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Materialise NV

Report of the statutory auditor concerning the contemplated merger by absorption in accordance with article 12:26 of the Code of Companies and Associations

KPMG Bedrijfsrevisoren – KPMG Réviseurs d'Entreprises BV/SRL

30 November 2020

The Dutch version of this report contains 16 pages.

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## Table of contents

1. Assignment
2. Identification of the proposed transaction
  - 2.1. General description of the transaction
  - 2.2. Identification of the companies concerned
    - 2.2.1. Acquiring company: Materialise NV
    - 2.2.2. Company being acquired: Ailanthus NV
3. The administrative and accounting organization of the companies involved
4. The compensation granted in return
  - 4.1. The exchange ratio
  - 4.2. Valuation method used
  - 4.3. Determination of the exchange ratio of the shares
  - 4.4. Assessment of the valuation methods used and “reasonableness” of the exchange ratio
5. Activities performed
6. Conclusion

## 1. Assignment

In accordance with article 12:26 of the Code of Companies and Associations, the undersigned KPMG Bedrijfsrevisoren BV, Luchthaven Brussel Nationaal 1K, 1930 Zaventem, represented by Götwin Jackers, registered auditor, has been requested in its capacity of statutory auditor to report on the intended merger by acquisition of Ailanthus NV (hereinafter also referred to as the "company to be acquired") by Materialise NV, (hereinafter also referred to as the "acquiring company") in accordance with the merger proposal drawn up by the boards of directors, filed with the clerk's office of the Commercial Court of Leuven at date of 16 November 2020.

This report only concerns the merger by acquisition of Ailanthus NV by Materialise NV.

Article 12:26 of the Code of companies and associations stipulates the following:

*“§1 In every company, the statutory auditor, or if there is no statutory auditor, an auditor or external accountant appointed by the management body, shall draw up a written report on the merger proposal.*

*The statutory auditor or the auditor or external accountant that was appointed, must state whether the exchange ratio is, in his opinion, relevant or reasonable.*

*This statement should at least indicate:*

*1° according to which methods the proposed exchange ratio has been determined;*

*2° whether these methods are appropriate in the case at hand and the valuation to which each method used leads; he must also give an opinion on the relative weight attached to these methods in determining the value taken into account.*

*In addition to that, the report mentions (if applicable) the difficulties concerning the valuations.*

*The statutory auditor or the appointed auditor or external auditor may inspect on site all documents that are useful for the performance of his task. He may obtain all clarifications and information from the companies involved in the merger and carry out any audits he deems necessary.*

*This paragraph does not apply if all the partners or shareholders and holders of other voting securities in each of the companies involved in the merger have so agreed.*

*If a report has been drawn up in accordance with paragraph 1, Articles 5:133, 6:110 or 7:197 do not apply to an acquiring company having the legal form of a private limited liability company, a cooperative company, a public limited liability company, a European company or a European Cooperative company.”*

## 2. Identification of the proposed transaction

### 2.1. General description of the transaction

The transaction is described as follows in the written reports prepared by the board of directors of Materialise NV, as prescribed by article 12:25 of the Code of companies and associations:

*“At the request of Ailanthus (shareholder of Materialise holding 24.8% of its shares) and its shareholders (Mr. Wilfried Vancaeren and Ms. Hilde Ingelaere), in accordance with section 7:126 CCA (the "Request"), the board of directors of Materialise and the board of directors of Ailanthus have prepared a joint proposal for merger by absorption. It will be submitted for approval to the respective extraordinary general meetings of shareholders of Materialise and Ailanthus at the request of Ailanthus and its shareholders (hereinafter jointly the "Applicants"), in accordance with the provisions of sections 12:2 and 12:24 et seq. of the CCA.”*

The merger by acquisition is justified by the board of directors as follows:

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*“The proposed merger will be submitted for approval to the shareholders' meeting of Materialise at the request of the Applicants and, according to the Applicants, is part of the estate and succession planning of Wilfried Vancraen and Hilde Ingelaere.*

*The Applicants explain that, in the absence of the proposed merger, there is a risk that in the event of the death of Wilfried Vancraen and/or Hilde Ingelaere, such a high amount of inheritance tax would be payable that their heirs might be forced to sell a substantial package of shares in the Company.*

*The board of directors acknowledges that the current strategic direction of the Company would benefit from a so-called mixed shareholding consisting of stable and committed shareholders/founders (and their family) on the one hand and a larger and more volatile group of well-informed investors on the other hand. Although the board of directors is aware that this mixed composition of the Company's shareholding may change at any time beyond its control, it believes that it is in the Company's best interest that such change is the result of a well-considered and prepared decision by the shareholders or investors involved and is not motivated by unexpected pressure to pay, in the short term, tax debts that would arise as a result of, for example, a death. Such an unexpected change in the shareholding could jeopardize the long-term planning and continuity of the Company.*

*The Board of Directors adds, for the sake of clarity, that it has not been informed at this time of any intention on the part of the Applicants to sell a substantial part of their shares. On the contrary, the Applicants have explained to the Board of Directors that the proposed merger is precisely aimed at better organizing and stabilizing their current shareholding.*

*Moreover, the transaction takes place in full transparency. The Board of Directors has had ample opportunity ask questions to the Applicants and their counsel and has no reason to believe that the merger is being proposed for any reason other than that included in the Request and repeated and clarified above.*

*Finally, as further explained below, the transaction will be neutral in all material respects for both the Company and its shareholders. More specifically, this implies that after the proposed merger there will be as many shares of Materialise outstanding as before, that there will be no changes to the rights and obligations of the shares, that the articles of association of the Company will remain unchanged and that all costs and other consequences for the Company and its shareholders will be fully reimbursed and compensated by the Applicants.”*

*The extensive written report, mentioned in the foregoing paragraph, and prepared by each of the management bodies of both companies, was delivered to us.*

*The management bodies of Materialise NV and Ailanthus NV have prepared a joint merger proposal in accordance with article 12:24 of the Code of companies and associations. This merger proposal will be submitted to the extraordinary shareholders' meeting of 31 December 2020, with the purpose of approving the merger, whereby the total estate, assets and liabilities, of Ailanthus NV will be transferred to Materialise NV.*

*As a result of this merger, Ailanthus will be dissolved without liquidation.*

*De contemplated merger will take place without retroactive effect for accounting and tax purposes.*

*The exchange ratio consists of 13,428,688 shares of Materialise NV for 58,320 shares of Ailanthus NV.*

## **2.2. Identification of the companies concerned**

### **2.2.1. Acquiring company: Materialise NV**

The company Materialise NV was incorporated by notarial deed passed by Luc Weyts, at that time notary public at Ghent, on 28 June 1990, published in the Annexes to the Belgian Official Gazette of 1 August 1990 under number 900801-272.

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The company has its registered office in the Flemish Region. Its company number is 0441.131.254.

The share capital of the company Materialise NV amounted to EUR 4,096,418.72 on 27 November 2020, represented by 54,169,257 shares without nominal value, each representing an equal part in the share capital.

The articles of association were amended for the last time on 27 November 2020, by deed of rectification passed by Stijn Raes, notary public at Ghent, of which an extract was filed for publication in the Annexes to the Belgian Official Gazette.

Based on the share register of the shareholders, the shares of the company are held by the following shareholders:

<b>Shareholder</b>	<b>Number of shares</b>
Ailanthus NV	13,428,688
IDEM burgerlijke maatschap	12,021,612
Wilfried Vancraen	5,358,299
Hilde Ingelaere	304,635
Other	23,056,023
<b>Total</b>	<b>54,169,257</b>

The purpose of Materialise NV is the following:

*“the research, development and commercialization of additive manufacturing and related technologies and all related service, engineering and holding activities, including but not limited to software, industrial and medical applications. All these activities should be interpreted in the broadest sense and for all business sectors.*

*The company acts for its own account, on consignment, on commission, as an intermediary or as an agent.*

*The company also has the following additional object:*

- the purchase, sale, exchange, construction, renovation, commercialization, furnishing, exploitation, letting, sub-letting, management, maintenance, parceling, horizontal division and placement under compulsory co-ownership, leasing, prospection and promotion in any form of all immovable property or immovable property rights.*
- investing in, subscribing to, taking over, placing, purchasing, selling and trading all securities issued by Belgian or foreign companies, whether or not in the form of commercial companies, administrative offices, institutions and associations, as well as managing these investments and participations;*
- providing advice, management and any other services to all affiliated companies or companies in which the company has a participating interest, in its capacity as director, liquidator or otherwise, as well as running or exercising control over these companies.*

*It may, either in cash or in kind, by means of a merger, subscription, participation, financial intervention or in any other way, acquire an interest in, or grant loans to, all existing companies or companies to be incorporated, whether in Belgium or abroad, with an identical or similar object or an object related to its own, or which is likely to promote the realization of its object.*

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*In general, the company may perform all acts of any nature whatsoever, which are directly or indirectly, whether in whole or in part, related to its object.*

*The Company has a profit-sharing object. Besides, the company aims to have a real positive impact on society and the environment in general through its business operations and economic activities.”*

### **2.2.2. Company to be acquired: Ailanthus NV**

The company Ailanthus NV was incorporated by notarial deed executed before Notary Public Luc Wetyts, at the time Notary Public at Mechelen, on October 13, 1997, published in the Annexes to the Belgian Official Gazette on November 4 1997 under number 971104.

The company has its registered office at Jan Vander Vorstlaan 19, 3040 Huldenberg. Its company number is 0461.754.338.

On 31 December 2019, the share capital of the company Ailanthus NV amounted to EUR 12,478,067, represented by 58,320 shares with no nominal value, each representing an equal share of the share capital.

On the basis of the shareholders' register, the shares of the company are owned by the following shareholders:

Shareholders	Number of shares
Hilde Ingelaere	57,737
Wilfried Vancraen	583
<b>TOTAL</b>	<b>58,320</b>

The purpose of the company Ailanthus NV is as follows:

*“1. By way of subscriptions, contribution, merger, collaboration, financial intervention or in any other way, acquiring an interest or participation in all existing and still to be incorporated companies without distinction, In Belgium, or abroad.*

*The management, valorization or the monetisation of these participations or interests and, in general, doing anything which is necessary or useful for the management of the tangible assets of the company.*

*The company may, amongst others, directly or indirectly participate to the governance, the management, the control and the liquidation of the companies n which it has an interest or a participation.*

*2. The acquisition, in whatever way, of intellectual property, patents, drawings, models and trademarks, exploit these, valorize, bring to value and monetize.*

*3. The purchase, exchange or other acquisition, the sale, renting, granting or taking in lease, develop, have constructed, have renovated, have built of all immovable property whether or not already developed in Belgium and abroad, as well as the making of all actions which are necessary, useful or relevant for the management and the exploitation of this immovable property of the company.*

*The company may perform any trade, industry, financial, movable and immovable transactions, which directly or indirectly are in connection with its statutory object or which are of a nature to further such object.*

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*The company may, for the benefit of companies in which she has an interest or a participation, provide a lien, act as an agent or a representative, allow advance payments, grant loans, grant mortgage or other securities.”*

### **3. The administrative and accounting organization of the companies involved**

The administrative and accounting organization of the companies involved have enabled us to formulate an opinion on the solidity of the financial statements that form the basis of the applied valuations.

### **4. The compensation granted in return**

#### **4.1. The exchange ratio**

In the special report, the management bodies propose, as an exchange ratio, to grant 13,428,688 of the shares of Materialise NV for 58,320 shares of Ailanthus NV. As such, the transaction will be compensated by the issuance of 13,428,688 shares of Materialise NV in exchange for 58,320 shares of Ailanthus NV.

The share capital of Materialise NV will, after the merger and the contemplated subsequent destruction of own shares, be represented by 54,169,257 shares without nominal value, divided as follows:

<b>Shareholders</b>	<b>Number of shares</b>
IDEM burgerlijke maatschap	12,021,612
Wilfried Vancraen	5,492,540
Hilde Ingelaere	13,599,082
Overige	23,056,023
<b>TOTAL</b>	<b>54,169,257</b>

Mr Wilfried Vancraen and Mrs Hilde Ingelaere are the only shareholders of Ailanthus NV. Ailanthus NV holds 13,428,688 shares in Materialise NV. Prior to the intended merger by acquisition of Ailanthus NV by Materialise NV, Ailanthus NV will decide to perform a partial demerger, as the result of which the assets of Ailanthus NV will, at the moment of the contemplated merger, exist solely of these 13.428.688 shares in Materialise NV and the equity components corresponding thereto.

Immediately after the intended merger, Materialise NV will proceed to the cancellation of the own shares which it will have acquired as a result of the merger through acquisition.

The aforementioned issuance of 13,428,688 new shares of Materialise NV to the shareholders of Ailanthus NV and the aforementioned cancelation of 13,428,688 own shares by Materialise NV will have as a result that an equal number of shares in Materialise NV which was held by Ailanthus NV, will be held after completion of this transaction directly by Mr Wilfried Vancraen and Mrs Hilde Ingelaere, in addition to the other shares in Materialise NV which Mr Wilfried Vancraen and Mrs Hilde Ingelaere already own.

#### **4.2. Valuation method used**

As explained in the special report of the Board of Directors of Materialise NV, the Board of Directors has, upon determining the valuation of the companies involved in the contemplated merger and the exchange ratio resulting therefrom, has taken into consideration the fact that the merger proposal contains the following three conditions precedent:

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1. The availability of a positive decision of the Office for Rulings in Fiscal Matters (*Dienst Voorafgaande Belissingen in Fiscale Zaken*), confirming the tax neutrality of the contemplated merger for both Ailanthus NV as Materialise NV;
2. The completion of the aforementioned partial demerger of Ailanthus NV, as a result of which the assets of Ailanthus NV will consist solely of the 13,428,688 shares which Ailanthus NV owns in Materialise NV (and the accounting net equity components corresponding thereto); and
3. The execution of a final agreement between Materialise NV, on the one hand, and Ailanthus NV and its shareholders Mr Wilfried Van Craen and Mrs Hilde Ingelaere, on the other hand, relating to the commitment of Ailanthus NV and its shareholders to Materialise NV to compensate all costs of Materialise NV, all possible liabilities of Materialise NV and any and all disadvantageous tax consequences for some of its shareholders (to the extent that any such liabilities and/or consequences would arise).

For the determination of the exchange ratio in the framework of the merger, the Board of Directors proposes in its special report to apply the average stock value of the Materialise NV shares (represented in a one on one ratio by American Depositary Shares) on the Nasdaq stock exchanges during the period of 30 calendar days from 27 October 2020 until 25 November 2020, included, as a basis.

The Board of Directors states, in its special report, its opinion that the average stock value of the Materialise NV shares over the most recent 30 calendar days is the most relevant indicator of the valuation of both Materialise NV itself, as of Ailanthus NV, considering that Ailanthus NV, after the aforementioned partial demerger, does not own any other assets or liabilities than the 13,428,688 shares in Materialise NV.

Further, the Board of Directors expresses in its special report the opinion that, provided that the aforementioned conditions precedent are fulfilled, the most reasonable exchange ratio is one whereby, after completion of the contemplated merger, the situation of both Materialise NV as that of its existing shareholders, remains unchanged. The Board of Directors concludes that, on application of the aforementioned valuation method, the contemplated merger has as a sole consequence that the 13,428,688 “old” shares of Materialise disappear and that the shareholders of Ailanthus NV, Mr Wilfried Van Craen and Mrs Ingelaere, own 13,428,688 “new” shares in Materialise NV, to which exactly the same rights and obligations are attached.

The valuation of the companies, thus obtained, amounts to EUR 1,816,187,530 for Materialise NV and EUR 450,237,220 for Ailanthus NV on 27 November 2020.

#### **4.3. Determination of the exchange ratio of the shares**

The aforementioned described calculation method results in the following values:

- The average value of one share of Materialise NV amounts to EUR 33.53, based on the value i.e. EUR 1,816,187,530 divided by the number of issued shares, i.e. 54,169,257 shares;
- The average value of one share of Ailanthus NV amounts to (rounded up) EUR 7,720.12, based on the value i.e. EUR 450,237,220 divided by the number of issued shares, i.e. 58,320 shares.

The exchange ratio consists of 13,428,688 shares of Materialise NV against 58,320 shares of Ailanthus NV.

#### **4.4. Assessment of the valuation methods used and “reasonableness” of the exchange ratio**

The valuation method based on the market value, which in itself is based on the average stock value of the Materialise NV share during the period of 30 calendar days from 27 October 2020 until 25 November 2020, included, has been correctly applied, and is justified from a corporate economic point of view, since at the moment of the contemplated merger, the conditions precedent, as included in the merger proposal and



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which the management organ has taken into account upon determination of the exchange ratio, will have been fulfilled, i.e.

1. The availability of a positive decision of the Office for Rulings in Fiscal Matters (*Dienst Voorafgaande Belissingen in Fiscale Zaken*), confirming the tax neutrality of the contemplated merger for both Ailanthus NV as Materialise NV;
2. The completion of the aforementioned partial demerger of Ailanthus NV, as a result of which the assets of Ailanthus NV will consist solely of the 13,428,688 shares which Ailanthus NV owns in Materialise NV (and the accounting net equity components corresponding thereto); and
3. The execution of a final agreement between Materialise NV, on the one hand, and Ailanthus NV and its shareholders Mr Wilfried Vancraen and Mrs Hilde Ingelaere, on the other hand, relating to the commitment of Ailanthus NV and its shareholders to Materialise NV to compensate all costs of Materialise NV, all possible liabilities of Materialise NV and any and all disadvantageous tax consequences for some of its shareholders (to the extent that any such liabilities and/or consequences would arise).

The applied hypotheses are not unreasonable and not contradictory to other information, assumed to be true. Under the aforementioned conditions, this method results in a valuation which is relevant and reasonable.

The management body states that other valuation methods would not result in a more relevant or a more reasonable valuation.

## 5. Activities performed

Our activities have been performed in accordance with the professional standards applicable in Belgium, and more in particular, the standard in relation to the control of merger and demerger operations of companies.

We have sought to obtain the documents, which we consider necessary for the forming of an opinion on the planned transactions, including in particular:

1. The minutes of the meeting of the Board of Directors of 16 November 2020, which describe, amongst others, the contemplated transactions;
2. The coordinated articles of association of the companies involved;
3. The merger proposal;
4. The special reports of the Boards of Directors;
5. The financial status of the company to be acquired on 30 September 2020;
6. The financial status of the acquiring entity on 30 September 2020,
7. A copy of the shareholders' register of the company to be acquired;
8. A copy of the shareholders' register of the acquiring company;
9. Supportive calculations and related documentation, to support the average stock value of the share Materialise NV during a period of 30 calendar days between 27 October 2020 until (and including) 25 November 2020;
10. Proposal for partial de-merger by incorporation between the company to be partially demerged Ailanthus NV and the company to be incorporated Lunebeke NV;
11. Draft agreement between Materialise NV, on the one hand, and Ailanthus NV and its shareholders Mr Wilfried Vancraen and Mrs Hile Ingelaere, on the other hand, in relation to the commitment made by Ailanthus NV and its shareholders to Materialise NV to compensate all costs of Materialise NV, any and all liabilities of Materialise NV and any and all disadvantageous consequences for some of its shareholders (to the extent such liabilities and/or consequences would arise) as a result of the contemplated merger; and
12. Draft application to the Office for Rulings in Fiscal Matters (*Dienst Voorafgaande Beslissingen in Fiscale Zaken*) in relation to the tax neutrality of the contemplated merger for both Ailanthus NV and Materialise NV.

## 6. Conclusion

We have analyzed the draft proposal for merger through acquisition, drafted by the Boards of Directors of Materialise NV and Ailanthus NV, which relates to the merger by acquisition of Ailanthus NV by Materialise NV. This transaction will take effect from an accounting point of view on 31 December 2020 at 0h00. The transaction is realized on the basis of an exchange ratio, whereby 13,428,699 shares of Materialise NV are granted for 58,320 shares of Ailanthus NV. The contemplated merger is compensated by the issuance of 13,428,688 new ordinary shares of Materialise NV, during the extraordinary shareholders' meeting which decides about the merger.

The companies involved are valued in an identical manner, and more in particular, on the basis of the average stock value of the share Materialise NV (in a one on one ratio represented by American Depositary Shares) on the NASDAQ stock exchange during a period of 30 calendar days from 27 October 2020 until 25 November 2020, included. This method has resulted in a value of respectively 1,816,187,530 EUR for Materialise NV and 450,237,220 EUR for Ailanthus NV.

The exchange ratio has been determined by the proportion of the value of one share of either of the companies, i.e. 33.53 EUR for Materialise NV and 7,720.12 EUR for Ailanthus NV.

As a conclusion of the activities carried out by us, in accordance with the professional standards applicable in Belgium and more in particular the standard in relation to the control of merger and demerger transactions of companies, we are of the opinion that the exchange ratio is relevant and reasonable, on the condition that at the moment of the contemplated merger as included in the merger proposal, and which the Boards of Directors have taken into account upon determination of the exchange ratio, the conditions precedent will have been fulfilled, i.e.

1. The availability of a positive decision of the Office for Rulings in Fiscal Matters (*Dienst Voorafgaande Belissingen in Fiscale Zaken*), confirming the tax neutrality of the contemplated merger for both Ailanthus NV as Materialise NV;
2. The completion of the aforementioned partial demerger of Ailanthus NV, as a result of which the assets of Ailanthus NV will consist solely of the 13,428,688 shares which Ailanthus NV owns in Materialise NV (and the accounting net equity components corresponding thereto); and
3. The execution of a final agreement between Materialise NV, on the one hand, and Ailanthus NV and its shareholders Mr Wilfried Vancraen and Mrs Hilde Ingelaere, on the other hand, relating to the commitment of Ailanthus NV and its shareholders to Materialise NV to compensate all costs of Materialise NV, all possible liabilities of Materialise NV and any and all disadvantageous tax consequences for some of its shareholders (to the extent that any such liabilities and/or consequences would arise).

Lastly, we wish to remind that our assignment does not consist of formulating an opinion on the legality and fairness of the transaction, or, in other words, that our report is not a "fairness opinion".

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This report has been drafted in execution of art. 12:26 of the Code of Companies and Associations and is exclusively intended for the shareholders and only in the framework of the contemplated merger, as described above, and may not be used for other purposes.

Zaventem, 30 November 2020

KPMG auditors

Statutory auditor

Represented by

Götwin Jackers

Auditor