

## **AILANTHUS**

**Public limited liability company**  
**J. Van der Vorstlaan (LOO) 19**  
**3040 Huldenberg**  
**Company number 0461.745.338**  
**RLP Louvain**

(the "**Company**" or "**Ailanthus**")

### **1. Context**

Article 12:25, paragraph 1 of the Code of Companies and Associations ("**CCA**") provides the following:

*"In each company, the administrative body shall draw up a detailed written report describing the state of the assets and liabilities of the companies to be merged and explaining and justifying, from a legal and economic point of view, the desirability of the merger, its terms and conditions, the manner in which it will take place and its effects, the methods used to determine the share exchange ratio, the relative importance attached to those methods, the valuation arrived at by each method, any difficulties that may have arisen and the proposed exchange ratio".*

In accordance with this article, the board of directors of the Company has drawn up a detailed written report on the proposed merger by acquisition of the Company, by the public limited liability company Materialise having its registered office at Technologielaan 15, 3001 Leuven (Heverlee) and with company number 0441.131.254 ("**Materialise**").

At the request of Ailanthus (shareholder of Materialise holding 24,8% of its shares) and its shareholders, Mr. Fried Vancraen 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 acquisition. The joint proposal 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.

### **2. Financial situation**

The financial situation of Materialise is shown in the interim balance sheet of Materialise as at 30 September 2020, which is attached as Appendix 1.

The financial situation of Ailanthus is shown in the interim balance sheet of Ailanthus as at 30 September 2020, which is attached as Appendix 2.

### **3. Legal and economic explanation of the merger**

The purpose of the envisaged transaction is to preserve the stability of the shareholding of the founder/reference shareholder of Materialise. The envisaged transaction will enable the transition of the shareholding to the next generation to take place in a favourable manner, making use of the continuity arrangement provided for by Belgian (tax) legislation. If the envisaged reorganization were not implemented, in the event of the untimely death of one of the reference shareholders, the shareholding would be subjected to a financial burden (in the form of inheritance tax) of a magnitude that would substantially threaten the retention of the reference shareholder. Materialise has the utmost interest in keeping the reference shareholding intact, in view of the important contribution that that shareholding has made to date and will continue to make in the future to the growth and further development of Materialise. In view of the potential impact that the disruption of the reference shareholding could have on the share price, the proposed transaction is not only in the interest of Materialise itself, but also in the interest of the other shareholders.

As a result of the transaction, as further explained below, the shareholders of the Company will acquire the same number of shares in Materialise as the Company currently holds in Materialise.

**4. Modalities and consequences of the proposed merger**

**4.1. In general**

Ailanthus is the company of Mr. Wilfried Vancraen and Mrs. Hilde Ingelaere; they jointly own all shares in Ailanthus. This Company currently holds 13.428.688 (or 24.8%) of the shares in Materialise. The shareholding of Ailanthus is as follows:

<b>Name</b>	<b>Number of shares</b>	<b>Percentage</b>
Hilde Ingelaere	57.737	99,00%
Wilfried Vancraen	583	1,00%
<b>Total</b>	<b>58.320</b>	<b>100,00%</b>

As part of the intended transaction, Materialise will absorb Ailanthus through a merger by acquisition. As a result of this transaction, the assets and liabilities of Ailanthus (in the condition they will be in immediately prior to the merger) will be transferred to Materialise. At the time of the proposed merger, as a result of the implementation of a partial demerger of Ailanthus prior to the merger that is the subject of the present report, the assets and liabilities of Ailanthus will consist exclusively of the 13.428.688 shares held by Ailanthus in Materialise (and the corresponding accounting equity components).

As a result of this reorganization transaction, Materialise will only acquire its own shares (and the corresponding accounting equity components).

The transfer of the 13.428.688 shares held by Ailanthus in Materialise (and the corresponding accounting equity of Ailanthus) to Materialise will be remunerated by Materialise by issuing 13.428.688 new shares in Materialise to the shareholders of Ailanthus.

Immediately after the intended transaction (in the same notarial deed), Materialise will proceed with the cancellation of its own shares acquired as a result of the merger by acquisition. As a result of this cancellation, Materialise's shareholding before and after the transaction will remain completely the same. An equal number of shares in Materialise held by Ailanthus will be held directly by Mr. Wilfried Vancraen and Ms. Hilde Ingelaere (on top of the other shares in Materialise already held by Mr. Wilfried Vancraen and Ms. Hilde Ingelaere) after the completion of the merger and the cancellation.

#### **4.2. Conditions**

By including the following three conditions in their draft merger proposal, the Applicants have undertaken to carry out the proposed merger only if the following items are available on the date of the respective extraordinary general meetings of shareholders of Materialise and Ailanthus:

- i) A positive decision of the Office for Rulings in Fiscal Matters that confirms the tax neutrality of the proposed merger for both Ailanthus and Materialise;
- ii) implementation of the aforementioned partial demerger of Ailanthus, as a result of which Ailanthus' assets and liabilities will consist solely of the 13.428.688 shares held by Ailanthus in Materialise (and the corresponding accounting equity components); and
- iii) the reaching of a final agreement between Materialise, on the one hand, and Lunebeke, Ailanthus and its shareholders (Mr Wilfried Vancraen and Mrs Hilde Ingelaere), on the other hand, concerning the undertaking given by Lunebeke, Ailanthus and its shareholders (Mr Wilfried Vancraen and Mrs Hilde Ingelaere) to Materialise to reimburse Materialise for all costs incurred by Materialise, all possible liabilities of Materialise and all possible negative tax consequences for certain of its shareholders (if such liabilities and/or consequences should exist) as a result of the intended merger.

#### **5. Method used to determine the exchange ratio and the values resulting from this method**

In order to determine the exchange ratio in the context of the merger, the board of directors proposes to use the share price of Materialise (in a one-to-one ratio represented by American Depository Shares) on NASDAQ. This is the most obvious method of valuation, as the shares in Materialise will be the sole asset of Ailanthus at the time of the merger, and as Materialise shares will also be the only form of consideration that Materialise will grant to the shareholders of Ailanthus in the context of the merger. For the valuation, the average share price of the 30 calendar days prior to 26 November 2020 (i.e. from 27 October through (and including) 25 November) will be used.

In light of the above, the value of Ailanthus is EUR 450.237.220. As Materialise issued a total of 54.169.257 shares on 29 November 2020, its value is EUR 1.816.187.530. As will be illustrated below, given the specificity of the proposed merger (where the acquired company has no assets or liabilities other than shares of the acquiring company (and the corresponding accounting equity components)), this valuation is rather theoretical.

As mentioned above, 13.428.688 new shares in Materialise will be issued to the shareholders of the acquired company (i.e. Mr. Wilfried Vancraen and Ms. Ingelaere) as a result of the envisaged

transaction. This means that approximately 230,26 shares in Materialise will be issued for 1 share in Ailanthus.

As also mentioned above, Materialise will acquire 13.428.688 of its own shares as a result of the envisaged transaction, which will be immediately cancelled. By the issuance of 13.428.688 new shares and the cancellation of 13.428.688 own shares, the number of shares in Materialise before the transaction and after the transaction will remain completely the same, so that there will be no dilution for the existing shareholders of Materialise.

At the level of the shareholding in Materialise, the envisaged transaction will only result in Mr. Wilfried Vancraen and Ms. Hilde Ingelaere (in addition to the other shares in Materialise already held by Mr. Wilfried Vancraen and Ms. Hilde Ingelaere) holding an equal number of shares in Materialise as was held by Ailanthus prior to the transaction.

This means that after the aforementioned immediate cancellation of 13.428.688 own shares, Materialise's capital will once again amount to EUR 4.096.418,72 and will be represented by 54.169.257 registered shares without par value and with a fractional value equal to approximately EUR 0,0756.

There will be no remuneration in cash.

**6. Proposed exchange ratio**

Since the share capital of Ailanthus is represented by 58.320 shares, this means that per share in Ailanthus, approximately 230,26 shares in Materialise would be issued.

This exchange ratio was determined as follows:

$$\frac{\text{value Ailanthus}}{\text{value Materialise}} \times \frac{\text{number of shares Materialise}}{\text{number of shares Ailanthus}} = \frac{450.237.220}{1.816.187.530} \times \frac{54.169.257}{58.320} = \mathbf{230,26}$$

(approximately)

This results in: 1 share of Ailanthus = 230.26 (approximately) shares of Materialise.

**7. Allocation of new shares**

The exact number of shares held by Ailanthus in Materialise will be distributed by Materialise to the shareholders of Ailanthus on the occasion of the merger. Thus, at the time of the merger, 13.428.688 shares will be issued to Mrs. Hilde Ingelaere and Mr. Wilfried Vancraen, in the following proportions:

Name	Number of shares
Hilde Ingelaere	13.294.447
Wilfried Vancraen	134.241

<b>Total</b>	<b>13.428.688</b>
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**8. Participation in the profits**

The newly issued shares will give right to participation in the profits (regardless of whether these profits were accumulated before or after the contemplated transaction) from the moment of their issuance.

**9. Entry into force of the merger for accounting and fiscal purposes**

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

Drawn up in Huldenberg on 30 November 2020.

For Ailanthus

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Name: Fried Vancraen  
Title: Director  
Date:

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Name: Hilde Ingelaere  
Title: Director  
Date:

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Name: Sander Vancraen  
Title: Bestuurder  
Director:

**Annexes (2):**

1. Interim balance sheet of Materialise as at 30 September 2020
2. Interim balance sheet of Ailanthus as at 30 September 2020