MATERIALISE NV
Technologielaan 15
3001 Leuven
Enterprise number: 0441.131.254
RPR/RPM Leuven

(the "**Company**" or “**we**”)

MANAGEMENT REPORT
TO THE ANNUAL GENERAL MEETING
TO BE HELD ON 7 JUNE 2022

Ladies and Gentlemen,

In accordance with the requirements laid down by law and the articles of association of the Company, the board of directors of the Company is pleased to report to you about the activities of the Company and its subsidiaries (the "**Group**") for the financial year starting on January 1, 2021 and ending on December 31, 2021, and to present to you both the statutory annual accounts as well as the consolidated annual accounts as at December 31, 2021. This report has been prepared in accordance with articles 3:5 and 3:32 of the Belgian Code of Companies and Associations. For additional information, please refer to our annual report on Form 20-F which has been filed with the SEC and is available on our website.

1. ANALYSIS OF THE OPERATING RESULTS ON A CONSOLIDATED BASIS

On a consolidated basis, the results of our operations, as derived from our consolidated annual accounts prepared in accordance with IFRS as issued by IASB and adopted by the European Union, can be summarized as follows:

Comparison of the Years Ended December 31, 2021 and 2020

	Year Ended December 31,		
	2021	**2020***	**% Change**
	(in thousands of €)		*(%)*
Revenue	205,450	170,449	20.53%
Cost of sales	(87,278)	(76,446)	14.17%
Gross profit	**118,172**	**94,003**	**25.71%**
Research and development expenses	(26,891)	(27,104)	-0.01%
Sales and marketing expenses	(49,151)	(44,636)	10.12%
General and administrative expenses	(33,315)	(29,337)	13.56%
Net other operating income (expenses)	3,402	2,436	39.66%
Operating (loss) profit	**12,217**	**(4,638)**	
Financial expenses	(4,101)	(5,995)	
Financial income	5,620	2,452	
Share in loss of joint venture	0	(39)	
(Loss) profit before taxes	**13,736**	**(8,220)**	

	Year Ended December 31,		
	2021	**2020***	**% Change**
	(in thousands of €)		*(%)*
Income taxes	(591)	1,028	
Net (loss) profit for the year	**13,145**	**(7,193)**	

* The year 2020 has been adjusted retrospectively to reflect the final accounting of the business combination with Materialise Motion.

Comparison for the Years Ended December 31, 2021 and 2020 by Segment

	Materialise Software	**Materialise Medical**	**Materialise Manufacturing**	**Total Segments**	**Unallocated (1)**	**Consolidated**
	(in thousands of €, except percentages)					
For the year ended December 31, 2021						
Revenues	42,902	73,368	89,180	205,450		205,450
Segment Adjusted EBITDA	15,705	20,669	6,275	42,649	(10,159)	32,490
Segment Adjusted EBITDA %	36.6%	28.2%	7.0%	20.8%		15.8%
For the year ended December 31, 2020						
Revenues	39,054	61,729	69,635	170,418	31	170,449
Segment Adjusted EBITDA	13,383	13,915	2,548	29,847	(9,468)	20,378
Segment Adjusted EBITDA %	34.3%	22.5%	3.7%	17.5%	–	12.0%

(1) *Unallocated related Segment Adjusted EBITDA consist of corporate research and development, corporate headquarter costs and other operating income (expense).*

Comparison for the Years Ended December 31, 2021 and 2020

In 000€	Year ended December 31, 2021	2020*
Assets		
Non-current assets	155,605	165,182
Current assets	257,803	160,741
Total assets	**413,408**	**325,923**
Equity and liabilities		
Equity attributable to the owners of the parent	*232,577*	*133.183*
Non-controlling interest	*-2*	*-*
Equity	232,578	133,183
Non-current liabilities	89,396	108,295
Current liabilities	91,434	84,445
Total equity and liabilities	**413,408**	**325,923**

* The year 2020 has been adjusted retrospectively to reflect the final accounting of the business combination with Materialise Motion.

Analysis

Revenue. Revenue was € 205.5 million in the year ended December 31, 2021 compared to € 170.4 million in the year ended December 31, 2020, an increase of € 35 million, or 21%. Deferred revenue from license and maintenance fees increased € 4.1 million to € 34.3 million in the year ended December 31, 2021.

Revenue from our Materialise Software segment increased € 3.8 million, or 9.9%, from € 39.1 million in the year ended December 31, 2020 to € 42.9 million in the year ended December 31, 2021. Recurrent revenue, consisting of limited license fees and maintenance fees, decreased by 1.9%. Non-recurrent revenue, mainly consisting of perpetual fees and services, grew by 27.6%. Deferred revenue from license and maintenance fees increased with € 1.9 million in the year ended December 31, 2021.

Revenue from our Materialise Medical segment increased € 11.6 million, or 18.9%, from € 61.7 million in the year ended December 31, 2020 to € 73.4 million in the year ended December 31, 2021. Medical software revenue grew by 14.1% from 2020 to 2021. Within our medical software department recurrent revenue from annual and renewed licenses and maintenance fees increased 23.1%, reflecting the implementation of our continued strategy focused on products with defined contractual periods. These recurrent revenues represented 83.0% of all medical software revenues in the year ended December 31, 2021, compared to 77.0% in the year ended December 31, 2020. Our non-recurrent revenue from perpetual licenses and services decreased 16.3%. Revenues from medical devices and services grew 21.2% in the year ended December 31, 2021, driven by our CMF business line. As of December 31, 2021, our

Materialise Medical segment operated 48 3D printers, as compared to 41 as of December 31, 2020.

Revenue from our Materialise Manufacturing segment increased € 19.6 million, or 28.2%, from € 69.6 million in the year ended December 31, 2020 to € 89.2 million in the year ended December 31, 2021. Although the automotive, aerospace and certain other industrial business lines continued to be negatively impacted by the ongoing COVID-19 pandemic (in 2021, particularly during the first half of 2021), all business lines recovered strongly in the second half of 2021 despite remaining below pre-pandemic 2019 levels. Materialise Manufacturing operated 153 3D printers as of December 31, 2021, compared to 147 as of December 31, 2020.

Gross profit. Gross profit increased € 24.2 million from € 94.0 million in the year ended December 31, 2020, to € 118.2 million in the year ended December 31, 2021, mainly driven by increased revenue in all three segments, and improved production capacity levels and efficiency gains. The overall gross profit margin (gross profit divided by our revenue) amounted to 57.5% in the year ended December 31, 2021, compared to 55.2% in the year ended December 31, 2020.

Research and development, or R&D, sales and marketing, or S&M, and general and administrative, or G&A, expenses. R&D, S&M and G&A expenses increased, in the aggregate, to € 109.4 million in the year ended December 31, 2021, compared to € 101.1 million in the year ended December 31, 2020. R&D expenses decreased from € 27.1 million to € 26.9 million. Excluding a € 2.1 million impairment charge incurred in 2020, R&D expenses increased 7.5% in 2021. S&M expenses increased from € 44.6 million to € 49.2 million. G&A expenses increased from € 29.3 million to € 33.3 million. The increase in G&A expenses included the roll-out of our ongoing internal digital transformation project.

Net other operating income. Net other operating income increased to € 3.4 million in the year ended December 31, 2021, compared to € 2.4 million in the year ended December 31, 2020. The 2020 result included a € 2.5 million impairment expenditure of goodwill and intangibles and a positive € 0.8 million revaluation income. The 2021 net other operating income included the cost of € 0.2 million impairment of goodwill from the acquisition of Aldema (Metal Belgium) in 2015.

Net financial income (financial expenses and financial income). Net financial income was € 1.5 million in the year ended December 31, 2021, compared to a net expense of € 3.5 million in the year ended December 31, 2020. This difference of € 5.0 million included a realized exchange gain of € 3.7 million, mainly from positive exchange differences from our USD proceeds on the follow-on offering in June and July of 2021, and € 0.7 million of interest income.

Income taxes. Income taxes in the year ended December 31, 2021 resulted in a cost of € 0.6 million, which was a combination of deferred tax income amounting to € 0.7 million and current income tax expenses of € 1.3 million. This income tax cost was mainly due to the fact that mark-ups and margins applied under the group's transfer pricing arrangements returned to pre-pandemic levels as from July 1, 2021.

Net profit. As a result of the elements described above, net profit amounted to € 13.1 million in the year ended December 31, 2021 compared to a net loss of € 7.2 million in the year ended December 31, 2020, or an increase of € 20.3 million.

EBITDA. As a result of the factors described above, our consolidated EBITDA increased from € 15.1 million in the year ended December 31, 2020 to € 32.7 million in the year ended December 31, 2021, an increase of € 17.6 million, or 117%.

Our Materialise Software segment's Adjusted EBITDA increased from € 13.4 million in the year ended December 31, 2020 to € 15.7 million in the year ended December 31, 2021, an increase of € 2.4 million, or 17.9%. This segment's Adjusted EBITDA margin (the segment's Adjusted EBITDA divided by the segment's revenue) increased from 34.3% for the year ended December 31, 2020 to 36.6% in the year ended December 31, 2021. The increase in the Adjusted EBITDA margin was a result of the 9.9% growth in revenue, while S&M, R&D and G&A expenditures in the aggregate increased by 5.5% .

Our Materialise Medical segment's Adjusted EBITDA increased from € 13.9 million in the year ended December 31, 2020 to € 20.7 million in the year ended December 31, 2021. The segment's Adjusted EBITDA margin increased from 22.5% in the year ended December 31, 2020 to 28.2% in the year ended December 31, 2021. The increase in the segment's Adjusted EBITDA margin was due to the 18.9% growth in revenue, and improved production capacity levels and efficiencies, while S&M, R&D, and G&A expenditures in the aggregate increased 6.1%. The year ended December 31, 2020 included the € 2.1 million impairment charge on the tracheal splint development project.

Our Materialise Manufacturing segment's Adjusted EBITDA increased from € 2.5 million in the year ended December 31, 2020 to € 6.3 million in the year ended December 31, 2021. The Adjusted EBITDA margin of this segment increased from 3.7% in the year ended December 31, 2020 to 7.0% in the year ended December 31, 2021, as a result of the 28% revenue growth, and improved production capacity levels and efficiencies.

The total balance sheet amounted to € 413.4 million in the year ended December 31, 2021, compared to € 325.9 million in the year ended December 31, 2020.

Non-current assets decreased € 9.6 million from € 165.2 to € 155.6 million in the year ended December 31, 2021. Our goodwill increased by € 0.1 million. Our intangible assets, property, plant & equipment and right-of-use assets decreased by € 7.1 million to € 125.2 million. Our other non-current assets amount to € 7.5 million.

Our cash and cash equivalents increased with € 84.5 million to € 196.0 million per December 31, 2021.

Our loans & borrowings decreased € 14.0 million to € 90.5 million per December 31, 2021. Of the total debt, € 17.8 million is short term.

Total equity per December 31, 2021 amounts to € 232.6 million compared to € 133.2 million last year.

2. ANALYSIS OF THE OPERATING RESULTS AT THE LEVEL OF THE COMPANY

At the level of the Company, the results of our operations, as derived from our statutory annual accounts prepared in accordance with Belgian GAAP, can be summarized as follows:

<u>Comparison of the Years Ended December 31, 2021 and 2020</u>

	Year Ended December 31,		
	2021	2020	% Change
	(in thousands of €)		*(%)*
Operating income	**158,032**	**133,434**	**18.4%**
70 Turnover	128,692	111,059	15.9%
71 Stocks of finished goods and WIP increase	14	-342	
72 Own work capitalized	23,323	17,591	32.6%
74 Other operating income	5,882	5,011	17.4%
76 Non-recurring operating income	121	114	
Operating charges	**149,816**	**135,081**	**10.9%**
60 Raw materials-consumables	27,853	24,628	13.1%
61 Services and other goods	44,167	38,499	14.7%
62 Remuneration, social security and pensions	46,830	41,855	11.9%
63 Depreciations and other amounts written off	29,164	29,377	-0.7%
64 Other operating charges	931	556	67.4%
66 Non-recurring operating charges	871	166	
Operating profit (loss)	**8,217**	**-1,647**	**-599.0%**
Financial income	10,818	6,250	
Financial charges	7,298	4,052	
Gain (loss) on ordinary activities before taxes	**11,736**	**552**	
Transfer from deferred taxes and tax free reserves	1	5	
Taxes on result	229	187	
Net profit	**11,508**	**370**	

	Year Ended December 31,	
	2021	2020
	(in thousands of €)	
Assets	**389,640**	**289,715**
Formation expenses	4,303	
Fixed assets	146,311	139,264
Current assets	239,026	150,452
Equity and Liabilities	**389,640**	**289,715**
Equity	233,269	128,817
Provisions and deferred taxes	154	1,243
Amounts payable	156,217	159,656

Analysis

The evolution of the operations of the Company is in line with the operations of the Group. Reference is made to Section 1 of this report in this respect.

Operating income was €158.0 million in the year ended December 31, 2021 compared to €133.4 million in the year ended December 31, 2020, an increase of €24.6 million, or 18.4%.

Operating charges amounted to €149.8 million in the year ended December 31, 2021, compared to €135.1 million in the year ended December 31, 2020. This increase of 10.9% was mainly due to:

- higher purchases of raw materials & consumables of €3.2 million;
- higher purchases of services & other goods of €5.7 million;
- a remuneration cost increase of €5.0 million or 11.9%;
- depreciation and provisions decreased €0.2 million to €29.2 million and includes 100% depreciation of development expenses of €21.8 million that were activated in 2021, allowing the company to keep benefiting from tax credits.

As a result, the operating profit in 2021 amounted to €8.2 million, compared to -€1.6 million in 2020.

Financial income amounted to €10.8 million in 2021, compared to €6.2 million in 2020 and included dividends of €2.4 million received from subsidiaries.

Financial charges amounted to €7.3 million in the year ended December 31, 2021, compared to €4.1 million in the year ended December 31, 2020.

In 2021 there is a net profit of €11.5 million, compared to a net profit of €0.4 million last year.

The total balance sheet amounted to €389.6 million in the year ended December 31, 2021, compared to €289.7 million in the year ended December 31, 2020. The increase is mainly due to the capital increases in 2021 amounting to €92.9 million.

Fixed assets net book value increased €7.0 million to €146.3 million in the year ended December 31, 2021. Our tangible and intangible fixed assets decreased slightly to €44.5 million (€47.0 million last year). Our participating interests increased with €2.5 million to €42.8 million, as a result of a capital increase of €2.5 million in Materialise Motion NV and the purchase of the remaining shares in Rapidfitf NV for €0.9 million, which is now fully owned by Materialise NV.

Our other long term receivables of €6.2 million per December 31, 2021 included a convertible loan to Fluidda NV of €3.2 million and to Link3D Inc. of €2.2 million

Our cash at bank increased €79.8 million to €170.4 million per December 31, 2021.

Our financial debt decreased €11.3 million to €83.1 million per December 31, 2020 of which €15.7 million is related to short term debt.

Total equity per December 31, 2021 amounts to €233.3 million compared to €128.8 million last year. This increase is the result of the net profit of the year of €11.5 million and a capital increase of €92.9 million.

Based on the positive operating result of the year, we maintain our valuation rules in the company based on going concern. Such presumption is justified by the Company's equity position of €233.3 million per December 31, 2021 and the outcome of the sensitivity testing that we have performed on our projected income statements and bank covenants.

Appropriation of profit

The net profit for 2021, to be appropriated, amounted to €11,508,643.

Together with the loss carried forward from previous financial years €22,975,642, we propose the total amount to be appropriated of €11,466,999 to be carried forward in its entirety.

3. STRUCTURE AND DEVELOPMENT OF THE GROUP

On December 31, 2021, Materialise NV had the following 26 (direct and indirect) subsidiaries:

Name	**Jurisdiction of Incorporation**
Materialise France SAS	France
Materialise GmbH	Germany
Materialise Japan K.K.	Japan
Materialise SRO	The Czech Republic
Materialise USA, LLC	United States
Materialise UK Limited	United Kingdom
OBL SAS	France
Materialise Austria GmbH	Austria
Materialise SDN. Bhd.	Malaysia
Materialise Ukraine LLC	Ukraine
RapidFit NV	Belgium
Materialise SA	Poland
Meridian Technique Limited	United Kingdom
OrthoView Holdings Limited	United Kingdom
Materialise Colombia SAS	Colombia
Materialise Motion NV	Belgium
Materialise Shanghai Co. Ltd.	China
Materialise Australia PTY Ltd	Australia
Materialise S.R.L.	Italy
ACTech Holding GmbH	Germany
ACTech GmbH	Germany
ACTech North America Inc.	United States
Engimplan Engenharia de Implante Industria E Comércio Ltda.	Brazil
Engimplan Holding Ltda.	Brazil
Materialise Limited	South Korea
Tianjin Zhenyuan Materialise Medical Technology Ltd	China

Materialise also has representative offices in Spain and in Hungary.

On April 9, 2021, we acquired an option to buy Link3D Inc., which we exercised on November 15, 2021. We closed the acquisition on January 4, 2022. This acquisition was effectuated through our U.S. subsidiary, Materialise USA, LLC. As a result of this transaction, Materialise USA has become the sole shareholder of Link3D. Link3D is an additive workflow and digital manufacturing software company. The acquisition of Link3D is intended to strengthen and accelerate the creation of the Materialise software platform.

On June 22, 2021, together with Zhenyuan (Tianjin) Medical Appliances Technology Co., Ltd., we incorporated a Chinese joint venture with the name Tianjin Zhenyuan Materialise Medical Technology Limited Company. We hold 51% of the shares of this joint venture.

On October 8, 2021, we acquired the remaining 16.66% of the shares in Rapidfit NV, making us Rapidfit's sole shareholder.

In January 2022, we filed a voluntary application to strike Materialise UK off the UK company register. A notice in this respect was published in The London Gazzette on February 8, 2022. As a result, Materialise UK has been struck off the register and was dissolved on April 8, 2022.

4. MATERIAL EVENTS SINCE THE END OF THE FINANCIAL YEAR

Closing of acquisition of Link3D

On April 9, 2021, the Group acquired an option to buy Link3D Inc.. On November 15, 2021, Materialise provided notice to Link3D of its intention to exercise the option. The acquisition was completed on January 4, 2022. This acquisition was effectuated through the Group's U.S. subsidiary, Materialise USA, LLC.

Impact of the armed conflict in Ukraine

We have historically maintained an office in Kyiv, employing over 400 collaborators who were mainly engaged in engineering, software development and supporting IT and staff functions. As a result of the armed conflict in Ukraine, our operations from our Kyiv office have come to a standstill.

To-date, most our our personnel from the office in Kyiv have continued to work for us throughout the armed conflict, either remotely from Ukraine or other neighboring countries or from our Wroclaw office, while others remain unable to perform their work.As of the date of this annual report, we have been able to continue servicing our customers without significant disruption or delay, as personnel with similar skills and competencies located elsewhere in the world have increased their roles and responsibilities to assist displaced personnel.

Despite our initiating an intense relocation and support program, it is impossible to predict how much of our Ukrainian workforce will be able or willing to continue working for us. As we are unable to predict how the armed conflict in Ukraine will evolve, we cannot exclude that delays or disruption in certain of our services may occur, which could impact our business and operations, results of operations, financial condition, cash flows and liquidity.

Although the impact of the armed conflict in Ukraine has not had a material adverse effect on our financial results to-date, we have incurred, and will continue to, incur expenses related to the relocation and support efforts of Ukrainian personnel, and we will be affected by additional operating expenses from hiring additional and more expensive resources outside Ukraine.

It is still uncertain to what extent some of the development projects of our Materialise Software and Materialise Medical segments, and to a lesser extent our Materialise Manufacturing segment, will be impacted. As a result of such impact, some of our anticipated product releases may be delayed, which may adversely affect our revenue.

In addition, although only a small percentage of our historical revenues was generated in Russia, we expect that the trade sanctions that have been imposed against Russia by, among others, the United States and the European Union, will have a negative impact on our revenue for the year ended December 31, 2022.

As of the date of this annual report, we are unable to predict how the armed conflict in Ukraine will evolve or what the impact of any political and direct and indirect economic repercussions will be on the global economy and our business. Indirect economic repercussions could, for example, come from continued or further increased inflation, or currencies instability. As a result, we are unable to assess with certainty its impact on our business and operations, results of operations, financial condition, cash flows and liquidity.

5. RISKS AND UNCERTAINTIES

The risks and uncertainties, with which both the Group and the Company are faced, can be summarized as follows. For a more detailed explanation of these risks, please refer to the 20-F related to fiscal year 2021. However, other than those risks and uncertainties, we are not aware of any circumstances that are likely to have a material influence on the development of the Company.

- The ongoing COVID-19 global health crisis adversely impacted our business and results of operations in 2021 and may continue to have a material adverse impact on our business, results of operations, financial condition, cash flows or liquidity.

- We may not be able to maintain or increase the market share or reputation of our software and other products and services that they need to remain or become a market standard.

- We may not be successful in continuing to enhance and adapt our software, products and services in line with developments in market technologies and demands.

- The research and development programs that we are currently engaged in, or that we may establish in the future, may not be successful and our significant investments in these programs may be lost.

- Existing and increased competition may reduce our revenue and profits.

- We rely on collaborations with users of our additive manufacturing solutions to be present in certain large-scale markets and, indirectly, to expand into potentially high-growth specialty markets. Our inability to continue to develop or maintain these relationships in the future could harm our ability to remain competitive in existing markets and expand into other markets.

- Our revenue and results of operations may fluctuate.

- Demand for additive manufacturing generally and our additive manufacturing software solutions, products and services in particular may not increase adequately.

- We are dependent upon sales to certain industries.

- If our relationships with suppliers, including with limited source suppliers of consumables, were to terminate or our manufacturing arrangements were to be disrupted, our business could be adversely affected.

- The dominant software subscription model in the industrial sector is changing, and we may not be successful in developing a cloud-based platform to offer our software.

- We depend on the knowledge and skills of key personnel throughout our entire organization, and if we are unable to retain and motivate them or recruit additional qualified personnel, our operations could suffer.

- We may need to raise additional capital from time to time in order to meet our growth strategy and may be unable to do so on attractive terms, or at all.

- As a result of the armed conflict in Ukraine, we have ceased our operations in our office in Kyiv.

- Our international operations subject us to various risks, and our failure to manage these risks could adversely affect our results of operations.

- We may engage in acquisitions or investments that could disrupt our business, cause dilution to our shareholders and harm our financial condition and results of operations.

- We may enter into collaborations, in-licensing arrangements, joint ventures, strategic alliances or partnerships with third parties that may not result in the development of commercially viable products or the generation of significant future revenue.

- Failure to comply with applicable anti-corruption and trade sanctions legislation could result in fines, criminal penalties and an adverse effect on our business.

- Errors or defects in our software or other products could cause us to incur additional costs, lose revenue and business opportunities, damage our reputation and expose us to potential liability.

- We rely on our information technology systems to manage numerous aspects of our business and customer and supplier relationships, and a disruption of these systems could adversely affect our results of operations.

- A breach of security in our products or computer systems may compromise the integrity of our products, harm our reputation, create additional liability and adversely impact our financial results.

- If our service center operations are disrupted, sales of our 3D printing services, including the medical devices that we print, may be affected, which could have an adverse effect on our results of operations.

- Our medical business, financial condition, results of operations and cash flows could be significantly and negatively affected by substantial government regulations.

- If we are unable to obtain patent protection for our products or otherwise protect our intellectual property rights, our business could suffer.

- We cannot predict the outcome of an arbitration proceeding in which we are involved.

- We do not expect to be a passive foreign investment company for U.S. federal income tax purposes; however, there is a risk that we may be classified as a passive foreign investment company, which could result in materially adverse U.S. federal income tax consequences to U.S. investors.

6. RESEARCH AND DEVELOPMENT

We have an ongoing research and development program to improve and expand the capabilities of our existing technology portfolio, which reflects our continued investments in a range of disciplines, including software development, industrial, mechanical and biomedical engineering, physics and chemistry.

We have a long history of research and development through collaborations, which augment our internal development efforts. As of December 2021, we were active in over 20 government funded research projects and we also employed multiple researchers with a publicly funded scholarship. With our platform technologies and strong track record in successful commercialization of scientific innovations, we receive many requests for participation in new development projects. While we strongly protect our intellectual property in our core competencies, many of our products require collaborations in order to create healthy ecosystems for their successful implementation.

As of December 31, 2021, we had approximately 70 active research and development projects in various stages of completion and approximately 444 FTEs and fully dedicated consultants working on research and development in our facilities in Belgium, France, Germany, the United Kingdom, the United States, Ukraine, China and Malaysia.

In addition, our strategic partnership with BASF New Business GmbH focuses on collaboration for research and development activities in multiple areas, primarily focusing on the introduction of new plastic materials in additive processes.

We also regularly apply for research and development grants and subsidies under European, Belgian, British, French and German, grant rules. The majority of these grants and subsidies are non-refundable. We have received grants and subsidies from different authorities, including the Flemish government (VLAIO, or *Vlaams Agentschap Innoveren en Ondernemen*), the European Union (FP7 and H2020 framework programs) and BMBF, the German Federal Ministry of Education and Research.

We expect to continue to invest significantly in research and development in the future.

7. FINANCIAL INSTRUMENTS

The Company has used interest rate and foreign currency swaps as financial instruments in the course of the financial period. More detailed information is included in note 25 of our annual report on Form 20-F.

8. MISCELLANEOUS

8.1 Internal audit and risk management

Our internal control over financial reporting was not effective as of December 31, 2021 due to a material weakness in our internal control over financial reporting. We did not have effective monitoring processes to assess the consistent operation of internal control over financial reporting, including due to a lack of resources.

During the year ending December 31, 2022, we plan to continue to further enhance our internal controls over financial reporting and to enhance our overall control environment. We are committed to ensuring that our internal control over financial reporting is designed and operating effectively.

We further refer to Item 15 included in our annual report on Form 20-F which has been filed with the SEC and is available on our website.

8.2 **Authorized capital**

By resolution of the extraordinary shareholders' meeting of April 23, 2014, which entered into force on June 30, 2014, our shareholders authorized the board of directors, for a period of five years from August 18, 2014, to increase the Company's share capital, in one or more transactions, up to a maximum amount of €2,714,634.83 (the so-called authorised capital).

More recently (and replacing the previous resolution), by resolution of our extraordinary shareholders' meeting of November 5, 2020, which entered into force on November 9, 2020, our shareholders authorized our board of directors, for a period of five years from November 9, 2020, to increase our share capital, in one or more transactions (including through the issuance of warrants), up to a maximum amount of €4,067,700.72 (the so-called authorised capital).

On June 9, 2021, the board of directors of the Company decided to increase the share capital of Materialise, which capital increase was confirmed on June 14, 2021 and July 6, 2021, by €320,000.00 (excluding an issuance premium of €78,484,793.95) and €48,000.00 (excluding an issuance premium of €11,772,719.09), respectively, against the issuance of 4,000,000 and 600,000 new ordinary shares, respectively. As such, the Company's share capital was increased from €4,096,520.81 to €4,464,520.81, represented by 58,770,607 shares.

In the context of the abovementioned capital increases, the board of directors decided to exclude the preferential subscription right of existing shareholders. The board of directors believed that doing so would allow the Company to (i) promptly respond to an opportunity in the financial markets and thus to (ii) efficiently acquire additional financial means that would ensure the further growth of the Company. As such, the board of directors concluded that excluding the preferential subscription right of existing shareholders was in the interest of the Company.

8.3 **Acquisition or disposal of own shares**

Not applicable.

[*Signature Page Follows*]

Done in Leuven on May 16, 2022

Peter Leys	Wilfried Vancraen
Director	Director