

EXPLANATORY NOTES TO THE MERGER PROPOSAL

relating to

the triangular legal merger

between

Hydratec Industries N.V.

and

Hydratec Holdco B.V.

and

Hydratec Sub B.V.

Dated 28 June 2024

EXPLANATORY NOTES TO MERGER PROPOSAL

THESE EXPLANATORY NOTES ARE DATED 28 JUNE 2024 AND PREPARED BY THE MANAGEMENT BOARDS OF:

(1) **Hydratec Industries N.V.**, a public limited liability company, with seat in Amersfoort, the Netherlands, address at Spoetnik 20, 3824 MG Amersfoort, the Netherlands and Trade Register number 23073095 (the "**Company**") of which the management board consists of:

- (i) Bartholomeus Franciscus Aangenendt, born in The Hague on the seventeenth day of February nineteen hundred and sixty-four ("**Aangenendt**"); and
- (ii) Everdina Herma Slijkhuis, born in Apeldoorn on the sixteenth day of May nineteen hundred and sixty-eight ("**Slijkhuis**"),

(2) **Hydratec Holdco B.V.**, a private limited liability company, with seat in Amersfoort, the Netherlands, address at Spoetnik 20, 3824 MG Amersfoort, the Netherlands and Trade Register number 93080247 ("**Company Holdco**"), of which the management board consists of:

- (i) Aangenendt; and
- (ii) Slijkhuis,

and

(3) **Hydratec Sub B.V.**, a private limited liability company, with seat in Amersfoort, address at Spoetnik 20, 3824 MG Amersfoort, the Netherlands and Trade Register number 93094116 ("**Company Sub**"), of which the management board consists of:

- (i) Aangenendt; and
- (ii) Slijkhuis,

(the Company, Company Holdco and Company Sub collectively: the "**Merging Companies**"; the management boards of the Merging Companies collectively: the "**Management Boards**").

WHEREAS:

- (A) The Company holds the only issued share in the share capital of Company Holdco. Company Holdco holds the only issued share in the share capital of Company Sub.
- (B) The Merging Companies intend to effect a triangular legal merger (*juridische driehoeksfusie*) in accordance with article 2:309 *et seq* and article 2:333a of the Dutch Civil Code ("**DCC**") as a result of which:
- (i) the Company, as the disappearing company, will merge with and into Company Sub, as the acquiring company, as a result of which Company Sub shall acquire all the assets, liabilities and legal relationships of the Company by universal title of succession;
 - (ii) Company Holdco shall allot shares in its share capital to the shareholders of the Company in accordance with the exchange ratio set forth below; and
 - (iii) the Company shall cease to exist and its shares shall as a result thereof be delisted from the Euronext stock exchange in Amsterdam, a regulated market of Euronext Amsterdam N.V. ("**Euronext**"),

(the "**Merger**").

PROVIDE THE FOLLOWING EXPLANATORY NOTES TO THE MERGER PROPOSAL:

1 Reasons for the Merger

- 1.1 Hydra Invest B.V.**, a private limited liability company, with seat in Amsterdam, address at Keizersgracht 43, 1015 CD Amsterdam, the Netherlands and Trade Register number 92668607 (the "**Offeror**") wishes to acquire, directly and/or indirectly, the entirety of the Company's assets and operations (including the Company's and its group's entire business) following completion of the public offer by the Offeror (the "**Offer**") for all the Company's outstanding issued ordinary shares (the "**Company Shares**"). As further described in the offer document which shall be published on or around the date hereof, an efficient and regularly applied manner to transfer the entirety of the Company's assets and operations (including the Company's and its group's entire business) following completion of the Offer is to first implement the Merger, pursuant to which Company Sub will acquire all the assets, liabilities and legal relationships of the Company, followed by the sale and transfer by Company Holdco of the only issued share in Company Sub's share capital to the Offeror, and the subsequent dissolution and liquidation of Company Holdco.

1.2 Taking into account the business rationale of the Offer and the transactions contemplated in connection therewith, including the Merger and subsequent liquidation of Company Holdco, the Company has acknowledged the importance to the Company's group to, in an expeditious manner, enhance the sustainable success of the business of the group, and that the terms of the Offer are predicated on the direct and/or indirect acquisition of 100% of the Company Shares and/or the Company's assets and operations (including the Company's and its group's entire business). This importance is based, *inter alia*, on:

- (a) the inability of the Company and its shareholders to reap the benefits of a listing on Euronext, because the Company Shares are illiquid and trading volumes are low;
- (b) the ability to terminate the listing of the Company Shares from Euronext, and the resulting cost savings therefrom and from having a single shareholder;
- (c) that the contemplated acquisition of the Company Shares by the Offeror will not impact the existing control over the Company or the strategic direction or policies of its business enterprise;
- (d) the ability to enhance the sustainable success of the Company's business in a private environment set-up after delisting;
- (e) the ability to achieve an efficient capital structure; and
- (f) the ability to implement and focus on achieving long-term strategic goals of the Company, as opposed to short-term performance driven by periodic reporting and market expectations.

1.3 In light of the above and the fact that the Offeror's willingness to pay the Consideration (as defined in the merger proposal), and pursue the Offer is predicated on the direct and/or indirect acquisition of 100% of the Company Shares or the Company's assets and operations (including the Company's and its group's entire business), and in light of the willingness of the Offeror to reduce the acceptance threshold from 95% to 90% in the event that the general meeting of the Company has adopted the resolutions required for the implementation of the Merger and such resolutions are in full force and effect as at the closing date of the Offer, the Company expresses an interest in and its support for the Merger and the subsequent dissolution and liquidation of Company Holdco.

2 Consequences for activities of the Merging Companies

It is the intention that the activities of the Company immediately before the moment the Merger becomes effective (the "**Merger Effective Time**"), will be

continued by Company Sub. Activities with respect to the listing of the Company Shares on Euronext will be terminated.

3 Economic consequences of the Merger

The Merger, in and of itself, is not expected to have material economic consequences for the Merging Companies, except for (i) the acquisition by Company Sub of the entirety of the Company's assets and operations (including the Company's and its group's entire business), (ii) the delisting of the Company Shares from Euronext and (iii) the allotment of shares in the share capital of Company Holdco pursuant to the Merger to shareholders of the Company as described below. It is not anticipated that the shares in the share capital of Company Holdco shall be admitted to trading on Euronext or any other stock exchange. Holders of shares in Company Holdco shall only be able to transfer their respective shares in accordance with Dutch law and Company Holdco's articles of association, and by a deed executed before a notary in the Netherlands.

4 Legal consequences of the Merger

4.1 The Merger will, *inter alia*, have the following consequences:

- (a) the Company, as the disappearing company, will merge with and into Company Sub, as the acquiring company, and the Company will cease to exist upon the Merger Effective Time;
- (b) all assets, liabilities and legal relationships of the Company will transfer to Company Sub under universal title of succession; and
- (c) all Company Shares will be cancelled and Company Holdco will allot shares in its share capital to the holders of Company Shares as described, and on the terms stipulated, in the merger proposal to which these explanatory notes apply and in accordance with the Exchange Ratio (as defined below).

4.2 At the occasion of the Merger, the share in the share capital of Company Holdco held by the Company will be cancelled pursuant to article 2:325(3) in conjunction with article 2:333a(3) DCC.

4.3 Following the Merger, creditors of the Company will be able to recover their claims from Company Sub as they could recover such claims from the Company before the Merger Effective Time.

4.4 Unless a counterparty of the Merging Companies exercises the right provided for under article 2:322 DCC, it is anticipated that contracts concluded with the

Merging Companies will remain in force unchanged following the Merger (other than in accordance with their existing terms), provided that contracts concluded with the Company shall have Company Sub, instead of the Company, as the contracting party with effect from the Merger Effective Time.

5 Social consequences

5.1 Neither Company Holdco nor Company Sub has any employees and neither of them shall have any employees immediately prior to the Merger Effective Time. To the extent that the Company has employees immediately prior to the Merger Effective Time, the employment or service contracts concluded with those employees, as well as their other conditions of employment or service, will remain in force unchanged following the Merger Effective Time with Company Sub as the contracting party, subject to the provisions of such contracts and applicable law. It is anticipated that the Merger will not have material adverse implications for the interests of the employees of the Company.

5.2 On 19 March 2024, the competent works council in the Netherlands of Lan Handling Technologies B.V. rendered a positive advice on the contemplated Merger. The written advice will be made available for inspection on the Company's website: www.hydratec.nl and be made available at the offices of the Merging Companies for those persons who are entitled to inspect the advice in accordance with the laws of the Netherlands. The competent works councils in the Netherlands of Pas Reform B.V., Timmerije B.V., Helvoet Rubber & Plastic Technologies B.V. and of Rollepaal Pipe Extrusion Technology B.V. waived their right to render advice on the contemplated Merger.

6 Exchange ratio

6.1 For each outstanding issued Company Share held immediately before the Merger Effective Time, one share in the share capital of Company Holdco, with a nominal value of EUR 0.45, shall be allotted (*i.e.*, in a 1:1 exchange ratio), without prejudice to the provision of article 2:325(4) DCC (the "**Exchange Ratio**").

6.2 The following method for determining the Exchange Ratio has been applied:

- (a) Company Sub has no assets and liabilities and is not expected to have any assets and liabilities immediately prior to the Merger Effective Time;
- (b) Both at the date of these explanatory notes and immediately before the Merger Effective Time, Company Holdco is, and shall be until that time, the sole shareholder of Company Sub and the only assets of Company Holdco are, and shall be until that time, its shareholding in Company Sub; Company Holdco has no liabilities and is not expected to have any liabilities immediately prior to the Merger Effective Time;

- (c) Company Sub's assets and liabilities immediately following the Merger Effective Time shall have the same value as the Company's assets and liabilities immediately before the Merger Effective Time;
- (d) each share in the share capital of Company Holdco shall have equal economic entitlements with respect to the distribution of profits, the distribution of reserves, cancellation repayments and the distribution of liquidation proceeds of Company Holdco under Company Holdco's articles of association, as the economic entitlements to such distributions and repayments attached to a Company Share, under the Company's articles of association as they read at the date hereof;
- (e) the above considerations result in the conclusion, that the Exchange Ratio can be, and therefore has been, determined to be 1:1.

6.3 Because of the reasons described in 6.2 above, the Exchange Ratio is considered to be suitable and appropriate in the present case.

6.4 The method applied to determine the Exchange Ratio as described in 6.2 above does not lead to a specific valuation. As described above, any valuation would be irrelevant for the above-mentioned method for determining the Exchange Ratio.

6.5 Because only one method was applied to determine the Exchange Ratio, the relative weight of multiple methods is not addressed in these explanatory notes.

6.6 No particular difficulties arose as a result of the valuation described above or the determination of the Exchange Ratio.

7 Independent auditor's assurance report

On or around the date of these explanatory notes, Eshuis Registeraccountants B.V. has been appointed to issue the report to the Merging Companies in accordance with article 2:328(2) DCC. The report will be made available for inspection on the Company's website: www.hydratec.nl and will be made available at the offices of the Merging Companies in accordance with article 2:314(2) DCC.

[SIGNATURES TO FOLLOW ON THE NEXT PAGE]

THESE EXPLANATORY NOTES TO THE MERGER PROPOSAL OF THE COMPANY, COMPANY HOLDCO AND COMPANY SUB HAVE BEEN SIGNED ON THE DATE STATED AT THE BEGINNING OF THESE EXPLANATORY NOTES BY:

Management board of Hydratec Industries N.V.

By: B.F. Aangenendt
Title: Chief Executive Officer

By: E.H. Slijkhuis
Title: Chief Financial Officer

Management board of Hydratec Holdco B.V.

By: B.F. Aangenendt
Title: Managing Director

By: E.H. Slijkhuis
Title: Managing Director

Management board of Hydratec Sub B.V.

By: B.F. Aangenendt
Title: Managing Director

By: E.H. Slijkhuis
Title: Managing Director

These explanatory notes to the merger proposal have been signed by all signatories mentioned above. For privacy reasons, the signatures of the signatories have been removed.