is applicable to the merger. The transaction also falls under the scope of the tax framework for mergers of Chapter VII of Title VI of the CITB, for which purpose it is expressly chosen to apply; all of the preceding considerations are understood as meeting the requirements for the application of the aforementioned framework and, specifically, on the basis that the reasons justifying the execution of the Merger under the terms contained in the Joint Merger Plan are considered to be economically valid.

The aforementioned section also indicates that the non-subjection and exemptions from Transfer Tax and Stamp Duty contained in articles 31.2.1, 33 and 58.10 of Provincial Law 1/2011 of 24 March on the Transfer Tax and Stamp Duty in the Historical Territory of Biscay are applicable.

Finally, in accordance with article 114.3 of the CITB and the second paragraph of article 89.1 of the CIS, the transaction will be communicated to the corresponding tax agencies in the form and within the time limits established by applicable regulations.

### **3.2.13 Other provisions of the Joint Merger Plan**

The Joint Merger Plan refers to other matters that, like some of the contents already discussed, are not expressly required by current legislation to be mentioned. As in the cases already analysed, these are matters the significance or importance of which has led the directors of the Participating Entities to consider it appropriate to include them. These matters are detailed below:

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(A) Conditions precedent

Section 16 of the Joint Merger Plan establishes that the consummation and effectiveness of the Merger is subject to the fulfilment of the following conditions precedent:

- (i) 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 reasonably satisfactory to Neinor taking into account the terms agreed in the Joint Merger Plan for its execution;
- (ii) 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, of 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
- (iii) following the consultation with the Finance and Tax Department of the Biscay Provincial Council, it is confirmed that (i) the special framework for mergers, divisions, transfers of assets, exchanges of securities, global assignments of assets and liabilities, and changes to the registered office of a European company or European cooperative society from one Member State of the European Union to another set out in Chapter VII, 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.

Likewise, it was foreseen that the boards of directors of Neinor and Quabit or, if applicable, any person authorized by them, could carry out all acts and adopt all resolutions required for requesting, processing and obtaining the above-mentioned authorizations and any other authorizations, statements or waivers required or advisable for the success of the Merger, 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).

(B) Agreements with shareholders

As indicated in section 1.1.1 of the Joint Merger Plan, (i) various shareholders of Quabit holding jointly, as of the date of the Joint Merger Plan, approximately 26% of the Quabit Class A Shares; (ii) Cedarville Spain, S.L. ("**Cedarville**") as a shareholder of Quabit holding, as of the date of the Joint Merger Plan, 100% of the Quabit Class B Shares; and (iii) Pyxis V Lux S. à r.l., holding approximately 28% of the share capital of Neinor, prior to the signing of the Joint Merger Plan, entered into commitments by virtue of which they undertook to, among other things, vote in favour of the Merger at the general shareholders' meetings of Quabit and Neinor, respectively.

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In addition, section 15.1 of the Joint Merger Plan states that, prior to the subscription of the Joint Merger Plan and subject to the effectiveness of the Merger, a framework agreement was entered into with Mr. Félix Abánades that provides the subscription, once the Merger is effective, of (i) a senior management agreement under which Mr. Abánades will be hired by Quabit Construcción, S.A., —a subsidiary of Quabit as of the date of the Joint Merger Plan— as a senior manager with executive functions, retaining his remuneration conditions and other terms and conditions established in the agreement signed between Quabit and Mr. Abánades on 1 June 2017; and (ii) a service-provision agreement under which Mr. Abánades will hold a senior advisor position within Neinor's senior management and board of directors.

All of the above is without prejudice to what is indicated in section 3.2.11 of this Report on the impact of the Merger on employment.

(C) Agreements with creditors

As stated in section 1.1.2 of the Joint Merger Plan, Neinor, Quabit and Avenue, prior to the subscription of the Joint Merger Plan, entered into the Agreement with Avenue in order to regulate the terms and conditions under which:

- (i) all Quabit Class B Shares, as of the date of the Joint Merger Plan recorded as a financial liability with special characteristics, will be transferred to Quabit by purchase (redemption) for their complete cancellation;
- (ii) 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
- (iii) the Avenue Warrants will be cancelled.

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.

For its part, in accordance with the provisions of the Agreement with Avenue and section 15.2 of the Joint Merger Plan, and as consideration for the acquisition of the various equity and debt instruments of Quabit held by Avenue as of the date of the Joint Merger Plan (the "**Acquisition**"), Neinor has irrevocably undertaken to, once the Merger is registered,

- (i) pay to Avenue consideration for a value equal to EUR 22,000,000 for the purchase of the Quabit Class B Shares for their cancellation as referred to in section 3.1 of the Joint Merger Plan and under the terms provided therein;
- (ii) pay to Avenue consideration for a value equal to EUR 63,050,000; and
- (iii) transfer to Avenue specific plots of land located in Mijas, Andalusia that form part of the project denominated Las Lomas del Flamenco, in accordance with the provisions of section 15.2 of the

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Joint Merger Plan. According to the most recently valuation report available at the date of the Joint Merger Plan issued by Savills, the aforementioned plots have a gross value of approximately EUR 32 million.

For the purposes of carrying out the Acquisition, and in accordance with the terms and conditions of the Agreement with Avenue, Neinor and Avenue have irrevocably undertaken to carry out various actions described in section 15.2 of the Joint Merger Plan, as well as to execute, simultaneously with the transfer of Las Lomas del Flamenco, (i) an asset-development-and-management agreement; and (ii) a facility agreement, both in relation to the construction and development of the Las Lomas del Flamenco project.

Pursuant to section 15.2 of the Joint Merger Plan, the execution of the Acquisition is subject to the registration of the Merger and must be carried out within one month of the registration of the Merger deed with the Commercial Registry of Bilbao.

(D) Assumption of powers

Pursuant to the provisions of section 12.4 of the Joint Merger Plan, Neinor shall ratify and assume as its own the powers of attorney and powers of attorney for lawsuits granted by Quabit that are indicated in the Merger deed. All of the foregoing is without prejudice to the fact that, once the legal integration via the execution and registration of the Merger's notarial instrument has occurred, the powers of attorney will be, if appropriate, replaced progressively and as required in accordance with the policy regarding authorizations and powers of attorney of the entity resulting from the Merger.

(E) Publicity and information

Section 14 of the Joint Merger Plan provides that, in compliance with the obligations established in article 32 of the Law on Structural Changes to Companies, the Joint Merger Plan shall be published on the corporate websites of the Participating Entities. In accordance with the provisions of that section, and as stated above, the fact of the publication was announced in the Official Gazette of the Companies Register more than one month before the date set for the general shareholders' meetings at which the Merger will be voted on, and it will remain on the websites for at least the time required by article 32 of the Law on Structural Changes to Companies.

On the other hand, the Joint Merger Plan indicates that the documents mentioned in article 39 of the Law on Structural Changes to Companies, which are detailed in section 3.4 of this Report, will be published in the corporate websites of the Participating Entities, with the possibility of downloading and printing them, prior to the publication of the calling of the general shareholders' meetings at which the Merger will be voted on.

### **3.3 IMPLEMENTATION OF THE LEGAL PROCEDURE FOR THE MERGER**

For a better understanding of the carrying out of the Merger process, below is a brief explanation of its major milestones, with special reference to the relevant legal provisions.

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### **3.3.1 Drafting and signing of the Joint Merger Plan**

The Joint Merger Plan that is the subject of this Report, which establishes the basis, structure and criteria for the implementation of the Merger, and which is reproduced herein as necessary, was drafted and subscribed by both boards of directors of the Participating Entities at meetings held on 11 January 2021, all in accordance with the provisions of article 30 of the Law on Structural Changes to Companies.

See section 1 of this Report for more information on the publication of the Joint Merger Plan on the corporate websites of the Participating Entities and that publication's announcement in the Official Gazette of the Companies Register.

### **3.3.2 Directors' report on the Joint Merger Plan**

In accordance with article 33 of the Law on Structural Changes to Companies, the directors of Neinor have drafted this Report, which provides a detailed justification and explanation of the legal and financial aspects of the Joint Merger Plan—with special reference to the share exchange ratio and the special valuation difficulties that may exist—and the implications of the Merger for shareholders, creditors and employees.

Likewise, in accordance with article 33 of the Law on Structural Changes to Companies, it is expected that today the board of directors of Quabit will approve another report containing its corresponding justification and explanation of the Joint Merger Plan.

### **3.3.3 Independent expert report on the Joint Merger Plan**

Pursuant to the provisions of articles 34 of the Law on Structural Changes to Companies and 338 and 349 of the Commercial Registry Regulations (*Reglamento del Registro Mercantil*) and related provisions, on 19 January 2021 Neinor and Quabit jointly requested that the Commercial Registry of Bilbao appoint a joint independent expert to draft a sole report on the Joint Merger Plan and on the assets and liabilities to be transferred from Quabit to Neinor as a result of the Merger.

The appointment took place on 19 January 2021, appointing KPMG, who accepted the position on 25 January 2021 and expects to issue the mandatory report on the Joint Merger Plan on 25 February 2021.

### **3.3.4 Notice of the general shareholders' meetings of Neinor and Quabit**

On this same date, the board of directors of Neinor has resolved to call the ordinary general shareholders' meeting to be held at Torre Iberdrola, Plaza Euskadi 5, 48009 Bilbao, Vizcaya, on 30 March 2021 at first call or, if the quorum is not met, at second call, on 31 March 2021. In addition, the board of directors of Quabit is expected to call the ordinary general shareholders' meeting today to be held in Castellana 81 building, located at Paseo de la Castellana 81, SS floor, 28046 Madrid, on 30 March 2021 at first call or, if the quorum is not met, at second call, on 31 March 2021.

Included on the agenda of the aforementioned general shareholders' meetings is deliberation over and, if applicable, voting on the resolutions for the Merger between Neinor and Quabit, under the terms established in the Joint Merger Plan.

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See section 3.4 of this Report for more information on the documents that will be made available on Neinor's website for consultation, downloading and printing.

### **3.3.5 Merger resolutions and publication of notices**

Pursuant to article 40 of the Law on Structural Changes to Companies, the Merger resolution must be adopted by the general shareholders' meetings of each of the Participating Entities, in strict accordance with the provisions of the Joint Merger Plan.

If and when the Merger resolution is adopted, the corresponding notices will be published in the Official Gazette of the Companies Register and in a major newspaper in the provinces of Bilbao and Madrid, all in accordance with the requirements of article 43 of the Law on Structural Changes to Companies. These notices will state: (i) the right of the shareholders and creditors of Neinor and Quabit to obtain the full text of the resolution adopted and the Merger balance sheets; and (ii) the right of creditors to contest the Merger. Likewise, the Merger resolutions will be published on the corporate websites of Neinor and Quabit.

In accordance with article 44 of the Law on Structural Changes to Companies, the publication of the last of the notices will commence the required one-month term in which the Merger can be contested by creditors and holders of Neinor and Quabit bonds whose credit predates the date the Joint Merger Plan was published on the websites of the Participating Entities and whose credit had not expired on that date, and until that credit is guaranteed, provided, in the case of the bondholders, that the Merger was not approved by the corresponding bondholder meeting. Creditors whose credit is already sufficiently guaranteed will not have the right to contest the Merger.

### **3.3.6 Fulfilment of the conditions precedent and elapsing of the creditors term for contesting the Merger**

Once fulfilment of the conditions precedent is effected and the creditors term for contesting has elapsed, the boards of directors of Neinor and Quabit (or any persons this power has been delegated to) will certify (i) the fulfilment, or waiver, of the conditions precedent to which the Merger is subject (listed in section 3.2.13(A)); and (ii) the expiration of the term creditors have to contest the Merger governed by article 44 of the Law on Structural Changes to Companies.

### **3.3.7 Prior acquisition (redemption) of the Quabit Class B Shares for their cancellation**

Pursuant to the corresponding resolution of the general shareholders' meeting of Quabit, Quabit will purchase (redemption) the Quabit Class B Shares for their full cancellation, as indicated in the Joint Merger Plan, on the occasion of the execution of the Merger by application of article 26 of the Law on Structural Changes to Companies. The aforementioned purchase 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.

In the event that the Merger does not become effective, the referred purchase would be terminated, thus its owner would regain ownership of all Quabit Class B Shares.

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This purchase shall also be subject to the condition subsequent (*condición resolutoria*) indicated in section 3.2.13(C) of this Report.

### **3.3.8 Execution and registration of the notarial instrument of the Merger**

Once the corresponding Merger resolutions have been adopted, the notices referred to in article 43 of the Law on Structural Changes to Companies have been published, the legally prescribed term creditors have for contesting has expired without any of them having exercised their right to contest or, as the case may be, the credits of those who have exercised their right to contest have been duly satisfied or guaranteed, the conditions precedent have been fulfilled or waived, the Quabit Class B Shares have been acquired and all the mandatory legal formalities have been completed, the notarial instrument of the Merger will be executed.

Prior to the registration of the Merger deed, it will be recorded in the deed entry of the Commercial Registrar of Madrid that there are no registry obstacles to the registration of the Merger. Subsequently, the abovementioned deed will be presented for registration with the Commercial Registry of Bilbao and the Commercial Registry of Madrid will be requested to cancel Quabit's registration entries.

### **3.3.9 Effecting of the exchange and admission to trading**

Once the notarial instrument of Merger has been registered, the exchange of Quabit Class A Shares for shares of Neinor will be carried out, in accordance with the terms established in the Joint Merger Plan and in section 3.2.2 of this Report.

Neinor will request admission to trading for the new shares issued by Neinor to cover the Merger exchange on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges, for contracting via the Spanish Stock Exchange Interconnection System (Continuous Market), and will perform all required legal procedures.

## **3.4 INFORMATION ON THE MERGER**

Pursuant to the provisions of article 39 of the Law on Structural Changes to Companies, prior to the publication of the calling of the general shareholders' meeting of Neinor, the following documents will be made available on Neinor's website ([www.neinorhomes.com](http://www.neinorhomes.com)) for browsing, downloading and printing by shareholders, bondholders, holders of special rights other than shares and employee representatives:

- (i) the Joint Merger Plan;
- (ii) the reports of the directors of the Participating Entities on the Joint Merger Plan, including in the case of Neinor the report on the capital increase required for the Merger;
- (iii) the report from the independent expert designated by the Companies Register of Bilbao under the terms required by article 34 of the Law on Structural Changes to Companies;
- (iv) the individual and consolidated financial statements as of 31 December 2018, 2019 and 2020 of Neinor Homes, S.A. and Quabit Inmobiliaria, S.A., and their corresponding management reports and audit reports (the individual annual accounts of both companies for the financial year ended 31 December 2020 include the merger balance sheets, together with corresponding audit reports);

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- (v) the current articles of association of the Participating Entities;
- (vi) the complete text of the articles of association of Neinor, the absorbing company, applicable once the Merger is effective. As mentioned above, these articles of association will be the current articles of association of Neinor (attached as an Appendix to the Joint Merger Plan), with amendments only being required for the share capital sum and the number of shares it is divided into as a result of the capital increase required for the Merger exchange; and
- (vii) the identity of the directors of the Participating Entities and the date from which they hold their positions. It is hereby stated that no new directors will be proposed to join the board of directors of Neinor as a result of the Merger.

Likewise, as mentioned above, the document referred to in article 1, (4)(g) and (5)(f) of the Prospectus Regulation will be made available to the shareholders of the Participating Entities sufficiently in advance of the general meeting.

#### **4. FINANCIAL ASPECTS OF THE JOINT MERGER PLAN**

##### **4.1 MERGER BALANCE SHEETS, ANNUAL ACCOUNTS AND AMENDMENTS**

Section 4.1 of the Joint Merger Plan specifies that the balance sheets closed by Neinor and Quabit on 31 December 2020, prepared by their respective boards of directors on 24 February 2021, shall be considered to be the Merger balance sheets for the purposes of article 36 of the Law on Structural Changes to Companies.

Likewise, in accordance with item ten of article 31 of the Law on Structural Changes to Companies, section 4.2 states that the conditions under which the Merger is carried out have been determined taking into consideration the annual accounts of the Participating Entities for the financial year ended 31 December 2020.

For the rest, we refer to section 3.2.3 of this Report.

##### **4.2 EXCHANGE RATIO**

A merger's exchange ratio is the result of negotiation between the companies participating in the merger and reflects their agreement at the time the joint merger plan is approved regarding the actual valuation of the Participating Entities, in accordance with article 25 of the Law on Structural Changes to Companies. Thus, the exchange ratio agreed upon determines the ownership-interest percentage held in terms of the political and economic rights that the shareholders of each of the entities participating in the merger will have in the resulting entity.

Once the exchange ratio has been agreed, the boards of directors of each of the companies participating in the merger must evaluate, separately, the reasonableness of the agreed exchange ratio for each of them and their shareholders, and the independent expert appointed by the Commercial Registry must issue a report on whether the exchange ratio is justified and whether Quabit's equity is at least equal to the amount of the capital increase to be carried out by Neinor.

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In this regard, section 3.2 of the Joint Merger Plan, in accordance with item two of article 31 of the Law on Structural Changes to Companies, establishes the exchange ratio of the Merger. The exchange ratio has been determined, as indicated above, on the basis of the actual value of the assets and liabilities of the Participating Entities, without any additional cash compensation envisaged (without prejudice to the implementation of a procedure aimed at facilitating the exchange of the so-called "odd-lots", as indicated in the aforementioned section of the Joint Merger Plan), and will be one newly issued share of Neinor, each with a face value of EUR 10, of the same characteristics and with the same rights as the shares of Neinor existing at the time of their issue, for each 25.9650 Quabit Class A Shares, each with a face value of EUR 0.5, which will mean that immediately after the Merger the holders of the Quabit Class A Shares will hold 7.00% of the share capital of Neinor.

See section 6 of this Report for more information on the capital increase to cover the exchange of Quabit Class A Shares.

### **4.3 POTENTIAL RETURN ANALYSIS, JUSTIFICATION FOR THE EXCHANGE RATIO AND VALUATION**

#### **4.3.1 Potential return on investment**

The Board of Directors of Neinor has assessed the Merger from the return-on-investment point of view, and for such purpose has taken into consideration the return on investment method. This method takes into consideration the future profit that Neinor expects to obtain on the investment carried out for the acquisition of Quabit (based on the market price of Neinor's shares). This method assumes the price expected to be obtained from the future sale of the assets acquired in the maximum time necessary for their development, promotion and sale (estimated from 2021 to 2025) and, consequently, the potential margins that the company would obtain from such sales, after making the necessary investments to develop, promote and sell these assets to third parties. The cash flows generated by these assets do not take into account the present value, but rather the return on investment is analysed nominally for the period 2021-2025. The return estimated by the Board of Directors based on these parameters is higher than the minimum investment threshold internally determined by Neinor for the purchase of assets.

Finally, the potential synergies that may be generated as a result of the combination of both companies have also been taken into consideration, including: the potential value of, if applicable, using tax loss carryforwards, the reduction of the face value of Quabit's current debt (that will be integrated into the company resulting from the Merger), the additional value related with the potential lease of certain developed assets and the potential operational synergies that could be obtained after the Merger (in relation to construction or use of assets, among others). These synergies are referred to in the Joint Merger Plan as well as in the explanatory document of the presentation of the transaction to analysts and investors, which was published on 11 January 2021, the day of approval and subscription of the Joint Merger Plan.

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#### **4.3.2 Justification for the exchange rate and valuation**

The exchange ratio, in accordance with the provisions of article 25 of the Law on Structural Changes to Companies, has been determined on the basis of the actual value of the assets and liabilities of the Participating Entities. In this regard, taking into account the circumstances of the Participating Entities, methodologies commonly accepted by the international financial community, as described in this section, have been used as reference methods in the Merger.

Best practices require that companies operating in a similar business and involved in a merger be valued on the basis of consistent criteria so that the results of the relative valuation analysis are fully comparable.

The definition of any exchange ratio is the quantification of the relative value (and not the absolute value) of each of the companies participating in the transaction, taking into consideration that the ultimate objective is not to calculate an economic value in absolute terms for each of the companies participating in a transaction, but rather to determine homogeneous and comparable values in relative terms.

The valuation has been made considering Neinor and Quabit as independent entities, reflecting financial and economic assumptions based on information available on 8 January 2021 (the last business day prior to the date of the Joint Merger Plan), which may vary or be affected by market conditions, as well as by exogenous or endogenous events affecting the current and future performance or economic and financial prospects of Neinor and Quabit.

In determining the exchange ratio, several valuation methods have been considered, all of them commonly accepted by the international financial community, including the valuation of assets (net asset value and gross asset value), which are customary for companies in the real estate sector.

However, and without prejudice to the return analysis included in the previous section, 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.

As the shares of Neinor and the Quabit Class A Shares are listed on official secondary securities markets, the stock exchange quotation price was used as the reference method in the Merger negotiation, as it was considered to be the best tool for estimating the actual value on which to establish the exchange ratio.

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 Spanish Companies Act, 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.

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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.

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

	VWAP Neinor	VWAP Quabit	Exchange ratio
Period of 1 month	EUR 10.11 per share	EUR 0.36 per share	27.84
Period of 3 months	EUR 10.19 per share	EUR 0.39 per share	26.37
Period of 6 months	EUR 10.35 per share	EUR 0.38 per share	27.16

*Source: Madrid Stock Exchange 8 January 2021.*

As indicated above, the boards of directors of the Participating Entities agreed to propose to their respective general shareholders' meetings, through the subscription of the Joint Merger Plan, an exchange ratio of 25.9650 Quabit Class A shares for each Neinor share.

Likewise, the exchange ratio takes into consideration:

- (i) the dividend against share premium approved by the general shareholders' meeting of Neinor on 1 April 2020, which Neinor expects to distribute on (payment date) 2 March 2021 for a gross amount of EUR 0.5 per ordinary share of Neinor entitled to receive it;
- (ii) (a) the cancellation of 4,615,608 Neinor shares held as treasury shares as at the date of the Joint 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 resolution on the Merger proposal); and (b) 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 Joint Merger Plan;
- (iii) the existence of 3,380,039 Quabit Class A Shares held as treasury shares as at the date of the Joint Merger Plan and which will be held as treasury shares until the Merger is made effective (which will then be cancelled); and
- (iv) the non-exercise and cancellation (whether prior to or following completion of the Merger) of the Avenue Warrants.

As is usual in this type of transaction, the valuation methods considered relevant for estimating the resulting exchange ratio were presented to the board of directors of Neinor.

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#### **4.4 FAIRNESS OPINION REGARDING THE EXCHANGE RATIO**

J.P. Morgan AG, Neinor's financial advisor for the Merger, issued on 11 January 2021 a fairness opinion to the board of directors of Neinor concluding that, on that date, and based on the elements, restrictions and assumptions in the opinion, the exchange ratio proposed was fair for Neinor from a financial point of view.

#### **4.5 NET BOOK VALUE OF QUABIT'S ASSETS AND LIABILITIES THAT NEINOR WILL RECEIVE**

Quabit's assets and liabilities that will be received by Neinor are those in its individual and consolidated balance sheets as of 31 December 2020 and will be valued for accounting purposes according to the provisions of the PGC, in accordance with the provisions of the Joint Merger Plan.

### **5. IMPLICATIONS OF THE MERGER FOR SHAREHOLDERS, CREDITORS AND EMPLOYEES**

#### **5.1 IMPLICATIONS FOR SHAREHOLDERS**

As a result of the Merger, Quabit shareholders will no longer be Quabit shareholders, and the shareholders holding the Quabit Class A Shares will become shareholders of Neinor, in the terms established in section 3.2.2 above. It should be noted that for the holders of the Quabit Class A Shares the Merger implies the assignment of the corresponding rights and obligations, *pari passu* with the current shareholders of Neinor, in accordance with the law and the articles of association.

We refer, moreover, to what is indicated in section 3.2.2(A) of this Report in relation to the purchase (redemption) of the Quabit Class B Shares.

#### **5.2 IMPLICATIONS FOR CREDITORS**

The Merger will entail the transfer, as a whole and by universal succession, to Neinor of all the assets, rights and obligations making up the net worth of Quabit. The obligations that Neinor assumed with its creditors prior to the Merger are not affected. Quabit's legal relationships, which include those it entered into with its creditors, will remain in force with the change of the holder to Neinor. As a result, Neinor will become the debtor in the obligations that Quabit entered into with its creditors.

See section 3.3.5 of this Report for more information on the creditors' term for contesting.

#### **5.3 IMPLICATIONS FOR EMPLOYEES**

Section 12 of the Joint Merger Plan indicates that, in accordance with the provisions of article 44 of the ET, Neinor, as the absorbing company, will assume the labour relations as regards Quabit's active employees, becoming their new employer.

For the rest, we refer to section 3.2.11 of this Report.

### **6. SHARE CAPITAL INCREASE IN NEINOR INHERENT TO THE MERGER**

#### **6.1 BACKGROUND**

As specified in section 3.2.2(E), to which we refer to avoid unnecessary repetition, Neinor considers to increase its share capital by a maximum nominal sum of EUR 55,992,160 via the issue of up to 5,599,216

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shares, which will be used to cover the share exchange resulting from the ratio set in section 3.2 of the Joint 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.

From the point of view of Neinor, the share capital increase and the resulting amendment of the articles of association are subject to the provisions of article 285 et seq. of the Spanish Companies Act. Therefore, for the purposes of articles 285, 296 and 300 of the aforementioned statute, the board of directors of Neinor must expressly justify the increase in the terms described below.

## **6.2 JUSTIFICATION FOR THE SHARE CAPITAL INCREASE**

In accordance with the foregoing, Neinor will cover the exchange of Quabit Class A Shares, at the exchange ratio provided for in section 3.2 of the Joint Merger Plan, through newly issued ordinary shares.

To this end, the board of directors of Neinor will propose to the general shareholders' meeting that it resolve to increase Neinor's share capital by a maximum nominal amount of EUR 55,992,160 via the issue of a maximum of 5,599,216 ordinary shares, each of a face value of EUR 10, belonging to the same class and series as the shares currently in circulation and represented by book entries.

The maximum number of shares that Neinor will issue by virtue of the Merger may be lower depending, among others, on the own Quabit Class A Shares that Quabit has as treasury shares. Thus, an incomplete subscription of the share capital increase must be expressly considered a possibility.

Likewise, the board of directors of Neinor will propose to the general shareholders' meeting of Neinor resolving on the Merger that it approve the relevant resolution for delegating to the board of directors, with express powers of substitution, the joint and several power (a) to determine the final sum of the share capital increase and therefore also the specific number of newly issued Neinor shares, within the maximum provided for, based on the maximum number of Quabit Class A Shares eligible for the exchange in accordance with the exchange ratio established in the Joint Merger Plan; and (b) to distribute them; as well as the power to set the conditions of the capital increase, perform any other acts required for its implementation, and execute all public and private documents required for effecting the increase, all in accordance with article 297.1 of the Spanish Companies Act.

The share capital increase described in this section will occur entirely subscribed and paid up due to the transfer as a whole of all assets and liabilities of Quabit to Neinor, which will acquire by universal succession the rights and obligations of the absorbed company.

## **6.3 FACE VALUE AND SHARE PREMIUM OF THE SHARES TO BE ISSUED**

The new shares of Neinor will be issued with a face value of EUR 10 and with a share or 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.

As stated in section 3.3 of the Joint Merger Plan, both the face value of the new shares and the corresponding share premium will be fully paid up as a result of the Merger through the transfer as a

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whole of Quabit's assets and liabilities to Neinor, which will acquire by universal succession the rights and obligations of the absorbed company.

#### **6.4 AMENDMENTS OF ARTICLE 5 OF THE ARTICLES OF ASSOCIATION**

As indicated in other sections of the Report, the capital increase of Neinor will entail an amendment of the amount of the share capital and the number of shares into which it is divided, which appear in article 5 of Neinor's current articles of association. In this regard, it will be proposed to delegate the power to redraft the article of the articles of association relating to the share capital on the basis of the capital effectively subscribed and paid up.

#### **6.5 INCOMPLETE SUBSCRIPTION**

In accordance with the provisions of article 311 of the Spanish Companies Act, the possibility of incomplete subscription of the capital increase that is the subject of this Report is expressly provided for. Consequently, the capital increase (with the limit established in this Report) will be limited to the amount corresponding to the face value of the new shares of Neinor effectively subscribed and paid up as part of the Merger.

#### **6.6 PRE-EMPTIVE RIGHTS**

It is hereby stated that, in accordance with the provisions of article 304.2 of the Spanish Companies Act and as the capital increase is due to the absorption of another company, the current shareholders of Neinor will not possess any pre-emptive rights for the subscription of the new shares issued in connection with the absorption of Quabit.

### **7. CONCLUSION**

In view of the foregoing, the directors of Neinor express their conviction that:

- (a) the Merger and the terms of the Merger as reflected in the Joint Merger Plan, as well as the resolutions to be proposed at the general shareholders' meeting of Neinor at which the Merger will be voted on, are in the best interests of Neinor and its shareholders; and
- (b) the exchange ratio proposed in the Joint Merger Plan is justified and fair for Neinor's shareholders from a financial point of view.

\* \* \*

This Report has been drafted and approved by the board of directors of Neinor on 24 February 2021.