
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-36515

MATERIALISE NV

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Kingdom of Belgium

(Jurisdiction of incorporation or organization)

Technologielaan 15, 3001 Leuven, Belgium

(Address of principal executive offices)

Peter Leys, telephone +32 (16) 39 66 11, facsimile +32 (16) 39 66 00, Technologielaan 15, 3001 Leuven, Belgium
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares, each representing one Ordinary Share, no nominal value per share	The NASDAQ Stock Market LLC
Ordinary Shares, no nominal value per share*	The NASDAQ Stock Market LLC

* Not for trading but only in connection with the registration of the American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non accelerated filer	<input type="checkbox"/>	Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	<input type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board	<input checked="" type="checkbox"/>	Other	<input type="checkbox"/>
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If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
 Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

TABLE OF CONTENTS

		Page
ITEM 1.	Identity of Directors, Senior Management and Advisers	3
ITEM 2.	Offer Statistics and Expected Timetable	4
ITEM 3.	Key Information	5
ITEM 4.	Information on the Company	34
ITEM 4A.	Unresolved Staff Comments	54
ITEM 5.	Operating and Financial Review and Prospects	55
ITEM 6.	Directors, Senior Management and Employees	78
ITEM 7.	Major Shareholders and Related Party Transactions	89
ITEM 8.	Financial Information	91
ITEM 9.	The Offer and Listing	92
ITEM 10.	Additional Information	94
ITEM 11.	Quantitative and Qualitative Disclosures About Market Risk	103
ITEM 12.	Description of Securities Other than Equity Securities	104
ITEM 12D.	American Depositary Shares	104
ITEM 13.	Defaults, Dividend Arrearages and Delinquencies	105
ITEM 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	106
ITEM 15.	Controls and Procedures	107
ITEM 16A.	Audit Committee Financial Expert	109
ITEM 16B.	Code Of Ethics	110
ITEM 16C.	Principal Accountant Fees and Services	111
ITEM 16D.	Exemption from the Listing Standards for Audit Committees	112
ITEM 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	113
ITEM 16F.	Change in Registrant’s Certifying Accountant	114
ITEM 16G.	Corporate Governance	115
ITEM 16H.	Mine Safety Disclosure	117
ITEM 17.	Financial Statements	118
ITEM 18.	Financial Statements	119
ITEM 19.	Exhibits	120

INTRODUCTION

Except as otherwise required by the context, references to “Materialise,” “Company,” “we,” “us” and “our” are to Materialise NV and its subsidiaries.

Our trademark portfolio contained 118 registered trademarks and 25 pending trademark applications as of December 31, 2017. This includes 32 registered trademarks and 2 pending trademark applications that we acquired in connection with our acquisition of ACTech Holding GmbH, ACTech GmbH and ACTech North America Inc., which refer to collectively as ACTech. All other trademarks or trade names referred to in this annual report are the property of their respective owners. Solely for convenience, the trademarks and trade names in this annual report are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

All references in this annual report to “U.S. dollars” or “\$” are to the legal currency of the United States and all references to “€” or “euro” are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the treaty establishing the European Community, as amended.

On June 30, 2014, we sold 8,000,000 American Depositary Shares, or ADSs, each representing one ordinary share with no nominal value, or ordinary shares, in our initial public offering at a price of \$12.00 per ADS. In connection with the closing our initial public offering, we converted our outstanding Class A ordinary shares, Class B ordinary shares and Class C ordinary shares into ordinary shares and effected a stock split of our outstanding ordinary shares, whereby each ordinary share was converted into four ordinary shares. The number of ordinary shares and number of shares issuable upon exercise of our outstanding warrants and conversion of our outstanding convertible bonds are presented herein on the basis of the number after this stock split.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This annual report includes certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, concerning our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements that are not of historical facts may be deemed to be forward-looking statements. You can identify these forward-looking statements by words such as “believes,” “estimates,” “anticipates,” “expects,” “plans,” “intends,” “may,” “could,” “might,” “will,” “should,” “aims,” or other similar expressions that convey uncertainty of future events or outcomes. Forward-looking statements appear in a number of places throughout this annual report and include statements regarding our intentions, beliefs, assumptions, projections, outlook, analyses or current expectations concerning, among other things, our intellectual property position, research and development projects, acquisitions, results of operations, cash needs, spending of the remaining net proceeds from our initial public offering, capital expenditures, financial condition, liquidity, prospects, growth and strategies, regulatory approvals and clearances, the markets and industry in which we operate and the trends and competition that may affect the markets, industry or us.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events, competitive dynamics and industry change, and depend on economic circumstances that may or may not occur in the future or may occur on longer or shorter timelines than anticipated. Although we believe that we have a reasonable basis for each forward-looking statement contained in this annual report, we caution you that forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. All of our forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from our expectations.

Actual results could differ materially from our forward-looking statements due to a number of factors, including, without limitation, risks related to:

- our ability to enhance and adapt our software, products and services to meet changing technology and customer needs;
- fluctuations in our revenue and results of operations;
- changes in volumes and patterns of customer electricity usage;
- our ability to operate in a highly competitive and rapidly changing industry;
- our ability to adequately increase demand for our products and services;

[Table of Contents](#)

- our collaborations, in-licensing arrangements, joint ventures, strategic alliances or partnerships with third-parties;
- our ability to integrate acquired businesses or technologies effectively;
- our dependence upon sales to certain industries;
- our relationships with suppliers;
- our ability to attract and retain senior management and other key employees;
- any disruptions to our service center operations, including by accidents, natural disasters or otherwise;
- our ability to raise additional capital on attractive terms, or at all, if needed to meet our growth strategy;
- our ability to adequately protect our intellectual property and proprietary technology;
- our international operations;
- our ability to comply with applicable governmental laws and regulations to which our products, services and operations are subject; and
- other risk factors as set forth under “Item 3. Key Information—D. Risk Factors.”

Any forward-looking statements that we make in this annual report speak only as of the date of such statement, and we undertake no obligation to update such statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC after the date of this annual report. See “Item 10. Additional Information—H. Documents on Display.”

You should also read carefully the factors described in “Item 3. Key Information—D. Risk Factors” and elsewhere in this annual report to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this annual report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified timeframe, or at all.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

[Table of Contents](#)

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**A. Selected Financial Data**

The tables below contain a summary of our financial data as of and for years ended December 31, 2017, 2016, 2015, 2014 and 2013, which have been derived from our consolidated financial statements prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, which we refer to as IFRS. Our consolidated financial statements and the related notes as of and for the years ended December 31, 2017, 2016 and 2015 appear elsewhere in this annual report.

Our historical results are not necessarily indicative of the financial results to be expected in any future periods. You should read this information in conjunction with our consolidated financial statements and related notes included elsewhere in this annual report, as well as the section entitled "Item 5. Operating and Financial Review and Prospects."

Consolidated Statements of Financial Position Data:

in 000€	As of December 31,				
	2017	2016	2015	2014	2013
Inventory and contracts in progress	11,594	7,870	5,387	3,660	3,328
Trade receivables	35,582	27,479	22,843	18,370	12,382
Cash and cash equivalents	43,175	55,912	50,726	51,019	12,598
Total assets	237,539	161,920	144,136	133,221	55,688
Total liabilities	160,024	82,887	61,181	48,054	37,953
Net assets ⁽¹⁾	77,515	79,033	82,955	85,167	17,735
Total equity	77,515	79,033	82,955	85,167	17,735

(1) Net assets represents total assets less total liabilities.

[Table of Contents](#)

Consolidated Income Statements Data:

in 000€	For the year ended December 31,				
	2017	2016	2015	2014	2013
Revenue	142,573	114,477	102,035	81,355	68,722
Cost of sales	(62,787)	(46,706)	(42,963)	(32,396)	(27,189)
Gross profit	79,786	67,771	59,072	48,959	41,533
Research and development expenses	(19,959)	(17,682)	(18,186)	(15,093)	(10,596)
Sales and marketing expenses	(39,109)	(36,153)	(36,832)	(27,543)	(22,360)
General and administrative expenses	(25,484)	(20,041)	(15,045)	(11,645)	(8,649)
Net other operating income/(expenses)	5,631	6,212	7,102	5,652	4,492
Operating profit (loss)	865	107	(3,889)	330	4,420
Financial expenses	(4,728)	(2,437)	(2,470)	(1,150)	(1,260)
Financial income	3,210	2,039	3,511	3,160	273
Share in loss of joint venture	(469)	(1,018)	(401)	(81)	—
(Loss) profit before taxes	(1,122)	(1,309)	(3,249)	2,259	3,433
Income taxes	(534)	(1,710)	389	(387)	(21)
Net (loss) profit for the year	(1,656)	(3,019)	(2,860)	1,872	3,412
Net (loss) profit for the year attributable to:					
The owners of the parent	(1,656)	(3,019)	(2,807)	2,061	3,509
Non-controlling interest	—	—	(53)	(189)	(97)
Earnings per share attributable to the owners of the parent					
Basic	(0.03)	(0.06)	(0.06)	0.05	0.09
Diluted	(0.03)	(0.06)	(0.06)	0.05	0.09
Weighted average number of ordinary shares for basic earnings per share ('000)	47,325	47,325	47,224	43,118	37,840
Weighted average number of ordinary shares adjusted for effect of dilution ('000)	47,325	47,325	47,224	43,288	38,204
Consolidated Statements of Comprehensive Income Data:					
Net (loss) profit for the year	(1,656)	(3,019)	(2,860)	1,872	3,412
Other comprehensive (loss) income, net of taxes	(691)	(1,833)	624	126	(31)
Total comprehensive (loss) income for the year, net of taxes	(2,347)	(4,852)	(2,236)	1,998	3,381

Other Data (unaudited):

in 000€	For the year ended December 31,				
	2017	2016	2015	2014	2013
Adjusted EBITDA (unaudited)(2)	15,138	9,458	3,687	5,752	7,610

[Table of Contents](#)

- (2) We calculate EBITDA as net profit plus income taxes, financial expenses (less financial income), depreciation and amortization, and share in loss of joint venture. We calculate Adjusted EBITDA by adding non-recurring initial public offering related expenses, non-cash stock-based compensation expenses and acquisition-related expenses of business combinations to EBITDA. Disclosure in this annual report of EBITDA and Adjusted EBITDA, which are non-IFRS financial measures, is intended as a supplemental measure of our performance that is not required by, or presented in accordance with, IFRS. EBITDA and Adjusted EBITDA should not be considered as alternatives to net profit or any other performance measure derived in accordance with IFRS. Our presentation of EBITDA and Adjusted EBITDA should not be construed to imply that our future results will be unaffected by unusual or non-recurring items. For additional information, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Other Financial Information.” The following table reconciles net profit to EBITDA and Adjusted EBITDA for the periods presented:

in 000€	For the year ended December 31,				
	2017	2016	2015	2014	2013
Net (loss) profit for the year	(1,656)	(3,019)	(2,860)	1,872	3,412
Income taxes	534	1,710	(389)	387	21
Financial expenses	4,728	2,437	2,470	1,150	1,260
Financial income	(3,210)	(2,039)	(3,511)	(3,160)	(273)
Depreciation and amortization	12,631	8,374	6,810	4,565	3,190
Share in loss of joint venture	469	1,018	401	81	—
EBITDA (unaudited)	13,496	8,481	2,921	4,895	7,610
Non-recurring initial public offering expenses (a)	—	—	—	182	—
Non-cash stock-based compensation expenses(b)	1,033	977	766	675	—
Acquisition-related expenses of business combinations (c)	609	—	—	—	—
Adjusted EBITDA (unaudited)	15,138	9,458	3,687	5,752	7,610

- (a) Non-recurring initial public offering expenses represent fees and costs incurred in connection with our initial public offering.
(b) Non-cash stock-based compensation expenses represent the cost of equity-settled and cash-settled share-based payments to employees.
(c) Acquisition-related expenses of business combinations represent fees and costs in connection with the acquisition of ACTech.

Exchange Rates

Our financial reporting currency is the euro. Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar amounts received by owners of the ADSs on conversion of dividends, if any, paid in euro on the ordinary shares and will affect the U.S. dollar price of the ADSs on the NASDAQ Global Select Market. The table below shows the period end, average, high and low exchange rates of U.S. dollars per euro for the periods shown. Average rates are computed by using the noon buying rate of the Federal Reserve Bank of New York for the euro on the last business day of each month during the relevant year indicated or each business day during the relevant month indicated. The rates set forth below are provided solely for your convenience and may differ from the actual rates used in the preparation of the consolidated financial statements included in this annual report and other financial data appearing in this annual report.

[Table of Contents](#)

<u>Year Ended December 31,</u>	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>Year End</u>
2013	1.3816	1.2774	1.3284	1.3779
2014	1.3927	1.3927	1.3927	1.3927
2015	1.2015	1.0524	1.1096	1.0859
2016	1.1516	1.0375	1.1072	1.0552
2017	1.2041	1.0416	1.1298	1.2022

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>Period End</u>
October 2017	1.1847	1.1580	1.1755	1.1648
November 2017	1.1936	1.1577	1.1743	1.1898
December 2017	1.2022	1.1725	1.1836	1.2022
January 2018	1.2488	1.1922	1.2197	1.2428
February 2018	1.2482	1.2211	1.2340	1.2211
March 2018	1.2440	1.2216	1.2334	1.2320
April 2018 (through April 20, 2018)	1.2384	1.2230	1.2316	1.2282

The noon buying rate of the Federal Reserve Bank of New York for the euro on April 20, 2018 was €1.00 = \$1.2282.

[Table of Contents](#)

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Relating to Our Business

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.

The additive manufacturing, or 3D printing, industry is rapidly growing on a global scale and is subject to constant innovation and technological change. A variety of technologies compete against one another in our market, which is driven, in part, by technological advances and end-user requirements and preferences, as well as by the emergence of new standards and practices. As the additive manufacturing market evolves, the industry standards that are adopted and adhered to are a function of the inherent qualities of the technology as well as the willingness of members of the industry to adopt them. To remain competitive, we depend in large part on our ability to increase and maintain market share and influence in the industry in order to be recognized as a market standard. Nonetheless, in the future, our influence in setting standards for the additive manufacturing industry may be limited and the standards adopted by the market may not be compatible with our present or future products and services.

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.

Our present or future software, products and services could be rendered obsolete or uneconomical by technological advances by one or more of our present or future competitors or by other technologies. Our ability to remain competitive will depend, in large part, on our ability to enhance and adapt our current software, product and services to developments in market technologies and demands and to enhance and develop new 3D printing software solutions, products and services. We believe that to remain competitive we must continuously enhance and expand the functionality and features of our products, services and technologies. However, there can be no assurance that we will be able to:

- maintain and enhance the market share of our current products, services and technologies;
- enhance our existing product, services and technologies;
- continue to leverage advances in 3D printing technology;
- develop new products, services and technologies that address the increasingly sophisticated and varied needs of prospective end-users;
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis;
- develop products and services that are cost effective or that otherwise gain market acceptance; or
- adequately protect our intellectual property as we develop new products, services and technologies and anticipate intellectual property claims from third parties.

[Table of Contents](#)

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.

To remain competitive, we currently, and we intend to continue to, invest significant amounts in various research and development programs. There can be no assurances, however, that these research and development programs will improve our existing additive manufacturing software solutions, products and services or create new software, products or services. Even if some of these programs are successful, it is possible that the new software, products or services developed from such programs will not be commercially viable, that new 3D printing technologies that we, or others, develop will eventually supplant our current 3D printing technologies, that changes in the manufacturing or use of 3D printers will adversely affect the need or demand for our software, products or services or that our competitors will create or successfully market 3D printing technologies that will replace our solutions, products and services in the market. As a result, any of our software solutions, products or services may be rendered obsolete or uneconomical and our significant investments in all or some of our research and development programs may be lost.

Existing and increased competition may reduce our revenue and profits.

The market segments in which we operate, Materialise Software, Materialise Medical and Materialise Manufacturing, are characterized by vigorous competition, by entry of competitors with innovative technologies, by consolidation of companies with complementary products, services and technologies, and by entry of large corporations in any one or more of our market segments.

In particular, the barriers to enter the software, medical and industrial markets with 3D printing solutions are decreasing rapidly.

In the Materialise Software segment, the availability of computing devices with continually expanding performance at progressively lower prices contributes to the ease of market entry. Additionally, there are certain open source software applications that are being offered free of charge or for a nominal fee that can place additional competitive pressure on us. In addition, 3D printer manufacturers, which closely work with their customers, may successfully bundle their own software solutions with their equipment, which may make our independent software solutions obsolete. In addition, companies that have greater financial, technical, sales and marketing and other resources, including market leaders with significant in-house capacities in software development, or existing computer-aided design, or CAD, software providers, may, at any point in time, enter the additive manufacturing market and very rapidly gain a significant share of the markets that we target.

In the Materialise Medical segment, medical device companies are investing in 3D printing solutions that may compete with our software solutions, products and services. Companies that initially rely on us to enter the additive manufacturing market for medical applications may, as they gain experience and as 3D printing technology gains strategic importance, decide to develop their own in-house solutions and enter the market themselves with their own software, products or services, thus becoming competitors and denying us continued access to their distribution channels.

In the Materialise Manufacturing segment, as additive manufacturing gains importance as a strategic technology, our customers are likely to bring 3D manufacturing in-house and reduce or even discontinue using our 3D printing services. In addition, competitors with more efficient or profitable business models, superior techniques or more advanced technologies may take market share away from us.

Because of these and other factors, competitive conditions in the industry are likely to intensify in the future. Increased competition could result in price reductions, reduced revenue and operating margins and loss of market share, any of which would likely harm our results of operations.

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 strategy includes entering into collaborations with our customers in certain large-scale markets and leveraging these collaborations to enter into other underserved specialty markets. For example, in the medical market, we have entered into collaborations with Zimmer Biomet Holdings, Inc., or Zimmer Biomet, Encore Medical, L.P. (d/b/a DJO Surgical), or DJO Surgical, DePuy Synthes Companies of Johnson & Johnson, or DePuy Synthes, as well as with Global Orthopaedic Technology Pty Ltd, or Global Orthopaedic Technology, Limacorporate Spa, or Lima, Mathys AG, or Mathys, Howmedica Osteonics Corp., or Stryker, and Corin Ltd, or Corin. Increased adoption of our software, products and services, especially in potentially high-growth specialty markets, will depend in part on our current and future collaborators' willingness to continue to adopt our additive manufacturing solutions in their markets and on our ability to continue to collaborate with these and other players. Certain of our customers that have initially relied on our 3D printing software and services have announced their intention to bring their 3D printing operations in-house and enter the market themselves, and other customers may also do so in the future as they gain experience and as 3D printing technology gains strategic importance, thus denying us continued access to their distribution channels. In addition, a change of control of any of our collaboration partners may negatively impact our relationship. If we are not able to maintain our existing collaborations and develop new collaborative relationships, our foothold in larger markets and expansion into potentially high-growth specialty markets could be harmed significantly.

[Table of Contents](#)

Our revenue and results of operations may fluctuate.

Our revenue and results of operations may fluctuate from quarter-to-quarter and year-to-year and are likely to continue to vary due to a number of factors, many of which are not within our control. You should not rely on our past results as an indication of our future performance.

Fluctuations in our results of operations and financial condition may occur due to a number of factors, including, but not limited to, those listed below and those identified throughout this annual report:

- our ability to continue, renew or replace relationships with key customers;
- the degree of market acceptance of our software and our products;
- the mix of software, products and services that we sell during any period, as well as the mix of the various markets in which we make sales during said periods;
- a decline in new or renewed periodic licenses or maintenance contracts;
- delays in the introduction of new features;
- the entry of new competitors into our market;
- the development and degree of market acceptance of new competitive systems or processes by others;
- changes in our pricing policies or those of our competitors, including our responses to price competition;
- changes in the amount we spend in our marketing and other efforts;
- delays between our expenditures to develop, acquire or license new technologies and processes, and the generation of sales related thereto;
- the amounts we spend on, and the success rate of, our research and development activities;
- changes in the regulatory environment, including changes in regulatory laws and regulations and the interpretation thereof, applicable to our software programs, products or services;
- delays in obtaining regulatory approval for our software programs, products or services;
- interruptions to or other problems with our website and interactive user interface, information technology systems, manufacturing processes or other operations;
- general economic and industry conditions that affect end-user demand and end-user levels of product design and manufacturing, including the adverse effects of global economic uncertainties; and
- changes in accounting rules and tax laws.

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

The industrial and medical industries are generally dominated by conventional production methods with limited use of additive manufacturing technology in certain specific instances. If additive manufacturing technology, in particular but not limited to, for the production of end parts does not gain more mainstream market acceptance, or gains market acceptance at a significantly slower pace than currently expected, or if the marketplace adopts additive manufacturing based on a technology other than the technologies that we currently use or serve, we may not be able to meet our growth objectives or increase or sustain the level of sales of our additive manufacturing software solutions, products and services, and our results of operations would be adversely affected as a result.

[Table of Contents](#)

We are dependent upon sales to certain industries.

Our revenue from products are currently relatively concentrated in the industrial and medical industries, and particularly in the automotive and orthopedic/cranio-maxillofacial segments within such industries, respectively. This concentration has especially increased in the automotive segment following our acquisition of ACTech in October 2017. To the extent any of these industries experiences a downturn and we are unable to penetrate and expand in other industries, our results of operations may be adversely affected. Additionally, if any of these industries or their respective suppliers or other providers of manufacturing services develop new technologies or alternatives to manufacture the products that are currently manufactured using our 3D printing software, products and services, it may adversely affect our results of operations.

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.

We purchase consumables and other components that are used in our production from third-party suppliers. We currently use only a limited number of suppliers for several of the consumables for our print materials. Our reliance on a limited number of vendors involves a number of risks, including:

- potential shortages of some key consumables or other components;
- printed material performance or quality shortfalls, if traceable to particular consumables or other components, since the supplier of the faulty consumable or component cannot readily be replaced;
- discontinuation of a consumable or other component on which we rely;
- potential insolvency of these vendors; and
- reduced control over delivery schedules, manufacturing capabilities, quality and costs.

If certain suppliers were to decide to discontinue production, or the supply to us, of a consumable or other component that we use, the unanticipated change in the availability of supplies, or unanticipated supply limitations, could cause delays in, or loss of, sales, increased production or related costs and, consequently, reduced margins, and damage to our reputation. In addition, because we use a limited number of suppliers, increases in the prices charged by our suppliers may have an adverse effect on our results of operations, as we may be unable to find a supplier who can supply us at a lower price. As a result, the loss of a limited source supplier could adversely affect our relationships with our customers and our results of operations and financial condition.

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

Our success depends upon the continued service and performance of our senior management and other key personnel, including engineers, designers, software developers and product managers, and our ability to identify, hire, develop, motivate and retain qualified personnel in the future. Competition for senior management and key employees in our industry is intense and we cannot guarantee that we will be able to retain our personnel or attract new, qualified personnel. We may need to invest significant amounts of cash and equity to attract and retain new employees and we may not realize returns on these investments. The loss of the services of members of our senior management or key employees could prevent or delay the implementation and completion of our strategic objectives, could divert management's attention to seeking certain qualified replacements or could adversely affect our ability to manage our company effectively. Each member of senior management as well as our key employees may resign at any time. Only some of the members of our senior management are subject to non-competition agreements, which may also be difficult to enforce. Accordingly, the adverse effect resulting from the loss of certain members of senior management or other key employees could be compounded by our inability to prevent them from competing with us. We do not carry key-man insurance on any member of our senior management team or other key personnel. If we lose the ability to hire and retain key executives and employees with a diversity and high level of skills in appropriate domains (such as research and development and sales), it could have a material adverse impact on our business activities and results of operations.

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.

We intend to continue to make investments to support the growth of our business and may require additional funds to respond to business challenges, including the need to implement our growth strategy, increase market share in our current markets or expand into other markets, or broaden our technology, intellectual property or service capabilities. Accordingly, we may require additional investments of capital from time to time, and our existing sources of cash and any funds generated from operations may not provide us with sufficient capital. For various reasons, including any noncompliance with existing or future lending arrangements, additional financing, may not be available when needed, or may not be available on terms favorable to us. If we fail to obtain adequate capital on a timely basis or if capital cannot be obtained on terms satisfactory to us, we may not be able to achieve our planned rate of growth, which will adversely affect our results of operations.

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

We face significant operational risks as a result of doing business internationally, such as:

- fluctuations in foreign currency exchange rates;
- potentially longer sales and payment cycles;
- potentially greater difficulties in collecting accounts receivable;
- potentially adverse tax consequences, including liabilities imposed from inconsistent enforcement;
- challenges in providing solutions across a significant distance, in different languages and among different cultures;
- transportation delays;
- becoming subject to the different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- reduced protection of, or significant difficulties in enforcing, intellectual property rights in certain countries;
- difficulties in staffing and managing foreign operations, particularly in new geographic locations;
- restrictions imposed by local labor practices and laws on our business and operations, including unilateral cancellation or modification of contracts;
- expropriation or nationalization of property;
- rapid changes in government, economic and political policies and conditions, political or civil unrest or instability, terrorism or epidemics and other similar outbreaks or events;
- operating in countries with a higher incidence of corruption and fraudulent business practices;
- seasonal reductions in business activity in certain parts of the world, particularly during the summer months in Europe;
- costs and difficulties of customizing products for foreign countries; and
- tariffs, trade barriers and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets.

We maintain important software research and development and engineering centers in Malaysia and Ukraine. In Malaysia, the government may exercise substantial control over certain sectors of the economy through regulation and state ownership. In Ukraine, the political and economic situation, in general, and the relations among Ukraine, United States, the European Union and Russia, in particular, remain unstable. We continue to monitor the situation in Ukraine and have a risk mitigation plan designed to limit the impact on our operations in case of escalation of the instability in that region. However, escalation could have a significant impact on our operations, in particular in the event where internet services would no longer be available in Ukraine or where the situation would become such that our employees would no longer be able to work from their homes. Our facility in Ukraine does not focus on sales to the Ukrainian market and mainly provides supporting activities for our global operations. Any material disruption of these supporting activities, however, could significantly impact our ability to further develop our products and to continue to service our customers globally. Moreover, changes in the laws and regulations of Malaysia or Ukraine, or in their interpretation or enforcement, including with respect to operations such as ours, which rely to a large extent on local private entrepreneurs, may significantly impact our activities in Malaysia or Ukraine, which would limit our future growth and adversely affect our results of operations. Our failure to manage the market and operational risks associated with our international operations effectively could limit the future growth of our business and adversely affect our results of operations.

Our international operations pose currency risks, which may adversely affect our results of operations and net income.

Our results of operations may be affected by volatility in currency exchange rates and our ability to effectively manage our currency transaction risks. In general, we conduct our business, earn revenue and incur costs in the local currency of the countries in which we operate. During the year ended December 31, 2017, approximately 69% of our revenue was generated, and approximately 70% of our total costs were incurred in euros. As we continue to expand internationally, our exposure to currency risks will increase. Historically, we have not managed our foreign currency exposure in a manner that would eliminate the effects of changes in foreign exchange rates. Changes in exchange rates between the foreign currencies in which we do business and the euro will affect our revenue, cost of sales, and operating margins, and could result in exchange losses in any given reporting period.

Changes in tax laws, treaties or regulations could adversely affect our financial results.

Our future effective tax rates could be adversely affected by changes in tax laws, treaties and regulations, both internationally and domestically, including possible changes to the patent income deduction and innovation income deduction regime in Belgium or the way it proportionately impacts our effective tax rate. An increase of our future effective tax rates could have a material adverse effect on our business, financial position, results of operations and cash flows. Our financial statements for the year ending December 31, 2017 already take into account the announced corporate tax rate decreases in Belgium and the United States.

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 have in the past and intend to continue to evaluate opportunities to acquire or invest in, companies that we believe have products, services, competencies or capabilities that are a strategic or commercial fit with any of our businesses or that otherwise offer opportunities for our company. For example, in 2017, we acquired ACTech, a full service manufacturer of complex metal parts based in Germany. In connection with acquisitions or investments, we may:

- issue ADSs or other forms of equity that would dilute our existing shareholders' percentage of ownership;
- incur debt and assume liabilities; and/or
- incur amortization expenses related to intangible assets or incur large and immediate write-offs.

If we complete an acquisition or investment, we cannot assure you that it will ultimately strengthen our competitive position or that it will be viewed positively by customers, suppliers, employees, financial markets or investors. Furthermore, future acquisitions or investments could pose numerous additional risks to our operations, including:

- problems integrating the purchased business, products, services or technologies;
- challenges in achieving strategic objectives, cost savings and other anticipated benefits;
- increases to our expenses;
- the assumption of significant liabilities that exceed the limitations of any applicable indemnification provisions or the financial resources of any indemnifying party;
- inability to maintain relationships with key customers, vendors and other business partners of our current or acquired businesses;
- diversion of management's attention from their day-to-day responsibilities;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- entrance into marketplaces where we have no or limited prior experience and where competitors have stronger marketplace positions;

[Table of Contents](#)

- potential loss of key employees, particularly those of the acquired entity; and
- historical financial information may no longer be representative or indicative of our results as a combined company.

Alternatively, while certain acquisitions or investments may be of strategic importance for the execution of our business plan, we may not ultimately be able to complete such acquisitions or investments on favorable terms, or at all, which may in turn materially affect our ability to grow or even cause us to lose market share, and could have a material adverse effect on our business, 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.

In the ordinary course of our business, we may enter into collaborations, in-licensing arrangements, joint ventures, strategic alliances or partnerships to develop proposed products or services and to pursue new markets. For example, in the Materialise Medical segment, we have collaborations with leading medical device companies for the development and distribution of our surgical planning software, services, and products, including with Zimmer Biomet, DJO Surgical, DePuy Synthes, Global Orthopaedic Technology, Lima and Mathys. Furthermore, in the Materialise Software segment, we have established a collaboration with Siemens PLM, or Siemens, and, in the Materialise Manufacturing segment, we have established collaborations with HOYA Vision Care Company, or HOYA, and PTC Inc., or PTC. Proposing, negotiating and implementing collaborations, in-licensing arrangements, joint ventures, strategic alliances or partnerships may be a lengthy and complex process. Other companies, including those with substantially greater financial, marketing, sales, technology or other business resources, may compete with us for these opportunities or arrangements. We may not succeed in maintaining, renewing or extending existing collaborations or in identifying, securing, or completing any such new transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms or at all. We may also not realize the anticipated benefits of any such transaction or arrangement. In particular, these collaborations may not result in the development of products or services that achieve commercial success or result in significant revenue and could be terminated prior to developing any products or services.

Additionally, we may not be in a position to exercise sole decision making authority regarding the transaction or arrangement, which could create the potential risk of creating impasses on decisions, and our collaboration partners may have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals. It is possible that conflicts may arise with our current or future collaboration partners, such as conflicts concerning the achievement of performance milestones, or the interpretation of terms under any agreement, such as those related to financial obligations or the ownership or license rights or control of intellectual property developed before or during the collaboration. If any conflicts arise with our current or future collaboration partners, they may act in their self-interest, which may be adverse to our best interest, and they may breach their obligations to us. In addition, we have limited control over the amount and timing of resources that our current collaboration partners or any future collaboration partners devote to our collaboration partners' or our future products or services. Disputes with our collaboration partners may result in litigation or arbitration that would increase our expenses and divert the attention of our management. Further, these transactions and arrangements are contractual in nature and may be terminated or dissolved under the terms of the applicable agreements and, in such event, we may not continue to have rights to the products or access to the markets relating to such transaction or arrangement or may need to purchase such rights at a premium.

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

We operate in a number of countries throughout the world, and are committed to doing business in accordance with applicable anti-corruption laws. We are subject, however, to the risk that our officers, directors, employees, agents and collaboration partners may take action determined to be in violation of such anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act 2010 and the Belgian Penal Code, as well as trade sanctions administered by the Office of Foreign Assets Control and the U.S. Department of Commerce. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties or curtailment of operations in certain jurisdictions, and might adversely affect our results of operations. In addition, actual or alleged violations could damage our reputation and ability to do 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.

Sophisticated software and complex 3D printed products may contain errors, defects or other performance problems at any point in the life of the product. If errors or defects are discovered in our current or future software or other products, we may not be able to correct them in a timely manner, or provide an adequate response to our customers. We may therefore need to expend significant financial, technical and management resources, or divert some of our development resources, in order to resolve or work around those defects. We may also experience an increase in our service and warranty costs. Particularly in the medical sector, errors or defects in our software or products could lead to claims by patients against us and our customers and expose us to

[Table of Contents](#)

lawsuits that may damage our and our customers' reputations. Claims may be made by individuals or by classes of users. Our product liability and related insurance policies may not apply or sufficiently cover any product liability lawsuit that arises from defective software or products. Customers such as our collaboration partners may also seek indemnification for third party claims allegedly arising from breaches of warranties under our collaboration agreements.

Errors, defects or other performance problems in our software or other products may also result in the loss of, or delay in, the market acceptance of our software, our products and related 3D printing or engineering services or postponement of customer deployment. Such difficulties could also cause us to lose customers and, particularly in the case of our largest customers, the potentially substantial associated revenue which would have been generated by our sales to companies participating in our customer's supply chain. Technical problems, or the loss of a customer with a particularly important global reputation, could also damage our own business reputation and cause us to lose new business opportunities.

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.

We rely on our information technology systems and databases to manage numerous aspects of our business and to provide analytical information to management. Our information technology systems allow us to, among other things, optimize our software development and research and development efforts, organize our in-house 3D printing services logistics, efficiently purchase products from our suppliers, provide other procurement and logistic services, ship and invoice products to our customers on a timely basis, maintain cost-effective operations and generally provide service to our customers. Our information technology systems are an essential component of our business and growth strategies, and a disruption to our information technology systems could significantly limit our ability to manage and operate our business efficiently. Although we take steps to secure our information technology systems, including our computer systems, intranet and internet sites, email and other telecommunications and data networks, the security measures we have implemented may not be effective and our systems may be vulnerable to, among other things, damage and interruption from power loss, including as a result of natural disasters, computer system and network failures, loss of telecommunication services, operator negligence, loss of data, security breaches, computer viruses and other disruptive events. Any such disruption could adversely affect our reputation, brand and financial condition.

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.

We make significant efforts to maintain the security and integrity of our product source code and computer systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. These threats include identity theft, unauthorized access, DNS attacks, wireless network attacks, viruses and worms, advanced persistent threat (APT), application centric attacks, peer-to-peer attacks, phishing, backdoor trojans and distributed denial of service (DDoS) attacks. Any of the foregoing could attack our products and computer systems. Despite significant efforts to create and continuously reinforce the security barriers to such programs, it is virtually impossible for us to entirely eliminate this risk. Like all software products and computer systems, our software products and computer systems are vulnerable to such cyber attacks, and our computer systems have been subject to certain cyber security incidents in the past. The impact of cyber attacks could disrupt the proper functioning of our software products and computer systems, cause errors in the output of our or our customers' work, allow unauthorized access to sensitive, proprietary or confidential information of our company, our customers or the patients that we and our customers serve through our medical solutions. Moreover, as we continue to invest in new lines of products and services we are exposed to increased security risks and the potential for unauthorized access to, or improper use of, the information of our product and service users. If any of the foregoing occur, our reputation may suffer, customers may stop buying our products or services, we could face lawsuits and potential liability, and our results of operations could be adversely affected.

We rely on third party technology, platform, carriers, server and hardware providers, and a failure of service by these providers could adversely affect our business and reputation.

We rely upon a third party provider to host our main servers. If this provider is unable to handle current or higher volumes of use, experiences any interruption in operations or ceases operations for any reason or if we are unable to agree on satisfactory terms for a continued hosting relationship, we would be forced to enter into a relationship with other service providers or assume hosting responsibilities ourselves. If we are forced to switch hosting facilities, we may not be successful in finding an alternative service provider on acceptable terms or in hosting the computer servers ourselves. We may also be limited in our remedies against our third party hosting provider in the event of a failure of service. A failure or limitation of service or available capacity by our third party hosting provider could adversely affect our business and reputation.

Workplace accidents or environmental damage could result in substantial remedial obligations and damage to our reputation.

Accidents or other incidents that occur at our service centers and other facilities or involve our personnel or operations could result in claims for damages against us. In addition, in the event we are found to be financially responsible, as a result of environmental or other laws or by court order, for environmental damages alleged to have been caused by us or occurring on our premises, we could be required to pay substantial monetary damages or undertake expensive remedial obligations. The amount of any costs, including fines or damages payments that we might incur under such circumstances could substantially exceed any insurance we have to cover such losses. Any of these events, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations and could adversely affect our reputation.

Our operations are subject to environmental laws and other government regulations that could result in liabilities in the future.

We are subject to local environmental laws and regulations governing our operations, including, but not limited to, emissions into the air and water and the use, handling, disposal and remediation of hazardous substances. A certain risk of environmental liability is inherent in our production activities. Under certain environmental laws, we could be held solely or jointly and severally responsible, regardless of fault, for the remediation of any hazardous substance contamination at our service centers and other facilities and the respective consequences arising out of human exposure to such substances or other environmental damage. We may not have been and may not be at all times in complete compliance with environmental laws, regulations and permits, and the nature of our operations exposes us to the risk of liabilities or claims with respect to environmental and worker health and safety matters. If we violate or fail to comply with environmental laws, regulations and permits, we could be subject to penalties, fines, restrictions on operations or other sanctions, and our operations could be interrupted. The cost of complying with current and future environmental, health and safety laws applicable to our operations, or the liabilities arising from past releases of, or exposure to, hazardous substances, may result in future expenditures. Any of these developments, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

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.

We have six 3D printing service centers in Europe, the United States and Asia, including our principal 3D printing service center located in Leuven, Belgium. If the operations of these facilities are materially disrupted, whether by fires or other industrial accidents, extreme weather, natural disasters, labor stoppages, acts of terror, or otherwise, we would be unable to fulfill customer orders for the period of the disruption, we would not be able to recognize revenue on orders, we could suffer damage to our reputation, and we might need to modify our standard sales terms to secure the commitment of new customers during the period of the disruption and perhaps longer. Depending on the cause of the disruption, we could incur significant costs to remedy the disruption and resume providing 3D printing services. Such a disruption could have an adverse effect on our results of operations.

We could experience unforeseen difficulties in building and operating key portions of our 3D printing infrastructure.

We have designed and built our own 3D printing operations, 3D printer platforms and other key portions of our technical infrastructure through which we serve our products and services, and we plan to continue to expand the size of our infrastructure through expanding our 3D printing facilities. The infrastructure expansion we may undertake may be complex, and unanticipated delays in the completion of these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality of our products. In addition, there may be issues related to this infrastructure that are not identified during the design and implementation phases, which may only become evident after we have started to fully utilize the underlying equipment, that could further degrade the user experience or increase our costs.

We may not have adequate insurance for potential liabilities, including liabilities arising from litigation.

In the ordinary course of business, we have been, and in the future may be, subject to various product and non-product related claims, lawsuits and administrative proceedings seeking damages or other remedies arising out of our commercial operations, including litigation related to defects in our software or other products. We maintain insurance to cover our potential exposure for a number of claims and losses. However, our insurance coverage is subject to various exclusions, self-retentions and deductibles, may be inadequate or unavailable to protect us fully, and may be cancelled or otherwise terminated by the insurer. Furthermore, we face the following additional risks related to our insurance coverage:

- we may not be able to continue to obtain insurance coverage on commercially reasonable terms, or at all, including with respect to our activities in the medical industry;
- we may be faced with types of liabilities that are not covered under our insurance policies, such as environmental contamination, terrorist attacks or alleged infringements of third parties' intellectual property rights, and that exceed any amounts that we may have reserved for such liabilities;
- the amount of any liabilities that we may face may exceed our policy limits; and
- we may incur losses resulting from the interruption of our business that may not be fully covered under our insurance policies.

[Table of Contents](#)

Even a partially uninsured claim of significant size, if successful, could have a material adverse effect on our business, financial condition, results of operations and liquidity. However, even if we successfully defend ourselves against any such claim, we could be forced to spend a substantial amount of money in litigation expenses, our management could be required to spend valuable time defending these claims and our reputation could suffer, any of which could adversely affect our results of operations.

Current and future global economic uncertainties and political conditions may adversely affect our results of operations.

Our results of operations could be substantially affected not only by global economic conditions, but also by local operating and economic conditions, which can vary substantially by market. Unfavorable conditions can depress sales in a given market and may result in actions that adversely affect our margins, constrain our operating flexibility or result in charges that are unusual or non-recurring. Certain macroeconomic events, such as adverse conditions in the global economy, including most recently with the market disruptions caused by the economic and political challenges facing China and Brazil and certain Eurozone countries, and the exit by the United Kingdom from the European Union (commonly referred to as “Brexit”) could have a more wide-ranging and prolonged impact on the general business environment, which could also adversely affect us. These economic developments could affect us in numerous ways, many of which we cannot predict. We are unable to predict the likely duration and severity of the current disruption in financial markets and adverse economic conditions, or the effects these disruptions and conditions could have on us.

In addition, political and economic developments could also result in changes to legislation or reformation of government policies, rules and regulations, including in relation to tax and trade. Such changes could have a significant impact on our business by increasing the cost of doing business, affecting our ability to sell our software, products and services and negatively impacting our profitability. For example, as a result of the June 2016 Brexit referendum, the British government is negotiating the terms of the United Kingdom’s future relationship with the European Union. Although it is unknown what the final terms will be, it is possible that there will be greater restrictions on imports and exports between the United Kingdom and European Union countries and increased regulatory complexities. These changes may adversely affect our operations and financial results.

Additionally, there have been public announcements by members of the U.S. Congress, President Trump and his administration regarding the possible implementation of a border tax, tariff or increase in custom duties on products manufactured outside of and imported into the United States, as well as the renegotiation of U.S. trade agreements, and, in March 2018, Mr. Trump issued two proclamations imposing tariffs on imports of certain steel and aluminum products. The implementation of a border tax, tariff or higher customs duties on our products imported into the United States or on raw materials we import into the United States, or any potential corresponding actions by other countries in which we do business, could negatively impact our financial performance.

We face potential liability related to the privacy and security of personal information we collect.

In particular, but not exclusively, in connection with our Materialise Medical segment, we may have access to personal information that is subject to a number of U.S. federal and state, E.U. and other applicable foreign laws protecting the confidentiality of certain patient health or other private information, including patient records, and restricting the use and disclosure of that protected information.

In the United States, we are subject to the Health Insurance Portability and Accountability Act, or HIPAA, the Health Information Technology for Economic and Clinical Health Act of 2009, regulations issued pursuant to these statutes, state privacy and security laws and regulations. These statutes, regulations and contractual obligations impose numerous requirements regarding the use and disclosure of personal health information with which we must comply.

In the European Union, the General Data Protection Regulation, or the GDPR, was passed on May 24, 2016, and will replace the current E.U. Data Protection Directive, when it comes into force in May 25, 2018. It introduces new data protection requirements in the European Union, unprecedented regulatory risk for non-compliant data processors and controllers and sizeable penalties for serious breaches - up to €20 million or 4% of global turnover - whichever is higher. The GDPR also significantly expands the territorial reach of existing E.U. data protection and privacy rules. Our business will need to be adapted to meet these obligations.

In ensuring continued compliance with the E.U. regime, our transfer of any personal data from the European Union to the United States must be done in a manner which satisfies E.U. cross-border data transfer requirements. While this may be achieved under the E.U.-U.S. “Privacy Shield,” the legality of this regime has been challenged on a number of occasions in European courts. We will need to take steps to mitigate the risk of the Privacy Shield being invalidated as happened to the previous “Safe Harbour” regime. Adherence to the Privacy Shield is not, however, mandatory. U.S. based companies are permitted to rely either on their adherence to the E.U.-U.S. Privacy Shield or on the other authorized means and procedures to transfer personal data provided by the GDPR, such as the inclusion of standard contractual clauses in contracts between controllers and processors.

In addition, the use and disclosure of personal health and other private information is subject to regulation in other jurisdictions in which we do business or expect to do business in the future. Those jurisdictions may attempt to apply such laws extraterritorially or through treaties or other arrangements with European governmental entities. We might unintentionally violate such laws, such laws may be modified and new laws may be enacted in the future which may increase the chance that we violate them. For example, the GDPR contains rules relating to the collection and processing of personal information, which are not identical to the current rules under national privacy laws and which contain more strict provisions. Any such developments, or developments stemming from enactment or modification of other laws, or the failure by us to comply with their requirements or to accurately anticipate the application or interpretation of these laws could create material liability to us, result in adverse publicity and negatively affect our medical business.

Our failure to accurately anticipate the application or interpretation of these statutes, regulations and contractual obligations as we develop our medical and other products and services, a failure by us to comply with their requirements (e.g., evolving encryption and security requirements) or an allegation that defects in our medical or other products have resulted in noncompliance by our customers could create material civil and/or criminal liability for us, resulting in adverse publicity and negatively affecting our medical business. Any legislation or regulation in the area of privacy and security of personal information could affect the way we operate and could harm our business. The costs of compliance with, and the other burdens imposed by, these and other laws or regulatory actions may prevent us from selling our solutions or increase the costs associated with selling our products and services, and may affect our ability to invest in or jointly develop our products and services in the United States, the European Union and in foreign jurisdictions. Further, we cannot assure you that our privacy and security policies and practices will be found sufficient to protect us from liability or adverse publicity relating to the privacy and security of personal information.

Risks Related to Our Materialise Medical Segment and Regulatory Environment

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

Our medical products are subject to rigorous regulation by the European Commission, the U.S. Food and Drug Administration, or the FDA, and numerous other applicable governmental authorities. In general, the development, testing, manufacturing and marketing of our medical products are subject to extensive regulation and review by numerous governmental authorities in the European Union, the United States and in other markets where we are currently active or may become active in the future. The regulatory process requires the expenditure of significant time, effort and expense to bring new medical products to market, and we cannot be certain that we will receive regulatory approvals, certifications or registrations in any country in which we plan to market our medical products.

The laws and regulations, including the requirements for approvals, certifications or registrations and the time required for regulatory review, vary from country to country. The regulatory approval process outside the European Union and the United States may include all of the risks associated with obtaining CE or FDA clearance or approval in addition to other risks. Clearance or approval by the FDA in the United States, or declaration of conformity assessment and affixing a CE mark in the EEA, does not ensure approval or certification by regulatory authorities in other countries, and approval or certification by one foreign regulatory authority does not ensure approval by regulatory authorities in other countries. We may be required to perform additional pre-clinical or clinical studies even if FDA clearance or approval, or the right to bear the CE label, has been obtained. We may not obtain regulatory approvals or certifications outside the European Union and the United States on a timely basis, if at all. If we fail to receive necessary approvals to commercialize our medical products in jurisdictions outside the European Union and the United States on a timely basis, or at all, our medical business, financial condition and results of operations could be adversely affected.

In addition, we are required to implement and maintain stringent reporting, labeling and record keeping procedures and make our facilities and operations subject to periodic inspections, both scheduled and unannounced, by the regulatory authorities. The medical device industry is also subject to a myriad of complex laws and regulations governing reimbursement, which varies from jurisdiction to jurisdiction in the European Union and which includes Medicare and Medicaid reimbursement in the United States as well as healthcare fraud and abuse laws, with these laws and regulations being subject to interpretation. In many instances, the industry does not have the benefit of significant regulatory or judicial interpretation of these laws and regulations. In certain public statements, governmental authorities have taken positions on issues for which little official interpretation was previously available.

[Table of Contents](#)

Some of these positions appear to be inconsistent with common practices within the industry but that have not previously been challenged.

Various governmental agencies have become increasingly vigilant in recent years in their investigation of various business practices. Governmental and regulatory actions against us can result in various actions that could adversely impact our medical operations, including:

- the recall or seizure of products;
- the suspension or revocation of the authority necessary for the production or sale of a product;
- the delay of our ability to introduce new products into the market;
- the suspension of shipments from particular manufacturing facilities;
- the issuance of warning letters or untitled letters;
- the imposition of operating restrictions;
- the imposition of injunctions;
- the imposition of fines and penalties;
- the exclusion of our products from being reimbursed by healthcare programs in the European Union or U.S. federal and state healthcare programs (such as Medicare, Medicaid, Veterans Administration health programs and Civilian Health and Medical Program of the Uniformed Services);
- the delay or denial of customs clearance of our products for import in certain jurisdictions; and
- other civil or criminal sanctions against us.

Failure to comply with applicable regulatory requirements could also result in civil actions against us and other unanticipated expenditures. Any of these actions, in combination or alone, or even a public announcement that we are being investigated for possible violations of these laws, could have a material adverse effect on our medical business, financial condition, results of operations and cash flows. If investigated, we cannot assure that the costs of defending or resolving those investigations or proceedings would not have a material adverse effect on our financial condition, results of operations and cash flows.

In many of the countries in which we market our medical products, we are subject to regulations affecting, among other things, clinical efficacy, product standards, packaging requirements, labeling requirements, import/ export restrictions, tariff regulations, duties and tax requirements. Many of the regulations applicable to our medical surgical guides, models, implants and software products in these countries are similar to those of the European Commission and the FDA. In addition, in many countries the national health or social security organizations require our medical products to be qualified before they can be marketed with the benefit of reimbursement eligibility. Failure to receive or delays in the receipt of relevant foreign qualifications also could have a material adverse effect on our medical business, financial condition, results of operations and cash flows.

As the government regulators in the European Union, United States and elsewhere have become increasingly stringent, we may be subject to more rigorous regulation by governmental authorities in the future.

Modifications to our medical products marketed in the United States may require new 510(k) clearances or premarket approvals, or may require us to cease marketing or recall the modified products until clearances are obtained.

Any modification to a 510(k)-cleared device that could significantly affect its safety or efficacy, or that would constitute a major change in its intended use, technology, materials, packaging and certain manufacturing processes, may require a new 510(k) clearance or, possibly, a premarket approval, or PMA. The FDA requires every manufacturer to make the determination regarding the need for a new 510(k) clearance or PMA in the first instance, but the FDA may (and often does) review the manufacturer's decision. The FDA may not agree with a manufacturer's decision regarding whether a new clearance or approval is necessary for a modification, and may retroactively require the manufacturer to submit a premarket notification requesting 510(k) clearance or an application for PMA. We have made modifications to our medical products in the past and may make additional modifications in the future that we believe did not or will not require additional clearances or approvals. No assurance can be given that the FDA would agree with any of our decisions not to seek 510(k) clearance or PMA. If the FDA requires us to cease marketing

and recall the modified device until we obtain a new 510(k) clearance or PMA, our medical business, financial condition, results of operations and future growth prospects could be materially adversely affected. Further, our medical products could be subject to recall if the FDA determines, for any reason, that our products are not safe or effective. Any recall or FDA requirement that we seek additional approvals or clearances could result in significant delays, fines, increased costs associated with modification of a product, loss of revenue and potential operating restrictions imposed by the FDA.

Healthcare policy changes, including legislation to reform the U.S. healthcare system, could adversely affect us.

From time to time, legislation is drafted and introduced that could significantly change the statutory provisions governing the clearance or approval, manufacture and marketing of a medical device. In addition, regulations and guidance are often revised or reinterpreted in ways that may significantly affect our medical business and our medical products. It is impossible to predict whether legislative changes will be enacted or regulations, guidance or interpretations changed, and what the impact of such changes, if any, may be.

For instance, in 2010, the U.S. Patient Protection and Affordable Care Act, as amended by the U.S. Health Care and Education Reconciliation Act of 2010, or collectively, the PPACA, was enacted, which included, among other things, the following measures: an excise tax on any entity that manufactures or imports medical devices offered for sale in the United States; a Patient-Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research; reporting and disclosure requirements on device manufacturers for any “transfer of value” made or distributed to prescribers and other healthcare providers, effective March 30, 2013 (referred to as the Physician Sunshine Payment Act); payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models, beginning on or before January 1, 2013; and an independent payment advisory board that will submit recommendations to reduce Medicare spending if projected Medicare spending exceeds a specified growth rate. Some of the provisions of the PPACA have yet to be fully implemented, while certain provisions have been subject to U.S. judicial and Congressional challenges. Efforts to repeal and replace the PPACA have been ongoing since the 2016 election, but it is unclear if these efforts will be successful. Since January 2017, President Trump has signed two Executive Orders and other directives designed to delay, circumvent or loosen the implementation of certain provisions requirements mandated by the PPACA or otherwise circumvent some of the requirements for health insurance mandated by the PPACA. In addition, as part of the December 2017 Tax Cuts and Jobs Act, the “individual mandate,” which required individuals to purchase insurance, was repealed. Thus, the full impact of the PPACA, any law repealing or replacing elements of it, and the political uncertainty surrounding any repeal or replacement legislation on our business remains unclear.

The excise tax described above was suspended on December 18, 2015 by the Consolidated Appropriations Act, 2016, which includes a two-year moratorium on the tax effective January 1, 2016 to December 31, 2017. New legislation passed in January 2018 further suspended the medical device excise tax through December 31, 2019. The status of the tax for sales after December 31, 2019 is not clear. The tax may continue to be suspended, or may be reinstated at the same or at a different level effective January 1, 2020. We cannot predict what healthcare programs and regulations will be ultimately implemented at the U.S. federal or state level, or at the E.U. level or within the implementing legislation of the individual E.U. Member States, or the effect of any future legislation or regulation. However, these provisions as adopted could meaningfully change the way healthcare is delivered and financed, and may materially impact numerous aspects of our medical business. In particular, any changes that lower reimbursements or reduce medical procedure volumes could adversely affect our medical business and results of operations.

In addition, in the future there may continue to be additional proposals relating to the reform of the healthcare systems of the United States, the European Union, any individual Member State of the European Union or any other jurisdiction where we may operate. On April 5, 2017, the Medical Devices Regulation (Regulation (EU) 2017/745) was adopted. The regulation will become applicable in 2020. Once applicable, the new regulations will among other things:

- strengthen the rules on placing devices on the market and reinforce surveillance once they are available;
- establish explicit provisions on manufacturers’ responsibilities for the follow-up of the quality, performance and safety of devices placed on the market;
- improve the traceability of medical devices throughout the supply chain to the end-user or patient through a unique identification number;
- set up a central database to provide patients, healthcare professionals and the public with comprehensive information on products available in the European Union; and
- strengthen rules for the assessment of certain high-risk devices, such as implants, which may have to undergo an additional check by experts before they are placed on the market.

This regulation could have a material adverse effect on our financial position and results of operations.

Furthermore, initiatives sponsored by government agencies, legislative bodies and the private sector to limit the growth of healthcare costs, including price regulation and competitive pricing, are ongoing in markets where we do business. We could experience a negative impact on our results of operations due to increased pricing pressure in certain or all of the markets in which we operate. Governments, hospitals and other third-party payors could reduce the amount of approved reimbursements for our products. Reductions in reimbursement levels or coverage or other cost-containment measures could unfavorably affect our future results of operations.

Our financial performance may be adversely affected by medical device tax provisions in the health care reform laws.

The PPACA imposes a deductible excise tax equal to 2.3% of the sales price of a medical device on any entity that manufactures, produces or imports medical devices offered for sale in the United States, with limited exceptions, beginning in 2013. These taxes could have a material, negative impact on our results of operations and our cash flows. The excise tax has, however, been suspended on December 18, 2015 by the Consolidated Appropriations Act, 2016, which includes a two-year moratorium on the tax effective January 1, 2016 to December 31, 2017. On January 22, 2018, legislation was passed that suspends the medical device excise tax for sales in 2018 and 2019. Absent further legislative action, this excise tax will be automatically reinstated for medical device sales starting on January 1, 2020. We cannot predict if the suspension of this tax will be extended or if additional regulations will be implemented in a manner that could adversely affect us.

The use, including the misuse or off-label use, of our medical services and products may be deemed unauthorized use or improper promotion, which could harm our image in the marketplace or result in injuries that lead to product liability suits and could be costly to our business or result in regulatory sanctions.

Medical decisions may only be made and operations may only be executed by trained professionals who are authorized to do so in the jurisdictions in which they operate.

Our medical services and products are generally designed to support surgeons in the planning and performance of their operations. In our medical software products set up, training and engineering support, we make it very clear that responsibility for medical decisions rests exclusively with the responsible surgeon, who is responsible for carefully reviewing and explicitly approving the surgical plan and/or the design of the medical device that is proposed by our software and engineers. Nonetheless, we cannot assure that patients, hospitals, surgeons or other parties will not try to hold us responsible for all or a part of the medical decisions underlying the operations that we support, exposing us to potential litigation or civil and criminal liability for unauthorized medical decision-making. Such actions or liability could lead governmental agencies to conclude that our products or services are used improperly, all of which could significantly damage our reputation and could materially impair the continued adoption of our medical services and product offering in the market.

In the markets in which we operate, our medical promotional materials and training methods must comply with numerous applicable laws and regulations, including the prohibition on the promotion of a medical device for a use that has not been cleared or approved by the relevant regulator or supervisory body. Use of a device outside of its cleared or approved indication is known as “off-label” use. If a relevant governmental authority determines that our medical promotional materials or training constitute promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, injunction, seizure, civil fine and criminal penalties. In that event, our reputation could be damaged and adoption of our medical products would be impaired. Although we train our sales force not to promote our medical products for off-label uses, and our instructions for use in all markets specify that our products are not intended for use outside of those indications cleared for use, competent regulatory agency could conclude that we have engaged in off-label promotion. In addition, there may be increased risk of injury if surgeons attempt to use our medical products off-label.

Surgeons also may misuse our medical products or use improper techniques if they are not adequately trained, potentially leading to injury and an increased risk of product liability. Product liability claims are expensive to defend and could divert our management’s attention and result in substantial damage awards against us. Any of these events could adversely affect our medical business, results of operations and reputation and our ability to attract and retain customers for our products and services.

If our marketed medical devices are defective or otherwise pose safety risks, the relevant governmental authorities could require their recall, or we may initiate a recall of our products voluntarily.

The relevant governmental authorities may require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture or in the event that a product poses an unacceptable risk to health. Manufacturers, on their own initiative, may recall a product if any material deficiency in a device is found. A government mandated or voluntary recall could occur as a result of an unacceptable risk to health, component failures, manufacturing errors, design or labeling defects or other deficiencies and issues. Recalls of any of our medical products would divert managerial and financial resources and have an adverse effect on our financial condition and results of operations. Any recall could impair our ability to produce our medical products in a cost-effective and timely manner in order to meet our customers’ demands. We also may be required to bear other costs or take other actions that may have a negative impact on our future revenue and our ability to generate profits. We may initiate voluntary recalls involving our medical products in the future that we determine do not require notification of the relevant regulatory body. If a governmental agency disagrees with our determinations, they could require us to report those actions as recalls. A future recall announcement could harm our reputation with customers and negatively affect our revenue. In addition, the relevant authority could take enforcement action for failing to report the recalls when they were conducted.

If our Materialise Medical segment products cause or contribute to a death or a serious injury, or malfunction in certain ways, we will be subject to medical device reporting regulations, which can result in voluntary corrective actions or agency enforcement actions.

Under the FDA medical device reporting regulations, or MDR, we are required to report to the FDA any incident in which our medical product has malfunctioned and would be likely to cause or contribute to a death or serious injury if the malfunction happened again. If we fail to report these events to the FDA within the required timeframes, or at all, the FDA could take enforcement action against us. Any adverse event involving our medical products could result in future voluntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection, mandatory recall or other enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a lawsuit, will require the dedication of our time and capital, distract management from operating our business, and may harm our reputation and financial results.

In the European Economic Area, we must comply with the E.U. Medical Device Vigilance System, the purpose of which is to improve the protection of health and safety of patients, users and others by reducing the likelihood of reoccurrence of incidents related to the use of a medical device. Under this system, incidents must be reported to the competent authorities of the Member States of the European Economic Area. An incident is defined as any malfunction or deterioration in the characteristics and/or performance of a device, as well as any inadequacy in the labeling or the instructions for use which, directly or indirectly, might lead to or might have led to the death of a patient or user or of other persons or to a serious deterioration in their state of health. Incidents are evaluated by the European Economic Area competent authorities to whom they have been reported, and where appropriate, information is disseminated between them in the form of National Competent Authority Reports, or NCARs. The E.U. Medical Device Vigilance System is further intended to facilitate a direct, early and harmonized implementation of Field Safety Corrective Actions, or FSCAs, across the Member States of the European Economic Area where the device is in use. An FSCA is an action taken by a manufacturer to reduce a risk of death or serious deterioration in the state of health associated with the use of a medical device that is already placed on the market. An FSCA may include the recall, modification, exchange, destruction or retrofitting of the device. FSCAs must be communicated by the manufacturer or its legal representative to its customers and/or to the end users of the device through Field Safety Notices.

Our Materialise Medical segment's 3D printing operations are required to operate within a quality management system that is compliant with the regulations of various jurisdictions, including the requirements of ISO 13485, and the U.S. Quality System Regulation, which is costly and could subject us to enforcement action.

We are subject to the regulations of various jurisdictions regarding the manufacturing process for our medical products, including the requirements of ISO 13485. Within the United States, we are required to comply with the Quality System Regulation, which covers, among other things, the methods of documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of our medical products. Compliance with these regulations is costly and time-consuming. In addition, the FDA enforces the U.S. Quality System Regulation through periodic announced and unannounced inspections of manufacturing facilities. The failure by a manufacturer to comply with applicable statutes and regulations administered by the FDA and other regulatory bodies, or the failure to timely and adequately respond to any adverse inspectional observations or product safety issues, could result in, among other things, any of the following enforcement actions:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- customer notifications or repair, replacement, refunds, recall, detention or seizure of our medical products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) clearance or PMA of new products or modified products;
- withdrawing 510(k) clearances or PMAs that have already been granted;
- refusal to grant export approval for our medical products; or
- criminal prosecution.

Any of these actions could impair our ability to produce our medical products in a cost-effective and timely manner in order to meet our customers' demands. We also may be required to bear other costs or take other actions that may have a negative impact on our future revenue and our ability to generate profits. Furthermore, our key component suppliers may not currently be or may not continue to be in compliance with all applicable regulatory requirements, which could result in our failure to produce our medical products on a timely basis and in the required quantities, if at all.

[Table of Contents](#)

We may be subject to or otherwise affected by U.S. federal and state, European or other healthcare laws, including fraud and abuse and health information privacy and security laws, and could face substantial penalties if we are unable to fully comply with such laws.

Healthcare regulation by U.S. federal and state, European or other governments could significantly impact our medical business. Healthcare fraud and abuse and health information privacy and security laws potentially applicable to our medical operations include:

- the U.S. federal Anti-Kickback Law, which constrains our marketing practices and those of our independent sales agencies, educational programs, pricing, bundling and rebate policies, grants for physician-initiated trials and continuing medical education, and other remunerative relationships with healthcare providers, by prohibiting, among other things, soliciting, receiving, offering or providing remuneration, intended to induce the purchase or recommendation of an item or service reimbursable under a U.S. federal healthcare program, such as the Medicare or Medicaid programs;
- U.S. federal false claims laws which prohibit, among other things, knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent;
- HIPAA, and its implementing regulations, which created federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters and which also imposes certain regulatory and contractual requirements regarding the privacy, security and transmission of individually identifiable health information;
- U.S. state laws analogous to each of the above federal laws, such as anti-kickback and false claims laws that may apply to items or services reimbursed by any third-party payor, including commercial insurers, and state laws governing the privacy and security of certain health information, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts; and
- similar foreign laws and regulations governing healthcare fraud and abuse, patient data privacy, interactions with healthcare professionals and related laws and regulations that apply to us in the countries in which we operate.

If our past or present operations are found to be in violation of any of such laws or any other governmental regulations that may apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from U.S. federal healthcare programs and the curtailment or restructuring of our operations. Similarly, if the healthcare providers or entities with whom we do business are found to be non-compliant with applicable laws, they may be subject to sanctions, which could also have a negative impact on us. Any penalties, damages, fines, curtailment or restructuring of our operations could adversely affect our ability to operate our medical business and our financial results. The risk of our company being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Further, the PPACA, among other things, amends the intent requirement of the U.S. federal anti-kickback and criminal health care fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the PPACA provides that the government may assert that a claim including items or services resulting from a violation of the U.S. federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Any action against us for violation of these laws, even if we successfully defend against them, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

Risks Related to Our Intellectual Property

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

We rely on a combination of patents, copyrights, trademarks, trade secrets, confidentiality and other contractual arrangements with our employees, end-users and others to maintain our competitive position. Our success depends, in part, on our ability to obtain patent protection for or maintain as trade secrets our proprietary products, technologies and inventions and to maintain the confidentiality of our trade secrets and know-how, operate without infringing upon the proprietary rights of others and prevent others from infringing upon our business proprietary rights.

Despite our efforts to protect our proprietary rights, it is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose or otherwise circumvent our technologies, software, inventions, processes or improvements. We cannot assure investors that any of our existing or future patents or other intellectual property rights will be enforceable, will not be challenged, invalidated or circumvented, or will otherwise provide us with meaningful protection or any competitive advantage. In addition, our pending patent applications may not be granted, and we may not be able to obtain foreign patents or elect to file applications corresponding to our U.S., European or other patents. We intend to expand our business to certain countries that may not provide the same level of patent or other intellectual property protection as the United States and the European Union. Even if we assert our patents or obtain additional patent or similar protection in such countries, effective enforcement of such patents or other rights may not be available. If our patents do not adequately protect our technology, our competitors may be able to offer products or services similar to ours or potential customers may gain illegal access to our proprietary technology. Our competitors may also be able to develop similar technology independently or design around our patents, and we may not be able to detect the unauthorized use of our proprietary technology or take appropriate steps to prevent such use. Any of the foregoing events would lead to increased competition and lower revenue or gross margins, which could adversely affect our results of operations.

[Table of Contents](#)

Moreover, ongoing changes to the U.S. patent laws may impact our ability to obtain and enforce our intellectual property rights. For example, the Leahy-Smith America Invents Act, or the AIA, introduced significant changes to U.S. patent law, including provisions that affect the way patent applications are prosecuted and may also affect patent litigation. In recent years, the courts have interpreted U.S. patent laws and regulations differently, and in particular the U.S. Supreme Court has decided a number of patent cases and continues to actively review more patent cases than it has in the past. Some of these changes or potential changes may not be advantageous for us, and may make it more difficult to obtain adequate patent protection or to enforce our patents against parties using them without a license or payment of royalties. These changes could increase the costs and uncertainties surrounding the prosecution of our patent applications and the enforcement or defense of our patent rights, all of which could have a material adverse effect on our business and financial condition.

We may not be able to protect our trade secrets and intellectual property.

While some of our technology is licensed under patents belonging to others or is covered by process patents which are owned or applied for by us, much of our technology is not protected by patents. Furthermore, patents are jurisdictional in nature and therefore only protect us in certain markets, rather than globally. We have devoted substantial resources to the development of our technology, trade secrets, know-how and other unregistered proprietary rights. While we enter into confidentiality and invention assignment agreements intended to protect such rights, such agreements can be difficult and costly to enforce or may not provide adequate remedies if violated. Such agreements may be breached and confidential information may be willfully or unintentionally used or disclosed in violation of the agreements, or our competitors or other parties may learn of the information in some other way. We cannot legally prevent one or more other companies from developing similar or identical technology to our unpatented technology and accordingly, it is likely that, over time, one or more other companies may be able to replicate our technology, thereby reducing our technological advantages. If we do not protect our technology or are unable to develop new technology that can be protected by patents or as trade secrets, we may face increased competition from other companies, which may adversely affect our results of operations.

We may incur substantial costs enforcing or acquiring intellectual property rights and defending against third-party claims as a result of litigation or other proceedings.

In connection with the enforcement of our intellectual property rights, opposing third parties from obtaining patent rights or disputes related to the validity or alleged infringement of our or third-party intellectual property rights, including patent rights, we have been and may in the future be subject or party to claims, negotiations or complex, protracted litigation.

While we strive to avoid infringing the intellectual property rights of third parties, we cannot provide any assurances that we will be able to avoid any claims that our products and technology, including the technology that we license from others, infringe the intellectual property rights of third parties. Patent applications in the United States and most other countries are confidential for a period of time until they are published, and the publication of discoveries in scientific or patent literature typically lags actual discoveries by several months or more. As a result, the nature of claims contained in unpublished patent filings around the world is unknown to us, and we cannot be certain that we were the first to conceive inventions covered by our patents or patent applications or that we were the first to file patent applications covering such inventions. Furthermore, it is not possible to know in which countries patent holders may choose to extend their filings under the Patent Cooperation Treaty or other mechanisms. Moreover, the patent landscape in the field of 3D printing is very complex and freedom to operate examinations are costly and time-consuming. We have not obtained extensive freedom to operate reports in the past for each and all of our products and services, nor do we intend to install on a general basis freedom to operate examinations for our future products and services. In addition, we may be subject to intellectual property infringement claims from individuals, vendors and other companies, including those that are in the business of asserting patents, but are not commercializing products or services in the field of 3D printing, or our customers may seek to invoke indemnification obligations to involve us in such intellectual property infringement claims. Furthermore, although we maintain certain procedures to help to ensure that the items we 3D print on behalf of customers do not infringe upon the intellectual property rights of others, we cannot be certain that our procedures will be effective in preventing any such infringement.

Intellectual property disputes and litigation, regardless of the merit or resolution, could cause us to incur significant costs in enforcing, or responding to, defending and resolving such claims. In addition, such claims can be costly and disruptive to our business operations by diverting attention and energies of management and key technical personnel, by prohibiting or otherwise impairing our ability to commercialize new or existing products or services and by increasing our costs of doing business. We may not prevail in any such dispute or litigation, and an adverse decision in any legal action involving intellectual property rights, including any such action commenced by us, could limit the scope of our intellectual property rights and the value of the related technology. Third-party claims of intellectual property infringement successfully asserted against us may require us to redesign infringing technology or enter into costly settlement or license agreements on terms that are unfavorable to us, prevent us from manufacturing or licensing certain of our products, subject us to injunctions restricting our sale of products and use of infringing technology, cause severe disruptions to our operations or the markets in which we compete, impose costly damage awards or require indemnification of our sales agents and end-users. In addition, as a consequence of such claims, we may incur significant costs in acquiring the necessary third-party intellectual property rights for use in our products and services or developing non-infringing substitute technology. Any of the foregoing developments may have a material adverse effect on our business, financial condition and results of operations.

Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees on any issued patent are due to be paid to governmental patent agencies, including the USPTO in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our licensors fail to maintain the patents and patent applications covering our products and processes, our competitive position could be adversely affected.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Certain of our past and present employees were previously employed at other companies, including our competitors or potential competitors. Some of these employees executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. We are not aware of any threatened or pending claims related to these matters, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable personnel or intellectual property rights. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

If disputes arise, we could lose rights that are important to our business or be subject to restrictions on the conduct of our business.

We have license agreements with respect to certain intellectual property that is important to our business and that may include exclusivity and non-competition undertakings. For example, we have an arrangement with Materialise Dental NV, the entity that resulted from the spinoff of our former dental related business and was acquired by a third party, that distinguishes the dental business that Materialise Dental NV now pursues from the businesses, such as Cranio-Maxio Facial, or CMF, that we continue to pursue following the sale. Disputes may arise between the counterparties to these agreements and us that could result in termination of these agreements. If we fail to comply with our obligations under our intellectual property-related agreements, or misconstrue the scope of the rights granted to us or restrictions imposed on us under these agreements, the counterparties may have the right to terminate these agreements or sue us for damages or equitable remedies, including injunctive relief. Termination of these agreements, the reduction or elimination of our rights under these agreements, or the imposition of restrictions under these agreements that we have not anticipated may result in our having to negotiate new or reinstated licenses with less favorable terms, or to cease commercialization of licensed technology and products. This could materially adversely affect our business.

Certain technologies and patents have been developed with collaboration partners and we may face restrictions on this jointly developed intellectual property.

We have entered into collaborations with a number of industrial and medical device companies, including Zimmer-Biomet, DJO Surgical, DePuy Synthes, Global Orthopaedic Technology, Lima, Mathys, Siemens and HOYA. We have, in some cases individually and in other cases along with our collaboration partners, filed for patent protection for a number of technologies developed under these agreements and may in the future file for further intellectual property protection and/or seek to commercialize such technologies. Under some of these agreements, certain intellectual property developed by us and the relevant partner may be subject to joint ownership by us and the partner and our commercial use of such intellectual property may be restricted, or may require written consent from, or a separate agreement with, the partner. In other cases, we may not have any rights to use intellectual property solely developed and owned by the partner. If we cannot obtain commercial use rights for such jointly-owned intellectual property or partner-owned intellectual property, our future product development and commercialization plans may be adversely affected. For additional information, see "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

[Table of Contents](#)

Our use of open source software may expose us to additional risks and harm our intellectual property.

Some of our proprietary software, including some of our 3D printing software, may use or incorporate open source software. Some open source software licenses require users who distribute open source software as part of their own software product to publicly disclose all or part of the source code to such software product or make available any derivative works of the open source code on unfavorable terms or at no cost. We monitor, on an ongoing basis, whether our proprietary software, including that in our 3D printing software, would make use of any open source software that could require us to disclose our proprietary source code, which could adversely affect our business.

Risks Related to the ADSs

The ADSs may experience price and volume fluctuations.

The stock market generally has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of listed companies. Broad market and industry factors may negatively affect the market price of the ADSs, regardless of our actual operating performance. The market price and liquidity of the market for the ADSs may be higher or lower than the price you paid and may be significantly affected by numerous factors, some of which are beyond our control. These factors include:

- significant volatility in the market price and trading volume of securities of companies in our sector, which is not necessarily related to the operating performance of these companies;
- the mix of products that we sell, and related services that we provide, during any period;
- delays between our expenditures to develop and market new products and the generation of sales from those products;
- changes in the amount that we spend to develop, acquire or license new products, technologies or businesses;
- changes in our expenditures to promote our products and services;
- success or failure of research and development projects of us or our competitors;
- announcements of acquisitions by us or one of our competitors;
- the general tendency towards volatility in the market prices of shares of companies that rely on technology and innovation;
- changes in regulatory policies or tax guidelines;
- changes or perceived changes in earnings or variations in operating results;
- any shortfall in revenue or net income from levels expected by investors or securities analysts; and
- general economic trends and other external factors.

Any of these could result in a material decline in the price of the ADSs.

Members of our board of directors and senior management own a significant percentage of our ordinary shares and are able to exert significant influence over matters subject to shareholder approval.

Members of our board of directors and senior management beneficially owned approximately 71.3% of our outstanding ordinary shares (including ordinary shares represented by ADSs), as of December 31, 2017. These shareholders have significant influence over the election of members of our board of directors and the outcome of corporate actions requiring shareholder approval, including dividend policy, mergers, share capital increases, amendments of our articles of association and other extraordinary transactions. For example, these shareholders may be able to influence the outcome of elections of members of our board of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transactions. In addition, our articles of association provide that, as long as Wilfried Vancraen, our founder and Chief Executive Officer, Hilde Ingelaere, an Executive Vice President of our company who is also Mr. Vancraen's spouse, and their three children, Linde, Sander and Jeroen Vancraen, or collectively the Family Shareholders, control, directly or indirectly, in the

[Table of Contents](#)

aggregate at least 20% of the voting rights attached to our ordinary shares, a majority of our directors must be appointed by our shareholders from a list of candidates proposed by the Family Shareholders. This concentration of ownership within this group of shareholders and the rights of the Family Shareholders prevent or discourage unsolicited acquisition proposals or offers for our ordinary shares or ADSs that you may feel are in your best interest as one of our shareholders. The interests of these existing shareholders or the Family Shareholders may not always coincide with your interests or the interests of other shareholders, and they may act in a manner that advances their best interests and not necessarily those of other shareholders, including seeking a premium value for their ordinary shares, which might affect the prevailing market price for the ADSs.

The dilutive effect of our warrants and convertible bonds could have an adverse effect on the future market price of the ADSs or otherwise adversely affect the interests of our shareholders.

Based on outstanding granted warrants and outstanding convertible bonds, as of December 31, 2017, there were outstanding granted warrants to subscribe for an aggregate of 1,458,360 ordinary shares at a weighted average exercise price of €8.05 per share, and €1.0 million of outstanding convertible bonds convertible into an aggregate of 508,904 ordinary shares at a conversion price of €1.97 per share. The warrants and convertible bonds likely will be exercised or converted if the market price of the ADSs equals or exceeds the applicable exercise or conversion price. To the extent such securities are exercised or converted, additional ordinary shares will be issued, which would dilute the ownership of existing shareholders.

You may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.

Except as described in the deposit agreement related to the ADSs, holders of ADSs are not able to exercise voting rights attaching to the ordinary shares evidenced by the ADSs on an individual basis. Under the terms of the deposit agreement, holders of ADSs may instruct the depository to vote the ordinary shares underlying their ADSs, but only if we ask the depository to ask for their instructions. Otherwise, holders of ADSs are not able to exercise their right to vote, unless they withdraw our ordinary shares underlying the ADSs they hold to vote them in person or by proxy. However, holders of ADSs may not know about the meeting far enough in advance to withdraw those ordinary shares. If we ask for the instructions of holders of ADSs, the depository, upon timely notice from us, will notify holders of ADSs of the upcoming vote and arrange to deliver our voting materials to them. Upon our request, the depository will mail to holders of ADSs a shareholder meeting notice which contains, among other things, a statement as to the manner in which voting instructions may be given, including an express indication that such instructions may be given or deemed given to the depository to give a discretionary proxy to a person designated by us if no instructions are received by the depository from holders of ADSs on or before the response date established by the depository. However, no voting instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which we inform the depository that (i) substantial opposition exists, or (ii) such matter materially and adversely affects the rights of shareholders. We cannot guarantee that holders of ADSs will receive the voting materials in time to ensure that they can instruct the depository to vote their shares. In addition, the depository's liability to holders of ADSs for failing to execute voting instructions or for the manner of executing voting instructions is limited by the deposit agreement. As a result, holders of ADSs may not be able to exercise their right to give voting instructions or to vote in person or by proxy and they may not have any recourse against the depository or our company if their shares are not voted as they have requested or if their shares cannot be voted.

You may not receive distributions on our ordinary shares represented by the ADSs or any value for them if it is illegal or impractical to make them available to holders of ADSs.

Under the terms of the deposit agreement, the depository for the ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our ordinary shares your ADSs represent. However, in accordance with the limitations set forth in the deposit agreement, it may be unlawful or impractical to make a distribution available to holders of ADSs. We have no obligation to take any other action to permit the distribution of the ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive the distributions we make on our ordinary shares or any value from them if it is unlawful or impractical to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

We have no present intention to pay dividends on our ordinary shares in the foreseeable future and, consequently, your only opportunity to achieve a return on your investment during that time is if the price of the ADSs appreciates.

We have no present intention to pay dividends on our ordinary shares in the foreseeable future. Any recommendation by our board of directors to pay dividends will depend on many factors, including our financial condition, results of operations, legal requirements and other factors. Furthermore, pursuant to Belgian law, the calculation of amounts available for distribution to shareholders, as dividends or otherwise, must be determined on the basis of our non-consolidated statutory financial statements prepared under generally accepted accounting principles in Belgium, or Belgian GAAP. In addition, in accordance with Belgian law and our articles of association, we must allocate each year an amount of at least 5% of our annual net profit under our statutory non-consolidated accounts (prepared in accordance with Belgian GAAP) to a legal reserve until the reserve equals 10% of our share capital. Our legal reserve currently meets this requirement. As a consequence of these facts, there can be no assurance as to whether dividends or other distributions will be paid out in the future or, if they are paid, their amount.

As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than U.S. domestic issuers. This may limit the information available to holders of ADSs.

We are a “foreign private issuer,” as defined in the rules and regulations of the U.S. Securities and Exchange Commission, or the SEC, and, consequently, we are not subject to all of the disclosure requirements applicable to U.S. domestic issuers. For example, we are exempt from certain rules under the Exchange Act that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. Moreover, we are not required to file periodic reports and consolidated financial statements with the SEC as frequently or as promptly as U.S. domestic issuers. Accordingly, there may be less publicly available information concerning our company than there is for U.S. public companies. As a foreign private issuer, we file an annual report on Form 20-F within four months of the close of each year ended December 31 and furnish reports on Form 6-K relating to certain material events promptly after we publicly announce these events. However, although we intend to continue to issue quarterly financial information, because of the above exemptions for foreign private issuers, we are not required to do so, and, therefore, our shareholders will not be afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

As a foreign private issuer, we are not required to comply with all the periodic disclosure and current reporting requirements of the Exchange Act and related rules and regulations. The determination of foreign private issuer status is made annually on the last business day of an issuer’s most recently completed second fiscal quarter. Accordingly, we will next make a determination with respect to our foreign private issuer status on June 30, 2018. There is a risk that we will lose our foreign private issuer status in the future.

We would lose our foreign private issuer status if, for example, more than 50% of our assets are located in the United States and more than 50% of our outstanding ordinary shares are held of record by U.S. residents. As of December 31, 2017, an immaterial amount of our assets were located in the United States. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly greater than the costs we incur as a foreign private issuer. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive in certain respects than the forms available to a foreign private issuer. We would be required under current SEC rules to prepare our consolidated financial statements in accordance with U.S. GAAP and modify certain of our policies to comply with corporate governance practices associated with U.S. domestic issuers. Such conversion and modifications would involve significant additional costs. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers such as the ones described above and exemptions from procedural requirements related to the solicitation of proxies.

We are an “emerging growth company” and we intend to take advantage of reduced disclosure and governance requirements applicable to emerging growth companies, which could result in the ADSs being less attractive to investors.

We are an “emerging growth company,” as defined in the Jumpstart our Business Startups Act of 2012, or the JOBS Act, and we intend to continue to take advantage of certain exemptions from various reporting and governance requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and reduced disclosure obligations regarding executive compensation in our periodic reports and other public filings. Investors may find the ADSs less attractive because we rely on such exemptions. If some investors find the ADSs less attractive as a result, there may be a less active trading market for the ADSs and the price of the ADSs may be more volatile. We may take advantage of these reporting and governance exemptions until we are no longer an emerging growth company, which in certain circumstances could be as late as December 31, 2019.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We currently prepare our consolidated financial statements in accordance with IFRS, which do not have separate provisions for publicly traded and private companies. However, in the event we convert to U.S. GAAP while we are still an emerging growth company, we may be able to take advantage of the benefits of this extended transition period and, as a result, during such time that we delay the adoption of any new or revised accounting standards, our consolidated financial statements may not be comparable to other companies that comply with all public company accounting standards.

[Table of Contents](#)

We have identified a material weakness in our internal controls over financial reporting and if we fail to establish and maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial condition, results of operations or cash flows, which may adversely affect investor confidence in us.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we are required, under Section 404 of the Sarbanes-Oxley Act, to perform system and process evaluations and testing of our internal controls over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by our management or our independent registered public accounting firm. A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting that results in more than a reasonable possibility that a material misstatement of annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Section 404 of the Sarbanes-Oxley Act also generally requires an attestation from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. However, for as long as we remain an emerging growth company as defined in the JOBS Act, we intend to take advantage of the exemption permitting us not to comply with the independent registered public accounting firm attestation requirement. At the time when we are no longer an emerging growth company, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Our remediation efforts may not enable us to avoid a material weakness in the future.

Although we have expanded our accounting and compliance teams with additional staff and consultants with appropriate experience and technical accounting knowledge, and established an internal control group, our compliance with Section 404 will require that we incur further substantial accounting expenses and expend more significant management efforts. We may need to hire additional internal audit, accounting and financial staff and consultants with appropriate experience and technical accounting knowledge, and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, we identified a material weakness in our internal control over financial reporting, and concluded that our internal control over financial reporting was not effective as of December 31, 2017. See “Item 15. Controls and Procedures.” We cannot assure you that we will be able to remedy the material weakness in a timely fashion or at all, or that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition, results of operations or cash flows. If we are unable to remedy the material weakness and conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of the ADSs could decline, and we could be subject to sanctions or investigations by the NASDAQ Stock Market, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

We have incurred and will incur significant increased costs as a result of operating as a company whose ADSs are publicly traded in the United States, and our management is required to devote substantial time to new compliance initiatives.

As a company whose ADSs are publicly traded in the United States, we have incurred and will incur significant legal, accounting, insurance and other expenses that we did not incur prior to our initial public offering. In addition, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act and related rules implemented by the SEC and the NASDAQ Stock Market have imposed various requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls. These costs will increase at the time when we are no longer an emerging growth company eligible to rely on exemptions under the JOBS Act from certain disclosure and governance requirements. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly. These laws and regulations could also make it more difficult and expensive for us to attract and retain qualified persons to serve on our board of directors or its committees. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of the ADSs, fines, sanctions and other regulatory action and potentially civil litigation.

You may be subject to limitations on the transfer of your ADSs.

Your ADSs are transferable on the books of the depository. However, the depository may close its books at any time or from time to time when it deems doing so expedient in connection with the performance of its duties. The depository may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of the ADSs generally when our share register or the books of the depository are closed, or at any time if we or the depository thinks that it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement. As a result, you may be unable to transfer your ADSs when you wish to.

[Table of Contents](#)

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding the ADSs, the market price for the ADSs and trading volume could decline.

The trading market for the ADSs is influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade the ADSs, the market price for the ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for the ADSs to decline.

It may be difficult for investors outside Belgium to serve process on or enforce foreign judgments against us or our directors and senior management.

We are a Belgian limited liability company. None of the members of our board of directors and senior management is a resident of the United States. All or a substantial portion of the assets of such non-resident persons and most of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons or on us or to enforce against them or us a judgment obtained in U.S. courts. Original actions or actions for the enforcement of judgments of U.S. courts relating to the civil liability provisions of the federal or state securities laws of the United States are not directly enforceable in Belgium. The United States and Belgium do not currently have a multilateral or bilateral treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, in civil and commercial matters. In order for a final judgment for the payment of money rendered by U.S. courts based on civil liability to produce any effect on Belgian soil, it is accordingly required that this judgment be recognized or be declared enforceable by a Belgian court in accordance with Articles 22 to 25 of the 2004 Belgian Code of Private International Law. Recognition or enforcement does not imply a review of the merits of the case and is irrespective of any reciprocity requirement. A U.S. judgment will, however, not be recognized or declared enforceable in Belgium if it infringes upon one or more of the grounds for refusal which are exhaustively listed in Article 25 of the Belgian Code of Private International Law. These grounds mainly require that the recognition or enforcement of the foreign judgment should not be a manifest violation of public policy, that the foreign courts must have respected the rights of the defense, that the foreign judgment should be final, and that the assumption of jurisdiction by the foreign court may not have breached certain principles of Belgian law. In addition to recognition or enforcement, a judgment by a federal or state court in the United States against us may also serve as evidence in a similar action in a Belgian court if it meets the conditions required for the authenticity of judgments according to the law of the state where it was rendered. The findings of a federal or state court in the United States will not, however, be taken into account to the extent they appear incompatible with Belgian public policy.

Holders of ADSs are not treated as shareholders of our company.

Holders of ADSs with underlying shares in a Belgian limited liability company are not treated as shareholders of our company, unless they withdraw our ordinary shares underlying the ADSs that they hold. The depository is the holder of the ordinary shares underlying the ADSs. Holders of ADSs therefore do not have any rights as shareholders of our company, other than the rights that they have pursuant to the deposit agreement.

We are a Belgian limited liability company but are not a listed company in Belgium, and shareholders of our company may have different and in some cases more limited shareholder rights than shareholders of a listed company in Belgium or of a U.S. listed corporation.

We are organized as a limited liability company (naamloze vennootschap / société anonyme) under the laws of Belgium. Our corporate affairs are governed by Belgian corporate law. From a Belgian corporate law point of view, we qualify as a public company (een vennootschap die een openbaar beroep op het spaarwezen heeft gedaan / une société ayant fait publiquement appel à l'épargne), but not as a listed company (genoteerde vennootschap / société cotée) because none of our securities are listed on any regulated market in the European Economic Area. The Belgian corporate law provisions that are applicable to Belgian listed companies do therefore not apply to us. Furthermore, we are not subject to most of the disclosure obligations applicable to Belgian listed companies. As a result, shareholders of our company may not enjoy certain of the rights and protection generally afforded to shareholders of a Belgian listed company.

You should also be aware that the rights provided to our shareholders under Belgian corporate law and our articles of association differ in certain respects from the rights that you would typically enjoy as a shareholder of a U.S. corporation under applicable U.S. federal and state laws.

Under Belgian corporate law, except in certain limited circumstances, our shareholders may not ask for an inspection of our corporate records, while under Delaware corporate law any shareholder, irrespective of the size of his or her shareholdings, may do so. Shareholders of a Belgian corporation are also unable to initiate a derivative action, a remedy typically available to shareholders of U.S. companies, in order to enforce a right of our company, in case we fail to enforce such right ourselves, other than in certain cases of director liability under limited circumstances. In addition, a majority of our shareholders may release a

[Table of Contents](#)

director from any claim of liability we may have, including if he or she has acted in bad faith or has breached his or her duty of loyalty, provided, in some cases, that the relevant acts were specifically mentioned in the convening notice to the shareholders' meeting deliberating on the discharge. In contrast, most U.S. federal and state laws prohibit a company or its shareholders from releasing a director from liability altogether if he or she has acted in bad faith or has breached his or her duty of loyalty to the company. Finally, Belgian corporate law does not provide any form of appraisal rights in the case of a business combination. For additional information on these and other aspects of Belgian corporate law and our articles of association, see "Item 10. Additional Information—B. Memorandum and Articles of Association." As a result of these differences between Belgian corporate law and our articles of association, on the one hand, and U.S. federal and state laws, on the other hand, in certain instances, you could receive less protection as a shareholder of our company than you would as a shareholder of a U.S. corporation.

As a foreign private issuer, we are not subject to certain NASDAQ Stock Market corporate governance rules applicable to U.S. listed companies.

We rely on provisions in the Listing Rules of the NASDAQ Stock Market that permit us to follow our home country corporate governance practices with regard to certain aspects of corporate governance. This allows us to follow Belgian corporate law and the Belgian Company Code, which differ in significant respects from the corporate governance requirements applicable to U.S. companies listed on the NASDAQ Global Select Market. See "Item 16G. Corporate Governance."

Holders of ADSs or ordinary shares have limited rights to call shareholders' meetings or to submit shareholder proposals, which could adversely affect their ability to participate in the governance of our company.

Except under limited circumstances, only the board of directors may call a shareholders' meeting. Shareholders who collectively own at least 20% of the ordinary shares of our company may require the board of directors or the statutory auditor to convene a special or an extraordinary general meeting of shareholders. As a result, the ability of holders of the ADSs or ordinary shares to participate in and influence the governance of our company is limited.

Holders of the ADSs have limited recourse if we or the depositary fail to meet our respective obligations under the deposit agreement or if they wish to involve us or the depositary in a legal proceeding.

The deposit agreement expressly limits the obligations and liability of us and the depositary. Neither we nor the depositary will be liable to the extent that liability results from the fact that we:

- are prevented or hindered in performing any obligation by circumstances beyond their control;
- exercise or fail to exercise discretion under the deposit agreement;
- perform our obligations without negligence or bad faith;
- take any action based upon advice of or information from legal counsel, accountants, any person presenting shares for deposit, any holder of the ADSs or any other qualified person; or
- rely on any documents we believe in good faith to be genuine and properly executed.

In addition, neither we nor the depositary has any obligation to participate in any action, suit or other proceeding in respect of the ADSs which may involve it in expense or liability unless it is indemnified to its satisfaction. These provisions of the deposit agreement will limit the ability of holders of the ADSs to obtain recourse if we or the depositary fails to meet our respective obligations under the deposit agreement or if they wish to involve us or the depositary in a legal proceeding.

Investors may not be able to participate in equity offerings, and ADS holders may not receive any value for rights that we may grant.

In accordance with Belgian corporate law, our articles of association provide for preferential subscription rights to be granted to our existing shareholders to subscribe on a pro rata basis for any issue for cash of new shares, convertible bonds or warrants that are exercisable for cash, unless such rights are cancelled or limited by resolution of our shareholders' meeting or the board of directors. Our shareholders' meeting or board of directors may cancel or restrict such rights in future equity offerings. In addition, certain shareholders (including those in the United States, Australia, Canada or Japan) may not be entitled to exercise such rights even if they are not cancelled unless the rights and related shares are registered or qualified for sale under the relevant legislation or regulatory framework. As a result, there is the risk that investors may suffer dilution of their shareholding should they not be permitted to participate in preference right equity or other offerings that we may conduct in the future.

[Table of Contents](#)

If rights are granted to our shareholders, as the case may be, but if by the terms of such rights offering or for any other reason, the depositary may not either make such rights available to any ADS holders or dispose of such rights and make the net proceeds available to such ADS holders, then the depositary may allow the rights to lapse, in which case ADS holders will receive no value for such rights.

Shareholders in jurisdictions with currencies other than the euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of our shares.

Any future payments of dividends on shares will be denominated in euro. The U.S. dollar—or other currency—equivalent of any dividends paid on our shares or received in connection with any sale of our shares could be adversely affected by the depreciation of the euro against these other currencies.

In order to satisfy our obligations as a public company, we may need to hire additional qualified accounting and financial personnel and consultants with appropriate experience.

As a public company, we need to establish and maintain effective disclosure and financial controls. We have hired additional accounting and financial personnel and consultants with experience and technical accounting knowledge in this respect, but we may need to hire additional personnel and consultants with appropriate experience and technical accounting knowledge. It is difficult to recruit and retain such personnel and consultants, and our operating expenses and operations are and will be impacted by the direct costs of their employment or engagement and the indirect consequences related to the diversion of management resources from research and development efforts.

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.

We do not expect to be a passive foreign investment company, or a PFIC. However, the relevant rules are not entirely clear and certain aspects of the tests will be outside our control; therefore, no assurance can be given that we will not be classified as a PFIC for any taxable year. If you are a U.S. taxpayer and we are determined to be a PFIC at any time during your holding period, you may be subject to materially adverse consequences, including additional tax liability and tax filing obligations. See “Item 10. Additional Information—E. Taxation—U.S. Taxation—Passive Foreign Investment Company.”

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Materialise NV was incorporated in Belgium on June 28, 1990 as a limited liability company under Belgian company law.

On June 30, 2006, we split off our dental business through a partial de-merger, whereby the Belgian company Materialise Dental NV was formed. On July 24, 2006, an affiliate of DENTSPLY International Inc. acquired 40% of Materialise Dental NV, and subsequently increased its shareholding in Materialise Dental NV to 45.59% in October 2008 and to 100% in February 2011, and our shareholders received aggregate proceeds of approximately €34.5 million from such split off and the staggered sale of our dental business.

On April 23, 2007, we increased our shareholding in the French company OBL SA from 33% to 100%, for a purchase price of €1.5 million. OBL SA is assigned to our Materialise Medical segment.

On October 10, 2008, we formed the Belgian company Mobelife NV, in which we initially owned 80.36% of the shares. On March 5, 2015, we purchased the remaining 22.3% interest and, as a result, we own 100% of the shares of Mobelife NV. On December 5, 2016, after a transfer of all assets of Mobelife NV to Materialise NV, Mobelife NV was dissolved and ceased to exist. The business of Mobelife NV has been fully integrated in and is continued by our Materialise Medical segment.

On January 21, 2011, we acquired 100% of the shares of the German company Marcam Engineering GmbH, which specializes in software solutions for 3D printed metal products, for a purchase price of €2.0 million. Marcam Engineering GmbH is assigned to our Materialise Software segment.

On February 28, 2013, we spun off our fixturing business to a newly incorporated subsidiary, RapidFit NV. Through a capital increase, the Tina fund of the Flemish investment company PMV NV acquired 16.66% of the shares of RapidFit NV on June 27, 2013. For additional information regarding our agreement with PMV regarding RapidFit NV, see “—RapidFit NV Shareholders’ Agreement” below. On September 30, 2013, RapidFit NV, through an asset purchase agreement, acquired for a purchase price of €0.4 million Advanced Machining, Ltd., a Michigan corporation, which is assigned to our Materialise Manufacturing segment. On December 31, 2016, we decided to transfer all the assets and activities of RapidFit, LLC, a subsidiary of RapidFit NV, and dissolved RapidFit LLC on November 6, 2017.

On January 28, 2014, we acquired e-prototypy (which was subsequently renamed Materialise) SA, located in Wroclaw, Poland, which operates what we believe to be one of the largest 3D printing service centers in Poland, for a purchase price of €1.3 million. The company, which is assigned to our Materialise Manufacturing segment, specializes in the production of additive manufactured prototypes and end-parts and also provides scanning and reverse engineering services.

On April 29, 2014, we established RS Print NV, a 50/50 joint venture with RS Scan International NV, a Belgian company that designs and sells, among other things, foot scanning equipment and customized footwear. RS Print NV is active in the combined business of (i) providing technology for the design and additive manufacturing of customized footwear and footwear components and (ii) producing, with additive manufacturing technology, such footwear products. Each party contributed €500,000 to the joint venture at its incorporation and further contributions have been made (as part of a commitment to contribute an additional €4.0 million).

On June 30, 2014, we sold 8,000,000 ADSs in our initial public offering at a price of \$12.00 per ADS, and received net proceeds of approximately \$88.3 million. The ADSs we sold in the initial public offering represented new ordinary shares issued in a capital increase resolved by our shareholders for the purposes of the initial public offering on April 23, 2014.

On October 21, 2014, we acquired OrthoView Holdings Limited, a leading provider of 2D digital pre-operative planning and templating solutions for orthopedic surgeons, for a cash payment of £8.47 million. OrthoView Holdings Limited is located in the United Kingdom and has 18 full-time equivalent employees, or FTEs. OrthoView Holdings Limited’s software is a 2D digital pre-operative planning and templating solution for orthopedic surgeons. OrthoView Holdings Limited’s software imports a digital X-ray image from a picture archiving and communication system, or PACS, and positions the templates of suitable prostheses on the X-ray image at the correct scale. We are gradually adding 3D surgical pre-planning tools and related 3D printed medical devices to OrthoView Holdings Limited’s product offering. On November 13, 2017, we dissolved Orthoview LLC, a subsidiary of OrthoView Holdings Limited.

On March 10, 2015, we acquired the Belgian-based company Cenat BVBA. With Cenat BVBA’s proprietary technology on machine control, we have added new software solutions for ensuring adequate quality control in additive manufacturing production processes.

[Table of Contents](#)

On October 4, 2017, we acquired ACTech, a full-service manufacturer of complex metal parts based in Germany, pursuant to a Share and Loan Purchase and Transfer Agreement, dated October 4, 2017, among Materialise NV, Materialise GmbH and the sellers party thereto, based on a total enterprise value of €43.7 million for a total cash payment of €29.4 million. The transaction has brought together our metal competencies with those of ACTech into a comprehensive metal manufacturing offering. We expect the acquisition of ACTech's expertise and in-house infrastructure will enable us to accelerate the development of our existing metal competence center and take a strong position in the market for the production and delivery of unique, complex 3D-printed metal parts. We also expect the acquisition of ACTech will also enable us to develop and improve our software suite for Metal 3D Printing through close collaboration with ACTech, taking advantage of learning from an active metal manufacturing environment.

Our principal executive and registered offices are located at Technologielaan 15, 3001 Leuven, Belgium. Our telephone number is +32 (16) 39 66 11. We are registered with the Register of Legal Entities of Leuven under the number 0441.131.254. Our agent for service of process in the United States is Materialise USA, LLC, located at 44650 Helm Ct., Plymouth, Michigan 48170, telephone number (734) 259-6445. Our internet website is www.materialise.com. The information contained on, or accessible through, our website is not incorporated by reference into this annual report and should not be considered a part of this annual report.

Capital Expenditures

Our capital expenditures amounted to €35.0 million, €17.6 million and €14.4 million for the years ended December 31, 2017, 2016, and 2015, respectively. In 2017, our main capital expenditures were €12.8 million related to building constructions in Belgium and Poland and €11.9 million for new machinery and installations in Belgium, Poland and Germany. In 2016, our main capital expenditures were €6.1 million related to building constructions in Belgium and Poland and €8.3 million for new machinery and installations, mainly in Europe. In 2015, our main capital expenditures were €3.3 million for land in Belgium and Poland for the extension of our headquarters and the addition of production facilities, respectively, €1.1 million for buildings in the United States and €7.3 million for additional machinery for our production facilities. As of December 31, 2017, we have committed expenditures for the amount of €0.7 million related to the purchase of land in Germany, which we expect will mainly be financed by means of bank loans.

B. Business Overview

Our Mission

Our mission is to make a significant and lasting contribution to a better and healthier world through innovative applications of additive manufacturing using our software and hardware infrastructure.

Our Company

We are a leading provider of additive manufacturing and medical software and of sophisticated 3D printing services. Our customers are active in a wide variety of industries, including healthcare, automotive, aerospace, art and design and consumer products. Since our founding in 1990 by our Chief Executive Officer, Wilfried Vancaeren, we have consistently focused on developing innovative applications of additive manufacturing technologies. We believe our proprietary software platforms, which enable and enhance the functionality of 3D printers and of 3D printing operations, have become a market standard for professional 3D printing. We believe that our commitment to enabling 3D printing technologies has significantly supported and accelerated the acceptance and proliferation of additive manufacturing in the industrial and medical sectors and will continue to play an instrumental role as the industry evolves. In the healthcare sector, we bring software and medical devices to the market. Our medical software products include surgical planning tools that allow medical professionals to make 3D printable designs of the human anatomy. Our medical devices include surgical guides as well as customized medical implants. In our 3D printing service centers, including what we believe to be the world's largest single-site additive manufacturing service center in Leuven, Belgium, we print medical devices, prototypes, production parts, and consumer products. As of December 31, 2017, our team consisted of 1,862 FTEs, and fully dedicated consultants. Our portfolio of intellectual property features 211 patents and 167 pending patent applications as of December 31, 2017. For the year ended December 31, 2017, we generated €142.6 million of revenue, representing 24.5% growth over the prior year, net loss of €1.7 million and Adjusted EBITDA of €15.1 million. For a description of Adjusted EBITDA and a reconciliation of our net profit to our Adjusted EBITDA, see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Other Financial Information."

Our Core Competencies

Our established and proven business model integrates our three research-based core competencies: (i) software development, (ii) 3D printing, and (iii) engineering, which act as complementary incubators for our new products and function as integrated support centers for our existing products. The interaction and synergies among our software development, 3D printing and engineering teams position us well to continuously develop and support innovative applications of 3D printing that often integrate all three core competencies.

[Table of Contents](#)

Software Development. Our expertise in developing 3D printing software originated from our efforts to enable 3D printing applications and to continually improve processes within our own additive manufacturing operations. As a result of our continued deployment over the course of more than 25 years of human, intellectual and economic capital to software development, a number of our products, including Magics and Streamics, have evolved into industry-leading flagship products. Our software competency has evolved into a well-structured organization with 353 FTEs and fully dedicated consultants as of December 31, 2017 based at our headquarters in Belgium and our local field offices in Germany, Malaysia, Ukraine, Poland, China and the United Kingdom. Our software development team works in close partnership with the commercial groups that are active in our various market segments through project teams that support our various products and services. These project teams rely, in turn, on research and development groups that develop libraries of software code that can be shared in multiple products and services across various markets. We have an established quality management system for the development of our software products that is ISO 9001 certified. We are also ISO13485 certified for our medical applications and our medical applications comply with the regulatory requirements of several jurisdictions, including Europe and the United States.

3D Printing. As a pioneer in the additive manufacturing industry, we believe we have an extensive history of 3D printing millions of parts utilizing a broad array of technologies, often in highly regulated environments, for thousands of commercial, industrial and medical customers. We operate some of the most sophisticated printing machines currently available on the market, as well as our own proprietary stereolithography-based technology, Mammoth, to provide a very broad range of technologies, sizes, materials and finishing degrees and to address the needs of customers across a large number of potential markets. Production is organized in multiple production lines that are dedicated to the Medical and the Industrial Production segments that we serve. Our 3D printing group, which operates in an ISO 9001-certified quality management system, in an ISO 13485-certified system for the production of medical devices, and in an EN9100 certified system for the production of plastic aerospace parts, has its own maintenance and research team that utilizes an in-house laboratory facility where products can be tested. The wide variety of products that are processed by our multiple production lines are logistically streamlined through our proprietary database systems that manage the entire process from order intake to 3D printing to final shipment. As of December 31, 2017, we had production teams consisting of 343 FTEs and fully dedicated consultants who are spread throughout our headquarters in Belgium and our local field offices in the Czech Republic, Germany, Poland, Japan and the United States. As of December 31, 2017, we operated a total of 179 3D printers (including nine 3D printers which we acquired through the ACTech acquisition), six vacuum casting machines and 16 computer numeric control, or CNC machines (which we acquired through the ACTech acquisition) at these service centers. (See “—Manufacture and Supply” for more detailed information about the printers we operate).

Engineering. Our engineering expertise is integral to our entire business, as it enhances our software development and 3D printing expertise. Our engineers work in teams that support customers in different market segments. These teams work directly with our customers to identify new, and customize and refine existing, 3D printing applications and to increase productivity, efficiency and ease of use across all aspects of the solutions we provide. Our engineering teams have particular expertise in industrial and medical applications, including patient-specific surgical guides, models and implants with the applicable market clearances. Our teams are highly specialized, especially in the medical field, and include quality controllers, development researchers for new hardware concepts and trainers who bring new engineers to the required level of expertise. Our engineers operate within the framework of a certified quality management system. Our engineering teams make extensive use of our proprietary software tools and have direct access to our 3D printing center where developments can be tested in an actual production environment. As of December 31, 2017, we had engineering teams consisting of 249 FTEs and fully dedicated consultants based at our headquarters in Belgium and our local field offices in Germany, Malaysia, Ukraine and Colombia.

Our Market Segments

The product and service offerings developed by our three core competencies are offered through a market oriented organization that is active across three principal market segments: (i) Materialise Software, (ii) Materialise Medical, and (iii) Materialise Manufacturing. We believe that our customers benefit significantly from the synergistic interplay between our core competencies and the three market segments on which we focus and which provide constant end-user feedback to the product development and support teams within our core competencies. For example, we believe our software programs have become globally leading products in the markets we serve as a result of many factors including the sharing of knowledge within our central software development group as well as our in-house production operations, which enable us to continuously innovate, refine and focus our software solutions and provide us with valuable insight into our customers’ objectives and needs. Similarly, certain aspects of the equipment, processes and know-how that enable us to print surgical guides cleared by the FDA, and CE-labeled implants are applicable to certain industrial markets we serve, including automotive and aerospace, where our customers have stringent requirements for high quality precision parts.

Our Materialise Software Segment

In our Materialise Software segment, we offer proprietary software worldwide through programs and platforms that enable and enhance the functionality of 3D printers and of 3D printing operations. We have developed software that interfaces between almost all types of 3D printers, and various software applications and capturing technologies, including CAD packages and 3D scanners, by enabling data preparation and process planning. Our programs interface with machines manufactured by leading original equipment manufacturers, or OEMs, such as 3D Systems Corporation, Arcam AB, Concept Laser GmbH, envisionTEC GmbH, EOS GmbH, HP Inc., The ExOne Company, Renishaw PLC, SLM Solutions Group AG, Stratasys Ltd., Trumpf GmbH & Co. KG and

[Table of Contents](#)

voxeljet AG. In addition, we have entered into partnership agreements with leading CAD and product lifecycle management, or PLM, companies such as Siemens and PTC, for the integration of our additive manufacturing technology into Siemens' NX software and PTC's Creo software, which will enable the streamlining of the design to manufacturing process for products being produced using additive manufacturing. We offer software that enables our customers to more efficiently organize the entire workflow of a 3D printing operation with multiple 3D printing machines, many operators and complex data flow and logistical requirements. We believe that the capabilities of our software products and their unique compatibility with almost all 3D printing systems continue to set standards in the professional 3D printing software market. Customers operating machines from multiple OEMs and customers running large 3D printing operations are among those who can benefit the most from our software packages and we believe that in many cases those customers demand compatibility with our software from the systems OEMs.

As of December 31, 2017, our Materialise Software segment (including core competencies) had a team of approximately 256 FTEs and fully dedicated consultants, with approximately 38% based at our headquarters in Belgium and the remaining employees distributed throughout our local field offices in China, Germany, Japan, Malaysia, the United Kingdom and the United States.

Business Model. We generate revenue in our Materialise Software segment from our software licenses, maintenance contracts, hardware controller sales for our Materialise Controllers and custom software development services. We license our software products to our customers on either a time-based or perpetual basis, in which case we offer annual maintenance contracts that provide for software updates and support. We charge our custom software development services either on a time and material or on a fixed-cost basis. For the years ended December 31, 2017, 2016 and 2015, our Materialise Software segment generated revenue of €35.8 million, €30.1 million and €25.8 million, respectively, representing 25.1%, 26.3% and 25.3% of our total revenue, respectively, and 18.8%, 16.8% and 42.6% growth over the prior year, respectively.

Software Products. We have a diversified portfolio comprised of software applications addressing different 3D market opportunities. Our decades of experience in the additive manufacturing industry are reflected in the sophisticated 3D printing software and business management tools we provide for our customers. We believe that each of our software applications is, or has the potential of becoming, one of the leading technologies in its domain. We believe that our neutral platform approach positions our software to drive greater innovation and choice in the 3D printer software ecosystem, and provides 3D printer users with more powerful and flexible printing capabilities.

In particular, we offer the following software applications:

- **Magics.** Magics enables customers to import a wide variety of CAD formats and to export standard tessellation language, or STL, files ready for additive manufacturing. Magics' applications include repairing and optimizing 3D models; analyzing parts; making process-related design changes on customers' STL files; designing support structures; documenting customer projects; nesting multiple parts in a single print run; and process planning.

Our Magics platform is enhanced with modules that further expand functionality and utility for our customers. For instance, the Magics Import Module plays an important role in efficiently moving CAD designs through to manufactured products by importing nearly all standard CAD formats into Magics. The Magics Structures Module was designed to help customers to reduce weight and material usage in their designs. We also have developed logistical modules such as the Magics SG Module, which offers tools for support structure design during the 3D printing process, and the Magics Sintermodule, which offers solutions for automated part nesting, protecting small and fragile parts and locating them after building.

- **Streamics.** Complementary to Magics is our Streamics product, which is a central additive manufacturing logistics and control system that links operators, 3D printers (including those from various OEMs and based on different technologies), processes, materials and shipment flows together to improve customer service and save time and money. Streamics provides a user-friendly, server-based system, which centralizes our customers' project data and makes it easier to collaborate among team members and communicate with customers. The configurable modules are designed to facilitate communication, support the organization and execution of data preparation, plan machine capacity, and guide post-processing steps, allowing additive manufacturing teams to quickly adapt to business and market changes.
- **3-maticSTL.** 3-maticSTL is a versatile application that permits, among other things, design modification, design simplification, 3D texturing, re-meshing and forward engineering directly to standard additive manufacturing STL files.

[Table of Contents](#)

- *MiniMagics and MiniMagicsPro.* MiniMagics and MiniMagicsPro provide solutions for our customers working in data preparation, or in quoting and quality control teams. MiniMagics allows customers to view STL files and communicate in an efficient way with their account manager by seeing the same visualization of the part on their respective screens. MiniMagicsPro is a professional STL file communication tool that allows account managers to access multiple file formats and exchange annotations and comments with the customer, and generate quotations taking into account file quality and the appropriate build orientation of each part. MiniMagics Pro is designed to give our customers' quality control and finishing teams the ability to compare measurement results with the initial design and deliver professional quality reports.
- *Build Processors and Machine Control Software.* We work in close collaboration with a wide variety of 3D printer OEMs to develop customized and integrated solutions for their additive manufacturing machines. Our build processors automatically translate the 3D model data into layer data to provide sliced geometry and can link the latter with the appropriate build parameters to feed the machine control software. Another key benefit of our build processors is that they allow for a two-way communication between Magics and 3D printers. In essence, the build processor not only tells the machine what to do, but is also capable of receiving feedback from the machine allowing the operator to trace and store data on specific jobs for quality control and other purposes. Our machine control software interprets sliced build data that is transferred to 3D printers and steers such machines, helping to ensure smooth and trouble-free production. We also develop the metal build processors in Materialise Bremen and as a consequence we are able to cover a wide range of metal 3D printers. Furthermore, licensing and integrating our build processor framework, companies such as Siemens and PTC can also leverage the extensive ecosystem of build processors we have developed together with OEMs. Powered by our build processor framework and the appropriate build processor, users of Siemens and PTC CAD packages can seamlessly connect directly to the printer from within the CAD application.
- *e-Stage.* e-Stage is a software solution that increases additive manufacturing productivity by automating STL support generation, optimizing the STL build process, and reducing the time our customers spend on finishing work such as build support removal and sanding. e-Stage is designed to allow our customers to use less material, to be able to 3D nest and to minimize failed builds. e-Stage for plastic has been commercially available since September 2007, and in the fall of 2017, we released e-Stage for metal.
- *Materialise Controller.* Materialise Controller controls and steers additive manufacturing machines using embedded Materialise software, and is fully integrated into the Materialise 3D printing software platform. It is engineered towards research and development applications, machine manufacturers and those who want to control or adapt the production process to their specific needs.

Sales & Marketing. We market and distribute our software directly through our sales force as well as through our own website and third-party distributors. Our Belgian team oversees our global marketing strategy and sales processes. Our local field office employees manage sales for particular markets and provide pre- and post-sales technical support to our customers. In addition, OEMs and local dealers often distribute our software products together with their 3D printers, with our software enhancing the printers' value proposition and broadening the suite of applications available to the machines. Our sales force will typically follow up on these OEM or distributor sales to offer follow on products and services to the machine users.

Customers. We believe we have a reputation for providing high-quality software in the marketplace and have strong relationships with leading multinational customers and other key users of additive manufacturing. The customers for our Materialise Software segment include 3D printing machine OEMs as well as manufacturers in a variety of other industries, such as the automotive, aerospace, consumer goods and hearing aid industries, and external 3D printing service bureaus. Our Materialise Software segment customer base is spread across Asia, Europe and the Americas.

For the years ended December 31, 2017, 2016 and 2015, our ten largest customers in the Materialise Software segment represented 23.0%, 15.6% and 10.5%, respectively, of our Materialise Software segment's revenue.

Competition. In our Materialise Software segment, we face indirect competition from the software developed by 3D printing OEMs, which are often more "closed ecosystem"-oriented (i.e., only focused on their own machines), and from companies that offer software that addresses one or more specific functional areas covered by our software solutions, such as providers of traditional CAD solutions. We compete directly with other providers of additive manufacturing management and machine control software, including open source software providers.

Growth Opportunities. As the number of internal and external service or production centers across the 3D printing industry grows with these 3D printing operations running more complex mixes of machines from different manufacturers and based on various technologies, as 3D printing will be increasingly used for the manufacturing of complex or customized end parts, and as the number of 3D printer manufacturers increases with certain new players initially focusing more on the hardware than on the software component of their 3D printers, we believe the demand for highly performing industrial 3D printing software platforms is likely to grow accordingly. Furthermore, we believe that the worldwide market for additive manufacturing software is tied to the growth of the overall additive manufacturing sector and in particular the number of industrial 3D printing systems in operation. We expect that the volume of industrial 3D printing systems sold will grow with increased adoption of additive manufacturing processes, and that 3D printing software, in particular in the professional segment of the market, will increasingly be needed to interface with these systems and allow for more efficient operation of those systems.

We believe that we can continue to expand our market penetration through expanding relationships with customers and OEMs, and through the continued innovation of our software products to adapt to and meet market demands. In order to be able to do so, we intend to bring our teams closer to our customer base worldwide, which will require continued investments in the expansion of our marketing and sales presence. In order to be able to meet the demands of new entrants on the market, we also intend to continue to invest significantly in the development of our software products, including furthering their compatibility with as many 3D printers on the market as possible. For example, we believe the market for metal-based printing will be a key growth area in the additive manufacturing industry and, while we believe we currently have a strong market position in software for metal printing, we are also committed to research and development of metal-based technologies, such as machine integration and porous structures generation.

Our Materialise Medical Segment

In our Materialise Medical segment, our product and services offering addresses what we believe to be long-term trends in the medical industry towards personalized, functional and evidence-based medicine.

As of December 31, 2017, our Materialise Medical segment consisted of approximately 542 FTEs, with approximately 29% based at our headquarters in Belgium and the remaining employees distributed throughout our local offices in Australia, China, Colombia, France, Germany, Japan, Malaysia, Ukraine, the United Kingdom and the United States.

Business Model. We generate revenue in our Materialise Medical segment through clinical services and medical software. We sell medical devices that we print for our customers and sell licenses to our medical software packages and software maintenance contracts. We also provide custom software development and engineering services, for which we charge either on a time and material or on a fixed cost basis. The majority of these medical devices that we printed in 2017 were surgical guides (and related bone models) that were distributed to surgeons through our collaboration partners Zimmer Biomet, DJO Surgical, DePuy Synthes, Stryker, Global Orthopaedics Technology, Corin, Mathys and Lima. We also print patient-specific implants that we sell directly to hospitals or distribute through partners such as DePuy Synthes. The customer base for our medical software products includes academic institutions, medical device companies and hospitals. For the years ended December 31, 2017, 2016 and 2015, our Materialise Medical segment generated revenue of €42.8 million, €37.9 million and €34.9 million, respectively, representing 30.0%, 33.1% and 34.2% of our total revenue, respectively, and 13.0%, 8.8% and 16.1% growth over the prior year, respectively.

Medical Software. Our software allows medical-image based analysis and engineering as well as patient-specific design of surgical devices and implants. Our customers include leading research institutes, renowned hospitals and major medical device companies. Our medical software often serves as an introduction to our capabilities and in certain cases leads to clinical services opportunities. Our medical software packages are:

- **Materialise Mimics Innovation Suite.** The Materialise Mimics Innovation Suite is a complete set of tools developed for biomedical professionals that allows them to perform a multitude of engineering operations based on medical imaging data. The suite consists of several complementary products and services, including Materialise Mimics, Materialise 3-matic, engineering services and medical models, as well as consultancy and custom software development.
- **Materialise Mimics.** Materialise Mimics is software specifically developed for medical image processing that can be used to segment accurate 3D models from medical imaging data (for example, from CT or MRI) to measure accurately in 2D and 3D and to export 3D models for additive manufacturing or to Materialise 3-matic. These patient-specific models can be used for a variety of engineering applications directly in Materialise Mimics or Materialise 3-matic, or may be exported to third party software focused on statistical analysis, CAD or finite element analysis (which is used to predict how a product reacts to real-world forces such as vibration, heat and fluid flow).
- **Materialise 3-matic.** Materialise 3-matic focuses on anatomical design and is able to combine CAD tools with pre-processing capabilities directly on the anatomical data coming from Materialise Mimics. It enables our customers to conduct thorough 3D measurements and analysis, design a patient-specific implant, a surgical guide, or a benchtop model, and to prepare the anatomical data and/or resulting implants for simulation.
- **Materialise OrthoView.** Materialise OrthoView is a 2D digital pre-operative planning and templating solution for orthopedic surgeons. The software imports a digital X-ray image from a Picture Archiving and Communication System, or PACS, and positions the templates of suitable prostheses on the X-ray image at the correct scale. Materialise OrthoView currently serves more than 12,000 orthopedic surgeons in 60 countries globally, focusing primarily on joint replacements. We acquired OrthoView Holdings Limited in October 2014, and have included the OrthoView solution in our portfolio of pre-operative planning solutions and have been gradually integrating 3D solutions in the OrthoView product.

[Table of Contents](#)

- *Materialise Mimics inPrint*. With Materialise Mimics inPrint, clinicians can easily create files for 3D printing and use anatomically accurate models to help simulate or evaluate options for patient-specific surgical treatment. This software was designed specifically around the needs of clinicians to integrate seamlessly into their existing workflow. Materialise Mimics inPrint allows clinicians to get patient images from PACS and directly import them to start the 3D printing process. The software is compatible with digital imaging and communications in medicine, or DICOM, standard, which ensures easy connections with all modern imaging systems. By sharing virtual or printed 3D models as an interactive PDF on any device, communication is both immediate and clear with co-workers, the surgical team and patients.
- *Materialise ProPlan CMF*. Materialise ProPlan CMF is a software package developed for oral, maxillofacial, nose, throat and plastic surgeons. The software allows surgeons to pre-operatively plan their surgeries in 3D based on (CB)CT or MRI images using a set of tools to analyze, measure and reconstruct the patient's anatomy. With the software the surgeon can also plan the movements (translations and rotations) of the mandible or maxilla and preplan the reconstruction of defects.

Clinical Services. Using our FDA-cleared and CE compliant medical software, we analyze 3D medical images of patients and provide their doctors with virtual surgical planning services for their review and approval. In most cases, we also design and 3D print surgical guides that uniquely fit a specific patient and allow the surgeon to conduct the operation in accordance with the approved surgical plan. In certain circumstances, we deliver 3D printed customized patient-specific medical implants. In our 3D printing centers in Belgium, Japan and the United States, we have separate production lines, with an aggregate of 24 machines that only print devices for our Materialise Medical segment.

We believe that our medical image-based simulation and planning software and 3D printing technology can assist medical device companies, hospitals and clinicians in solving complex problems, ranging from virtual preparation tools, over patient-specific surgical guides, to patient-specific implants which can contribute to increased quality of life.

Utilizing our SurgiCase Connect tool, surgeons upload CT or MRI medical image data and submit their cases to us, track their cases and review them as interactive virtual 3D models. SurgiCase Connect enables our clinical engineers to better support the surgeons in the creation of surgical plans and guides. Surgeons using our orthopedics and CMF clinical services work together with our clinical engineers to turn their patients' medical image data into virtual surgical plans, and patient-specific 3D printed precise surgical and customized anatomical models to optimize surgical planning. In the framework of our collaborations with certain leading medical device companies, our SurgiCase Connect tool is rebranded and adapted to the specific product offering and needs of our collaboration partners.

Our 3D printed surgical guides include joint replacement guides for knee, shoulder and hip replacement surgeries, osteotomy guides and CMF guides, and our 3D printed implants include hip-revision implants, shoulder and CMF implants. The surgical guides we print for U.S. based patients are FDA-cleared, and our medical devices for EEA-based patients bear the appropriate CE labels. We address large surgical markets in orthopedics and CMF through collaboration agreements with leading medical device companies, including Zimmer-Biomet, DJO Surgical, DePuy Synthes, and Lima. Pursuant to these agreements, we print joint replacement and CMF guides that our collaboration partners distribute under their own brands, together with their own implants, in the United States, Europe, Japan and Australia. We leverage our collaboration partners' distribution capabilities to extend our reach into these large markets, and our collaboration partners utilize our 3D printing-related expertise to provide surgical planning and customized devices to surgeons. We also address certain high value-added, specialty applications by providing the full solution ourselves, including the delivery of CE-labeled implants and guides directly to the hospital or surgeon. Such applications include customized hip revision, shoulder and CMF implants in a patented porous matrix configuration and osteotomy guides. Our CMF implants, hip revision and shoulder implants and osteotomy guides are currently distributed in Europe, and our CMF implant activities are conducted through our subsidiary OBL SA. The shoulder and hip revision implant activities, which used to be conducted through our subsidiary Mobelife NV, are now conducted through our company, following the dissolution of Mobelife NV.

We also work with customers to print anatomical models that may be used for a wide range of applications such as sizing of medical devices, clinical trials, training, patient communications and marketing. For example, our HeartPrint service provides 3D printed cardiovascular anatomical models. These models are printed using our proprietary process that makes possible a superior final product that is flexible. We also print transparent or multi-color models for better visualization of the anatomy. Each of our core competencies was instrumental in developing the HeartPrint technology.

[Table of Contents](#)

Sales and Marketing. We distribute our medical software through our direct sales force, our website and PACS partners (some of which partners also include our OrthoView solutions in their product offering to hospitals). We distribute our 3D printed medical devices primarily through our agreements with our collaboration partners such as Zimmer Biomet, Depuy Synthes and Stryker. In specialty markets, we market and distribute our 3D printed medical devices and other clinical services through our experienced engineers who develop a close collaboration with key opinion leaders in each of these market segments.

All our activities in our Materialise Medical segment are coordinated and supervised from our headquarters in Belgium, which supervises product management and sales of our medical devices and software products.

Customers. The customers for our Materialise Medical segment mainly include medical device companies, hospitals, universities and industrial companies. For the year ended December 31, 2017, partner sales to medical companies collectively represented 48.5% and total software sales represented 36.5% of our total Materialise Medical segment sales. Most of our other clinical service sales to customers are executed on the basis of single transaction contracts or purchase orders. These contracts and purchase orders lay out the pricing, delivery and other terms of the order.

Collaboration Partners. We collaborate with leading medical device companies for the development and distribution of our surgical planning software, services, and products, including with Zimmer Biomet, DJO Surgical, DePuy Synthes, Global Orthopaedic Technology, Lima and Mathys. Pursuant to these arrangements, we develop and license software and sell surgical guides, including for use in the fields of knee and shoulder replacement, CMF and thoracic procedures that our collaboration partners may then distribute under their own brands, together with their own implants, mainly in the United States, Europe, Japan and Australia. In addition, we grant licenses to collaboration partners to use, market and distribute such software or surgical guides. Some of the licenses we have granted to our products and software provide for exclusive rights, including with respect to a particular field of medicine or to the software or product developed during the collaboration, and certain collaboration partners may have rights of first refusal with respect to related products or collaborations. The compensation structures under these arrangements vary and may include an upfront fee, royalties, milestone payments linked to certain targets, and fees for the service, maintenance and training we provide in connection with our software and products.

Competition. In our Materialise Medical segment, we compete with a number of companies that provide 3D printed surgical models or medical devices, such as Medical Modeling, as well as with medical device companies that are developing in-house capacity to offer 3D printed medical devices and related software services. Our medical software competes with companies that include SimpleWare, 3mensio, Apollo and WITHIN Lab.

Growth Opportunities. The Materialise Medical segment is the market where we believe we can most directly realize our mission statement and contribute to a healthier world. We are currently investing significantly in the development of new product offerings as well as the expansion of our distribution channel in the various sub-segments of our Materialise Medical segment. In the surgical guide business, our growth over the last few years has come primarily from the knee-implant market, a market where medical device companies are currently developing their own guide solutions. We have been developing solutions for additional joints and have launched guides for shoulders and hips. We have also developed other applications, such as malunion and osteotomy surgical guides. We intend to further diversify our product portfolio through product development as well as and entering into new collaborations. For example, we are making significant investments in research to produce 3D printable models based on X-ray data.

In the implant business, the extensive clinical evidence that both OBL SA and Mobelife NV have developed with key opinion leaders over the last few years regarding the efficacy of our customized CMF and hip revision implant solutions is now gradually finding its way into scientific publications. We believe that this development will help the growth of our CMF and hip revision implant activities, which we intend to further support through distributors as well as our local sales offices. In addition, we expect to leverage our experience with existing implant activities to develop new applications for other rare conditions that may benefit significantly from a patient-specific solution. We expect that both our existing CMF and hip revision implant activities and the development of applications for new specialty markets will require additional significant investments in the near future.

As a result of the trend that we see in the medical community towards more patient-specific devices and treatments, a growing number of academic, clinical and commercial researchers are focusing on customized medical treatments. Because these new products and treatments can only be brought to the market in compliance with very strict regulatory requirements, we believe there is an opportunity for providers of safe and stable medical software tools, such as our company, that can pass significant regulatory scrutiny.

We believe that our medical services and software may also help to reduce the clinical trial effort and expense for medical device companies by allowing more efficient bench-top modelling, testing and simulations and by increasing efficiency in the selection of eligible patients.

In general, our customers use our Mimics Innovation Suite either as a research and development tool for the development of new medical devices or innovative surgical approaches or as a production tool for the manufacturing of customized or customizable medical devices. The needs and priorities of our Mimics Innovation Suite customers vary depending on their primary use. Customers that focus on research and development applications prefer an advanced, rapidly evolving tool that gives them

[Table of Contents](#)

immediate access to our latest innovations. In contrast, customers that focus on production require a more static product that has passed extensive testing and verification required for regulatory purposes. We have launched two versions of our Mimics Innovations Suite, through which we aim to better tailor the product to this differentiated customer base.

As we intend to continue to invest in product development and market penetration, we will require certain capital commitments and may experience an impact to our revenue and profitability levels in the near term. However, we expect such investments to form the basis of stable annual revenue growth in the longer term.

Our medical engineering services offerings, which we continue to build, assist medical device companies in their designs. Our engineers not only serve the orthopedic field but also the cardiovascular field where new and customized approaches are being developed and sizing of devices is an important development area. As product managers in the medical device industry continue to recognize the value of, and need for, specialized advice and assistance in the design of new 3D printable devices, our medical engineering services may grow accordingly.

Our Materialise Manufacturing Segment

In our Materialise Manufacturing segment, we primarily offer 3D printing services to industrial and commercial customers, the majority of which are located in Europe. In addition, we have identified, and provide 3D printing services to, certain specialty growth markets in both the industrial and consumer marketplaces.

Many of the parts we print require functionality that cannot be delivered using other production processes. We believe that our industrial customers value the high quality, accuracy, complexity, durability, functionality and diversity in terms of size, scale and materials of the 3D printing services that we can offer. We deliver products to highly regulated industries, such as aerospace, healthcare, machine manufacturing, quality control equipment and consumer goods, where our applications, technology and hardware capabilities enable us to adhere to high quality standards in a certified production environment.

As of December 31, 2017, our Materialise Manufacturing segment consisted of 775 FTEs and fully dedicated consultants, with 28% based at our headquarters in Belgium and the remaining employees distributed throughout our local field offices in Austria, the Czech Republic, France, Germany, Italy, Poland, Spain, Sweden, the United States and the United Kingdom.

In October 2017, we acquired ACTech, a full-service manufacturer of complex metal parts. This acquisition increased the scope of our Materialise Manufacturing segment's operations and had a significant impact on our results of operations for the fourth quarter of 2017 as well as the year ended December 31, 2017.

Business Model. We generate revenue in our Materialise Manufacturing segment through the sale of parts that we print for our customers. For the years ended December 31, 2017, 2016 and 2015, our Materialise Manufacturing segment generated revenue of €63.7 million, €46.4 million and €41.4 million, respectively, representing 44.7%, 40.5% and 40.6% of our total revenue, respectively, and 37.3%, 12.1% and 24.6% growth over the prior year, respectively. Of the revenue generated by our additive manufacturing solutions business (excluding ACTech) for the year ended December 31, 2017, approximately 52.9% was derived from rapid prototyping and 47.1% was derived from additive manufacturing of end parts. Revenue from ACTech was approximately €10.0 million.

Industrial Services. We offer the following services in our Materialise Manufacturing segment:

- **Additive Manufacturing Solutions.** We provide design and engineering services and rapid prototyping and additive manufacturing of production parts to customers serving the automotive, consumer goods, industrial goods, art and architecture and aerospace markets. In our service centers in Belgium, the Czech Republic and Poland and Germany, as of December 31, 2017, we operated 155 3D printers, six vacuum casting machines and 16 CNC machines (which we acquired through the ACTech acquisition), producing both prototypes and production parts based on our customers' product designs. Our service centers offer a variety of 3D printing technologies including stereolithography, laser sintering, FDM (also known as Filament Fusion), PolyJet, powder binding, Multi Jet Fusion, selective laser melting (or SLM), vacuum casting and foundry parts based on sand-printed moulds. In order to meet specific customer needs for very large printed parts, we developed Mammoth, our own proprietary stereolithography technology, which we believe is capable of printing parts larger than those produced using any other stereolithography technology by utilizing a build area of approximately 1.26 cubic meters with a length of 2 meters. We currently operate 15 Mammoth 3D printers in our Belgian service center.

- **Niche Industrial and Consumer Solutions.** We have developed additive manufacturing solutions that serve certain specialty industrial and consumer applications. Our RapidFit+ business utilizes additive manufacturing to provide the automotive market with customized, highly precise and, in certain cases, patent protected measurement and fixturing tools. We engineer and 3D print fixtures that allow automobile manufacturers and their suppliers to improve the quality control and efficiency of their manufacturing processes by allowing them to inspect and measure component parts, such as bumpers, before assembly. Through the use of additive manufacturing technology, we believe that RapidFit+ fixtures provide more functionality and flexibility than the traditional fixtures that are currently widely used in the automotive industry. In 2013, we established a subsidiary, RapidFit Inc., in the United States to directly access the U.S. automotive market. In 2015, we expanded our RapidFit Inc. production capabilities with one 3D printer. In 2016, we fully integrated the RapidFit+ business into our Materialise Manufacturing segment. ACTech, which we acquired in 2017, also provides specialized additive manufacturing solutions. In particular, ACTech provides prototyping of highly complex metal components through casting techniques that result in products that have a production grade performance.

In the consumer market, i.materialise, our global online 3D printing service that caters to the “home professional.” Designers, students, inventors and everyday consumers who want to create something unique can utilize our online service to produce their own products and, if they desire, share their products with, and even offer them for sale to others through our platform. Users can upload their 3D designs, choose from a large selection of materials and colors, and instantly see the price for such models in the desired scale and quantities. Users can also buy 3D printed products from the catalogue of .MGX by Materialise or other third party designs on our i.materialise website. .MGX by Materialise is a collection of 3D printed lamps, furniture, and other home furnishings and accessories, many of which have been developed in collaboration with well-known designers to showcase the opportunities that additive manufacturing offers to create products with a new look and innovative functionality. Pieces from the .MGX collection have become design icons featured in world renowned museums, including the Museum of Modern Art in New York and the Centre Pompidou in Paris, and have won many awards, including the Visionaries! award by the Museum of Art & Design, the Global Venice Award 2013 and the Red Dot Design Award. Through the .MGX by Materialise collection, we gain access to professionals as well as home designers. In 2016, we fully integrated the i.materialise platform into our Materialise Manufacturing segment.

Sales and Marketing. We market our services to our additive manufacturing solutions business customers using our sales force and through our website. Our more complex product offerings are addressed directly by our specialized sales managers who are located throughout Europe in close proximity to our larger accounts and who align our customers’ needs with the wide range of 3D printing technologies that we offer. More straightforward products can be ordered directly by our customers through our “Materialise OnSite” web portal, a proprietary automated system that takes orders, provides quotes and manages the printing process from start to finish, and allows customers to track the manufacturing and shipment process of their product online. Within our larger sales teams, specialized sales managers focus either on rapid prototyping, which is our traditional and well-established market, or the additive manufacturing of end-use production parts, which is the market where we see opportunities for significant growth. Our marketing team in Belgium oversees our global marketing strategy. In addition, employees at our Belgian headquarters and in our local field offices manage sales for particular markets and accounts and provide back office and production management support to our customers.

All sales for our online sales platform are through our website, and managed mainly from our headquarters in Belgium. We have a separate team dedicated to the fixtures market where our account managers’ thorough technical knowledge is key to effectively managing our RapidFit+ application.

In addition, as a result of its specific product portfolio, we have dedicated sales, marketing and project teams based in Germany (Freiberg), the United States and India for ACTech products.

Customers. The customers for our Materialise Manufacturing segment are from a wide variety of industries, including automotive, aerospace, healthcare, industrial machining, art and design and consumer products. For these customers, we offer a complete set of services ranging from co-creation, to design and engineering, rapid prototyping, and certified manufacturing of end-use parts, including the RapidFit+ service offered to automotive customers.

Through our co-creation offering, we work together with customers to solve complex design challenges and to discuss how the introduction of 3D printing can affect product development, manufacturing workflow, business models and customer experiences. For example, a co-creation with HOYA, in collaboration with Hoet Design Studio, saw the launch of the world’s first vision-centric, 3D-tailored eyewear solution, Yuniku, in the fall of 2016. Yuniku enables individualized lens and frame design through a sophisticated end-to-end digital supply chain, which includes a custom 3D scanner and software platform, co-created by us and HOYA, directly linked to our manufacturing factory where we provide our Certified Additive Manufacturing services. In 2017, we started shipping the first Yuniku scanners.

[Table of Contents](#)

Through our Design and Engineering service, we also provide support for those customers looking for support in their initial concept design or with maximizing a design for 3D printing. Our Design and Engineering team, which is comprised of highly specialized designers and CAD engineers, offers dedicated design and software support for additive manufacturing, including remodeling and file preparation, as well as 3D scanning and measuring.

The customers of both our Materialise OnSite and i.materialise platforms order through our website. Materialise OnSite customers tend to be industrial customers looking to rapid prototype parts quickly and reliably, often taking advantage of fast-lane machines to ensure short lead times for time-critical projects. For i.materialise, while there is a potential to address the wide consumer market with this platform, we prefer to describe our current customers as “home professionals.” Our i.materialise client base includes independent designers and CAD hobbyists that often sell their creations or their services to others, including, in certain instances, through the i.materialise gallery. Through i.materialise’s APIs, companies can also partner with i.materialise to give their own customers a cloud-based, 3D-printing solution on their website, streamlining the ordering, manufacturing and shipping processes through a direct link to our factory for 3D printing. Since 2016, Microsoft has been using the i.materialise API to offer a cloud-based 3D print solution for Windows 10 users, and PTC did the same for Creo 4.0 software users.

Most of our straightforward additive manufacturing and rapid prototyping solutions are executed on the basis of single transaction contracts or purchase orders with the customer. These contracts and purchase orders lay out the pricing, delivery and other terms of the order. For our Certified Additive Manufacturing service an entirely new approach to ensure parts are made according to agreed standards is required, for which we have set processes to onboard new customers. An example of this is our dedicated aerospace manufacturing line, backed by certifications EN9100 and EASA Part 21G, through which we are currently manufacturing plastic parts for Airbus’s A350 XWB. We expect that as demand for our Certified Additive Manufacturing service grows, more long-term agreements may be entered into.

For the automotive manufacturers and their suppliers that use our RapidFit+ service, the fixtures are custom engineered by dedicated teams. Our RapidFit+ customers, which include their quality departments, expect that fixtures meet high accuracy standards. A number of automotive OEMs in Europe are currently considering our innovative solution as a potential new standard, while a solid base of automotive Tier 1 suppliers in Europe has embraced RapidFit as one of their fixture solutions. We see that a growing number of global Tier 1 suppliers with facilities in the United States are currently placing limited orders with a view to investigating the advantages of our RapidFit+ technology.

Competition. In our additive manufacturing solutions business, we compete with a number of companies that provide industrial 3D printing services, including ARK, Cresilas, Protolabs and 3D Systems Corporation. In addition, larger accounts tend to move their 3D printing production in-house once their orders have reached certain volumes, which not only creates opportunities for our Materialise Software segment but also for our Materialise Manufacturing segment in terms of capacity balancing services. In the measurement and quality control fixture market addressed by RapidFit+, we are not aware of any direct competition coming from 3D printing companies. We do have competition, however, from a large group of smaller companies that are active in this field. While there are multiple startup companies seeking to address the home 3D printing services market, we believe that Shapeways and Sculpteo are the most prominent direct competitors of i.materialise based on their global reach. i.materialise focuses on standing out as a brand in terms of service and reliability.

Growth Opportunities. We believe that we can continue to meet the growing industrial demand for 3D printing services, in particular by increasing the number and capacity of our 3D printing service centers in Europe.

We believe that there is particular potential to grow our presence in the markets for additive manufacturing of end products, including for instance fixtures for the automotive industry and eyewear products. In recent years, more companies have been using additive manufacturing for production across a broad range of industrial sectors, including aerospace, orthopedic implants, surgical guides, dental copings and hearing devices. Additive manufacturing is also being used to manufacture specialty furniture, accessories for the home and office, personal accessories, fashion products, jewelry and footwear.

For industrial end parts, we intend to continue to invest in the expansion and creation of certified 3D manufacturing environments that meet the high standards of the specialized segments of the industrial production market that we focus on. In addition, we believe that our local sales teams, which are in close proximity to our customers, as well as our engineering teams, which can bring in additional expertise where required, are important and rather unique assets in this market that are worthwhile to continue to invest in.

The acquisition of ACTech should allow us to better position our metal 3D printing offering, in particular in the production of unique or small batches of complex metal parts (including pre-production prototypes) for the automotive industry.

Geographic Information

Our revenues by geographical area for the year ended December 31, 2017 were 24.6% for the Americas, 61.7% for Europe and 13.7% for Asia, as compared to 26.9% for the Americas, 59.3% for Europe and 13.8% for Asia, for the same period in 2016, and 30.4% for the Americas, 57.8% for Europe and 11.8% for Asia for the same period in 2015. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results.”

Manufacture and Supply

We produce our 3D printed products at our service centers in Belgium, the Czech Republic, Germany, Poland, Japan and the United States. We print substantially all of products in-house using a variety of technologies, including stereolithography, laser sintering, FDM (also known as Filament Fusion), PolyJet, powder binding, Multi Jet Fusion, Powder Bed Fusion and vacuum casting, and only subcontract the manufacture of products if certain other technologies (such as CNC machined components) are required or for capacity balancing purposes. As of December 31, 2017, we operated a total of 179 3D printers (including nine 3D printers which we acquired through the ACTech acquisition) and six vacuum casting machines at these service centers, which include distinct areas dedicated to the machinery, quality control, cleaning and labeling of our products. The table below provides selected information about our 3D printers:

Technology	Size	Manufacturer	Number
Stereolithography	Small/Medium Size	3D Systems Corporation	35
	Medium Size	Materialise	2
	Mammoth	Materialise(1)	15
PolyJet	Connex	Stratasys Ltd.	4
FDM	Small Size(2)	Stratasys Ltd.	2
	Medium Size(3)	Stratasys Ltd.	25
	Large Size(4)	Stratasys Ltd.	13
Laser Sintering	Small Size	EOS GmbH	4
	Medium Size	3D Systems Corporation	9
	Medium Size	EOS GmbH	17
	Large Size	EOS GmbH	27
Multi Jet Fusion	Medium Size	HP	8
Powder Binding	Medium Size	3D Systems Corporation	5
Vacuum Casting	Large Size	ExOne	3
	Small Size	MCP HEK GmbH	1
	Medium Size	MCP HEK GmbH	2
	Medium Size	SCHUHL	1
	Large Size	MCP HEK GmbH	2
Direct Metal Laser Sintering	Medium Size	EoS GmbH	4
	Medium Size	Concept Laser GmbH	4
	Medium Size	Renishaw	1
	Medium Size	SLM Solutions	1

(1) We have proprietary stereolithography machines based on our patented curtain coat technologies. The original curtain coat machines had a medium sized build volume. These medium sized machines have subsequently been adapted to become the extra-large sized Mammoth machines.

(2) Small size machines are machines with a build volume of less than 250×250×250 mm.

(3) Medium size machines have a build volume of less than 500×500×500 mm.

(4) Large size machines have a build volume of more than 500×500×500 mm.

[Table of Contents](#)

As of December 31, 2017, 24 printers produced parts exclusively for our Materialise Medical segment, while the other 155 printers and six vacuum casting machines printed parts for our Industrial Production segment.

As of December 31, 2017, all of our 3D printers and vacuum casting machines were either owned or held under a financial lease. At the end of the lease agreements (which are typically for a period of five years), we have an option to purchase the machines for a value of approximately 1.0% of their original value. We are responsible for the maintenance of such leased equipment.

We devote significant time and attention to the quality control of our products during the printing process by maintaining a comprehensive quality control program, which, among other things, includes the control and documentation of all material specifications, operating procedures, equipment maintenance and quality control methods. In addition, we inspect all of our raw materials to be used in our products throughout the printing process. We control our production orders through the use of labels or visual references on our internal database, bar-codes, controlled prints and routers, which enables us to trace our products during the printing process. Upon completion of the production process, we package and label our products.

The raw materials used in the printing of our products are mainly aluminium, titanium alloy and stainless steel powders; epoxy based photocurable resins, PA12 based powders and a suite of thermoplastic filaments like ABS and Ultem and following the ACTech acquisition, aluminium, cast iron and steel, quartz sand and furanic resin binder.

With the exception of FDM-materials, we believe that none of our other raw material requirements is limited to any significant extent by critical supply or price volatility. We continuously look for second sourcing of our raw materials in order not to be dependent on a single supplier in case a supply issue was to occur. We monitor the costs of our raw materials in order to optimize the cost/performance whilst not jeopardizing the expectations of our customers and the safe use of the materials in critical applications. In 2017, Stratasys was our single supplier for FDM-materials, although we source a broad range of different material grades from Stratasys.

Our 3D printing operations for our patient-specific surgical guides, models and implants are subject to extensive regulation. We operate a certified quality management system in line with the U.S. Quality System Regulation, good manufacturing practice regulations and ISO 13485. We are registered with regulatory authorities in the United States, Europe, Canada, Australia and other jurisdictions. We CE mark our products where required. Our service centers are subject to periodic and sometimes unannounced inspections by regulatory authorities, including inspections by the FDA.

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. Our earliest joint research projects date from the early 1990s with market leading collaboration partners such as Siemens AG, Zeneca and the University of Leuven (*Katholieke Universiteit Leuven*), or KU Leuven. Many of our innovations are based on industrial collaborations such as those with Phonak Stafa Switzerland and Zimmer Biomet. As of December 2017, we were active in 24 government funded research projects. 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, 2017, we had more than 80 active research and development projects in various stages of completion and approximately 300 FTEs and fully dedicated consultants working on research and development in our facilities in Belgium, France, Germany, Poland, the United Kingdom, Ukraine, China and Malaysia.

For the year ended December 31, 2017, our research and development expenses were €20.0 million, or 14.0% of our revenue (15.1% excluding ACTech), as compared to €17.7 million, or 15.4% of our revenue in 2016.

[Table of Contents](#)

Our research and development projects include the following:

1. various software development projects including projects related to engineering and design for 3D printing, and improving existing technological challenges (for example, the handling of large amounts of data and advanced image segmentation), which are expected to benefit both our Materialise Software and Materialise Medical segments;
2. a research project to understand and streamline the different additive manufacturing technologies (sintering, stereolithography, FDM (also known as Filament Fusion), non-laser based power bed fusion, DLP-based printing and Powder Bed Fusion (both for plastics and metals));
3. a research project in our Materialise Medical segment to develop patient specific implants for orthopaedic and CMF surgeries;
4. a research project in our Materialise Medical segment that aims at creating 3D printable guides on the basis of x-ray data;
5. release of a research version of Mimics software that allows post-operative analysis of implant placement using x-ray data;
6. a research project in our Materialise Medical segment regarding automation of segmentation of medical images and using them for population analysis;
7. continued investment in our Materialise Manufacturing segment in our RapidFit+ and i.materialise businesses; and
8. several research projects related to improving the maturity, reliability and quality of the additive manufacturing process, which are expected to benefit our three segments.

We also regularly apply for research and development grants and subsidies under European, Belgian, British, French, German, Polish and Czech 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 former IWT) and the European Union (FP7 and H2020 framework programs). In addition, on December 20, 2017, the European Investment Bank (EIB) and Materialise entered into a finance contract to support our ongoing research and development programs for growth from 2017 to 2020. The contract provides a credit of up to €35.0 million drawable in two tranches. See “Item 5. Operating and Financial Review and Prospects —B. Liquidity and Capital Resources—Indebtedness” for more information.

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

Intellectual Property

We regard our intellectual property rights as valuable to our business and protect our technology portfolio through a combination of patent, copyright, trademark, trade secret and other intellectual property laws, confidentiality and other contractual provisions and other measures. The nature and extent of legal protection associated with each such intellectual property right depends on, among other things, the type of intellectual property right and the given jurisdiction in which such right arises.

As of December 31, 2017, our portfolio of intellectual property features 211 issued patents (including 7 patents issued to ACTech) and an additional 167 pending patent applications primarily in the United States, the European Union and Japan. Of these, our issued patents expire between approximately 2020 and 2035, while our currently pending patent applications will generally remain in effect for 20 years from the date of the initial applications. We believe that, while our patents provide us with a competitive advantage, our success depends primarily on our business development, applications know-how and ongoing research and development efforts. Accordingly, we believe that the expiration of any single patent, or the failure of any single patent application to result in an issued patent, would not be material to our business or financial position.

As is the case in the 3D printing industry generally, the development of our products, processes and materials has required considerable experience, manufacturing and processing know-how and research and development activities. We protect our proprietary products, processes and materials as trade secrets through nondisclosure and confidentiality agreements with our employees, consultants and customers.

In addition, we own the trademark registrations for “Materialise” (Benelux, United States, United Kingdom, International, Malaysia, India and Thailand), and trademark registrations and pending applications for many of our services and software solutions, including “Streamics,” “Mimics,” “3-matic,” “Inspector,” “Magics,” “RapidFit+,” “MGX by Materialise,” “Heartprint,” “ADaM,” “Engineering on Anatomy” and “Surgicase,” among others.

[Table of Contents](#)

We are party to various licenses and other arrangements that allow us to practice and improve our technology under a broad range of patents, patent applications and other intellectual property, including agreements with our collaboration partners, Zimmer Biomet, DJO Surgical, DePuy Synthes, Global Orthopaedic Technology, Lima, Mathys, Stryker, Corin, Siemens, HOYA and PTC.

There can be no assurance that the steps we take to protect our proprietary rights will be adequate or that third parties will not infringe or misappropriate such rights. We have been subject to claims and expect to be subject to legal proceedings and claims from time to time in the ordinary course of our business. In particular, we may face claims from third parties that we have infringed their patents, trademarks or other intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources. Any unauthorized disclosure or use of our intellectual property could make it more expensive to do business and harm our operating results.

Seasonality

End markets such as healthcare, automotive, aerospace and consumer products may experience some seasonality. While the historical impact of seasonality on the revenue of our Materialise Medical and Materialise Manufacturing segments has not been material, the project related nature of our ACTech business, which we acquired in the fourth quarter of 2017, may make our Materialise Manufacturing segment more susceptible to fluctuations, although not necessarily in a seasonal pattern. Historically, the revenue of our Materialise Software segment has been greater in the fourth quarter, as compared to the revenue of each of the other quarters. A number of our customers make their initial software purchase in the fourth quarter prior to the end of their annual budget cycle and tend to renew, extend or broaden the scope of their licenses on the anniversary date of their first purchase. In addition, we have in the past often brought new releases on the market in the third quarter of the calendar year, which may also have an impact on sales in the subsequent quarter.

Regulatory / Environmental Matters

Environmental Matters

Our facilities and operations are subject to extensive U.S. federal, state and local, European and other applicable foreign environmental and occupational health and safety laws and regulations. These laws and regulations govern, among other things, air emissions; wastewater discharges; the generation, storage, handling, use and transportation of hazardous materials; the handling and disposal of hazardous wastes; the cleanup of contamination; and the health and safety of our employees. Under such laws and regulations, we are required to obtain permits from governmental authorities for some of our operations. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators. We could also be held responsible for costs and damages arising from any contamination at our past or present facilities or at third-party waste disposal sites.

Our headquarters in Belgium and ACTech's headquarters in Germany, follow the ISO 14001 criteria for an effective environmental management system and are ISO 14001 certified.

Compliance with laws and regulations relating to the discharge of materials into the environment or otherwise relating to the protection of the environment has not had a material impact on capital expenditures, earnings or the competitive position of our subsidiaries and us. We are not the subject of any legal or administrative proceedings relating to the environmental laws of Belgium or any country in which we have facilities. We have not received any notices of any violations of any such environmental laws.

Healthcare Regulatory Matters

In our Materialise Medical segment, we are subject to extensive and complex U.S. federal, state and local, European and other applicable foreign healthcare and medical devices laws and regulations.

Both before and after approval or clearance our medical products and product candidates are subject to extensive regulation. In the United States, the FDA under the Federal Food, Drug and Cosmetic Act primarily regulates us. In Europe and in other foreign jurisdictions in which we sell our medical products, many of the regulations applicable to our medical devices and products in these countries are similar to those of the FDA. Together, these regulations govern, among other things and where applicable, the following activities in which we are involved:

- product development;
- product testing;

[Table of Contents](#)

- product clinical trial compliance;
- product manufacturing;
- product labeling and instructions for use;
- product safety, product safety reporting, recalls and field corrective actions;
- product packaging and storage;
- product registration, market clearance or approval;
- product modifications;
- product marketing, advertising and promotion;
- product import and export restrictions, tariff regulations, duties and tax requirements;
- product sales and distribution;
- post-market surveillance, including reporting of deaths or serious deterioration in the state of health and malfunctions that, if they were to recur, could lead to death or serious deterioration in the state of health;
- record keeping procedures;
- registration for reimbursement; and
- necessity of testing performed in country by distributors for licenses.

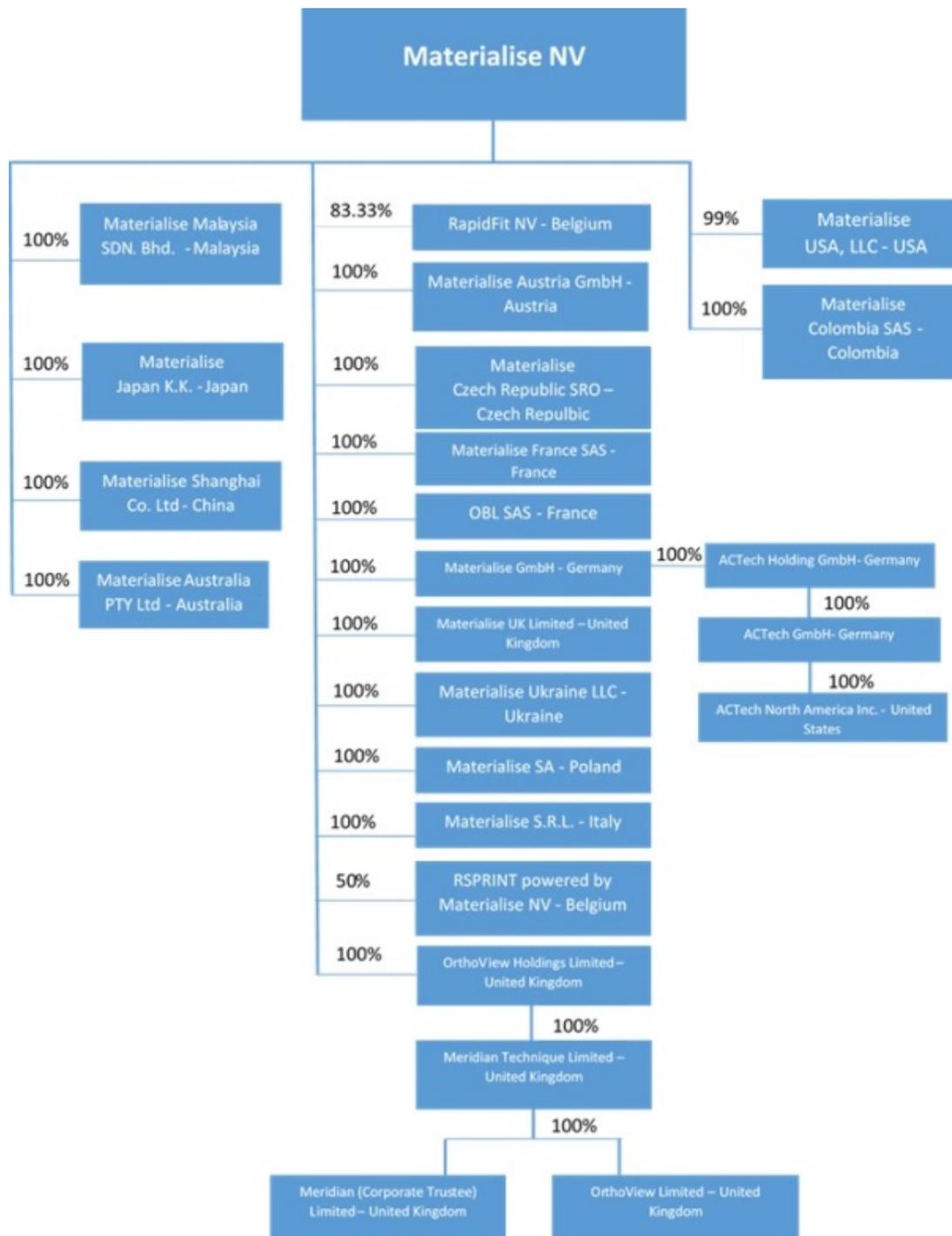
Failure to comply with the Federal Food, Drug and Cosmetic Act could result in, among other things, warning letters, civil penalties, delays in approving or refusal to approve a medical device candidate, product recall, product seizure, interruption of production, operating restrictions, suspension or withdrawal of product approval, injunctions or criminal prosecution. In non-U.S. countries, failure to comply with applicable laws and regulations could result in similar actions, and in the suspension or withdrawal of Quality Management System certification which may be a prerequisite to market medical devices.

The time required to obtain clearance required by foreign countries may be longer or shorter than that required for FDA clearance, and requirements for licensing a product in a foreign country may differ significantly from FDA requirements.

Moreover, these laws and regulations are subject to change. For example, in April 2017, the Medical Devices Regulation was adopted in the European Union, which is requiring us to adopt certain measures in anticipation of its effectiveness. For more information, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Materialise Medical Segment and Regulatory Environment—Healthcare policy changes, including legislation to reform the U.S. healthcare system, could adversely affect us.”

C. Organizational Structure

The following illustrates our corporate structure as of the date of this annual report:



[Table of Contents](#)

RapidFit NV Shareholders' Agreement

On June 27, 2013, we entered into a shareholders' agreement with PMV-TINA Comm.VA, or PMV, with respect to our subsidiary RapidFit NV, of which we own 83.33% and PMV owns 16.66%. Pursuant to the agreement, we have the right to appoint four out of the five members of the board of directors and PMV has the right to appoint one director, who has approval rights for certain company decisions and transactions, including with respect to certain acquisitions, dispositions or pledges of assets, the budget, officers, and issuance or offering of shares of RapidFit NV. The shareholders' agreement contains provisions regarding restrictions against the transfer of shares, put and call options, anti-dilution warrants, liquidation preference, tag along rights and drag along rights. For additional information regarding the accounting treatment of the put and call options and warrants, see Note 13 to our audited consolidated financial statements.

D. Property, Plant and Equipment

Our corporate headquarters and our largest 3D printing service center are located in Leuven, Belgium. We currently own office and service spaces in Belgium as well as in the Czech Republic, France and the United States. We also lease other service centers and sales offices, which are located in Austria, China, France, Germany, Japan, Malaysia, Ukraine, the United Kingdom, the United States, Poland, Colombia, Australia and Italy. The aggregate annual lease payments for our facilities in 2017, 2016 and 2015 were €1.7 million, €1.6 million and €1.2 million, respectively. The table below provides selected information regarding our facilities.

<u>Location</u>	<u>Ownership</u>	<u>Use</u>	<u>Approximate Area</u>	<u>Lease Expiration</u>
Leuven, Belgium	Owned	Corporate headquarters; production	50,614.35 sq. m.	N/A
Plymouth, Michigan, United States	Owned	Office; production; parking	3.89 acres	N/A
Northville, Michigan, United States	Owned	Condo	1,072 sq. ft.	N/A
Saint Marcel les Valence, France	Owned	Office	1,100 sq. m.	N/A
Yokohama, Japan	Leased	Office	343 sq. m.	March 31, 2019
Kawasaki, Japan	Leased	Production	205 sq. m.	May 14, 2021
Ústí nad Labem, Czech Republic	Owned	Office; production	16,013 sq. m.	N/A
Vienna, Austria	Leased	Office	34 sq. m.	December 31, 2021
Gilching, Germany	Leased	Office	399 sq. m.	December 31, 2021
Bremen, Germany*	Leased	Office	650 sq. m.	October 31, 2019
Bremen, Germany*	Leased	Office; production	834 sq. m.	Indefinite term
Petaling Jaya, Malaysia	Leased	Office	13,935 sq. ft.	May 31, 2019
Chatillon, France	Leased	Office	545 sq. m.	September 30, 2025
Kiev, Ukraine	Leased	Office	2,680 sq. m.	June 28, 2018
Sheffield, United Kingdom	Leased	Office	1,950 sq. ft.	January 31, 2019 (partially) and November 30, 2018 (partially)
Southampton, United Kingdom	Leased	Office	1,999 sq. m.	August 6, 2018
Shanghai, China	Leased	Office	1,200 sq. m.	June 8, 2019
Shanghai, China	Leased	Office (training/workshop center)	359.74 sq.m	February 29, 2020
Medellin, Colombia	Leased	Office	187 sq. m.	May 31, 2018
Wroclaw, Poland	Owned	Office; production	2,3975 hectare	N/A
Sydney, Australia	Leased	Office	13.2 sq. m.	March 31, 2018

Table of Contents

Milan, Italy	Leased	Office	55 sq. m.	December 31, 2023
Freiberg, Germany	Owned	Office, Production, Parking (Land)	26,277 sq. ft.	N/A
Freiberg, Germany	Leased	Office, warehouse, parking (Land)	7,996 sq. m.	Indefinite Term
Ann Arbor, Michigan, United States	Leased	Office	1,987 sq. ft.	December 31, 2020
Bangalore, India	Leased	Office	2,000 sq. ft.	June 30, 2019

* There is a commitment to purchase land in Bremen, Germany (see “Item 5. Operating and Financial Review and Prospects—F. Tabular Disclosure of Contractual Obligations”) for the purposes of building office space.

See also “—B. Business Overview—Manufacture and Supply” for information about the printers we operate and “—Regulatory / Environmental Matters—Environmental Matters” for information about environmental matters and “Item 5. Operating and Financial Review and Prospects —B. Liquidity and Capital Resources—Indebtedness” for more information about indebtedness secured by mortgages.

[Table of Contents](#)

ITEM 4A.UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with the information set forth in “Item 3. Key Information—A. Selected Financial Data,” and our consolidated financial statements and accompanying notes included elsewhere herein.

This section contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those contained in forward-looking statements. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections entitled “Item 3. Key Information—D. Risk Factors,” “Special Note Regarding Forward-Looking Information” and “Item 4. Information on the Company—B. Business Overview” and elsewhere in this annual report.

A. Operating Results

Overview

Company Overview

We are a leading provider of additive manufacturing and medical software and of sophisticated 3D printing services. Our customers are active in a wide variety of industries, including healthcare, automotive, aerospace, art and design and consumer products. Since our founding in 1990 by our Chief Executive Officer, Wilfried Vancraen, we have consistently focused on developing innovative applications of additive manufacturing technologies. We believe our proprietary software platforms, which enable and enhance the functionality of 3D printers and of 3D printing operations, have become a market standard for professional 3D printing. We believe that our commitment to enabling 3D printing technologies has significantly supported and accelerated the acceptance and proliferation of additive manufacturing and will continue to play an instrumental role as the industry evolves. In the healthcare sector, our technology is responsible for the design and manufacture of customized, patient-specific medical devices that includes both surgical guides (and related bone models) as well as customized implants. In our 3D printing service centers, including what we believe to be the world’s largest single-site additive manufacturing service center in Leuven, Belgium, we print medical devices, prototypes, production parts, and consumer products. As of December 31, 2017, our team consisted of 1,862 FTEs and fully dedicated consultants. Our portfolio of intellectual property featured 211 patents and 167 pending patent applications as of December 31, 2017. For the year ended December 31, 2017, we generated €142.6 million of revenue, representing 24.5% growth over the prior year, net loss of €1.7 million and Adjusted EBITDA of €15.1 million. For a description of Adjusted EBITDA and a reconciliation of our net profit to our Adjusted EBITDA, see “—Other Financial Information” below.

ACTech Acquisition

On October 4, 2017, we acquired ACTech, a full-service manufacturer of complex metal parts. As described in more detail below, the acquisition increased the scope of our Materialise Manufacturing segment’s operations and had a significant impact on our results of operations for the fourth quarter of 2017 as well as the year ended December 31, 2017, resulting in increases to our revenues and operating expenses, among other items.

Seasonality

End markets such as healthcare, automotive, aerospace and consumer products may experience some seasonality. While the historical impact of seasonality on the revenue of our Materialise Medical and Materialise Manufacturing segments has not been material, the project related nature of our ACTech business, which we acquired in the fourth quarter of 2017, may make our Materialise Manufacturing segment more susceptible to fluctuations, although not necessarily in a seasonal pattern. Historically, the revenue of our Materialise Software segment has been greater in the fourth quarter, as compared to the revenue of each of the other quarters. A number of our customers make their initial software purchase in the fourth quarter prior to the end of their annual budget cycle and tend to renew, extend or broaden the scope of their licenses on the anniversary date of their first purchase. In addition, we have in the past often brought new releases on the market in the third quarter of the calendar year, which may also have an impact on sales in the subsequent quarter.

Growth Strategy

In our Materialise Software segment, we expect that the demand for software platforms such as ours, which interface with virtually all 3D printers, is likely to grow as sales of 3D printing systems, in particular for professional use, continue to grow. We believe that we can continue to increase the market penetration of our software platforms by expanding relationships with OEMs, CAD/computer aided manufacturing, or CAM, companies as well as with industrial users of 3D printers. In order to be able to do so, we intend to bring our teams closer to our customer base worldwide, which will require important investments in the expansion of our marketing and sales presence. In order to be able to meet, in particular, the demands of new entrants to the additive manufacturing market, we intend to also invest significantly in the development of our software products, including in order to further their compatibility with the hardware and software of as many as possible other players in the ecosystem.

[Table of Contents](#)

In our Materialise Medical segment, we believe that we are well placed to assist the larger medical device companies with our technological solutions, as these companies gradually expand their presence in the medical 3D printing market. We also intend to continue to invest in the development of new software, planning and clinical services offerings, in specialty markets that may be underserved by current market participants, because we believe that there are growth opportunities for new applications. We also see growing opportunities in the hospital market. Because customized medical products and treatments can only be brought to the market in compliance with very strict regulatory requirements, we believe there is an opportunity for providers of safe medical software tools, such as our company, that can pass significant regulatory scrutiny.

In our Materialise Manufacturing segment, we believe that demand for 3D printing services will continue to grow. We believe that there is particular potential to grow our presence in the markets for additive manufacturing of end products (in particular industrial end parts, such as fixtures for the automotive industry). For industrial end parts, we intend to continue to invest in the expansion and creation of certified 3D manufacturing environments that meet the high standards of the specialized segments of the industrial market that we focus on. In addition, we believe that the cooperation between our local sales teams, which are in close proximity to our customers, and our engineering teams, which can bring in additional expertise where required, is an important asset to further increase our customer base. We have further integrated i.materialise in our Materialise Manufacturing segment. The acquisition of ACTech should allow us to better position our metal 3D printing offering, in particular in the market of the production of unique or small batches of complex metal parts (including pre-production prototypes) for the automotive industry. We engage in co-creation sessions with carefully chosen partners who have the intention of transforming their manufacturing ecosystem through the use of 3D printing. Our partnership with HOYA is a good example of the result of these co-creation sessions. We believe that there is potential for similar partnerships in other markets.

Recent Developments

There has been no other significant change in our financial condition or results of operations since December 31, 2017.

Key Income Statement Items

Revenue

Revenue is generated primarily by the sale of our software and 3D printed products and services.

In our Materialise Software segment, we generate revenues from software licenses, maintenance contracts and custom software development services and sales of Materialise Controller.

In our Materialise Medical segment, we generate revenue through the sale of medical devices that we print for our customers and from the sale of licenses on our medical software packages, software maintenance contracts and custom software development and engineering services.

In our Materialise Manufacturing segment, we generate most of our revenue through the sale of parts that we print or produce for our customers.

Software. Software revenue is comprised of perpetual and time-based licenses, maintenance revenue and software development service fees. Our software products are mainly licensed pursuant to one of two payment structures: (i) perpetual licenses, for which the customer pays an initial fee for a perpetual license and subsequently pays fees for maintenance under separate maintenance contracts, generally on an annual basis, or (ii) time-based licenses (generally annual licenses), for which the customer pays equal periodic fees to keep the license active. Perpetual licenses require the payment of fees for maintenance, technical support and product updates. Time-based licenses entitle the customer to corrective maintenance and product updates without additional charge. We generally recognize revenue from our time-based licenses and our maintenance revenue ratably on a straight-line basis over the term of the applicable license or maintenance contracts. Our software revenue depends upon both incremental sales of software licenses to both new and existing customers and renewals of existing time-based licenses and maintenance contracts. Sales and renewals are also driven by our customers' usage and budget cycle. Software development services are typically charged either on a time and materials basis or on a fixed fee basis.

[Table of Contents](#)

3D printed products and services. 3D printed products revenue is derived from our network of 3D printing service centers. Our service centers not only utilize our 3D printing technology to print products but are also full-service operations that provide support and services such as pre-production collaboration prior to printing the product. Revenue from 3D printed products depends upon the volume of products that we print for our customers. Sales of these products are linked to the number of our 3D printing machines that are installed and active worldwide. We have dedicated teams and production lines for industrial applications and medical applications. All medical products require a highly regulated production environment. Whereas both segments use the same 3D printing technologies, the complex combination of our engineering and software solutions in connection with medical applications results in higher margins for our medical applications.

Production of limited runs of highly complex casted metal parts. Casted products revenue is derived from our ACTech network, with its production unit in Freiberg, Germany. ACTech does not utilize casting technology, such as 3D printing technology for mould making, but offers full-service project operations, including project and pre-production collaboration, and high-end complex finishing services.

Cost of Sales

Our cost of sales includes raw materials, external subcontracting services, labor costs, manufacturing overhead expenses, depreciation and reserves for inventory obsolescence. Our manufacturing overhead expenses include quality assurance, manufacturing engineering, material procurement, inventory control, facilities, equipment and information technology and operations supervision and management.

Research and Development Expenses

Our research and development activities primarily consist of engineering and research programs associated with our products under development as well as research and development activities associated with our core technologies and processes. Research and development expenses are primarily related to employee compensation, including salary, fringe benefits, share-based compensation and temporary employee expenses. We also incur expenses for software and materials, supplies, costs for facilities and equipment, depreciation, and outside design and outside research support.

Development expenditures on an individual project are recognized as an intangible asset when we can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- the intention to complete and the ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

We have determined that the conditions for recognizing internally generated intangible assets from proprietary software, guide and other product development activities are not met until shortly before the products are available for sale, unless either (i) we have strong evidence that the above criteria are met and a detailed business plan is available showing the asset will on a reasonable basis generate future economic benefits or (ii) the development is done based upon specific request of the customer, we have the intention to market the product also to other parties than the customer, the development is subject to an agreement and the substance of the agreement is that the customer reimburses us for a significant portion of the development expenses incurred. As such, development expenditures not satisfying the above criteria and expenditures on the research phase of internal projects are recognized in the consolidated income statement as incurred.

Sales and Marketing Expenses

Our sales and marketing expenses primarily consist of employee compensation, including salary, fringe benefits and share-based compensation for our marketing, sales and business development functions. Other significant expenses include travel, depreciation, product demonstration samples, brochures, websites and trade show expenses.

General and Administrative Expenses

Our general and administrative expenses primarily consist of employee compensation, including salary, fringe benefits and share-based compensation for our executive, financial, human resources, information technology support and regulatory affairs and administrative functions. Other significant expenses include outside legal counsel, independent auditors and other outside consultants, insurance, facilities, depreciation and information technologies expenses.

[Table of Contents](#)

Other Operating Income

Other operating income mainly consists of government grants, withholding tax exemptions for qualifying researchers and recharges of costs incurred for third parties. The government grants are directly related to our research and development effort conducted in our business segments or in our central research and development department. Similarly, the withholding tax exemptions are granted as a cost reduction for qualifying researchers, and are as such directly related to the level of research and development activity.

Government grants are recognized as income on a systematic basis over the periods in which we recognize expenses for the related costs for which the grants are intended to compensate.

Financial Expenses

Our financial expenses primarily include costs associated with foreign exchange differences and with interest payments on our debt obligations.

Critical Accounting Policies and Accounting Estimates

The preparation of our consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities for future periods.

On an ongoing basis, we evaluate our estimates, assumptions and judgments, including those related to revenue recognition, development expenses, share-based payment transactions, income taxes, impairment of goodwill, intangible assets and property, plant & equipment and business combinations.

We based our assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond our control. Such changes are reflected in the assumptions when they occur.

Revenue Recognition

For revenue recognition, the significant estimates and judgments relate to allocation of value to our separate elements in our multiple-element arrangements and in identifying stage of completion of our customized development of software components for customers. Software development services are mostly billed on a time and material basis or occasionally on a fixed fee basis.

With respect to the allocation of value to the separate elements, we are using the stand-alone selling prices or management's best estimates of selling prices to estimate the fair value of the software and software-related services to separate the elements and account for them separately. Elements in such an arrangement are also sold on a stand-alone basis and stand-alone selling prices are available. Revenue is allocated to each deliverable based on the fair value of each individual element and is recognized when the revenue recognition criteria described above are met. When we provide software development services considered essential to the functionality of the software, we recognize revenue from the software development services as well as any related software licenses on a percentage of completion basis whereby the arrangement consideration is recognized as the services are performed, as measured by an observable input.

We determine the percentage-of-completion by comparing labor hours incurred to-date to the estimated total labor hours required to complete the project. We consider labor hours to be the most reliable, available measure of progress on these projects. Adjustments to estimates to complete are made in the periods in which facts resulting in a change become known. When the estimate indicates that a loss will be incurred, such loss is recorded in the period identified. Significant judgments and estimates are involved in determining the percent complete of each contract. Different assumptions could yield materially different results.

Our revenue recognition policies require management to make significant estimates. Management analyzes various factors, including a review of specific transactions, historical experience, creditworthiness of customers and current market and economic conditions. Changes in judgments based upon these factors could impact the timing and amount of revenue and cost recognized and thus affects our results of operations and financial condition.

Development Expenses

Under International Accounting Standards 38, or IAS 38, internally generated intangible assets from the development phase are recognized if certain conditions are met. These conditions include the technical feasibility, intention to complete, the ability to use or sell the asset under development, and the demonstration of how the asset will generate probable future economic benefits. The cost of a recognized internally generated intangible asset comprises all directly attributable cost necessary to make the asset capable of being used as intended by management. In contrast, all expenditures arising from the research phase are expensed as incurred.

Determining whether internally generated intangible assets from development are to be recognized as intangible assets requires significant judgment, particularly in determining whether the activities are considered research activities or development activities, whether the product enhancement is substantial, whether the completion of the asset is technically feasible considering a company-specific approach and the probability of future economic benefits from the sale or use.

We have determined that the conditions for recognizing internally generated intangible assets from proprietary software, guide and other product development activities are not met until shortly before the products are available for sale, unless either (i) we have strong evidence that the above criteria are met and a detailed business plan is available showing the asset will on a reasonable basis generate future economic benefits or (ii) the development is done based upon specific request of the customer, we have the intention to market the product also to other parties than the customer, the development is subject to an agreement and the substance of the agreement is that the customer reimburses us for a significant portion of the development expenses incurred. As such, development expenditures not satisfying the above criteria and expenditures on the research phase of internal projects are recognized in the consolidated income statement as incurred. This assessment is monitored by us on a regular basis.

Share-Based Payment Transactions

We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted and measured the cost of cash-settled transactions by reference to the fair value of the equity instrument at the date of reporting. We have applied the Black-Scholes valuation model to estimate fair value. Using this model requires management to make assumptions with regards to volatility and expected life of the equity instruments. The assumptions used for estimating fair value for share-based payment transactions are disclosed in Note 14 to our consolidated financial statements and are estimated as follows:

- The dividend return is estimated by reference to our historical dividend payment. Currently, this is estimated to be zero as no dividends have been paid since inception;
- Expected volatility is estimated based on the average annualized volatility of the volatility of our shares (until September 2016: of a number of quoted peers in the 3D printing industry and the volatility of our shares);
- Estimated life of the warrant is determined to be until the first exercise period which is typically the month after vesting;
- Fair value of the shares is determined based on the share price of our ADSs on NASDAQ at the date of valuation. For the grants prior to the initial public offering, the fair value of the shares was estimated based on a discounted cash flow model with three-year cash flow projections and a multiple of EBITDA determined based on a number of quoted peers in the 3D printing industry.

Income Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

As of December 31, 2017, we had €11.9 million (2016: €9.5 million; 2015: €12.2 million) of tax losses carry forward and other tax credits such as investment tax credits and notional interest deduction, of which €4.6 million related to Materialise NV (2016: €1.6 million; 2015: €2.0 million). These losses relate to Materialise NV and subsidiaries that have a history of losses, do not expire, except for the notional interest deduction of €0.3 million in 2017 (2016: €0.3 million; 2015: €0.4 million) and may not be used to offset taxable income elsewhere our consolidated group.

[Table of Contents](#)

With respect to the net operating losses of Materialise NV, no deferred tax assets have been recognized given that in view of the Belgian Patent Income Deduction and Innovation Income Deduction systems, there is an uncertainty to what extent these tax losses will be used in future years. Effective as of July 1, 2016, the new Innovation Income Deduction system replaces the former Patent Income Deduction system. Under the grandfathering rule, the Patent Income Deduction system can still be applied until June 30, 2021. The Belgian Patent Income Deduction system allows companies to deduct 80% of the qualifying gross patent income from the taxable basis. Under the Innovation Income Deduction system, companies can deduct up to 85% of their net innovation income from the taxable basis. Based on our analysis in 2017, we have assessed that no deferred tax asset should be accounted for with respect to our unused tax losses in Belgium.

With respect to the unused tax losses of our subsidiaries, no deferred tax assets have been recognized in 2017 (2016: €0.1 million; 2015: €0.9 million). We have not recognized deferred tax assets on unused tax losses totaling €7.9 million in 2017 (2016: €8.9 million; 2015: €9.7 million) given that it is not probable that sufficient positive taxable base will be available in the foreseeable future against which these tax losses can be utilized.

If we were able to recognize all unrecognized deferred tax assets, net profit would have increased by €2.7 million in 2017, in which €7.9 million of tax losses were utilized. Further details on taxes are disclosed in Note 22 to our consolidated financial statements.

Impairment of Goodwill, Intangible Assets and Property, Plant & Equipment

We had goodwill for a total amount of €18.4 million as of December 31, 2017 (2016: €8.9 million; 2015: €9.7 million) which has been subject to an impairment test. Goodwill is tested for impairment based on a discounted cash flow model with cash flows for the next five years derived from the budget and a residual value considering a perpetual growth rate. The value in use is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the value in use for the different cash generating units, or CGUs, are disclosed and further explained in Note 5 to our consolidated financial statements.

When events or changes in circumstances indicate that the carrying amount of the intangible assets and property, plant and equipment may not be recoverable, we estimate the value in use for the individual assets, or when not possible, at the level of CGUs to which the individual assets belong. No impairment charges were recorded during 2017 (2016: €0; 2015: €0.1 million).

Business Combinations

We determine and allocate the purchase price of an acquired business to the assets acquired and liabilities assumed as of the business combination date. The purchase price allocation process requires us to use significant estimates and assumptions, including:

- estimated fair value of the acquired intangible assets;
- estimated fair value of property, plant and equipment; and
- estimated fair value of the contingent consideration.

The contingent consideration as included in the financial statements is recorded at fair value at the date of acquisition and is reviewed on a regular basis, at least annually. The fair value of the contingent consideration is based on risk-adjusted future cash flows of different scenarios discounted using appropriate interest rates. The structure of the possible scenarios and the probability assigned to each one of them is reassessed by management at every reporting period and requires judgement from management about the outcome and probability of the different scenarios as well as the evolution of the variables.

While we are using our best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the date of acquisition, our estimates and assumptions are inherently uncertain and subject to refinement. Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to:

- future expected cash flows from customer contracts and relationships, software license sales and maintenance agreements;
- the fair value of the plant and equipment;
- the fair value of the deferred revenue; and
- discount rates.

Recent Accounting Pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of our financial statements are disclosed in our financial statements included elsewhere in this annual report. We believe the following standards may have an effect on our results of operations or financial position:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, or IFRS 9, that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 9 requires us to record expected credit losses on all of our debt securities, loans and trade receivables, either on a 12-month or lifetime basis. We will apply the simplified approach and record lifetime expected losses on all trade receivables.

We will adopt the new standard on the required effective date. The lifetime expected losses will be determined based on a provision matrix applied to the each of the trade receivable aging buckets. We are still finalizing the provision matrix but do not expect that this will have a significant impact on our balance sheet and equity.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers, or IFRS 15, was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard provides a single, principles based five step model to be applied to all contracts with customers as follows:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. We will adopt the new standard on the required effective date on January 1, 2018. We have performed a detailed assessment of the impact of IFRS 15 which is detailed below. The transition method that will be applied is the modified retrospective method whereby the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings in 2018.

Our IFRS assessment identified the following areas that may be significantly impacted from a qualitative perspective:

OEM software license and distribution agreements

We regularly enter into software license and distribution agreements that may include the right for a partner to embed the Materialise software in its own property software or machine, that is marketed and sold to end-customers. Typically, those contracts provide a license to use and market the software, training and one year of maintenance and support service. Those performance obligations are “distinct”. Certain contracts may also include development services. Those development services are in general also “distinct” services except in case the customer cannot benefit from the license with readily available resources without the development services and the development services significantly customize/modify the existing license. In that case, those development services are combined with the license and recognized over the term of the license.

Those agreements may also provide for step-based volume discounts when certain sales targets are achieved and discounts when certain development revenue is achieved. In current accounting, volume discounts are recognized based on a reasonable estimate of the volume discounts to be paid and deducted from revenue over the contract period (based on sales). Certain other discounts are immediately deducted in full from revenue when they are expected to be met. Under IFRS 15, the transaction price will include an estimate of all the discounts payable under the contract period and will be subsequently allocated to the performance obligations. However, the impact on revenue is not expected to be material as of January 1, 2018.

[Table of Contents](#)

Medical partner license, supply and distribution agreements

Medical partner license, supply and distribution agreements generally include a time-based license for online order management system and surgical guide planning software, surgical guide development services and 3D printing, training, set-up and on boarding services and maintenance services. The consideration for the license is in general included within the price for a surgical guide (whether or not via an explicit royalty added to the price). The current accounting is not significantly different than under IFRS 15, except:

- The license is not considered “distinct” and may be combined with the “surgical guide services and printing” as the license as such has no significant benefit for the partner with other readily available resources;
- Certain agreements may include significant development services other than the standard set-up and on boarding services, which significantly modify/customize the existing platform for the purpose of the partner and are not considered “distinct” and combined with the license;
- Allocation of the transaction price over the “distinct” performance obligations may result in higher or lower revenue allocated to a performance obligation than the contractual pricing.

The impact of the above differences on revenue is expected to be €323,000 additional deferred revenue as of January 1, 2018.

One contract with a non-cancellable contract period of 10 years had an up-front non-refundable fee for exclusivity for a total of €2.25 million. Under current accounting, this fee has been fully recognized in the previous years (from 2010 onwards). Under IFRS 15, this fee will be included in the transaction price and allocated to the “distinct” performance obligations of the contract which are primarily software license, surgical guides services and printing, maintenance, and development services. The impact of this difference will be higher deferred revenue of €850,000 with a debit of the retained earnings for the same amount as of January 1, 2018. This deferred revenue will be recognized in revenue over the next three years.

IFRS 15 is not expected to have significant impacts on our other revenue streams such as 3D print products and software license and related maintenance.

IFRS 15 provides also new presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in our financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2016 and 2017 we developed and started testing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

Based on our detailed assessment, we currently estimate the cumulative effect in retained earnings as of January 1, 2018 as follows (positive is a debit):

in 000€	January 1, 2018
Software	—
Medical	1,173
Manufacturing	—
Total catch-up adjustment	1,173

We will continue to assess individual contracts to determine the performance obligations included, relating to licenses and royalty based sales, maintenance and support services and the estimated variable considerations and related constraints.

IFRS 16 Leases

IFRS 16 Leases, or IFRS 16, was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

[Table of Contents](#)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, subject to endorsement by the European Union. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. We are however not intending to early adopt this standard.

During 2018 we plan to assess the potential effect of IFRS 16 on our consolidated financial statements. To see the volume of operating leases, please refer to Note 24 to our audited consolidated financial statements.

Other Financial Information

We believe EBITDA and Adjusted EBITDA are meaningful measures to our investors to enhance their understanding of our financial performance. Although EBITDA and Adjusted EBITDA are not necessarily a measure of our ability to fund our cash needs, we understand that it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance and to compare our performance with the performance of other companies that report EBITDA or Adjusted EBITDA. Our calculation of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

We calculate EBITDA as net profit plus income taxes, financial expenses (less financial income), depreciation and amortization, and share in loss of joint venture. We calculate Adjusted EBITDA by adding non-recurring initial public offering related expenses, non-cash stock-based compensation expenses and acquisition-related expenses of business combinations to EBITDA. Disclosure in this annual report of EBITDA and Adjusted EBITDA, which are non-IFRS financial measures, is intended as a supplemental measure of our performance that is not required by, or presented in accordance with, IFRS. EBITDA and Adjusted EBITDA should not be considered as alternatives to net profit or any other performance measure derived in accordance with IFRS. Our presentation of EBITDA and Adjusted EBITDA should not be construed to imply that our future results will be unaffected by unusual or non-recurring items.

Reconciliation of Net Profit to Adjusted EBITDA (unaudited) on a Consolidated Basis

in 000€	For the year ended December 31,		
	2017	2016	2015
Net profit (loss)	(1,656)	(3,019)	(2,860)
Income taxes	534	1,710	(389)
Financial expenses	4,728	2,437	2,470
Financial income	(3,210)	(2,039)	(3,511)
Depreciation and amortization	12,631	8,374	6,810
Share in loss of joint venture	469	1,018	401
EBITDA (unaudited)	13,496	8,481	2,921
Non-cash stock-based compensation expenses ⁽¹⁾	1,033	977	766
Acquisition-related expenses of business combinations ⁽²⁾	609	—	—
Adjusted EBITDA (unaudited) (3)	15,138	9,458	3,687

(1) Non-cash stock-based compensation expenses represent the cost of equity-settled and cash-settled share-based payments to employees.

(2) Acquisition-related expenses of business combinations represent fees and costs in connection with the acquisition of ACTech.

(3) Our initial public offering closed in June 2014. During the periods presented, we did not incur any fees and costs in connection with our initial public offering.

[Table of Contents](#)**Results of Operations****Comparison of the Years Ended December 31, 2017 and 2016**

in 000€, except percentages	For the year ended December 31,		
	2017	2016	% Change
Revenue	142,573	114,477	24.5%
Cost of sales	(62,787)	(46,706)	34.4%
Gross profit	79,786	67,771	17.7%
Research and development expenses	(19,959)	(17,682)	12.9%
Sales and marketing expenses	(39,109)	(36,153)	8.2%
General and administrative expenses	(25,484)	(20,041)	27.2%
Net other operating income (expenses)	5,631	6,212	-9.4%
Operating (loss) profit	865	107	708.4%
Financial expenses	(4,728)	(2,437)	94.0%
Financial income	3,210	2,039	57.4%
Share in loss of joint venture	(469)	(1,018)	-53.9%
(Loss) profit before taxes	(1,122)	(1,309)	-14.3%
Income taxes	(534)	(1,710)	-68.8%
Net (loss) profit	(1,656)	(3,019)	-45.1%

[Table of Contents](#)

Comparison of the Years Ended December 31, 2017 and 2016 by Segment

in 000€, except percentages	Materialise Software	Materialise Medical	Materialise Manufacturing	Total Segments	Unallocated(1)	Consolidated
For the year ended December 31, 2017						
Revenues	35,770	42,841	63,712	142,323	250	142,573
Segment EBITDA (unaudited)	13,926	4,400	4,967	23,293	(9,797)	13,496
Segment EBITDA %	38.9%	10.3%	7.8%	16.4%		9.5%

in 000€, except percentages	Materialise Software	Materialise Medical	Materialise Manufacturing	Total Segments	Unallocated(1)	Consolidated
For the year ended December 31, 2016						
Revenues	30,122	37,910	46,406	114,438	39	114,477
Segment EBITDA (unaudited)	10,130	894	3,848	14,872	(6,391)	8,481
Segment EBITDA %	33.6%	2.4%	8.3%	13.0%		7.4%

(1) Unallocated Revenues consist of occasional one-off sales by our core competencies not allocated to any of our segments. Unallocated Segment EBITDA consists of corporate research and development, corporate headquarter costs and other operating income (expense).

Revenue. Revenue was €142.6 million in the year ended December 31, 2017 compared to €114.5 million in the year ended December 31, 2016, an increase of €28.1 million, or 24.5%.

Revenue by geographical area is presented as follows:

in 000€	For the year ended December 31,	
	2017	2016
Americas	35,120	30,804
Europe & Africa	87,940	67,883
Asia-Pacific	19,513	15,790
Total	142,573	114,477

Revenue generated in Europe increased by €20.0 million, or 29.5%, in the year ended December 31, 2017 compared to the year ended December 31, 2016, mainly as a result of increased revenue in our Materialise Manufacturing (including ACTech) and Materialise Software segments. Revenue generated throughout the Americas increased by €4.3 million, or 14.0%, in the year ended December 31, 2017 compared to the year ended December 31, 2016. Revenue generated in Asia-Pacific increased by €3.7 million, or 23.6%, in the year ended December 31, 2017 compared to the year ended December 31, 2016, mainly as a result of increased revenue in our Materialise Manufacturing (including ACTech) and Materialise Medical segments.

Revenue from our Materialise Software segment increased from €30.1 million in the year ended December 31, 2016 to €35.8 million in the year ended December 31, 2017, which represented an increase of €5.7 million, or 18.8%. This growth was primarily boosted by OEM sales growth of 23.8%.

[Table of Contents](#)

Revenue from our Materialise Medical segment increased from €37.9 million in the year ended December 31, 2016 to €42.8 million in the year ended December 31, 2017, representing an increase of €4.9 million, or 13.0%. Medical software growth was 16.5%, partner sales growth was 3.7%, and direct sales growth was 12.3%. Within our medical software department recurrent revenue from annual and renewed licenses and maintenance fees increased by 22.2%, while revenue from perpetual licenses and services increased by 5.6% in line with the new sales model that was introduced in April 2014, whereby, except for research and academic centers, our medical software will generally be offered through time-based licenses (and no longer on a perpetual basis). Recurrent revenues from annual and renewed licenses and maintenance fees represented 68.7% of total medical software revenues in the year ended December 31, 2017, compared to 64.9% in the year ended December 31, 2016.

Revenue from our Materialise Manufacturing segment increased from €46.4 million in the year ended December 31, 2016 to €63.7 million in the year ended December 31, 2017, representing an increase of €17.3 million, or 37.3%. Revenue from the ACTech business that was acquired in October 2017 contributed €10.0 million in 2017. We increased the number of 3D printers dedicated to the Materialise Manufacturing segment from 120 3D printers and six vacuum casting machines at December 31, 2016 to 155 3D printers and six vacuum casting machines at December 31, 2017 (including nine 3D printers operated by ACTech).

During the year ended December 31, 2017, in the aggregate across our various segments, 36.1% of our revenue was derived from Materialise Software and Materialise Medical software licenses and related services, as compared to 38.1% in the year ended December 31, 2016, 44.7% of our revenues was derived from the sale of printed industrial and consumer products (including €10.0 million from ACTech's business), compared to 40.6% in the year ended December 31, 2016 and 19.2% of our revenues was derived from the sale of medical devices (guides as well as implants) that were brought to the market together with complex software planning solutions, including royalties and other fees, as compared to 21.3% in the year ended December 31, 2016.

Cost of sales. Cost of sales was €62.8 million in the year ended December 31, 2017, compared to €46.7 million in the year ended December 31, 2016, an increase of €16.1 million, or 34.4%. This increase in cost of sales was primarily attributable to increased purchases of goods and services, payroll expenses and depreciation expenses. Cost of sales of the acquired ACTech business contributed €7.3 million in 2017.

Gross profit. The overall gross profit margin (our gross profit divided by our revenue) decreased to 56.0% in the year ended December 31, 2017 from 59.2% in the year ended December 31, 2016. The decrease was primarily due to the relative increase of the manufacturing business resulting from the ACTech acquisition and the manufacturing business generally has a lower gross margin.

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, 14.5% to €84.6 million in the year ended December 31, 2017 from €73.9 million in the year ended December 31, 2016. €2.5 million of the R&D, S&M and G&A expenses relate to the newly acquired ACTech business. Excluding the ACTech business, R&D expenses increased from €17.7 million to €20.0 million, S&M expenses increased from €36.2 million to €38.1 million, and G&A expenses (including €0.6 million of ACTech acquisition cost) increased from €20.0 million to €24.0 million.

Net other operating income. Net other operating income decreased from €6.2 million in the year ended December 31, 2016 to €5.6 million in the year ended December 31, 2017. This decrease in other operating income was primarily attributable to net foreign currency exchange losses, related to our operating activities.

Financial result (financial expenses and financial income). The net financial result decreased from €-0.4 million in the year ended December 31, 2016 to €-1.5 million in the year ended December 31, 2017. The net financial result mainly relates to variances with respect to financial foreign currency results, which were primarily related to foreign exchange fluctuations on the portion of the initial public offering proceeds held in U.S. dollars.

Income taxes. Income taxes in the year ended December 31, 2017 resulted in an expense of €0.5 million, which was a combination of deferred tax bookings, and income taxes due over the result for the period.

Net profit. As a result of the factors described above, the net loss was €1.7 million in the year ended December 31, 2017 compared to a net loss of €3.0 million in the year ended December 31, 2016, a decrease of €1.3 million. The ACTech business contributed €0.3 million positively to this result.

EBITDA. As a result of the factors described above, our consolidated EBITDA increased from €8.5 million in the year ended December 31, 2016 to €13.5 million in the year ended December 31, 2017, an increase of €5.0 million or 59.1%, and our total segment EBITDA increased from €14.9 million in the year ended December 31, 2016 to €23.3 million in the year ended December 31, 2017, an increase of €8.4 million, or 56.6%. The 2017 EBITDA includes the ACTech business's contribution of €2.1 million.

[Table of Contents](#)

Our Materialise Software segment's EBITDA increased from €10.1 million in the year ended December 31, 2016 to €13.9 million in the year ended December 31, 2017, an increase of €3.8 million, or 37.5%. This segment's EBITDA margin (the segment's EBITDA divided by the segment's revenue) increased from 33.6% for the year ended December 31, 2016 to 38.9% in the year ended December 31, 2017. The improvement of the EBITDA margin can be explained by an increase of the gross margin of 22%, while operating expenses increased by 17%.

Our Materialise Medical segment's EBITDA increased from €0.9 million in the year ended December 31, 2016 to €4.4 million in the year ended December 31, 2017. The segment's EBITDA margin increased from 2.4% in the year ended December 31, 2016 to 10.3% in the year ended December 31, 2017, which was mainly the result of an increase of the segment's gross margin by 7.5% compared to an increase of 4.5% across the segment's operational expenses. The improvement of the EBITDA margin is due to the increase of both revenue and gross margin by 13%, and an increase in operating expenses of only 3%.

Our Materialise Manufacturing segment's EBITDA increased from €3.8 million in the year ended December 31, 2016 to €5.0 million in the year ended December 31, 2017. Excluding the ACTech business's contribution of €2.1 million, the EBITDA margin of this segment decreased from 8.3% in the year ended December 31, 2016 to 5.4% in the year ended December 31, 2017. The EBITDA margin of this segment decreased from 8.3% in the year ended December 31, 2016 to 7.8% in the year ended December 31, 2017. The lower margin is mainly due to the following elements: the effect of temporary manufacturing inefficiencies while moving parts of our production to our new facilities in Belgium and Poland; the effect of higher cost of sales related to sales of eyewear scanners and the increased R&D efforts related to wearable developments; the cost related to the acquisition of ACTech; and the effect of higher cost of capacity in the fourth quarter where revenues excluding ACTech decreased 7%.

[Table of Contents](#)

Reconciliation of Net Profit to Segment EBITDA

in 000€	For the year ended December 31,	
	2017	2016
Net profit	(1,656)	(3,019)
Income taxes	534	1,710
Finance costs	4,728	2,437
Finance income	(3,210)	(2,039)
Share in loss of joint venture	469	1,018
Operating profit	865	107
Depreciation and amortization	12,631	8,374
Corporate research and development	2,017	1,673
Corporate headquarters costs	9,690	8,646
Other operating income (expense)	(1,910)	(3,928)
Segment EBITDA (unaudited)	23,293	14,872

Comparison of the Years Ended December 31, 2016 and 2015

in 000€, except percentages	For the year ended December 31,		
	2016	2015	% Change
Revenue	114,477	102,035	12.2%
Cost of sales	(46,706)	(42,963)	8.7%
Gross profit	67,771	59,072	14.7%
Research and development expenses	(17,682)	(18,186)	-2.8%
Sales and marketing expenses	(36,153)	(36,832)	-1.8%
General and administrative expenses	(20,041)	(15,045)	33.2%
Net other operating income (expenses)	6,212	7,102	-12.5%
Operating (loss) profit	107	(3,889)	-102.8%
Financial expenses	(2,437)	(2,470)	-1.3%
Financial income	2,039	3,511	-41.9%
Share in loss of joint venture	(1,018)	(401)	153.9%
(Loss) profit before taxes	(1,309)	(3,249)	-59.7%
Income taxes	(1,710)	389	-539.6%
Net (loss) profit	(3,019)	(2,860)	5.6%

Comparison of the Years Ended December 31, 2016 and 2015 by Segment

in 000€, except percentages	Materialise Software	Materialise Medical	Materialise Manufac- turing	Total Segments	Unallocated(1)	Consolidated
For the year ended December 31, 2016						
Revenues	30,122	37,910	46,406	114,438	39	114,477
Segment EBITDA (unaudited)	10,130	894	3,848	14,872	(6,391)	8,481
Segment EBITDA %	33.6%	2.4%	8.3%	13.0%		7.4%

in 000€, except percentages	Materialise Software	Materialise Medical	Materialise Manufac- turing	Total Segments	Unallocated(1)	Consolidated
For the year ended December 31, 2015						
Revenues	25,798	34,856	41,381	102,035	—	102,035
Segment EBITDA (unaudited)	9,093	422	1,645	11,160	(8,239)	2,921
Segment EBITDA %	35.2%	1.2%	4.0%	10.9%		2.9%

(1) Unallocated Revenues consist of occasional one-off sales by our core competencies not allocated to any of our segments. Unallocated Segment EBITDA consists of corporate research and development, corporate headquarter costs and other operating income (expense).

Revenue. Revenue was €114.5 million in the year ended December 31, 2016 compared to €102.0 million in the year ended December 31, 2015, an increase of €12.5 million, or 12.2%.

Revenue by geographical area is presented as follows:

in 000€	For the year ended December 31,	
	2016	2015
Americas	30,804	30,990
Europe	67,883	58,939
Asia-Pacific	15,790	12,106
Total	114,477	102,035

Revenue generated in Europe increased by €8.9 million, or 15.2%, in the year ended December 31, 2016 compared to the year ended December 31, 2015, mainly as a result of increased revenue in our Materialise Manufacturing and Materialise Medical segments. Revenue generated throughout the Americas remained stable at around €31.0 million in the year ended December 31, 2016 compared to the year ended December 31, 2015. Revenue generated in Asia increased by €3.7 million, or 30.4%, in the year ended December 31, 2016 compared to the year ended December 31, 2015, primarily boosted by the increased revenue in our Materialise Software segment.

Revenue from our Materialise Software segment increased from €25.8 million in the year ended December 31, 2015 to €30.1 million in the year ended December 31, 2016, which represented an increase of €4.3 million, or 16.8%. This growth was primarily fueled by a 24.6% increase in recurrent sales from annual and renewed licenses and maintenance fees. Over the same period, sales of services and manufacturing control platforms increased by 27.8% and 499.0%, respectively.

Revenue from our Materialise Medical segment increased from €34.9 million in the year ended December 31, 2015 to €37.9 million in the year ended December 31, 2016, representing an increase of €3.0 million, or 8.8%. Medical software growth was 7.4%, partner sales growth 4.2%, and direct sales growth 45.2%. Within our medical software department recurrent sales from annual and renewed licenses and maintenance fees increased by 19.6%, while sales of perpetual licenses decreased by 23.4% in line with the new sales model that was introduced in April 2014, whereby, except for research and academic centers, our medical software will generally be offered through time-based licenses (and no longer on a perpetual basis). Recurrent revenues from annual and renewed licenses and maintenance fees represented 64.9% of total medical software revenues in the year ended December 31, 2016, compared to 56.8% in the year ended December 31, 2015.

[Table of Contents](#)

Revenue from our Materialise Manufacturing segment increased from €41.4 million in the year ended December 31, 2015 to €46.4 million in the year ended December 31, 2016, representing an increase of €5.0 million, or 12.1%. We increased the number of 3D printers dedicated to the Materialise Manufacturing segment from 112 3D printers and six vacuum casting machines at December 31, 2015 to 120 3D printers and six vacuum casting machines at December 31, 2016. Our i.materialise and Rapid Fit businesses, which we previously referred to as our growth businesses, are part of our Materialise Manufacturing segment. Although these activities are becoming more mature, and were fully integrated into the Materialise Manufacturing business lines during the fourth quarter in order to create additional synergies, they have adversely impacted overall profit for the segment. Revenue from our Materialise Manufacturing segment excluding i.materialise and RapidFit (which we sometimes refer to as our “additive manufacturing solutions” business) increased from €34.1 million in the year ended December 31, 2015 to €37.1 million in the year ended December 31, 2016, representing an increase of €3.0 million, or 8.9%. Our additive manufacturing solutions business sold in the years ended December 31, 2015 and 2016 a wide variety of products (most of which were uniquely customized), based on a wide variety of materials and produced by means of multiple 3D printing technologies. In the year ended December 31, 2016, our additive manufacturing solutions business experienced stronger growth in its manufacturing of end parts than in its prototyping activities, with 27.7% and 3.5% growth, respectively.

During the year ended December 31, 2016, and across our various segments, 38.1% of our revenue was derived from Materialise Software and Materialise Medical software licenses and related services, as compared to 37.0% in the year ended December 31, 2015, 40.6% of our revenues was derived from the sale of printed industrial and consumer products, which was identical to the year ended December 31, 2015, and 21.3% of our revenues was derived from the sale of medical devices (guides as well as implants) that were brought to the market together with complex software planning solutions, including royalties and other fees, as compared to 22.5% in the year ended December 31, 2015.

Cost of sales. Cost of sales was €46.7 million in the year ended December 31, 2016 compared to €43.0 million in the year ended December 31, 2015, an increase of €3.7 million, or 8.7%. This increase in cost of sales was primarily attributable to increased salaries and to increases in depreciation expenses.

Gross profit. Mainly as a result of increased efficiency in the Materialise Manufacturing segment, the overall gross profit margin (our gross profit divided by our revenue) increased to 59.2% in the year ended December 31, 2016 from 57.9% in the year ended December 31, 2015. For the year ended December 31, 2016, gross profit of €67.8 million reflected growth of 14.7% compared to the prior year.

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, 5.4% to €73.9 million for the year ended December 31, 2016 from €70.1 million in the year ended December 31, 2015. R&D expenses decreased from €18.2 million to €17.7 million, S&M expenses decreased slightly from €36.8 million to €36.2 million, and G&A expenses increased 33.2% from €15.0 million to €20.0 million. These changes compared to last year primarily reflected the managerial structure and support we have implemented within our S&M and R&D groups to support their significant growth since our initial public offering. A number of employees with mixed roles within these groups have evolved into more managerial/administrative roles, and their cost as well as certain other expenses are now categorized into G&A. This increase of R&D, S&M and G&A expenses in aggregate was mainly attributable to an increase of payroll expenses and an increase in purchases of goods and services.

Net other operating income. Net other operating income decreased from €7.1 million in the year ended December 31, 2015 to €6.2 million in the year ended December 31, 2016. This decrease in other operating income was primarily attributable to a decrease in grants and funding for research and development projects of €0.6 million.

Financial expenses. Financial expenses decreased from €2.5 million in the year ended December 31, 2015 to €2.4 million in the year ended December 31, 2016, a decrease of €0.1 million.

Financial income. Financial income decreased from €3.5 million in the year ended December 31, 2015 to €2.0 million in the year ended December 31, 2016. Of this €2.0 million financial income, €1.9 million is related to foreign currency exchange gains that should be considered jointly with the €1.5 million foreign currency losses under financial expenses. This is primarily due to foreign exchange fluctuations on the portion of the initial public offering proceeds held in U.S. dollars.

Income taxes. Income taxes in the year ended December 31, 2016 resulted in an expense of €1.7 million, which was a combination of deferred tax bookings, and income taxes due over the result for the period. The income taxes are influenced by research and development tax incentives and patent income deduction (which is a favorable tax regime for income derived from patents).

Net profit. As a result of the factors described above, the net loss was €3.0 million in the year ended December 31, 2016 compared to a net loss of €2.9 million in the year ended December 31, 2015, an increase of €0.1 million.

[Table of Contents](#)

EBITDA. As a result of the factors described above, our consolidated EBITDA increased from €2.9 million in the year ended December 31, 2015 to €8.5 million in the year ended December 31, 2016, an increase of €5.6 million, or 193.1%, and our total segment EBITDA increased from €11.2 million in the year ended December 31, 2015 to €14.9 million in the year ended December 31, 2016, an increase of €3.7 million, or 33.3%.

Our Materialise Software segment's EBITDA increased from €9.1 million in the year ended December 31, 2015, to €10.1 million in the year ended December 31, 2016, an increase of €1.0 million, or 11.4%. As a result of accelerated efforts in rolling out new projects, this segment's EBITDA margin (the segment's EBITDA divided by the segment's revenue) decreased from 35.2% for the year ended December 31, 2015 to 33.6% in the year ended December 31, 2016.

Our Materialise Medical segment's EBITDA increased from €0.4 million in the year ended December 31, 2015 to €0.9 million in the year ended December 31, 2016. The segment's EBITDA margin increased from 1.2% in the year ended December 31, 2015 to 2.4% in the year ended December 31, 2016, which was mainly the result of an increase of the segment's gross margin by 7.5% compared to an increase of 4.5% across the segment's operational expenses.

Our Materialise Manufacturing segment's EBITDA increased from €1.6 million in the year ended December 31, 2015 to €3.8 million in the year ended December 31, 2016. The EBITDA of our "additive manufacturing solutions" business (which excludes i.materialise and RapidFit) increased from €4.3 million in the year ended December 31, 2015 to €5.6 million in the year ended December 31, 2016, resulting in EBITDA margins of 15.1% in the year ended December 31, 2016 and 12.5% in the year ended December 31, 2015. This increase in EBITDA was influenced by the increased efficiency in the production process.

Reconciliation of Net Profit to Segment EBITDA

in 000€	For the year ended December 31,	
	2016	2015
Net profit	(3,019)	(2,860)
Income taxes	1,710	(389)
Finance costs	2,437	2,470
Finance income	(2,039)	(3,511)
Share in loss of joint venture	1,018	401
Operating profit	107	(3,889)
Depreciation and amortization	8,374	6,810
Corporate research and development	1,673	2,955
Corporate headquarters costs	8,646	9,700
Other operating income (expense)	(3,928)	(4,416)
Segment EBITDA (unaudited)	14,872	11,160

B. Liquidity and Capital Resources

Prior to our initial public offering, we historically funded our operations principally from cash generated from operations and borrowings. On June 30, 2014, we completed our initial public offering of 8,000,000 ADSs at a price of \$12.00 per ADS, and received net proceeds of approximately \$88.3 million. As we continue to grow our business, we envision funding our operations through multiple sources, including the remaining proceeds from our initial public offering, future earnings and cash flow from operations and borrowings.

We expect our main uses of cash in the future will be funding our business operations, capital expenditures and loan reimbursements, as in the past. We believe that we will have sufficient liquidity to satisfy the operating requirements of our business through the next 12 months.

Our liquidity plans are subject to a number of risks and uncertainties, including those described in the section of this annual report titled “Item 3. Key Information—D. Risk Factors,” some of which are outside of our control. Macro-economic conditions could hinder our business plans, which could, in turn, adversely affect our financing strategy.

Cash Flows

The table below summarizes our cash flows from operating activities, investing activities and financing activities for the years ended December 31, 2017, 2016 and 2015.

in 000€	For the year ended December 31,		
	2017	2016	2015
Net cash flow from operating activities	9,886	8,495	2,353
Net cash flow from/(used in) investing activities	(59,184)	(12,640)	(2,794)
Net cash flow from/(used in) financing activities	38,041	9,266	(1,788)
Net increase of cash and cash equivalents	(11,257)	5,121	(2,229)

[Table of Contents](#)

Comparison of Year Ended December 31, 2017 and 2016

Net cash flow from operating activities was €9.9 million in the year ended December 31, 2017 compared to €8.5 million in the year ended December 31, 2016, an increase of €1.3 million, or 16.4%. The increase in cash flow from operating activities was primarily the result of a higher EBITDA (an increase of €5.0 million), which was offset in part by increases in working capital and income taxes paid (€4.8 million).

Net cash flow used in investing activities was €59.2 million in the year ended December 31, 2017 compared to €12.6 million in the year ended December 31, 2016, an increase of €46.6 million, or 368.2%. The increase in cash flow used in investing activities was primarily due to the acquisition of the ACTech business (€27.2 million) and investments in land, buildings, machinery and equipment (€27.7 million).

Net cash flow from financing activities was €38.0 million in the year ended December 31, 2017 compared to €9.3 million in the year ended December 31, 2016, an increase of €28.7 million, or 310.5%. The fluctuation in cash flow used in or from financing activities was primarily related to increased proceeds from loans and borrowings of €54.3 million.

Comparison of Year Ended December 31, 2016 and 2015

Net cash flow from operating activities was €8.5 million in the year ended December 31, 2016 compared to €2.4 million in the year ended December 31, 2015, a decrease of €6.1 million, or 254.2%. The decrease in cash flow from operating activities was primarily the result of a higher EBITDA (an increase of €5.6 million).

Net cash flow used in investing activities was €12.6 million in the year ended December 31, 2016 compared to €2.8 million in the year ended December 31, 2015, an increase of €9.8 million, or 352.4%. The increase in cash flow used in investing activities was primarily due to the repayment of our investments in held-to-maturity investments (€10.0 million).

Net cash flow from financing activities was €9.3 million in the year ended December 31, 2016 compared to net cash flows used in financing activities of €1.8 million in the year ended December 31, 2015, an increase of €11.1 million. The increase in cash flow used in or from financing activities was primarily related to increased proceeds from loans and borrowings

Investments in Property, Plant and Equipment and Intangible Assets

The table below describes our investments in property, plant and equipment and intangible assets for the years ended December 31, 2017, 2016 and 2015:

in 000€	For the year ended December 31,		
	2017	2016	2015
Purchase of property, plant and equipment	30,517	15,306	12,836
Purchase of intangible assets	4,467	2,342	1,521
Total	34,984	17,648	14,357

Indebtedness

As of December 31, 2017, we had loans and borrowings in the total amount of €94.6 million, with mainly fixed interest rates. These loans include secured bank loans used to finance the acquisition of ACTech as well as for the construction of office and production facilities in Belgium and Poland.

The following table sets forth our principal indebtedness:

in 000€	As of December 31		
	2017	2016	2015
€28,000 acquisition bank loan	27,513	—	—
€18,000 secured bank loans (construction Belgium/Poland)	17,575	6,404	—
€11,250 bank loans ACTech	9,247	—	—
€8,750 other facility loans	4,982	5,411	5,952
Bank investment loans—20 largest outstanding	21,441	9,467	4,892
Bank investment loans—other	2,289	2,927	2,195
Financial lease obligations with third parties	9,164	7,395	5,904
Institutional loan	1,105	936	856
Convertible loan	1,000	1,000	1,000
Related party loan	241	266	290
Total loans & borrowings	94,557	33,806	21,089
current	12,769	5,539	4,482
non-current	81,788	28,267	16,607

K€ 28,000 acquisition loan (balance K€ 27,513 as of December 31, 2017)

This bank loan has been concluded in October 2017 to finance the acquisition of ACTech. The loan includes a portion of €18.0 million, reimbursable monthly over seven years, and a bullet portion of €10.0 million, reimbursable at maturity in October 2024. The interest rate is fixed for the duration of the loan, and amounts to 1.1% on average for both portions. The bank loan is secured with a business pledge mandate, a share pledge on Materialise Germany GMBH, and debt covenants.

K€ 18,000 secured bank loans

These two secured bank loans have been concluded in 2016 in two agreements to finance the construction of new facilities in Leuven (Belgium) and in Poland, both maturing in 2032. The agreement for the Belgian facility financing amounts to €12.0 million (drawn as of December 31, 2017: €11.6 million; as of December 31, 2016: €4.1 million), and with reimbursements only starting in December 2022. The agreement for the Polish facility financing amounts to €6.0 million (fully drawn as of December 31, 2017; as of December 31, 2016: €2.4 million), and with reimbursements only starting in June 2019. The average interest rate of both agreements amounts to 1.2%. These bank loans are secured with a mortgage mandate on the Belgian facility buildings.

K€ 11,250 bank loans

These three bank loans have been agreed by the ACTech Group to refinance a vendor loan. On December 31, 2017, the outstanding balances amounted to €9.2 million (€7.5 million maturing in June 2023, and €1.8 million maturing in June 2021). The three loans bear variable and fixed interest rates, on average amounting to 3%. The bank loans are secured with a mortgage on the ACTech facilities, business pledges on fixed assets, cash and accounts receivable, a negative pledge on ACTech's shares, and with financial covenants. These loans have been refinanced entirely in March 2018 for €9.3 million, with adjusted maturity to May 2025 and first reimbursements in August 2020. The interest rate has been fixed at approximately 1.6%, and pledges have been reduced to a €4.7 million mortgage on ACTech's facilities, with a guarantee by Materialise NV.

[Table of Contents](#)

K€ 8,750—other facility loans

Three facility loans were contracted in 2005, 2006 and 2012 for the construction of Leuven office and production facilities (€2.0 million, €0.3 million and €5.0 million respectively) and another loan for the Czech Republic offices in 2008 (€1.8 million). The balance of the four loans amounts to €5.0 million as of December 31, 2017. All the loans have a repayment schedule of 15 years and interest rates are fixed between 4.3% and 5.4% for the four loans.

Other bank investment loans

The 20 largest of these bank investment loans outstanding as of December 31, 2017 amount to an outstanding balance of €21.4 million. They were agreed in 2017, 2016 and in the years before to finance various investments in machinery, printers, equipment, and software tools. The vast majority of the loans have a reimbursement period over seven years, and are at fixed interest rates with a weighted average below 1%.

Finance lease obligations with third parties

We have several finance lease obligations mainly with financial institutions and related to the financing of buildings and various other items of plant and equipment such as 3D printers. As of December 31, 2017, the balance of these financial lease obligations amounts to €9.2 million, and are at fixed interest rates with a weighted average below 2%.

K€1,142 institutional loan

This loan was contracted with a governmental institution in Germany to finance the production operations of Materialise Germany for a maximum amount of €2.0 million. As of December 31, 2017 €1.1 million has been drawn. The loan is repayable over a four-year period, starting as of September 2017 with a fixed interest rate of 0.25% payable per quarter.

K€1,000 convertible bond held by related party

We issued, on October 28, 2013, 1,000 convertible bonds for a total amount of €1.0 million. The bonds have been fully subscribed by a member of our senior management and his spouse.

The terms of the convertible bond are summarized as follows:

- Number of convertible bonds: 1,000
- Nominal value per bond: €1.000
- Contractual life: 7 years
- Interest: 3.7% per year
- Conversion period: from January 1, 2017 until maturity
- Conversion price: €1.97 per share

The maximum number of ordinary shares that can be issued upon conversion is 508,904.

We have estimated the fair value of a similar liability however without any conversion option by reference to a number of quoted peers in Belgium. The fair value was estimated at €0.9 million. Upon initial recognition, an amount of €0.1 million was recognized in consolidated reserves reflecting the fair value of the conversion option.

Finance lease obligations with related parties

In October 2001, we entered into a finance lease agreement with Ailanthus NV to lease land and a portion of a new production building. The lease had a term of 15 years and included a purchase option for the land and the building. We determined that this lease was a finance lease because (i) the purchase option is assumed to be significantly lower than the fair value of the land and building and (ii) it was very likely at inception of the lease that we would exercise our purchase option. The amounts outstanding as of December 31, 2017 is €0.0 million (2016: €0.1 million; 2015: €0.1 million). The interest expense for the year 2017 is K€0 (2016: K€4; 2015: K€5). The term of the lease expired on September 20, 2016 and we exercised a purchase option in respect of the land and the building. The notary deed transferring the land and building was completed in the course of 2017.

[Table of Contents](#)

Related party loan

Ailanthus NV has granted us one other loan at fixed interest rate of 4.23% that matures in 2025. The purpose of the loan is to finance the purchase of a building in France. The amounts outstanding as of December 31, 2017 is €0.2 million (2016: €0.3 million; 2015: €0.3 million). The interest expense for the year ending December 31, 2017 is K€11 (2016: K€12; 2015: K€13).

Material Unused Sources of Liquidity

Our cash and cash equivalents as of December 31, 2017, 2016 and 2015 were €43.2 million, €55.9 million and €50.7 million, respectively. Our unused lines of credit as of December 31, 2017, 2016 and 2015 were €4.5 million, €3.1 million and €4.4 million, respectively, and primarily consisted of overdraft facilities and a straight loan. This amount excludes the facility agreement with the European Investment Bank (EIB), described below.

On December 20, 2017, the European Investment Bank (EIB) and Materialise entered into a finance contract to support Materialise's ongoing research and development programs for growth from 2017 to 2020. The contract provides a credit of up to €35.0 million drawable in two tranches. The first tranche cannot exceed €25.0 million and can be drawn during the first year of the contract. The second tranche can be drawn during the second year of the contract, subject to a specified debt ratio being met. The duration of the loan will be between six to eight years starting from the disbursement of the respective tranches, and includes a two-year loan reimbursement grace period. Loans under the contract will be made at a fixed rate, based on the Euribor rate at the time of the borrowing, plus a variable margin. The margin is initially equal to 1.86% and varies in function of certain EBITDA levels and debt ratios. The contract contains customary security, covenants and undertakings. As of December 31, 2017, no funds had yet been drawn in connection with this agreement.

Transfers from Subsidiaries

The amount of dividends payable by our subsidiaries to us is subject to, among other restrictions, general limitations imposed by the corporate laws, capital transfer restrictions and exchange control restrictions of the respective jurisdictions where those subsidiaries are organized and operate. For example, China has very specific approval regulations for all capital transfers to or from the country and certain capital transfers to and from Ukraine are subject to obtaining a specific permit. Dividends paid to us by certain of our subsidiaries may also be subject to withholding taxes in certain jurisdictions. Of our cash and cash equivalents held outside of Belgium as of December 31, 2017, 2016 and 2015, the amount of cash that would have been subject to withholding taxes if transferred to us by way of dividends and the amount of cash that could not have been transferred by law, or the transfer of which would have been subject to prior approval that was beyond our control, was in each case immaterial.

C. Research and Development, Patents and Licenses

For the years ended December 31, 2017, 2016 and 2015, our research and development expenses were €20.0 million, €17.7 million and €18.2 million, respectively, and were 14.0%, 15.4% and 17.8% of our revenue, respectively. For more information regarding our research and development program, see "Item 4. Information on the Company—B. Business Overview—Research and Development."

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our revenues, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

[Table of Contents](#)

F. Tabular Disclosure of Contractual Obligations

The table below sets forth our contractual obligations as of December 31, 2017:

in 000€	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>
Loans and borrowings	85,393	10,047	29,741	18,298	27,307
Financial lease commitments	9,164	3,034	4,643	1,269	218
Scheduled interest payments ⁽¹⁾	12,692	1,250	3,549	2,719	5,174
Operating lease commitments	3,708	1,721	1,504	406	77
Purchase obligations	7,638	6,898	717	22	1
Total	118,595	22,950	40,154	22,714	32,777

(1) Scheduled interest payments comprises the interest payable on loans and borrowings and financial lease commitments. No interest is payable on the other contractual obligations in the above table.

In relation to our property, plant and equipment, we had committed expenditures of €0.7 million as of December 31, 2017. These commitments relate to the purchase of land in Bremen, Germany for the purposes of building office space. These commitments are not included in the above table.

G. Safe Harbor

See “Special Note Regarding Forward-Looking Information” on page 1 of this annual report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth certain information with respect to the current members of our board of directors and senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>
<i>Directors:</i>		
Wilfried Vancraen	56	Founder, Director & Chief Executive Officer
Peter Leys	53	Executive Chairman
A Tre C CVOA, represented by Johan De Lille	55	Director
Hilde Ingelaere	56	Director & Executive Vice President
Pol Ingelaere	82	Director
Jürgen Ingels	47	Director
Jos Vander Sloten	55	Director
Lieve Verplancke	58	Director
Bart Luyten	42	Director
<i>Senior Management and Executive Committee Members:</i>		
Wilfried Vancraen	56	Founder, Director & Chief Executive Officer
Peter Leys	53	Executive Chairman
Hilde Ingelaere	55	Director & Executive Vice President
Seaqueance BVBA, represented by Johan Pauwels	50	Executive Vice President
Bart Van der Schueren	51	Executive Vice President, Chief Technology Officer
Alfinco BVBA, represented by Johan Albrecht	54	Executive Vice President, Chief Financial Officer
Ioberan BVBA, represented by Stefaan Motte	43	Vice President, Software Segment
De Vet Management bvba, represented by Brigitte de Vet-Veithen	47	Vice President, Medical Segment
Level 5 BVBA, represented by Jurgen Laudus	39	Vice President, Manufacturing Segment
Welkeraad BVBA, represented by Sabine Demey	49	Vice President, Software Development
SoHo services, represented by Conny Hooghe	52	Vice President, Human Resources
Carla Van Steenberghe	43	Vice President, Chief Legal Officer

Each of our current directors was appointed at the 2017 annual general meeting of shareholders. One of our previous directors, Wim Michels, resigned effective as of January 1, 2018. The term of the directorship of each member of our board of directors will expire at the 2018 annual general meeting of shareholders. The business address of the members of our board of directors is the same as our business address: Technologielaan 15, 3001 Leuven, Belgium. Our board of directors has determined that three members of our board of directors, Jürgen Ingels, Lieve Verplancke and A Tre C CVOA, represented by Johan De Lille are independent under Belgian law and the NASDAQ Stock Market listing requirements.

The following is a brief summary of the business experience of the current members of our board of directors:

Wilfried Vancraen. Wilfried Vancraen has served as one of our directors and as our Chief Executive Officer since founding our company in July 1990. Mr. Vancraen previously worked as a research engineer and consultant at the Research Institute of the Belgian Metalworking Industry, where he was introduced to 3D printing. Passionate about this new technology and firm in his belief that it could help create a better and healthier world, he founded Materialise in July 1990. Mr. Vancraen holds several patents related to the technical and medical applications of 3D printing and remains committed to using the technology to make positive changes in people’s lives. In recent years, Mr. Vancraen has been awarded the RTAM/SME Industry Achievement Award, the highest honor in the 3D printing industry, has been selected as the most influential person in additive manufacturing by industry professionals and TCT Magazine, and has been listed one of the five leading players in his sector by the Financial Times. He is also the recipient of a 2013 Visionaries! award from the Museum of Art and Design in New York. Mr. Vancraen holds a Master of Science in Electro-Mechanical Engineering and a Masters in Business Administration from KU Leuven. Wilfried Vancraen was chosen in the TCT Hall of Fame in 2017 for his contributions to the 3D printing industry.

[Table of Contents](#)

Peter Leys. Peter Leys has served as one of our directors and as our Executive Chairman since 2013. Previously, from 1990 to 2013, Mr. Leys was at the Brussels office of Baker & McKenzie CVBA, where he focused on mergers and acquisitions, and capital markets. Mr. Leys lectures a mergers and acquisitions contract design course at the KU Leuven. Mr. Leys holds a Candidacy Degree in Philosophy from KU Leuven and Master of Law degrees from KU Leuven and the University of Georgia.

Johan De Lille. Johan De Lille has represented A Tre C CVOA as one of our directors since July 2006, and A Tre C CVOA has been an independent director of Materialise since 2006. Mr. De Lille started his professional career as an auditor at Arthur Andersen LLP in 1988. In 1994, he became Vice President & Group Controller of Ackermans & van Haaren NV, a Belgian public holding company. In 1999, he became Chief Financial Officer of Easdaq/Nasdaq Europe and took on the role of Chief Financial Officer of Option NV, a Belgian public technology company, in 2001. Mr. De Lille joined Delhaize Group, a Belgian public company, as Vice President & Controller in September 2002, and later became Chief Internal Auditor of the Delhaize Group in August 2006, and Chief Financial Officer of Delhaize Belgium in January 2009. Since 2013, Mr. De Lille has acted as Chief Financial & Information Officer of BMT Group, an industrial family owned holding company active in high-precision machining. Mr. De Lille serves as an independent director on the board of directors of Boma NV, a Belgian private company specializing in cleaning products. In 1988, Mr. De Lille was the award winner for the best final paper of the Department of Economics from KU Leuven. In 2010, he received the CFO Magazine Award for the Best Finance Team of the year for Working Capital in Belgium. Mr. De Lille holds a Masters degree in Economics, with a major in Econometrics and Mathematical Economics, from KU Leuven.

Hilde Ingelaere. Hilde Ingelaere has served as one of our directors since December 1997 (first as representative of Ailanthus NV and in her individual capacity since June 2015) and has been our Executive Vice President since January 2011. Since joining our company in 1990, Ms. Ingelaere has managed several staff departments, including the human resources, finance and legal departments. Ms. Ingelaere currently serves as Executive Vice President of our Materialise Medical segment. Prior to joining our company, from 1989 to 1992, Ms. Ingelaere was a business analyst with Plant Genetic Systems. From 1986 to 1989, Ms. Ingelaere was at Bristol Myers Squibb where she focused on cardiovascular clinical research. Ms. Ingelaere holds a Masters in Bioengineering from KU Leuven, where she focused on Biotechnology, and a Masters in Business Administration from KU Leuven.

Pol Ingelaere. Pol Ingelaere has served as one of our directors since 2011. Mr. Ingelaere has been involved for many years in education and the sciences, teaching physics, chemistry and biology to final grade college students in Belgium. In 1981 Mr. Ingelaere was appointed as an inspector for all science teachers in West Flanders, Belgium. Mr. Ingelaere has been an active member of a number of educational commissions. Mr. Ingelaere holds a Masters degree in Biology from the University of Ghent and an International Certificate in Human Ecology from the Free University of Brussels.

Jürgen Ingels. Jürgen Ingels has served as one of our independent directors since November 2013. Mr. Ingels is Founder and Managing Partner of SmartFin Capital, a growth stage private equity fund that was set up in December 2014. In October 2014, Mr. Ingels sold Clear2Pay NV/S.A., a global innovative payments software technology company he founded in 2000, to FIS Global. The clients of Clear2Pay include global and major regional financial institutions such as ING Group, Banco Santander, S.A., Crédit Agricole S.A., BNP Paribas, The U.S. Federal Reserve, Royal Bank of Scotland, The People's Bank of China (PBOC). In 2012 Mr. Ingels co-founded NGdata, Inc., a global big data technology company. Mr. Ingels started his career in private equity in 1997 at Dexia NV/S.A., where his role was focused on investing in technology companies. Mr. Ingels currently serves as a director on the board of directors for UnifiedPost NV, Guardsquare NV, Projective NV, Itineris NV, Newtec NV, Itiviti AB, Willemen Groep and Maria DB. In 2015, Mr. Ingels co-founded The Glue, a provider of infrastructure solutions for financial institutions. In 2016 Mr. Ingels founded B-Hive, a European fintech hub based in Brussels. Mr. Ingels holds a Masters degree in Business Administration and a Masters degree in Political and Social Sciences from the University of Antwerp.

Jos Vander Sloten. Jos Vander Sloten has served as one of our directors since January 2007. Mr. Vander Sloten is a full professor at the Faculty of Engineering Science, KU Leuven and chaired the Division of Biomechanics for two terms from 2006 to 2014. He chaired the Leuven Medical Technology Centre (L-MTC), which he founded in 2008 until the end of his two terms in 2016. Mr. Vander Sloten teaches engineering mechanics, problem solving and engineering design, computer integrated surgery systems, and medical device design including regulatory affairs. From 2006 to 2012, he served as program director of the Master in Biomedical Engineering at KU Leuven. His research interests are computer applications in musculoskeletal biomechanics and computer integrated surgery, on which he authored more than 160 journal papers. Mr. Vander Sloten is a Founding Fellow of the European Alliance for Medical and Biological Engineering and Science, where he previously served as president in 2006, president-elect in 2005 and secretary-general from 2003 to 2004. In 2015, he was elected as a member of the International Academy for Medical and Biological Engineering. Mr. Vander Sloten holds a Masters degree in Mechanical Engineering and a PhD in Mechanical Engineering – Biomedical Engineering from KU Leuven. Since 2016 he is Vice-Dean for International Affairs at the Faculty of Engineering Science, KU Leuven.

Lieve Verplancke. Lieve Verplancke has served as one of our independent directors since June 2015. Ms. Verplancke began her career in 1984 with The Beecham Group (now part of GlaxoSmithKline), and has since held key management positions with Merck & Co., as well as Bristol-Myers Squibb, where she served as Managing Director, leading their Belgian/GDL subsidiary, until 2012. Ms. Verplancke has also served as a board member for Brussels-based Europe Hospitals, the Imelda Hospital in Bonheiden, the Euronext fund, Quest for Growth, MDxHealth and the Stichting tegen Kanker. She is also the founder and managing director of Qaly@Beersel, an elderly care center in Belgium. In addition to being a medical doctor (MD – KU Leuven), Ms. Verplancke holds a postgraduate degree in Economics and a Master in Business Administration from the University of Antwerp. She has also completed courses at INSEAD, CEDEP, Columbia University and the Vlerick Business School, and is a certified Executive Coach (PCC).

[Table of Contents](#)

Bart Luyten. Bart Luyten has served as one of our independent directors since June 2017 and also previously served as representative of one of our directors from 2012 to 2015. Mr. Luyten is Founder and Managing Partner of SmartFin Capital, a private equity fund investing in growth stage technology companies. Previously, Mr. Luyten was the Founder and Managing Director of Sniper Investments NV, a smart technologies venture capital fund that was liquidated in 2016. Mr. Luyten has experience as Investment Director of Partners At Venture, Managing Partner of Privast Capital Partners and General Partner of Nausicaa Ventures, all Belgian-based private equity and venture capital funds with a focus on technology investments. Mr. Luyten currently holds positions on the boards of directors of a number of European technology companies and serves on the advisory board of Boston Millennia Partners II, a U.S. based venture capital and private equity firm he was associated with earlier in his career. Mr. Luyten holds a Master of Science degree in Applied Economics from the University of Antwerp and a postgraduate Master degree in SME management from VIZO Brussels.

Our Board of Directors has established an Executive Committee, within the meaning of article 524bis of the Belgian Companies Code. The following is a brief summary of the professional experience of the members of our Executive Committee, which was established effective as of January 1, 2017:

Johan Pauwels. Johan Pauwels has served as an Executive Vice President of our company since January 2011 and has been with our company since our founding. In 1990, Mr. Pauwels completed his Master's thesis on stereolithography on the very first 3D printing machine at Materialise. After graduating in 1991, Mr. Pauwels stayed on with our company, focusing on software development to support our 3D printing services. Throughout his career with our company, Mr. Pauwels has held several positions, including Software Sales Manager and Director of Sales, and is currently an Executive Vice President responsible for global sales organization and our sales offices around the world. Mr. Pauwels holds a Masters' degree in Electro-Mechanical Engineering from KU Leuven.

Bart Van der Schueren. Bart Van der Schueren has served as an Executive Vice President of our company since January 2011 and as our Chief Technology Officer since 2016. Prior to joining Materialise, Mr. Van der Schueren was at KU Leuven as a liaison engineer for the newly founded Materialise and established the basic research activities for the company while also founding the research activities in 3D printing at the KU Leuven. Mr. Van der Schueren then went on to obtain a PhD in selective laser metal sintering. In 1995, Mr. Van der Schueren officially joined Materialise and ran the service bureau. Over the years, his dedication and expertise has grown the service bureau from a regional player to one of the most prominent additive manufacturing facilities in Europe. In 2011, Mr. Van der Schueren became an Executive Vice President of our company, responsible for the Materialise Manufacturing segment and focusing on production and engineering services. Mr. Van der Schueren holds a PhD in Selective Laser Metal Sintering and a Masters' degree in Mechanical Engineering from KU Leuven.

Johan Albrecht. Johan Albrecht has represented Alfinco BVBA as our Chief Financial Officer since August 2015. Mr. Albrecht joined Materialise from BARC NV, a global central laboratory that supports the pharmaceutical and biotech industry in the development of new drugs, where he served as Chief Financial Officer between 1989 and 2015, with responsibility for its worldwide financial and business reporting and control systems. Mr. Albrecht was also a member of BARC NV's executive committee and a director in its subsidiaries in Belgium, the United States, China, Australia, Singapore and South Africa. After Cerba European Lab, a network of 200 laboratories, acquired BARC NV in 2007, Mr. Albrecht also joined Cerba European Lab's executive committee in 2011. Prior to joining BARC NV, Mr. Albrecht served in various financial capacities with Pizzaland Benelux (United Biscuits), Applied Data Research and Minit International. Mr. Albrecht holds a postgraduate degree in corporate finance from KU Leuven and a Bachelor of Science in Business Administration from HU Brussels University.

Stefaan Motte. Stefaan Motte serves as Vice President and General Manager of the Materialise Software segment, and as such is responsible for the general strategic management of that segment. Mr. Motte joined us in April 2010, with an initial focus on growing our cranio-maxillofacial business. From 2012 onwards, Mr. Motte's scope broadened to orthopaedic applications as he took up the role of Director of the Clinical Business Unit. From 2015 onwards, Mr. Motte assumed his current role leading the Software business. Mr. Motte has been a member of the Materialise Executive Committee since 2010. Prior to joining Materialise, Mr. Motte was a software architect and project manager with Koninklijke Philips NV from 2001 to 2006. From 2006 to 2010, Mr. Motte worked with NXP semiconductors as a competence center manager, and a member of the NXP Belgium management team. Mr. Motte holds a Master of Science degree in Mathematics from KU Leuven and a Master of Science degree in Applied Informatics from KU Leuven. In 2017 Mr. Motte was appointed Fellow of the Faculty of Science, KU Leuven.

Brigitte de Vet-Veithen. Brigitte de Vet-Veithen has represented De Vet Management bvba as Vice President Medical since June 2016. Mrs de Vet-Veithen has almost 20 years of experience in the Healthcare and Life Sciences Sector. She has worked in various management roles for Johnson & Johnson, ultimately serving as Vice President for the EMEA region of Cordis Neurovascular and General Manager of Cordis in Germany. Before joining Materialise she has held various leadership roles as representative of De Vet Management bvba including the role of Chief Executive Officer of Acertys group, a provider of medical devices, software, services and supplies to hospitals and medical professionals. Mrs de Vet-Veithen holds a Master of Business Administration with a Major in Engineering from HEC Liege and an MBA from INSEAD.

[Table of Contents](#)

Jurgen Laudus. Jurgen Laudus serves as Vice-President of our Manufacturing unit. Mr. Laudus joined us in August 2001 as project manager and continued to our UK office to become Rapid Tooling manager in 2003. For two years, Mr Jurgen was responsible for both our Rapid Tooling sales support and production management. In 2005, Mr Jurgen returned to Belgium to become international production manager for our additive manufacturing services and later on sales manager, playing an active role in the growth of the AM production activities of Materialise. Mr. Laudus holds a Master of Science degree in Engineering from the KU Leuven.

Sabine Demey. Sabine Demey represents Welkeraad bvba as CIO and Vice President Software Research & Development for Materialise since January 1, 2017. Sabine Demey is also Director of Materialise Ukraine LLC. Sabine Demey has served as Director of our Software Research & Development & Information Technology groups since 2011. Ms. Demey joined Materialise in 1997 and started research in the applications of 3D printing in the dental industry which resulted in the development of our first medical guides and patents. Ms. Demey has served in several positions related to software development and medical applications of 3D printing, including the development and launch of our CMF business line. Ms. Demey holds a Masters in Engineering Sciences, Computer Science, Mechatronics from KU Leuven and a PhD in Engineering Sciences from KU Leuven.

Conny Hooghe. Conny Hooghe has represented SoHo Services as our Global HR Director since September 2017. She holds a Master of Industrial Psychology from the University of Ghent. Previously she has held several human resources management positions within technological oriented or IT companies like Wolters Kluwer, Fujitsu Services and Atos Origin.

Carla Van Steenberg. Carla Van Steenberg has served as our in-house counsel since 2003, and her role has gradually evolved into our Chief Legal Officer. Ms. Van Steenberg has served as our Compliance Officer since June 2014, and is a member of our Executive Committee in addition to being secretary to the Board of Directors. Ms. Van Steenberg graduated from the law faculty of KU Leuven in 1999. After having worked for three years at Brussels' based law firm Marx Van Ranst Vermeersch & Partners, she temporarily moved to London to earn a LL.M degree at King's College London. Upon her return to Belgium, she started working as in-house legal counsel for our company, a position which she holds to this day. Over the years, our legal department has expanded, changing Ms. Van Steenberg's role from the sole company lawyer to that of a legal team manager.

Family Relationships

Wilfried Van Craen and Hilde Ingelaere are spouses. Pol Ingelaere is the father of Hilde Ingelaere. No other family relationship exists between any members of our board of directors or senior management.

B. Compensation

Compensation of Directors

Our Remuneration and Nomination Committee recommends the level of remuneration for directors. These recommendations are subject to approval by our board of directors and, subsequently, by our shareholders at the annual general meeting. During the year ended December 31, 2017, only the directorships of Mr. Vancraen, Mr. Leys, Ms. Ingelaere, Mr. De Lille, Mr. Vander Sloten, Mr. Ingels, Mr. Luyten and of Ms. Verplancke were remunerated. See “—Compensation of Senior Management” for more information about the remuneration of the directorships of Mr. Vancraen, Mr. Leys and Ms. Ingelaere. During the year ended December 31, 2017, Mr. De Lille, Mr. Vander Sloten, Mr. Ingels, Mr. Luyten and Ms. Verplancke each received annual remuneration equal to €10,000. In addition, Mr. De Lille, Mr. Vander Sloten, Mr. Ingels, Mr. Luyten and Ms. Verplancke each received a remuneration of €1,250 per physical board meeting that he or she attends and €625 for each board meeting that is held via conference call (lasting more than one hour) and that he or she attends.

In addition, the Chairman of the Audit Committee and the Chairman of the Remuneration and Nomination Committee received annual remuneration of €7,500 and €2,500 respectively. Each independent member (including the Chairman) of the Audit Committee or the Remuneration and Nomination Committee received a remuneration of €1,250 for each physical committee meeting that he or she attends, and €625 for each committee meeting that is held via conference call (lasting more than one hour) and that he or she attends. The Remuneration and Nomination Committee benchmarks directors’ compensation against peer companies to ensure that it is competitive. In addition, our board of directors sets and revises, from time to time, the rules and level of compensation for directors carrying out a special mandate or sitting on one or more of the board of directors committees and the rules for reimbursement of directors’ business-related out-of-pocket expenses.

Compensation of Senior Management

In 2017, our senior management received in the aggregate total gross compensation of €2.27 million which included base salary, bonus payments, company car allowance and other benefits. This amount also includes the remuneration of the directorships of Mr. Vancraen, Mr. Leys and Ms. Ingelaere and the compensation for the members of the Executive Committee.

Compensation of Executive Committee

We have entered into employment or consultancy agreements with each member of our Executive Committee. As of January 1, 2017, all employment agreements that were previously in place with the members of our Executive Committee have been terminated and have been replaced with services agreements (Contracts for Paid Office as a member of the Executive Committee). The terms of these agreements are substantially similar. These agreements generally provide for an annual base salary. In addition to the fixed remuneration components, under the terms of these agreements, members of our Executive Committee are entitled to certain additional benefits (including mobile phone and director and officer liability insurance) and reimbursement of necessary and reasonable expenses. These consultancy agreements with members of our Executive Committee provide for payments and benefits (including upon termination of employment) that we believe are in line with customary market practice for similar companies who are operating in our industry.

C. Board Practices

Service Contracts

Except as described above under “—B. Compensation—Compensation of Executive Committee,” we do not have service contracts with any member of our Board of Directors or Executive Committee.

Board of Directors Practices

Decisions are generally made by our board of directors as a whole. However, decisions on certain matters may be delegated to committees of our board of directors or to the Executive Committee to the extent permitted by law and our articles of association. The chairperson, or if he or she is prevented from doing so, the vice chairperson, chairs the meetings of our board of directors and determines the order in which the agenda items are discussed, the method and order of the voting, any adjournment of the discussion and passing of resolutions on individual agenda items after a due assessment of the circumstances.

Our board of directors transferred management powers to the Executive Committee, except for the general policy of the company and other powers which are reserved by Belgian company law to the board of directors. The Executive Committee is supervised by our board of directors. The following actions are comprised under general policy of our company and are thus excluded from the powers of the Executive Committee:

- mergers and acquisitions;
- transfer and waive of intellectual property rights to third parties;
- granting of exclusivity rights to third parties with an important impact on the freedom of a particular business segment;
- nomination and removal of members of the Executive Committee;
- opening of offices abroad and nomination and removal of managers thereof;
- conclusion of financial loans;
- sale and purchase of real estate; and
- cancellation of a particular product line.

Our board of directors entrusted the daily management of the company to Wilfried Vancraen, our Chief Executive Officer, in conformity with article 525 of the Belgian Companies Code.

Pursuant to our articles of association, our board of directors may form committees from among its members and charge them with the performance of specific tasks. The committees’ tasks, authorizations and processes are determined by our board of directors. Where permissible by law and our articles of association, important powers of our board of directors may also be transferred to committees.

Audit Committee

The Audit Committee consists of three members: Johan De Lille (Chairman), Lieve Verplancke and Jürgen Ingels. Our board of directors has determined that Messrs. De Lille and Ingels and Ms. Verplancke are independent under Rule 10A-3 of the Exchange Act and the applicable rules of the NASDAQ Stock Market and that each of Messrs. De Lille and Ingels and Ms. Verplancke qualifies as an “audit committee financial expert” as defined under the Exchange Act.

Our Audit Committee assists our board of directors in overseeing the accuracy and integrity of our accounting and financial reporting processes and audits of our consolidated financial statements, the implementation and effectiveness of an internal control system and our compliance with legal and regulatory requirements, the independent auditors’ qualifications and independence and the performance of the independent auditors.

The Audit Committee’s duties and responsibilities to carry out its purposes include, among others:

- the review of our accounting processes;

[Table of Contents](#)

- the review of the effectiveness of our internal systems of control, risk management and compliance;
- the consideration and recommendation of the nomination, compensation, retention and termination of the Company's statutory auditor for Belgian company law purposes and the Company's independent auditor for SEC purposes, the commissioning of the auditors to conduct audits, agreeing on additional services to be provided by the auditors under their respective engagements, the establishment of the scope and the main review points of the audit and oversight of the auditors' work (including resolution of disagreements with the auditors);
- the preparation of our board of directors' resolution on our consolidated financial statements;
- reviewing our interim consolidated financial statements that are made public or otherwise filed with any securities regulatory authority;
- discussing any flaws relating to our internal control systems, as reported by our board of directors to the audit committee;
- monitoring our bookkeeping and records; and
- the establishment of procedures for (i) the receipt, retention and treatment of complaints we receive regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters.

Our Audit Committee is entitled to review information on any point it wishes to verify, and is authorized to acquire such information from any of our employees. It is also authorized to obtain independent advice, including legal advice, if this is necessary for an inquiry into any matter under its responsibility. It is entitled to call on the resources that will be needed for this task. It is entitled to receive reports directly from the auditors, including reports with recommendations on how to improve our control processes.

Remuneration and Nomination Committee

Our Remuneration and Nomination Committee consists of three members: Wilfried Vancraen, Jozef Vander Sloten and Johan De Lille. Our board of directors has determined that Mr. De Lille is independent under the applicable rules of the NASDAQ Stock Market.

Our Remuneration and Nomination Committee assists our board of directors in its decisions relating to the remuneration policy and individual remuneration packages for our board of directors and Chief Executive Officer, the appointment of directors, the Chief Executive Officer and the other members of senior management.

The Remuneration and Nomination Committee's duties and responsibilities to carry out its purposes include, among others:

- identifying individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors;
- recommending to our board of directors the director nominees for each annual general meeting, taking into account any nomination rights that certain shareholders may have under our articles of association;
- recommending to our board of directors director nominees to fill vacancies;
- recommending to our board of directors qualified and experienced directors for service on the committees of the board of directors;
- recommending to our board of directors the compensation of the members of senior management;
- recommending to our board of directors any incentive compensation plans and equity-based plans, and awards thereunder, and profit-sharing plans for our employees;
- evaluating the performance of our Chief Executive Officer; and
- advising our board of directors on other compensation issues.

D. Employees

The table below sets out information about the number of FTEs and fully dedicated consultants, which consultants included individual professionals who are registered as private entrepreneurs in Ukraine and who work exclusively with our company.

	For the year ended December 31,		
	2017*	2016**	2015
Total	1,862	1,432	1,304
Core competencies:			
3D printing	343	281	207
Software development	353	325	309
Engineering	249	189	165
Segments:			
Materialise Software	256	251	118
Materialise Medical	542	523	257
Materialise Manufacturing	775	426	112
Additional staff	289	232	136

* Includes 341 ACTech FTEs.

** Since 2016, people reported as being part of the three core competencies are included also in the segment reporting and allocated to one of the segments, resulting in a total of 1,862 across our three segments and additional staff for the year ended December 31, 2017.

We currently do not have a work council or trade union delegation. We have a health and safety committee entitled to certain information and consultation rights under Belgian law, at our Belgian headquarters. We consider our employee relations to be good and have never experienced a work stoppage.

E. Share Ownership

The following table sets forth information relating to beneficial ownership of our ordinary shares, as of April 24, 2018, for each member of our board of directors and senior management as of April 24, 2018:

Name of beneficial owner ⁽¹⁾	Ordinary Shares Beneficially Owned as of April 24, 2018	
	Number ⁽²⁾	Percent ⁽²⁾
Wilfried Vancraen ⁽³⁾	33,098,964	69.9
Peter Leys ⁽⁴⁾	581,460	1.1
A Tre C CVOA, represented by Johan De Lille ⁽⁵⁾	—	—
Pol Ingelaere ⁽⁶⁾	63,654	*
Jürgen Ingels ⁽⁷⁾	83,000	*
Jos Vander Sloten	12,000	*
Lieve Verplancke	—	—
Hilde Ingelaere ⁽³⁾	33,098,964	69.9
Johan Pauwels ⁽⁸⁾	189,688	*
Bart Van der Schueren ⁽⁹⁾	227,552	*
Johan Albrecht ⁽¹⁰⁾	1,284	*
Sabine Demey ⁽¹¹⁾	42,824	*
Jurgen Laudus ⁽¹²⁾	2,700	*
Carla Van Steenberghe ⁽¹³⁾	29,264	*
Stefaan Motte ⁽¹⁴⁾	1,500	*

* Less than 1%

(1) Except as otherwise indicated, the address for each of the persons named above is Technologielaan 15, 3001 Leuven, Belgium.

(2) Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days of December 31, 2017, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person. Except as otherwise indicated, we believe the persons named in this table have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table.

(3) Consists of (i) 5,331,164 ordinary shares held by Mr. Vancraen, (ii) 277,500 ordinary shares held by Ms. Ingelaere, (iii) 40,000 ADSs held by Mr. Vancraen, (iv) 14,021,612 ordinary shares jointly held by Mr. Vancraen and Ms. Ingelaere through Idem, a civil partnership (*burgerlijke maatschap / société civile de droit commun*) that is controlled and managed by Mr. Vancraen and Ms. Ingelaere, and (v) 13,428,688 ordinary shares held by Ailanthus NV, which is owned and controlled by Mr. Vancraen and Ms. Ingelaere. Mr. Vancraen and Ms. Ingelaere may be deemed to share voting power and investment power over these shares. Does not include (i) 1,125 warrants issued and granted to Mr. Vancraen or 1,125 warrants issued and granted to Ms. Ingelaere under the 2013 Warrant Plan, that will be exercisable upon vesting for an aggregate of 4,500 ordinary shares and 4,500 ordinary shares, respectively, at €2.14 per share, a third of which will vest on each of October 2018, 2019, and 2020, and that expire in 2023, (ii) 18,180 warrants issued and granted to Mr. Vancraen or 18,180 warrants issued and granted to Ms. Ingelaere under the 2014 Warrant Plan, which warrants are exercisable for 18,180 ordinary shares and 18,180 ordinary shares, respectively, at €8.81 per share, vest 25% on a yearly basis beginning in October 2018 and expire in 2024 or (iii) 15,000 warrants issued and granted to Mr. Vancraen or 15,000 warrants issued and granted to Ms. Ingelaere under the 2015 Warrant Plan, which warrants are exercisable for 15,000 ordinary shares and 15,000 ordinary shares, respectively, at €6.45 per share, vest 10% on September 2018, 20% on September 2019, 30% on September 2020 and 40% on September 2021, and expire in 2025.

(4) Consists of (i) 72,556 ordinary shares and (ii) 508,904 ordinary shares issuable upon conversion of 1,000 convertible bonds which have been issued to and subscribed by Mr. Leys and Ms. Kindt and which can be converted at a conversion price of €1.97 per share and mature in 2020. Does not include (i) 54,635 warrants issued and granted to Mr. Leys under the 2013 Warrant Plan, that will be exercisable upon vesting for an aggregate of 218,540 ordinary shares at €1.97 per share, a third of which will vest on each of October 2018, 2019 and 2020, and that expire in 2023, or (ii) 15,000 warrants issued and granted to Mr. Leys under the 2015 Warrant Plan, which warrants are exercisable for 15,000 ordinary shares at €6.45 share, vest 10% on September 2018, 20% on September 2019, 30% on September 2020 and 40% on September 2021, and expire in 2025.

Table of Contents

- (5) The address for A Tre C CVOA is Timmermansstraat 32, 8340 Damme, Belgium.
- (6) Consists of (i) 62,904 ordinary shares held by Mr. Ingelaere and Mr. Ingelaere's spouse Anne Verfaillie, and (ii) 750 ADSs held by Mr. Ingelaere and Ms. Verfaillie.
- (7) Consists of 83,000 ADSs held by Jinvest BVBA. The address for Jinvest BVBA is Clemenceauxstraat 177A, 2860 Sint-Katelijne-Waver, Belgium.
- (8) Consists of ordinary shares held jointly with Mr. Pauwels' spouse Kristine Van Muylder. Mr. Pauwels and Ms. Van Muylder may be deemed to share voting power and investment power over these shares. Does not include (i) 1,125 warrants issued and granted to Mr. Pauwels under the 2013 Warrant Plan, that will be exercisable upon vesting for an aggregate of 4,500 ordinary shares at €2.14 per share, a third of which will vest on each of October 2018, 2019 and 2020, and that expire in 2023, and (ii) 18,180 warrants issued and granted to Mr. Pauwels under the 2014 Warrant Plan, which warrants are exercisable for 18,180 ordinary shares at €8.81 per share, vest 25% on a yearly basis beginning in October 2018 and expire in 2024.
- (9) Does not include (i) 1,125 warrants issued and granted to Mr. Van der Schueren under the 2013 Warrant Plan, that will be exercisable upon vesting for an aggregate of 4,500 ordinary shares at €2.14 per share, a third of which will vest on each of October 2018, 2019 and 2020, and that expire in 2023, (ii) 18,180 warrants issued and granted to Mr. Van der Schueren under the 2014 Warrant Plan, which warrants are exercisable for 18,180 ordinary shares at €8.81 per share, vest 25% on a yearly basis beginning in October 2018 and expire in 2024 or (iii) 15,000 warrants issued and granted to Mr. Van der Schueren under the 2015 Warrant Plan, which warrants are exercisable for 15,000 ordinary shares at €6.45 per share, vest 10% on September 2018, 20% on September 2019, 30% on September 2020 and 40% on September 2021, and expire in 2025.
- (10) Consists of 1,284 ADSs held by Mr. Albrecht. Does not include (i) 18,180 warrants issued and granted to Mr. Albrecht under the 2014 Warrant Plan, which warrants are exercisable for 18,180 ordinary shares at €8.81 per share, vest 25% on a yearly basis beginning in October 2018 and expire in 2024 or (ii) 15,000 warrants issued and granted to Mr. Albrecht under the 2015 Warrant Plan, which warrants are exercisable for 15,000 ordinary shares at €6.45 per share, vest 10% on September 2018, 20% on September 2019, 30% on September 2020 and 40% on September 2021, and expire in 2025.
- (11) Does not include (i) 1,125 warrants issued and granted to Ms. Demey under the 2013 Warrant Plan, that will be exercisable upon vesting for an aggregate of 4,500 ordinary shares at €2.14 per share, a third of which will vest on each of October 2018, 2019 and 2020, and that expire in 2023, (ii) 18,180 warrants issued and granted to Ms. Demey under the 2014 Warrant Plan, which warrants are exercisable for 18,180 ordinary shares at €8.81 per share, vest 25% on a yearly basis beginning in October 2018 and expire in 2024 or (iii) 4,000 warrants issued and granted to Ms. Demey under the 2015 Warrant Plan, which warrants are exercisable for 4,000 ordinary shares at €6.45 per share, vest 10% on September 2018, 20% on September 2019, 30% on September 2020 and 40% on September 2021, and expire in 2025.
- (12) Does not include (i) 1,125 warrants issued and granted to Mr. Laudus under the 2013 Warrant Plan, that will be exercisable upon vesting for an aggregate of 4,500 ordinary shares at €2.14 per share, a third of which will vest on each of October 2018, 2019 and 2020, and that expire in 2023, (ii) 18,180 warrants issued and granted to Mr. Laudus under the 2014 Warrant Plan, which warrants are exercisable for 18,180 ordinary shares at €8.81 per share, vest 25% on a yearly basis beginning in October 2018 and expire in 2024 or (iii) 15,000 warrants issued and granted to Mr. Laudus under the 2015 Warrant Plan, which warrants are exercisable for 4,000 ordinary shares at €6.45 per share, vest 10% on September 2018, 20% on September 2019, 30% on September 2020 and 40% on September 2021, and expire in 2025.
- (13) Does not include (i) 1,125 warrants issued and granted to Ms. Van Steenbergem under the 2013 Warrant Plan, that will be exercisable upon vesting for an aggregate of 4,500 ordinary shares at €2.14 per share, a third of which will vest on each of October 2018, 2019 and 2020, and that expire in 2023, (ii) 18,180 warrants issued and granted to Ms. Van Steenbergem under the 2014 Warrant Plan, which warrants are exercisable for 18,180 ordinary shares at €8.81 per share, vest 25% on a yearly basis beginning in October 2018 and expire in 2024 or (iii) 15,000 warrants issued and granted to Ms. Van Steenbergem under the 2015 Warrant Plan, which warrants are exercisable for 4,000 ordinary shares at €6.45 per share, vest 10% on September 2018, 20% on September 2019, 30% on September 2020 and 40% on September 2021, and expire in 2025.

[Table of Contents](#)

- (14) Does not include (i) 1,500 warrants issued and granted to Mr. Motte under the 2013 Warrant Plan, 375 of which have been exercised by Mr. Motte during the October 2017 exercise period (and for which 1,500 shares will have been issued in March 2018) and 1,125 of which will vest 25% on a yearly basis for a second time in October 2018 and expire in 2023, (ii) 18,180 warrants issued and granted to Mr. Motte under the 2014 Warrant Plan, which warrants are exercisable for 18,180 ordinary shares at €8.81 per share, vest 25% on a yearly basis beginning in October 2018 and expire in 2024 or (iii) 5,000 warrants issued and granted to Mr. Motte under the 2015 Warrant Plan, which warrants are exercisable for 5,000 ordinary shares at €6.45 per share, vest 10% on September 2018, 20% on September 2019, 30% on September 2020 and 40% on September 2021, and expire in 2025.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**A. Major Shareholders**

The following table sets forth information relating to beneficial ownership of our ordinary shares, as of April 24, 2018, for each person who is known by us to own beneficially 5% or more of our outstanding ordinary shares:

<u>Name of Beneficial Owner(1)</u>	<u>Ordinary Shares Beneficially Owned as of April 24, 2018</u>	
	<u>Number(2)</u>	<u>Percent(2)</u>
Wilfried Vancaeren(3)	33,098,964	69.9
Hilde Ingelaere(3)	33,098,964	69.9
Ailanthus NV(4)	13,428,688	28.4

- (1) Except as otherwise indicated, the address for each of the persons named above is Technologielaan 15, 3001 Leuven, Belgium.
- (2) Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days of April 24, 2018, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person. Except as otherwise indicated, we believe the persons named in this table have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table.
- (3) Consists of (i) 5,331,164 ordinary shares held by Wilfried Vancaeren, (ii) 277,500 ordinary shares held by Hilde Ingelaere, (iii) 40,000 ADSs held by Mr. Vancaeren, (iv) 14,021,612 ordinary shares jointly held by Mr. Vancaeren and Ms. Ingelaere through Idem, a civil partnership (*burgerlijke maatschap / société civile de droit commun*) that is controlled and managed by Mr. Vancaeren and Ms. Ingelaere, and (v) 13,428,688 ordinary shares held by Ailanthus NV, which is owned and controlled by Mr. Vancaeren and Ms. Ingelaere. Mr. Vancaeren and Ms. Ingelaere may be deemed to share voting power and investment power over these shares. Does not include (i) 1,125 warrants issued and granted to Mr. Vancaeren or 1,125 warrants issued and granted to Ms. Ingelaere under the 2013 Warrant Plan, that will be exercisable upon vesting for an aggregate of 4,500 ordinary shares and 4,500 ordinary shares, respectively, at €2.14 per share, a third of which will vest on each of October 2018, 2019, and 2020, and that expire in 2023, (ii) 18,180 warrants issued and granted to Mr. Vancaeren or 18,180 warrants issued and granted to Ms. Ingelaere under the 2014 Warrant Plan, which warrants are exercisable for 18,180 ordinary shares and 18,180 ordinary shares, respectively, at €8.81 per share, vest 25% on a yearly basis beginning in October 2018 and expire in 2024, or (iii) 15,000 warrants issued and granted to Mr. Vancaeren or 15,000 warrants issued and granted to Ms. Ingelaere under the 2015 Warrant Plan, which warrants are exercisable for 15,000 ordinary shares and 15,000 ordinary shares, respectively, at €6.45 per share, vest 10% on September 2018, 20% on September 2019, 30% on September 2020 and 40% on September 2021, and expire in 2025.
- (4) Ailanthus NV is owned and controlled by Hilde Ingelaere, a member of our board of directors and one of our Executive Vice Presidents, and by Wilfried Vancaeren, a member of our board of directors and our Chief Executive Officer. Mr. Vancaeren and Ms. Ingelaere may be deemed to share voting power and investment power over these shares.

None of our shareholders have different voting rights from other shareholders, except that as long as the Family Shareholders control, directly or indirectly, in the aggregate at least 20% of the voting rights attached to our ordinary shares, a majority of our directors must be appointed by our shareholders from a list of candidates proposed by the Family Shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

As of December 31, 2017, there were 26 individual holders of record entered in our share register. The number of individual holders of record is based exclusively upon our share register and does not address whether a share or shares may be held by the holder of record on behalf of more than one person or institution who may be deemed to be the beneficial owner of a share or shares in our company. As of December 31, 2017, 71.7% of our outstanding ordinary shares were held in Belgium by 26 holders of record. As of December 31, 2017, assuming that all of our ordinary shares represented by ADSs are held by residents of the United States, approximately 28.3% of our outstanding ordinary shares were held in the United States by one holders of record, the Bank of New York Mellon, depository of the ADSs. At such date, there were outstanding 13,450,370 ADSs, each representing one of our ordinary shares, and in the aggregate representing approximately 28.4% of our outstanding ordinary shares. The actual number of holders is greater than these numbers of record holders, and includes beneficial owners whose ADSs are held in street name by brokers and other nominees. This number of holders of record also does not include holder whose shares may be held in trust by other entities.

B. Related Party Transactions

Since January 1, 2017, there has not been, nor is there currently proposed, any material transaction or series of similar material transactions to which we were or are a party in which any of the members of our board of directors or senior management, holders of more than 10% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than the compensation and shareholding arrangements we describe in “Item 6. Directors, Senior Management and Employees” and “—A. Major Shareholders,” and the transactions we describe below.

Ailanthus NV

Ailanthus NV, a shareholder and director that is owned and controlled by Mr. Vancraen and Ms. Ingelaere, has provided several loans and financial leases to us for the purchase of machinery and a portion of our office and production buildings.

In October 2001, we entered into a finance lease agreement with Ailanthus NV to lease land and a portion of a new production building. The lease had a term of 15 years and included a purchase option for the land and the building. This finance lease expired on September 20, 2016 and we exercised a purchase option in respect of the land and building. The notary deed transferring the land and building was completed in the course of 2017. As of December 31, 2017 we no longer have a finance lease obligation with Ailanthus NV for our land and buildings in Leuven. For additional information, see Note 15 to our audited consolidated financial statements.

Ailanthus NV has granted us one other loan at a fixed interest rates of 4.23% that matures in 2025. The purpose of the loan is to finance the purchase of a building in France. For additional information, see Note 15 to our audited consolidated financial statements.

We rent apartments on a regular basis from Ailanthus NV in order to host our employees from foreign subsidiaries who are visiting our headquarters in Leuven. The total amount paid to Ailanthus NV for rent in 2017 was €0.17 million.

Convertible Bonds Issuance

On October 28, 2013 we issued to Mr. Leys and his spouse 1,000 convertible bonds at an issuance price of €1,000 per bond. The bonds have a maturity of seven years, bear an annual interest rate of 3.7% and can be converted into ordinary shares at a conversion price of €1.97 per share.

Registration Rights Agreement

On September 15, 2016, we entered into a registration rights agreement with certain holders of our ordinary shares, warrants and convertible bonds, including certain of our directors, senior management and consultants, which we refer to as the Registration Rights Agreement. In accordance with the terms of the Registration Rights Agreement, we filed a shelf registration statement on Form F-3 to register up to 35,032,250 ordinary shares represented by 35,032,250 ADSs to be sold by the selling shareholders from time to time. These ordinary shares consist of ordinary shares previously issued to and ordinary shares issuable upon exercise of warrants or conversion of convertible bonds held by the selling shareholders, as well as ordinary shares underlying ADSs that were acquired by the selling shareholders on the NASDAQ Global Select Market.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Financial Statements and Other Information

See “Item 3.A. Key Information—A. Selected Financial Data” and “Item 18. Financial Statements.”

Legal or Arbitration Proceedings

From time to time, we may be subject to various claims or legal or arbitration proceedings that arise in the ordinary course of our business. We are currently involved in a legal proceeding with Dentsply Implants NV regarding the alleged wrongful termination of a supply agreement we entered into with Dentsply Implants NV in 2010. The court of first instance ruled in favor of Dentsply Implants NV that we have wrongfully terminated the relationship. We have appealed this decision before the court has pronounced itself on the monetary damages. The amount of damages which Dentsply Implants NV is claiming is €2.7 million. While we are confident about the chances that the first instance decision will be overruled, we believe that, in the event that the first instance decision would be confirmed, the amount of monetary damages that we would be exposed to, will not have a material impact in our business, financial conditions or result of operations. We are currently not a party to, and we are not aware of any threat of, any other legal or arbitration proceedings, which, in the opinion of our management, is likely to have or could reasonably possibly have a material adverse effect on our business, financial condition or results of operations.

Policy on Dividend Distribution

We have never declared or paid any cash dividends on our shares, and we have no present intention of declaring or paying any dividends in the foreseeable future. Any recommendation by our board of directors to pay dividends, subject to compliance with applicable law and any contractual provisions that restrict or limit our ability to pay dividends, including under agreements for indebtedness that we may incur, will depend on many factors, including our financial condition, results of operations, legal requirements, capital requirements, business prospects and other factors that our board of directors deems relevant.

All of the shares represented by the ADSs have the same dividend rights as all of our other outstanding shares. In general, distributions of dividends proposed by our board of directors require the approval of our shareholders at a shareholders’ meeting, although our board of directors may declare interim dividends without shareholder approval.

Furthermore, pursuant to Belgian law, the calculation of amounts available for distribution to shareholders, as dividends or otherwise, must be determined on the basis of our non-consolidated statutory Belgian GAAP financial statements. In addition, in accordance with Belgian law and our articles of association, we must allocate each year an amount of at least 5% of our annual net profit under our statutory non-consolidated accounts (prepared in accordance with Belgian GAAP) to a legal reserve until the reserve equals 10% of our share capital. Our legal reserve currently meets this requirement. As a consequence of these facts there can be no assurance as to whether dividends or other distributions will be paid out in the future or, if they are paid, their amount.

For information regarding the Belgian withholding tax applicable to dividends and related U.S. reimbursement procedures, see “Item 10. Additional Information—E. Taxation—Belgian Taxation.”

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING**A. Offer and Listing Details****Price History**

The ADSs, each representing one ordinary share, have been listed on the NASDAQ Global Select Market under the symbol “MTLS” since June 25, 2014. Prior to that date, there was no public trading market for ADSs or our ordinary shares.

The following table sets forth the reported high and low closing sale prices of the ADSs on the NASDAQ Global Select Market for the periods indicated:

	Per ADS (in \$)	
	High	Low
Annual:		
June 25, 2014 (date of listing) to December 31, 2014	14.46	8.02
Year ended December 31, 2015	9.95	6.49
Year ended December 31, 2016	8.47	5.38
Year ended December 31, 2017	16.29	7.25
Quarterly:		
Three months ended March 31, 2016	8.38	5.38
Three months ended June 30, 2016	7.57	6.53
Three months ended September 30, 2016	7.91	6.11
Three months ended December 31, 2016	8.47	6.37
Three months ended March 31, 2017	9.35	7.25
Three months ended June 30, 2017	14.15	8.79
Three months ended September 30, 2017	15.49	11.72
Three months ended December 31, 2017	16.29	12.30
Monthly:		
October 2017	16.29	14.57
November 2017	16.04	13.91
December 2017	15.24	12.30
January 2018	13.94	12.12
February 2018	13.16	11.46
March 2018	13.55	11.67
April 2018 (through April 27, 2018)	12.66	11.35

B. Plan of Distribution

Not applicable.

C. Markets

The ADSs have been listed on the NASDAQ Global Select Market under the symbol “MTLS” since June 25, 2014.

D. Selling Shareholders

Not applicable.

[Table of Contents](#)

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The information called for by this item has been reported previously in our registration statement on Form F-1 (Registration No. 333-194982) under the heading “Description of Share Capital,” which is incorporated herein by reference, and is supplemented by the following additional information related to changes in our share capital:

The share capital of Materialise NV was increased following the exercise of warrants previously issued under our 2007 Warrant Plan on November 27, 2014, with €73,696 (including issuance premium) against the issuance of 75,200 new ordinary shares, and on November 20, 2015 with €96,040 (including issuance premium) against the issuance of 98,000 new ordinary shares. The 2007 Warrant Plan 2007 is now terminated. There are no outstanding warrants issued under this plan.

On March 5, 2015, the board of directors increased the share capital of Materialise NV by €578,917 (including issuance premium) against the issuance of 80,180 new ordinary shares, pursuant to the powers granted to it by the extraordinary general meeting of shareholders held on April 23, 2014.

On December 18, 2015, the board of directors adopted a new warrant plan, our 2015 Warrant Plan, and issued 1,400,000 warrants, which warrants are exercisable for 1,400,000 new ordinary shares, pursuant to the powers granted to it by the extraordinary general meeting of shareholders held on April 23, 2014. As of December 31, 2017, 350,000 of the warrants were granted.

On March 30, 2018, the share capital of Materialise NV was increased by €6,000 and the share premium was increased by €201,000, against the exercise of 25,714 warrants, representing 102,856 shares, previously issued under our 2013 Warrant Plan.

C. Material Contracts

We have not entered into any material contracts in the prior two years other than in the ordinary course of business and other than those described elsewhere in “—B. Memorandum and Articles of Association,” “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions,” or elsewhere in this annual report, and the contracts we describe below.

D. Exchange Controls

There are no Belgian exchange control regulations that impose limitations on our ability to make, or the amount of, cash payments to residents of the United States. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Transfers from Subsidiaries” for a discussion of various restrictions applicable to transfers of funds by our subsidiaries.

E. Taxation

Belgian Taxation

The following paragraphs are a summary of material Belgian tax consequences of the ownership of ADSs by an investor. The summary is based on laws, treaties and regulatory interpretations in effect in Belgium on the date of this document, all of which are subject to change, including changes that could have retroactive effect.

The summary only discusses Belgian tax aspects which are relevant to U.S. holders of ADSs, or Holders. This summary does not address Belgian tax aspects which are relevant to persons who are residents in Belgium or engaged in a trade or business in Belgium through a permanent establishment or a fixed base in Belgium. This summary does not purport to be a description of all of the tax consequences of the ownership of ADSs, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special rules, or the tax laws of any country other than Belgium. This summary does not describe the tax treatment of investors that are subject to special rules, such as banks, insurance companies, collective investment undertakings, dealers in securities or currencies, persons that hold, or will hold, ADSs in a position in a straddle, share-repurchase transaction, conversion transactions, synthetic security or other integrated financial transactions. Investors should consult their own advisers regarding the tax consequences of an investment in ADSs in the light of their particular circumstances, including the effect of any state, local or other national laws.

[Table of Contents](#)

In addition to the assumptions mentioned above, it is also assumed in this discussion that for purposes of the domestic Belgian tax legislation, the owners of ADSs will be treated as the owners of the ordinary shares represented by such ADSs. However, the assumption has not been confirmed or verified with the Belgian Tax Administration.

Dividend Withholding Tax

As a general rule, a withholding tax of 30% is levied on the gross amount of dividends paid on the ordinary shares represented by the ADSs, subject to such relief as may be available under applicable domestic or tax treaty provisions. Dividends subject to the dividend withholding tax include all benefits attributed to the ordinary shares represented by the ADSs, irrespective of their form. A reimbursement of fiscal capital made in accordance with the Belgian Company Code is partly considered to be a distribution of the existing taxed reserves (irrespective whether incorporated into the capital or not) and/or the tax-free reserves incorporated into the capital. The proportion is determined on the basis of the ratio between certain taxed reserves and tax-free reserves incorporated into the capital on the one hand and, on the other hand, the aggregate of such reserves and the fiscal capital. In principle, fiscal capital includes paid-up statutory share capital, and subject to certain conditions, the paid-up issue premiums and the cash amounts subscribed to at the time of the issue of profit sharing certificates.

In case of a redemption by us of own shares represented by ADSs, the redemption distribution (after deduction of the portion of fiscal capital represented by the redeemed shares) will be treated as a dividend which in certain circumstances may be subject to a withholding tax of 30%, subject to such relief as may be available under applicable domestic or tax treaty provisions. In case of a liquidation of our Company, any amounts distributed in excess of the fiscal capital will be subject to a 30% withholding tax, subject to such relief as may be available under applicable domestic or tax treaty provisions.

For non-resident individuals and companies, the dividend withholding tax will be the only tax on dividends in Belgium, unless the non-resident holds ADSs in connection with a business conducted in Belgium, through a fixed base in Belgium or a Belgian permanent establishment.

Relief of Belgian Dividend Withholding Tax

Under the Belgium-United States Tax Treaty, (hereafter the "Treaty") there is a reduced Belgian withholding tax rate of 15% on dividends paid by us to a U.S. resident which beneficially owns the dividends and is entitled to claim the benefits of the Treaty under the limitation of benefits article included in the Treaty, (hereafter a "Qualifying Holder"). If such Qualifying Holder is a company that owns directly at least 10% of our voting stock, the Belgian withholding tax rate is further reduced to 5%. No withholding tax is however applicable if the Qualifying Holder, is: (i) a company that is a resident of the United States that has owned directly ADSs representing at least 10% of our capital for a 12-month period ending on the date the dividend is declared, or (ii) a pension fund that is a resident of the United States, provided that such dividends are not derived from the carrying on of a business by the pension fund or through an associated enterprise.

Under the normal procedure, we or our paying agent must withhold the full Belgian withholding tax (without taking into account the Treaty rate). Qualifying Holders may make a claim for reimbursement for amounts withheld in excess of the rate defined by the Treaty. The reimbursement form (Form 276 Div-Aut.) may be obtained from the Bureau Central de Taxation Bruxelles-Etranger, 33 Boulevard Roi Albert II, 33 (North Galaxy Tower B7), 1030 Brussels, Belgium or online on the website of the Belgian tax authorities. Qualifying Holders may also, subject to certain conditions, obtain the reduced Treaty rate at source. Qualifying Holders should deliver a duly completed Form 276 Div-Aut. no later than ten days after the date on which the dividend is paid. U.S. holders should consult their own tax advisors as to whether they qualify for reduction in withholding tax upon payment or attribution of dividends, and as to the procedural requirements for obtaining a reduced withholding tax upon the payment of dividends or for making claims for reimbursement.

Withholding tax is also not applicable, pursuant to Belgian domestic tax law, on dividends paid to certain U.S. pension funds provided that the U.S. pension fund (i) qualifies as a non-resident saver for Belgian withholding tax purposes (i.e., it has a separate legal personality and fiscal residence outside of Belgium), (ii) has a corporate purpose that consists solely in managing and investing funds collected in order to pay legal or complementary pensions, (iii) has activity that is limited to the investment of funds collected in the exercise of its statutory purpose, without any profit making activity and (iv) is exempt from income taxes in the United States. Furthermore, such pension fund may not contractually be obligated to redistribute the dividends to any beneficial owner of such dividends for whom it would manage the ADSs and subject to certain procedural formalities.

Under Belgian domestic tax law, a withholding tax exemption is available to dividends paid to a non-resident corporate shareholder (located in the European Economic Area or in a country with which Belgium has entered in a double tax treaty including sufficient information exchange provisions) provided that (i) at the date of payment or attribution of the dividend it holds a participation in our company representing at least 10% of our share capital, (ii) this holding has been held in full ownership for an uninterrupted period of at least one year, (iii) this non-resident corporate shareholder is subject to a corporate income tax regime similar to Belgian corporate income tax regime without benefitting from a notably advantageous tax regime as compared to the ordinary income tax regime and (iv) its legal form is (similar to one of the legal forms) listed in the annex of the E.U. directive dated 23 July 1990 (90/435/EC) as amended by the directive of 22 December 2003 (2003/123/EC). This reduced withholding tax will apply provided that certain procedural formalities are complied with.

[Table of Contents](#)

Finally, a withholding tax exemption is available, pursuant to Belgian domestic tax law, to dividends paid to a non-resident corporate shareholder (located in the European Economic Area or in a country with which Belgium has entered in a double tax treaty including sufficient information exchange provisions) to the extent that at the date of payment or attribution of the dividend it holds a participation in our company representing less than 10% of our share capital but the acquisition value of which is at least €2.5 million and provided that certain other conditions are met, i.e., that (i) this holding has been held in full ownership for an uninterrupted period of at least one year (ii) this non-resident corporate shareholder is subject to a corporate income tax regime similar to Belgian corporate income tax regime without benefitting from a notably advantageous tax regime as compared to the ordinary income tax regime, and (iii) its legal form is (similar to one of the legal forms) listed in the annex I, part A, of the E.U. directive dated 30 November 2011 (2011/96/EU). This reduced withholding tax will apply only if and to the extent that the ordinary Belgian withholding tax cannot be credited or reimbursed to the non-resident corporate shareholder referred to below and subject to certain procedural formalities.

Capital Gains and Losses

Pursuant to the Treaty, capital gains and/or losses realized by a Qualifying Holder from the sale, exchange or other disposition of ADSs do not fall within the scope of application of Belgian domestic tax law.

Capital gains realized on ADSs by a corporate Holder which is not entitled to claim the benefits of the Treaty under the limitation of benefits article included in the Treaty are generally not subject to taxation in Belgium unless the corporate Holder is acting through a Belgian permanent establishment. Capital losses are not deductible.

Private individual Holders who are not entitled to claim the benefits of the Treaty under the limitation of benefits article included in the Treaty and which are holding ADSs as a private investment will, as a rule, not be subject to tax on any capital gains arising out of a disposal of ADSs. Losses will, as a rule, not be deductible in Belgium.

However, if the gain realized by such individual Holders on ADSs is deemed to be realized outside the scope of the normal management of such individual's private estate and the capital gain is obtained or received in Belgium, the gain will be subject to a final withholding tax of 30.28%. The Official Commentary to the ITC 1992 stipulates that occasional transactions on a stock exchange regarding ADSs should not be considered as transactions realized outside the scope of normal management of one's own private estate.

Capital gains realized by such individual Holders on the disposal of ADSs for consideration, outside the exercise of a professional activity, to a non-resident company (or a body constituted in a similar legal form), to a foreign state (or one of its political subdivisions or local authorities) or to a non-resident legal entity who is established outside the European Economic Area, are in principle taxable at a rate of 16.5% if, at any time during the five years preceding the sale, such individual Holders has owned directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial shareholding in us (that is, a shareholding of more than 25% of our shares).

Capital gains realized by a Holder upon the redemption of ADSs or upon our liquidation will generally be taxable as a dividend. See section "Dividend Withholding Tax."

Estate and Gift Tax

There is no Belgian estate tax on the transfer of ADSs upon the death of a Belgian non-resident.

Donations of ADSs made in Belgium may or may not be subject to gift tax in Belgium depending on the modalities under which the donation is carried out.

Belgian Tax on Stock Exchange Transactions

A tax on stock exchange transactions (*taxe sur les opérations de bourse/taks op de beursverrichtingen*) is generally levied on the purchase and the sale and on any other acquisition and transfer for consideration of existing ADSs on the secondary market carried out by a Belgian resident investor through a professional intermediary if (i) executed in Belgium through a professional intermediary, or (ii) deemed to be executed in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by private individuals having their usual residence in Belgium, or legal entities for the account of their seat or establishment in Belgium.

Table of Contents

The applicable rate amounts to 0.27% of the consideration paid but with a cap of €1,600 per transaction and per party. The tax is due separately from each party to any such transaction, i.e., the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

However, if the intermediary is established outside of Belgium, the tax will in principle be due by the ordering private individual or legal entity, unless that individual or entity can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian representative for tax purposes, which will be liable for the tax on stock exchange transactions in respect of the transactions executed through the professional intermediary.

Belgian non-residents who purchase or otherwise acquire or transfer, for consideration, ADSs in Belgium for their own account through a professional intermediary may be exempt from the stock market tax if they deliver a sworn affidavit to the intermediary in Belgium confirming their non-resident status.

A tax on repurchase transactions (*taxe sur les reports/taks op de reportverrichtingen*) at the rate of 0.085% will be due from each party to any such transaction entered into or carried out in Belgium by a Belgian resident investor in which a stockbroker acts for either party (with a maximum amount of €1,600 per transaction and per party).

No stock exchange tax, nor tax on repurchase transactions is payable by: (i) professional intermediaries described in Article 2, 9° and 10° of the Law of August 2, 2002 acting for their own account, (ii) insurance companies described in Article 2, §1 of the Law of 9 July 1975 acting for their own account, (iii) professional retirement institutions referred to in Article 2, 1° of the Law of October 27, 2006 relating to the control of professional retirement institutions acting for their own account, (iv) collective investment institutions acting for their own account, or (v) regulated real estate companies (for the stock exchange tax only).

No stock exchange tax, nor tax on repurchase transactions will thus be due by Holders on the subscription, purchase or sale of ADSs, if the Holders are acting for their own account. In order to benefit from this exemption, the Holders must file with the professional intermediary in Belgium a sworn affidavit evidencing that they are non-residents for Belgian tax purposes.

Belgian tax on securities accounts

Pursuant to the law of February 7, 2018 introducing a tax on securities accounts, a tax of 0.15% will be levied on Belgian resident and non-resident individuals on their share in the average value of the qualifying financial instruments (including but not limited to shares, certificates thereof, notes and units of undertakings for collective investment) held on one or more securities accounts during a reference period of twelve consecutive months starting on October 1 and ending on September 30 of the subsequent year (which we refer to as Tax on Securities Accounts). The first reference period starts on the day of entry into effect of the Law (i.e., March 10, 2018) and ends on September 30, 2018.

No Tax on Securities Accounts will be due provided the holder's share in the average value of the qualifying financial instruments on those accounts amounts to less than €500,000. If, however, the holder's share in the average value of the qualifying financial instruments on those accounts amounts to €500,000 or more, the Tax on Securities Accounts will be due on the entire share of the holder in the average value of the qualifying financial instruments on those accounts (and, hence, not only on the part which exceeds the €500,000 threshold).

Qualifying financial instruments held by non-resident individuals only fall within the scope of the Tax on Securities Accounts provided they are held on securities accounts with a financial intermediary established or located in Belgium. Note that pursuant to certain double tax treaties, Belgium has no right to tax capital. Hence, to the extent the Tax on Securities Accounts is viewed as a tax on capital within the meaning of these double tax treaties, treaty protection may, subject to certain conditions, be claimed.

A financial intermediary is defined as (i) a credit institution or a stockbroking firm as defined by Article 1, §2 and §3 of the Law of 25 April 2014 on the status and supervision of credit institutions and investment companies and (ii) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are, pursuant to national law, admitted to hold financial instruments for the account of customers.

The Tax on Securities Accounts is in principle due by the financial intermediary established or located in Belgium if (i) the holder's share in the average value of the qualifying financial instruments held on one or more securities accounts with said intermediary amounts to €500,000 or more or (ii) the holder instructed the financial intermediary to levy the Tax on Securities Accounts due (e.g., in case such holder holds qualifying financial instruments on several securities accounts held with multiple intermediaries of which the average value does not amount to €500,000 or more, but of which the holder's share in the total average value of these accounts amounts to at least €500,000). Otherwise, the Tax on Securities Accounts would have to be declared and would be due by the holder itself unless the holder provides evidence that the Tax on Securities Accounts has already been withheld, declared and paid by an intermediary which is not established or located in Belgium. In that respect, intermediaries

[Table of Contents](#)

located or established outside of Belgium could appoint a Tax on the Securities Accounts representative in Belgium, subject to certain conditions and formalities (which we refer to as a Tax on the Securities Accounts Representative). Such a Tax on the Securities Accounts Representative will then be liable towards the Belgian Treasury for the Tax on the Securities Accounts due and for complying with certain reporting obligations in that respect.

Belgian resident individuals will have to report in their annual income tax return various securities accounts held with one or more financial intermediaries of which they are considered as a holder within the meaning of the Tax on Securities Accounts. Non-resident individuals have to report in their annual Belgian non-resident income tax return various securities accounts held with one or more financial intermediaries established or located in Belgium of which they are considered as a holder within the meaning of the Tax on Securities Accounts.

U.S. holders should consult their own tax advisors as to whether they are subject to the Tax on Securities Accounts.

Proposed Financial Transactions Tax

On February 14, 2013, the European Commission has published a proposal for a Directive for a common financial transactions tax, or FTT, in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, or collectively, the Participating Member States.

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in ADSs in certain circumstances. The FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in ADSs where at least one party is a financial institution, and at least one party is established in a Participating Member State.

A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including by transacting with a person established in a Participating Member State.

Estonia has declared that it will no longer support the FTT proposal. On April 30, 2016 the FTT proposal was withdrawn by the European Commission. However, such a tax remains subject to negotiation between the Participating Member States (excluding Estonia). A new proposal could thus be drafted by the European Commission. Additional EU Member States may decide to participate. Prospective Holders of ADSs are advised to seek their own professional advice in relation to the FTT.

U.S. Taxation

The following is a discussion of the material U.S. federal income tax considerations to U.S. holders (as defined below) of acquiring, holding and disposing of the ADSs. The following discussion applies only to U.S. holders that purchase ADSs in the Offering, will hold ADSs as capital assets for U.S. federal income tax purposes (generally, assets held for investment) and that are not residents of, or ordinarily resident in, Belgium for tax purposes nor hold their ADSs as part of a permanent establishment in Belgium. The discussion also does not address any aspect of U.S. federal taxation other than U.S. federal income taxation. In particular, this summary does not address all tax considerations applicable to investors that own (directly or by attribution) 10% or more of our stock by vote or value, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, investors liable for the alternative minimum tax, certain U.S. expatriates, individual retirement accounts and other tax-deferred accounts, partnerships or other pass-through entities for U.S. federal income tax purposes, tax-exempt organizations, dealers in securities or currencies, securities traders that elect mark-to-market tax accounting, investors that will hold the ADSs as part of constructive sales, straddles, hedging, integrated or conversion transactions for U.S. federal income tax purposes or investors whose “functional currency” is not the U.S. dollar).

The following summary is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury Regulations thereunder, published rulings of the U.S. Internal Revenue Service, or the IRS, the income tax treaty between the United States and Belgium, or the U.S.-Belgium Treaty, and judicial and administrative interpretations thereof, in each case as available on the date of this annual report. Changes to any of the foregoing, or changes in how any of these authorities are interpreted, may affect the tax consequences set out below, possibly retroactively. No ruling will be sought from the IRS with respect to any statement or conclusion in this discussion, and there can be no assurance that the IRS will not challenge such statement or conclusion in the following discussion or, if challenged, a court will uphold such statement or conclusion.

For purposes of the following summary, a “U.S. holder” is a beneficial owner of ADSs that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States, (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more United States persons (as defined in the Code) have the authority to control all of the substantial decisions of such trust.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds ADSs, the U.S. federal income tax consequences to the partners of such partnership will depend on the activities of the partnership and the status of the partners. A partnership considering an investment in ADSs, and partners in such partnership, should consult their own tax advisors about the consequences of the investment.

We do not expect to be a Passive Foreign Investment Company, or a PFIC, and the discussion under “—Distributions by Us” and “—Proceeds from the Sale, Exchange or Retirement of the ADSs” below assumes we will not be a PFIC. See “—Passive Foreign Investment Company” discussion below.

Prospective purchasers of ADSs should consult their own tax advisers with respect to the U.S. federal, state, local and non-U.S. tax consequences to them in their particular circumstances of acquiring, holding, and disposing of, ADSs.

Ownership of ADSs in General

The discussion below is based, in part, on representations by the Depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

For U.S. federal income tax purposes, an owner of ADSs generally will be treated as the owner of the ordinary shares represented by such ADSs. However, the U.S. Treasury has expressed concerns that parties to whom interests such as the ADSs are delivered in transactions similar to pre-release transactions may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. holders of ADSs. Accordingly, the analysis of the creditability of Belgian taxes could be affected by actions taken by parties to whom the ADSs are pre-released. No gain or loss will be recognized if you exchange ADSs for the ordinary shares represented by those ADSs. Your tax basis in such ordinary shares will be the same as your tax basis in such ADSs, and the holding period in such ordinary shares will include the holding period in such ADSs.

Distributions by Us

Subject to the application of the passive foreign investment company rules discussed below, the U.S. dollar value of distributions paid by us (including the amount of any taxes withheld) out of its earnings and profits, as determined under U.S. federal income tax principles, will be subject to tax as foreign source ordinary dividend income and will be includible in your gross income upon receipt by the Depositary. However, we do not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. holders should therefore assume that any distribution by us with respect to ordinary shares or ADSs will constitute ordinary dividend income. Subject to applicable limitations, so long as the ADSs are regularly traded on the NASDAQ Global Select Market, we expect that dividends paid by us will be classified as “qualified dividend income” generally subject to tax at lower rates than other items of ordinary income when received by individuals and other non-corporate U.S. holders. Dividends received on the ordinary shares or ADSs will not be eligible for the dividends received deduction allowed to corporations receiving dividends from U.S. corporations.

The U.S. dollar value of distributions paid by us will be calculated by reference to the exchange rate in effect on the date the dividend distribution is received by the Depositary, regardless of when the Depositary converts the payments into U.S. dollars. If the foreign currency is converted by the Depositary on a later date, a U.S. holder will be required to recognize foreign currency gain or loss in respect of the foreign currency based on the difference between the rate at which it is converted and the rate on the date the dividend was received by the Depositary.

Subject to certain limitations, Belgian withholding tax, if any, paid in connection with any distribution with respect to ordinary shares or ADSs may be claimed as a credit against your U.S. federal income tax liability if you elect not to take a deduction for any non-U.S. income taxes for that taxable year; otherwise, such Belgian withholding tax may be taken as a deduction. If you are eligible for benefits under the Treaty or are otherwise entitled to a refund for the taxes withheld, you will not be entitled to a foreign tax credit or deduction for the amount of any Belgian taxes withheld in excess of the maximum rate under the Treaty or for the taxes with respect to which you can obtain a refund from the Belgian taxing authorities. As the relevant rules are very complex, you should consult your own tax advisor concerning the availability and utilization of the foreign tax credit or deductions for non-U.S. taxes in your particular circumstances.

Proceeds from the Sale, Exchange or Retirement of the ADSs

Upon the sale, exchange or retirement of ADSs, a U.S. holder will generally recognize U.S. source capital gain or loss equal to the difference, if any, between the U.S. dollar amount realized on the sale, exchange or retirement and the U.S. holder’s tax basis in the ADSs (generally their cost in U.S. dollars). Any gain or loss generally will be long-term capital gain or loss if the ADSs have been held for more than a year. The deductibility of capital losses is subject to limitations.

Gain or loss you recognize on the sale, exchange or retirement of ADSs will generally be U.S. source. If any taxes are withheld from such amounts but are eligible to be refunded, you will not be entitled to a foreign tax credit or deduction with respect to such taxes. If there are amounts withheld that are not eligible to be refunded, you still may not be able to claim a foreign tax credit with respect to such amounts unless you have excess foreign source income of the correct type from other sources because foreign tax credits generally cannot be used against U.S. source income. As the relevant rules are very complex, you should consult your own tax advisor concerning the availability and utilization of the foreign tax credit or deductions for non-U.S. taxes in your particular circumstances.

Passive Foreign Investment Company

We believe that we were not a PFIC for the tax year ended December 31, 2017, and we do not expect to be classified as a PFIC for U.S. federal income tax purposes for the current tax year ending December 31, 2018, or for the foreseeable future. However, the application of the relevant rules to our businesses is not entirely clear and certain aspects of the relevant tests will be outside our control; therefore, no assurance can be given that we will not be a PFIC for any taxable year. If we are a PFIC at any time during the holding period of a U.S. holder, the U.S. holder would be subject to potentially materially greater amounts of tax and subject to additional U.S. tax form filing requirements. In addition, a non-corporate U.S. holder will not be eligible for qualified dividend income treatment on dividends received from us if we are treated as a PFIC for the taxable year in which the dividends are received or for the preceding taxable year.

A non-U.S. corporation is a PFIC in any taxable year in which, after taking into account certain look-through rules, either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the average value (determined on a quarterly basis) of its assets is attributable to assets that produce or are held to produce passive income. Passive income generally includes dividends, interest, rents, royalties, gross income from certain commodities transactions, and capital gains. If a non-U.S. corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income. Although the determination of whether a non-U.S. corporation is a PFIC for a given taxable year is based on its income and assets for that taxable year, as determined under the PFIC rules, once a non-U.S. corporation is a PFIC for any taxable year, it generally remains a PFIC for any investors that owned interests in all or a portion of such taxable year even if it would not otherwise qualify as a PFIC in later taxable years. We do not undertake to monitor our PFIC status on an ongoing basis.

The Code imposes additional taxes on gains from the sale or other disposition of, and "excess distributions" with respect to, shares of a PFIC owned directly (or deemed to be owned directly or indirectly under certain attribution rules) by a U.S. holder. In general, an excess distribution is any distribution to the U.S. holder that is greater than 125% of the average annual distributions received by the U.S. holder (including return of capital distributions) during the three preceding taxable years or, if shorter, the U.S. holder's holding period for the ADSs. If we were a PFIC in any year in which a U.S. holder held the ADSs (i) the gain or excess distribution would be allocated ratably over the U.S. holder's holding period for the ADSs, (ii) the amount allocated to the taxable year in which the gain or excess distribution was realized and to any year before we became a PFIC would be taxable as ordinary income, (iii) the amount allocated to each other prior year would be subject to tax at the highest rate in effect for that year and (iv) the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax allocated to each such year. For these purposes, a U.S. holder who uses the ADSs as collateral for a loan would be treated as having disposed of such ADSs.

Different rules apply to a U.S. holder that makes a valid mark-to-market election with respect to the ADSs. This election can be made if the ADSs are considered to be "marketable securities" for purposes of the PFIC rules. The ADSs should be marketable securities for these purposes to the extent they are "regularly traded" on the NASDAQ Global Select Market. Generally, shares are treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the shares are traded on a qualified exchange on at least 15 days during each calendar quarter. Subject to certain limitations, a U.S. holder that makes a valid mark-to-market election with respect to the ADSs would be required to take into account the difference, if any, between the fair market value at the end of each taxable year and the fair market value at the end of the preceding taxable year (or the acquisition price in the first year the election is in effect) of those ADSs, as ordinary income or ordinary loss (but only to the extent of the net amount previously included as income by the U.S. holder as a result of the mark-to-market election). A U.S. holder's basis in the ADSs will be increased by the amount of any ordinary income inclusion and decreased by the amount of any ordinary loss taken into account under the mark-to-market rules. Gains from an actual sale or other disposition of the ADSs for which this election has been properly made would be treated as ordinary income, any losses incurred on a sale or other disposition of the ADSs would be treated as an ordinary loss to the extent of any net mark-to-market gains for prior years and any additional loss would be capital loss.

Even if a valid mark-to-market election is made with respect to the ADSs, there is a significant risk that indirect interests in any of our subsidiaries that are PFICs will not be covered by this election but will be subject to the excess distribution rules described above. Under these rules, distribution from, and dispositions of interests in, these subsidiaries, as well as certain other transactions, generally will be treated as a distribution or disposition subject to the discussion above regarding excess distributions.

Investors in certain PFICs are able to make an election to treat the PFIC as a "qualified electing fund," or QEF, which may mitigate the consequences of the rules described above. However, if we are classified as a PFIC, U.S. holders will not be able to make this election.

Prospective U.S. holders are urged to consult their own tax advisers about the consequences of holding the ADSs if we are considered a PFIC in any taxable year, including the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances. In particular, U.S. holders should consider carefully the impact of a mark-to-market election with respect to their ADSs given that there is a significant risk that we will have subsidiaries that are classified as PFICs.

[Table of Contents](#)

Medicare Tax

Certain U.S. holders who are individuals, estates and trusts will be required to pay an additional 3.8% tax on some or all of their “net investment income,” which generally includes its dividend income and net gains from the disposition of the ADSs. U.S. holders should consult their own tax advisors regarding the applicability of this additional tax on their particular situation.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with distributions on the ADSs and the proceeds from the sale or other disposition of the ADSs unless a U.S. holder establishes that it is exempt from the information reporting rules. A U.S. holder may be subject to backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against its U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that the required information is timely furnished to the IRS.

Tax Return Disclosure Requirement

U.S. federal income tax law requires certain U.S. investors to disclose information relating to investments in securities of a non-U.S. issuer. Failure to comply with applicable disclosure requirements could result in the imposition of substantial penalties. U.S. holders should consult their own tax advisors regarding any disclosure obligations.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC our registration statement on Form F-1 (Registration No. 333-194982), as amended, and our registration statement on Form F-3 (Registration No. 333-213649), including the prospectuses contained therein, to register our ordinary shares. We have also filed with the SEC a related registration statement on F-6 (Registration No. 333-196734) to register the ADSs.

We are subject to the periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Our annual reports on Form 20-F are due within four months after each fiscal year end. We are not required to disclose certain other information that is required from U.S. domestic issuers. Also, as a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing of proxy statements to shareholders and our directors, senior management and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Reports and other information we file may be reviewed and copied at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may also request copies of these documents upon payment of a duplicating fee by writing to the SEC. For further information on the public reference facility, please call the SEC at 1-800-SEC-0330. Our SEC filings, including the registration statement, are also available to you on the SEC’s website at <http://www.sec.gov>.

We have filed our amended and restated articles of association and all other deeds that are to be published in the annexes to the Belgian State Gazette with the clerk’s office of the Commercial Court of Leuven (Belgium), where they are available to the public. A copy of our amended and restated articles of association is also publicly available as an exhibit to our registration statement on Form F-1 (registration No. 333-194982). In accordance with Belgian law, we must prepare audited annual statutory and consolidated financial statements. The audited annual statutory and consolidated financial statements and the reports of our board and statutory auditor relating thereto are filed with the Belgian National Bank, where they are available to the public.

[Table of Contents](#)

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from fluctuations in foreign currency exchange rates and interest rates which may adversely affect our results of operations and financial condition. We seek to minimize these risks through regular operating and financing activities.

Foreign Exchange Rate Risk

We transact business globally and are subject to risks associated with fluctuating foreign exchange rates. The geographic areas outside of the Eurozone to which we sell our products and services are generally not considered to be highly inflationary. In the years ended December 31, 2017, 2016 and 2015, 31%, 32% and 32% of our revenue, respectively, were derived from sales in a currency different from the euro. We primarily have exposure to the U.S. dollar, British pound and Japanese yen as foreign currency. Receivables denominated in a foreign currency are initially recorded at the exchange rate at the transaction date and subsequently re-measured in euro based on period-end exchange rates. Transaction gains and losses that arise from exchange rate fluctuations are charged to income.

During 2017, the impact of changes in foreign currency rates on the cash and term accounts held in U.S. dollars funded through the initial public offering proceeds was negative for an amount of €1.2 million. If the U.S. dollar (rate for one euro) would have appreciated by 10%, the net result would have been €1.1 million higher, excluding the effect of the cash and term accounts held in U.S. dollars. If the U.S. dollar (rate for one euro) would have depreciated by 10%, the net result would have been €0.9 million lower, excluding the effect of the cash and term accounts held in U.S. dollars.

To limit the exposure to foreign currency rate fluctuations on the British pound and Japanese yen, we have entered into currency rate swaps as of 2017. We refer to Note 20 to our audited consolidated financial statements.

Additionally, we are exposed to liquidity risk, credit risk and challenges related to capital management.

Liquidity Risk

The liquidity risk is that we may not have sufficient cash to meet our payment obligations. This risk is countered by day-by-day liquidity management at the corporate level. We have historically entered into financing and lease agreements with financial institutions to finance significant projects and certain working capital requirements. We have undrawn lines of credit totaling €4.5 million at December 31, 2017 (2016: €4.4 million; 2015: €4.4 million). These line of credit arrangements do not contain significant financial covenants. We also have access to our credit facility with KBC Bank, in which debt covenants are based on the ratio of our total net financial debt over EBITDA, and our €35.0 million finance contract with European Investment Bank (EIB), which has not been drawn as of December 31, 2017. For additional information, see “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources—Indebtedness” and Note 24 to our audited consolidated financial statements.

Interest Rate Risk

Although we mainly have loans outstanding with a fixed interest rate, some of the loans have been contracted with variable interest rates. The most significant loans with variable interest rates have been secured by means of a variable to fixed interest rate swap. We therefore believe that we are not subject to immediate changes in interest rates. With respect to the interest rate swaps, see Note 20 to our audited consolidated financial statements.

Credit Risk

Credit risk is the risk that third parties may not meet their contractual obligations resulting in a loss for us. We are exposed to credit risk from our operating activities and from our financing activities, which are mainly deposits with financial institutions. We limit this exposure by contracting with credit-worthy business partners or with financial institutions which meet high credit rating requirements. In addition, the portfolio of receivables is monitored on a continuous basis. Credit risk is limited to a specified amount with regard to individual receivables.

Capital Management

The primary objective of our capital management strategy is to ensure we maintain healthy capital ratios to support our business and maximize shareholder value. Capital is defined as our shareholders' equity.

We consistently review our capital structure and make adjustments in light of changing economic conditions. We made no changes to our capital management objectives, policies or processes during the years ended December 31, 2017, 2016 and 2015.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

D. American Depositary Shares

Bank of New York Mellon serves as the depository for the ADSs. Each ADS represents one ordinary share (or a right to receive one ordinary share) deposited with the principal Amsterdam office of ING Securities Services, Inc., as custodian for the depository. Each ADS also represents any other securities, cash or other property which may be held by the depository. The depository's corporate trust office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York Mellon's principal executive office is located at One Wall Street, New York, New York 10286.

A deposit agreement among us, the depository and the ADS holders sets out the ADS holder rights as well as the rights and obligations of the depository. New York law governs the deposit agreement and the ADRs. A copy of the deposit agreement is incorporated by reference as an exhibit to this annual report on Form 20-F.

Pursuant to the terms of the deposit agreement, you, as an ADS holder, will be required to pay the following fees to the depository:

**Persons depositing or withdrawing ordinary shares
or ADS holders must pay to the depository:**

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$0.05 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been ordinary shares and the shares had been deposited for issuance of ADSs

\$0.05 (or less) per ADS per calendar year

Registration or transfer fees

Expenses of the depository

Taxes and other governmental charges the depository or the custodian has to pay on any ADS or ordinary shares underlying an ADS, such as share transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depository or its agents for servicing the deposited securities

For:

Issuance of ADSs, including issuances resulting from a distribution of ordinary shares or rights or other property

Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates

Any cash distribution to you

Distribution of securities distributed to holders of deposited securities which are distributed by the depository to you

Depository services

Transfer and registration of ordinary shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares

Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) converting foreign currency to U.S. dollars

As necessary

As necessary

The depository collects its fees for delivery and surrender of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depository may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depository may generally refuse to provide fee-based services until its fees for those services are paid.

From time to time, the depository may make payments to us to reimburse or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depository may use brokers, dealers or other service providers that are affiliates of the depository and that may earn or share fees or commissions.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

None.

Use of Proceeds

Our Registration Statement on Form F-1 (Registration No. 333-194982), relating to our underwritten initial public offering of ADSs, each representing one ordinary share with no nominal value per share, was declared effective by the SEC on June 24, 2014. On June 30, 2014, we consummated our initial public offering and sold 8,000,000 ADSs at a public offering price of \$12.00 per ADS for an aggregate offering price of \$96.0 million. We received net proceeds from our initial public offering of approximately \$88.3 million, after deducting the underwriting discount of approximately \$6.7 million and offering expenses of approximately \$2.4 million, and reimbursement by the underwriters of certain offering expenses. On July 7, 2014, certain selling shareholders that participated in our initial public offering sold 1,200,000 ADSs at a public offering price of \$12.00 per ADS pursuant to the underwriters' exercise in full of their over-allotment option for an aggregate offering price of \$14.4 million. We did not receive any of the proceeds from the sale of ADSs by the selling shareholders. Piper Jaffray & Co. and Credit Suisse Securities (USA) LLC acted as joint book-running managers for the offering.

During the year ended December 31, 2017, the remaining net proceeds from our initial public offering were used as a buffer for our working capital, unfinanced capital expenditures, financing activities and general corporate purposes.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2017. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on this evaluation, management concluded as of December 31, 2017 that our disclosure controls and procedures were not effective at the reasonable assurance level due to a material weakness in our internal control over financial reporting, which is described below under “Management’s Annual Report on Internal Control Over Financial Reporting.”

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our management and other personnel to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external reporting purposes in accordance with IFRS. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our board of directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatement. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with our policies and procedures may deteriorate.

Our management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017, based on the updated framework in the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Management has concluded that our internal control over financial reporting was not effective as of December 31, 2017. Management believes substantial progress has been made in implementing an effective internal control environment since December 31, 2016, as we have designed an overall formalized framework, common policies, IT general controls, procedures and controls for financial reporting. Furthermore, we have many individual policies, procedures and controls already in place and appropriate financial systems have been, and are being, implemented to establish an effective internal control environment. Despite these efforts, there continues to be a material weakness identified by our management in our internal control over financial reporting because certain policies, procedures and controls, related to our internal control framework, including those relating to revenue recognition, are either being implemented or not operating effectively.

Notwithstanding the identified material weakness and management’s assessment that internal control over financial reporting was ineffective as of December 31, 2017, management believes that the audited consolidated financial statements contained in this Annual Report on Form 20-F fairly present, in all material respects, our financial condition, results of operations and cash flows for the fiscal years presented in conformity with IFRS.

As an emerging growth company, we have taken, and are taking, actions to remediate the material weakness in our internal control over financial reporting. Key elements of the remediation effort made and being made, include, but are not limited to, the following initiatives:

- Continuing to implement an overall, formalized framework and implement common policies, procedures and controls for financial consolidation and reporting, including: implementing and testing user-access rights to our financial systems, implementing approval, review and reporting protocols, further enhancing our information systems and lines of communication, and implementing and testing information technology policies and procedures; and

[Table of Contents](#)

- Continuing to train all personnel involved with or having an impact on the financial reporting function, and build internal control knowledge, including through hiring additional personnel and consultants who have experience in U.S. and international financial reporting.

Our objective to maintain effective internal control over financial reporting and disclosure controls and procedures in accordance with the Sarbanes-Oxley Act has the highest priority. The Sarbanes-Oxley Act-compliance plan is directed by our Chief Financial Officer and Executive Chairman and is monitored by our executive management, including our Chief Executive Officer, and our Board of Directors. A dedicated project team, including internal professionals and external consultants, is implementing the plan with involvement of all levels in our organization.

We believe that the measures described above will assist in remediating the material weakness identified above and further strengthen our internal control over financial reporting. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine that additional measures are necessary to address any future control deficiencies.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of our independent registered public accounting firm because the JOBS Act provides an exemption from such requirement as we qualify as an emerging growth company.

Changes in Internal Control over Financial Reporting

Other than as discussed above under “Management’s Annual Report on Internal Control Over Financial Reporting,” there were no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Johan De Lille, Jürgen Ingels and Lieve Verplancke are “audit committee financial experts” as defined in Item 16A of Form 20-F under the Exchange Act and are independent under Rule 10A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS

We have adopted a written code of conduct and ethics that outlines the principles of legal and ethical business conduct under which we do business. The code of conduct and ethics applies to all of our directors, senior management and employees, including our Chief Executive Officer and Chief Financial Officer. We have posted this code of conduct and ethics on our website at www.materialise.com. This website address is included in this annual report as an inactive textual reference only, and the information and other content appearing on our website are not incorporated by reference into this annual report. We have not granted any waivers from any provision of our code of conduct and ethics since its adoption.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

BDO Bedrijfsrevisoren Burg. CVBA was engaged as our independent registered public accounting firm in 2017 and 2016 in connection with our SEC reporting obligations, as well as our statutory auditor for Belgian company and tax law purposes. The following table sets forth by category of service the total fees for services provided by BDO Bedrijfsrevisoren Burg. CVBA and BDO member firms to us during 2017 and 2016.

in 000€	For the year ended December 31	
	2017	2016
Audit Fees	543	361
Audit-Related Fees	61	10
Tax Fees	5	—
All Other Fees	0	—
Total	609	371

Audit Fees

Audit fees consist of the aggregate fees billed in connection with the audit of our annual consolidated and statutory financial statements and internal controls, the issuance of comfort letters and interim reviews of our quarterly financial information.

Audit-Related Fees

Audit-related fees are fees for services that are traditionally performed by the independent accountants, including consultations concerning financial accounting and reporting, and employee benefit plan audits, and due diligence on mergers or acquisitions. The fees also include the audit of the financial statements of significant joint ventures (RSprint) which are to be filed with the SEC.

Tax Fees

Tax fees were paid to BDO Bedrijfsrevisoren Burg. CVBA or to BDO member firms for the fiscal year ended December 31, 2017 in connection with Materialise entities in the United Kingdom and Malaysia.

All Other Fees

No other fees were paid to BDO Bedrijfsrevisoren Burg. CVBA or to BDO member firms for the fiscal years ended December 31, 2017 and December 31, 2016.

Audit Committee Pre-Approval Policies and Procedures

The pre-approval of the Audit Committee or member thereof, to whom pre-approval authority has been delegated, is required for the engagement of our independent auditors to render audit or non-audit services. Audit Committee pre-approval of audit and non-audit services will not be required if the engagement for the services is entered into pursuant to pre-approval policies and procedures established by our audit committee regarding our engagement of the independent auditors, provided the policies and procedures are detailed as to the particular service, our audit committee is informed of each service provided and such policies and procedures do not include delegation of the Audit Committee's responsibilities under the Exchange Act to our management. Audit Committee pre-approval of non-audit services (other than review and attest services) also will not be required if such services fall within available exceptions established by the SEC.

All audit fees, audit related fees and tax fees for the fiscal years ended December 31, 2017 and 2016 were pre-approved under the pre-approval policies of the Audit Committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

[Table of Contents](#)

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

[Table of Contents](#)

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

The Listing Rules of the NASDAQ Stock Market include certain accommodations in the corporate governance requirements that allow foreign private issuers, such as us, to follow “home country” corporate governance practices in lieu of the otherwise applicable corporate governance standards of the NASDAQ Stock Market. The application of such exceptions requires that we disclose each noncompliance with the NASDAQ Stock Market Listing Rules that we do not follow and describe the Belgian corporate governance practices we do follow in lieu of the relevant NASDAQ Stock Market corporate governance standard. We follow Belgian corporate governance practices in lieu of the corporate governance requirements of the NASDAQ Stock Market in respect of the following:

- **Quorum at Shareholder Meetings.** NASDAQ Stock Market Listing Rule 5620(c) requires that for any meeting of shareholders, the quorum must be no less than 33% or 1/3 of the outstanding ordinary shares. There is no quorum requirement under Belgian law for our shareholders’ meetings, except as provided for by law in relation to decisions regarding certain matters.
- **Independent Director Majority on Board/Meetings.** NASDAQ Stock Market Listing Rules 5605(b)(1) and (2) require that a majority of the board of directors must be comprised of independent directors and that independent directors must have regularly scheduled meetings at which only independent directors are present. We are not required under Belgian law to have any independent directors on our board of directors. However, our articles of association provide that our board of directors must be comprised of at least seven and no more than 11 directors, of which at least three directors must be independent directors under Belgian law. We do not intend to require our independent directors to meet separately from the full board of directors on a regular basis or at all although the board of directors is supportive of its independent members voluntarily arranging to meet separately from the other members of our board of directors when and if they wish to do so.
- **Director Nominations/Remuneration and Nomination Committee Composition.** NASDAQ Stock Market Listing Rule 5605(d)(2) requires that compensation of officers must be determined by, or recommended to, the board of directors for determination, either by a majority of the independent directors, or a compensation committee comprised solely of independent directors. NASDAQ Stock Market Listing Rule 5605(e) requires that director nominees be selected, or recommended for selection, either by a majority of the independent directors or a nominations committee comprised solely of independent directors. Under Belgian law, we are not subject to any such requirements. In particular, we are not required by Belgian law to set up any compensation or nominations committees within our board of directors, and are therefore not subject to any Belgian legal requirements as to the composition of such committees either. However, our articles of association provide that our board of directors may form committees from among its members. See “Item 6. Directors, Senior Management and Employees—C. Board Practices —Board of Directors Practices.” Our board of directors has set up and appointed a Remuneration and Nomination Committee. Our Remuneration and Nomination Committee is currently comprised of three directors, one of whom is independent. In addition, as long as the Family Shareholders control, directly or indirectly, in the aggregate at least 20% of the voting rights attached to our ordinary shares, a majority of our directors must be appointed by our shareholders from a list of candidates proposed by the Family Shareholders.
- **Shareholder Approval of Equity Compensation Plans.** NASDAQ Stock Market Listing Rule 5635(c) requires shareholder approval prior to the issuance of securities in connection with equity-based compensation of officers, directors, employees or consultants. On December 18, 2015, our board of directors adopted a stock option plan, the 2015 Warrant Plan. Warrants under the 2015 Warrant Plan may be offered upon decision by our board of directors (or its proxy holder(s)) to employees, consultants and directors of our company and our subsidiaries. In lieu of the NASDAQ Stock Market Listing Rule 5635(c), we followed Belgian law regarding the issuance of shares or securities in connection with the remuneration of the directors and/or the employees of a Belgian company.

Under Belgian company law, a Belgian company may issue shares or grant rights to acquire shares pursuant to a resolution of the general meeting of shareholders or, within certain limits, pursuant to a resolution of the board of directors if so authorized by the shareholders’ meeting (the so-called authorized capital). By resolution of our extraordinary shareholders’ meeting of April 23, 2014, which entered into force on June 30, 2014, our shareholders authorized our board of directors, for a period of five years from August 18, 2014, to increase our share capital, in one or more transactions (including through the issuance of warrants), up to a maximum amount of €2,714,634.83 (of which €2,710,008.33 remained available prior to the issuance of the warrants under the 2015 Warrant Plan). On December 18, 2015, our board of directors decided, in connection with the adoption of the 2015 Warrant Plan, to increase the share capital with a maximum amount of €80,738 (excluding any issue premium), subject to the exercise of the warrants issued under the 2015 Warrant Plan.

[Table of Contents](#)

Pursuant to Belgian company law and the authorization granted by the shareholders' meeting of April 23, 2014, our board of directors is also authorized to issue shares or grant rights to acquire shares in the framework of incentive plans, such as warrant plans or other plans, for the benefit of directors, consultants and members of personnel of our company and of our subsidiaries. As an exception to the foregoing, Belgian company law provides that warrants that are mainly reserved to one or more determined persons other than members of personnel cannot be issued by the board of directors under the authorized capital, but requires specific approval by the shareholders' meeting. However, given that the warrants under the 2015 Warrant Plan will not be mainly reserved to one or more determined persons other than members of personnel, these warrants do not fall within this exception and our board of directors was therefore authorized to issue such warrants without seeking any additional shareholder approval.

The 2015 Warrant Plan provides the terms and conditions governing the procedures for the granting of the warrants to employees, consultants and directors of our Company and of our subsidiaries. These terms and conditions include, among others, the determination of the exercise price and the vesting period. The granting of the warrants, and the determination of the applicable terms and conditions, is entrusted to our board of directors or to one or more proxy holders designated by our board of directors.

[Table of Contents](#)

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

See our consolidated financial statements beginning on page F-1 of this annual report.

Table of Contents

ITEM 19. EXHIBITS

- 1.1 [Articles of Association of Materialise NV \(English translation\)](#)
 - 2.1 [Deposit Agreement, dated as of June 24, 2014, among Materialise NV and The Bank of New York Mellon \(incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form F-1 \(File No. 333-194982\)\)](#)
 - 2.2 [Form of American Depositary Receipt \(included in Exhibit 2.1\)](#)

Certain instruments relating to long-term debt as to which the total amount of securities authorized thereunder does not exceed 10% of the total assets of Materialise NV and its subsidiaries on a consolidated basis have been omitted in accordance with Form 20-F. The Company hereby agrees to furnish a copy of any such instrument to the SEC upon request.
 - 4.1 [2007 Warrant Plan \(English translation\) \(incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form F-1 \(No. 333-194982\)\)](#)
 - 4.2 [2013 Warrant Plan \(English translation\) \(incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form F-1 \(No. 333-194982\)\)](#)
 - 4.3 [2014 Warrant Plan \(English translation\) \(incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form F-1 \(No. 333-194982\)\)](#)
 - 4.4 [Form of Warrant Agreement under 2014 Warrant Plan \(English translation\) \(incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8 \(No. 333-197236\)\)](#)
 - 4.5 [2015 Warrant Plan \(English translation\) \(incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 20-F for the year ended December 31, 2015\)](#)
 - 4.6 [Form of Warrant Agreement under 2015 Warrant Plan \(English translation\) \(incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 \(File No. 333-212445\)\)](#)
 - 4.8 [Registration Rights Agreement, dated September 15, 2016, among Materialise NV and the Holders party thereto \(incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form F-3 \(No. 333-213649\)\)](#)
 - 4.9+ [Share and Loan Purchase and Transfer Agreement, dated October 4, 2017, among Materialise GmbH, Materialise N.V. and the Sellers party thereto](#)
 - 8.1 [Subsidiaries of Materialise NV](#)
 - 12.1 [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
 - 12.2 [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
 - 13.1 [Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
 - 13.2 [Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
 - 23.1 [Consent of BDO Bedrijfsrevisoren Burg. CVBA, independent registered public accounting firm](#)
- 101.INS* XBRL Instance Document
101.SCH* XBRL Taxonomy Extension Schema
101.CAL* XBRL Taxonomy Extension Calculation Linkbase
101.DEF* XBRL Taxonomy Extension Definition Linkbase
101.LAB* XBRL Taxonomy Extension Label Linkbase
101.PRE* XBRL Taxonomy Extension Presentation Linkbase

+ The registrant has omitted portions of the referenced exhibit pursuant to a request for confidential treatment under Rule 24b-2 promulgated under the Exchange Act.

* To be filed by amendment

Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

MATERIALISE NV

By: /s/ Wilfried Vancraen
Name: Wilfried Vancraen
Title: Chief Executive Officer

Date: April 30, 2018

[Table of Contents](#)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements for the Years Ended December 31, 2017, 2016 and 2015

[Report of Independent Registered Public Accounting Firm](#)

F-2

[Consolidated income statements](#)

F-3

[Consolidated statements of comprehensive income](#)

F-4

[Consolidated statements of financial position](#)

F-5

[Consolidated statements of changes in equity](#)

F-7

[Consolidated cash flow statements](#)

F-8

[Notes to the consolidated financial statements](#)

F-10

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Materialise NV
Leuven, Belgium

We have audited the accompanying consolidated statements of financial position of Materialise NV (the “Company”) and subsidiaries as of December 31, 2017, 2016 and 2015, the related consolidated income statements, statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

BDO Bedrijfsrevisoren Burg. CVBA

Represented by Bert Kegels

/s/ Bert Kegels

We have served as the Company’s auditor since 2014.

Zaventem, Belgium

April 30, 2018

[Table of Contents](#)**Consolidated income statements**

in 000€, except per share data	Notes	For the year ended December 31,		
		2017	2016	2015
Revenue	22.1	142,573	114,477	102,035
Cost of sales	22.2	(62,787)	(46,706)	(42,963)
Gross profit		79,786	67,771	59,072
Research and development expenses	22.3	(19,959)	(17,682)	(18,186)
Sales and marketing expenses	22.4	(39,109)	(36,153)	(36,832)
General and administrative expenses	22.5	(25,484)	(20,041)	(15,045)
Net other operating income / (expenses)	22.6	5,631	6,212	7,102
Operating profit (loss)		865	107	(3,889)
Financial expenses	22.8	(4,728)	(2,437)	(2,470)
Financial income	22.9	3,210	2,039	3,511
Share in loss of joint venture	8	(469)	(1,018)	(401)
Loss before taxes		(1,122)	(1,309)	(3,249)
Income taxes	22.10	(534)	(1,710)	389
Net loss for the year		(1,656)	(3,019)	(2,860)
Net loss attributable to:				
The owners of the parent		(1,656)	(3,019)	(2,807)
Non-controlling interest		—	—	(53)
Earnings per share attributable to ordinary owners of the parent				
Basic	23	(0.03)	(0.06)	(0.06)
Diluted	23	(0.03)	(0.06)	(0.06)

The accompanying notes form an integral part of these consolidated financial statements.

[Table of Contents](#)**Consolidated statements of comprehensive income**

in 000€	Notes	For the year ended December 31,		
		2017	2016	2015
Net loss for the year		(1,656)	(3,019)	(2,860)
Other comprehensive (loss) income				
Exchange differences on translation of foreign operations *		(691)	(1,833)	624
Other comprehensive (loss) income, net of taxes		(691)	(1,833)	624
Total comprehensive loss for the year, net of taxes		(2,347)	(4,852)	(2,236)
Total comprehensive (loss) income attributable to:				
The owners of the parent		(2,347)	(4,852)	(2,183)
Non-controlling interest		—	—	(53)

* May be reclassified subsequently to profit & loss

The accompanying notes form an integral part of these consolidated financial statements.

[Table of Contents](#)**Consolidated statements of financial position**

in 000€	Notes	For the year ended December 31,		
		2017	2016	2015
Assets				
Non-current assets				
Goodwill	5	18,447	8,860	9,664
Intangible assets	6	28,646	9,765	9,657
Property, plant & equipment	7	86,881	45,063	38,400
Investments in joint ventures	8	31	—	1,018
Deferred tax assets	22.10	304	336	1,092
Other non-current assets	10	3,667	2,154	356
Total non-current assets		137,976	66,178	60,187
Current assets				
Inventories and contracts in progress	9	11,594	7,870	5,387
Trade receivables	11	35,582	27,479	22,843
Other current assets	10	9,212	4,481	4,993
Cash and cash equivalents	12	43,175	55,912	50,726
Total current assets		99,563	95,742	83,949
Total assets		237,539	161,920	144,136

The accompanying notes form an integral part of these consolidated financial statements.

[Table of Contents](#)**Consolidated statements of financial position**

in 000€	Notes	For the year ended December 31,		
		2017	2016	2015*
Equity and liabilities				
Equity				
Share capital	13	2,729	2,729	2,729
Share premium	13	79,839	79,019	78,098
Consolidated reserves	13	(3,250)	(1,603)	1,407
Other comprehensive income		(1,803)	(1,112)	721
Equity attributable to the owners of the parent		77,515	79,033	82,955
Total equity		77,515	79,033	82,955
Non-current liabilities				
Loans & borrowings	15	81,788	28,267	16,607
Deferred tax liabilities	22.10	7,006	1,325	2,068
Deferred income	18	5,040	3,588	1,905
Other non-current liabilities	16	1,904	1,873	2,244
Total non-current liabilities		95,738	35,053	22,824
Current liabilities				
Loans & borrowings	15	12,769	5,539	4,482
Trade payables		15,670	13,400	9,712
Tax payables	17	3,560	926	255
Deferred income	18	18,791	17,822	14,696
Other current liabilities	19	13,496	10,147	9,212
Total current liabilities		64,286	47,834	38,357
Total equity and liabilities		237,539	161,920	144,136

* The year 2015 has been restated to reflect the reclassification of the long-term deferred income. See note 2 for more information.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statements of changes in equity

in 000€	Notes	Attributable to the owners of the parents				Total	Non-controlling interest	Total equity
		Share capital	Share premium	Reserves	Other comprehensive income			
At January 1, 2017		2,729	79,019	(1,603)	(1,112)	79,033	—	79,033
Net loss for the year		—	—	(1,656)	—	(1,656)	—	(1,656)
Other comprehensive income		—	—	—	(691)	(691)	—	(691)
Total comprehensive income (loss)		—	—	(1,656)	(691)	(2,347)	—	(2,347)
Equity-settled share-based payment expense	14	—	820	9	—	829	—	829
At December 31, 2017		2,729	79,839	(3,250)	(1,803)	77,515	—	77,515

in 000€	Notes	Attributable to the owners of the parents				Total	Non-controlling interest	Total equity
		Share capital	Share premium	Reserves	Other comprehensive income			
At January 1, 2016		2,729	78,098	1,407	721	82,955	—	82,955
Net loss for the year		—	—	(3,019)	—	(3,019)	—	(3,019)
Other comprehensive income		—	—	—	(1,833)	(1,833)	—	(1,833)
Total comprehensive income (loss)		—	—	(3,019)	(1,833)	(4,852)	—	(4,852)
Equity-settled share-based payment expense	14	—	921	9	—	930	—	930
At December 31, 2016		2,729	79,019	(1,603)	(1,112)	79,033	—	79,033

in 000€	Notes	Attributable to the owners of the parents				Total	Non-controlling interest	Total equity
		Share capital	Share premium	Reserves	Other comprehensive income			
At January 1, 2015		2,788	76,650	5,764	97	85,299	(132)	85,167
Net loss for the year		—	—	(2,807)	—	(2,807)	(53)	(2,860)
Other comprehensive income		—	—	—	624	624	—	624
Total comprehensive income (loss)		—	—	(2,807)	624	(2,183)	(53)	(2,236)
Transfer share capital to share premium—correction		(69)	69	—	—	—	—	—
Capital increase in cash		5	575	—	—	580	—	580
Capital increase through exercise of warrants	14	5	90	—	—	95	—	95
Acquisition NCI Mobelife		—	—	(1,562)	—	(1,562)	185	(1,377)
Equity-settled share-based payment expense	14	—	714	12	—	726	—	726
At December 31, 2015		2,729	78,098	1,407	721	82,955	—	82,955

The accompanying notes form an integral part of these consolidated financial statements.

[Table of Contents](#)**Consolidated cash flow statements**

in 000€	Notes	For the year ended December 31,		
		2017	2016	2015
Operating activities				
Net loss for the year		(1,656)	(3,019)	(2,860)
<i>Non-cash and operational adjustments</i>				
Depreciation of property, plant & equipment	7	8,630	6,420	5,122
Amortization of intangible assets	6	4,001	1,954	1,585
Impairment of goodwill	5	—	—	104
Share-based payment expense	14	1,033	977	769
Loss (gain) on disposal of property, plant & equipment	7	25	(149)	(62)
Movement in provisions		61	18	(116)
Movement reserve for bad debt	11	502	77	254
Financial income	22.9	(381)	(172)	(413)
Financial expense	22.8	1,597	983	901
Impact of foreign currencies		302	(400)	(1,530)
Share in loss of a joint venture (equity method)	8	469	1,018	401
Income taxes and deferred taxes	22.10	534	1,712	(388)
Fair value adjustment contingent consideration	4	—	(455)	—
Other		(22)	(78)	—
Working capital adjustment & income tax paid				
Increase in trade receivables and other receivables		(6,510)	(6,465)	(6,645)
Decrease (increase) in inventories		(984)	(2,482)	(1,671)
Increase in trade payables and other payables		3,854	9,086	7,148
Income tax paid		(1,569)	(530)	(246)
Net cash flow from operating activities		9,886	8,495	2,353

The accompanying notes form an integral part of these consolidated financial statements.

[Table of Contents](#)**Consolidated cash flow statements**

in 000€	Notes	For the year ended December 31.		
		2017	2016	2015
Investing activities				
Purchase of property, plant & equipment	7	(27,668)	(12,237)	(8,907)
Purchase of intangible assets	6	(4,345)	(2,342)	(1,641)
Proceeds from the sale of property, plant & equipment (net)	7	221	1,928	338
Acquisition of subsidiary (net of cash)	4	(27,173)	—	(1,619)
Investments in joint-ventures	8	(500)	—	(1,000)
Investments in investments held to maturity	12	—	—	10,000
Interest received		281	11	35
Net cash flow used in investing activities		(59,184)	(12,640)	(2,794)
Financing activities				
Proceeds from loans & borrowings	15	54,319	14,669	5,672
Repayment of loans & borrowings	15	(11,904)	(2,796)	(4,711)
Repayment of finance leases	15	(2,947)	(1,898)	(1,546)
Proceeds from the exercise of warrants	14	—	—	95
Purchase of non-controlling interest	13	—	—	(1,377)
Capital increase in parent company	13	—	—	580
Interest paid		(955)	(630)	(589)
Other financial income (expense)		(472)	(79)	88
Net cash flow from (used in) financing activities		38,041	9,266	(1,788)
Net increase/(decrease) of cash & cash equivalents		(11,257)	5,121	(2,229)
Cash & cash equivalents at beginning of the year	12	55,912	50,726	51,019
Exchange rate differences on cash & cash equivalents		(1,480)	65	1,936
Cash & cash equivalents at end of the year	12	43,175	55,912	50,726

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Corporate information

Materialise NV is a limited liability company with its registered office at Technologielaan 15, 3001 Leuven, Belgium. The consolidated financial statements comprise Materialise NV (the “Company” or “Parent”) and its subsidiaries (collectively, the “Group”). See Note 28 for a list of subsidiaries of the Company.

The Group is a leading provider of additive manufacturing (AM) software and of sophisticated 3D printing services. The products and services of the Group are organized in the three segments: Materialise Medical, Materialise Software and Materialise Manufacturing. The Group sells its products in Europe, Americas, Africa and Asia-Pacific.

The consolidated financial statements of the Group for the year ended December 31, 2017 were approved and authorized for issue on April 27, 2018 in accordance with a resolution of the Parent’s Board of Directors.

Notes to the consolidated financial statements (continued)

2 Basis of preparation

The consolidated financial statements of the Group for the three years ended December 31, 2017 were prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) (collectively “IFRS”) and with International Financial Reporting Standards (IFRS) as adopted by the European Union (“EU-IFRS”).

These consolidated financial statements have been prepared on a historical cost basis, except for the assets and liabilities that have been acquired as part of a business combination which have been initially recognized at fair value and certain financial instruments which are measured at fair value.

The consolidated financial statements are presented in thousands of euros (K€ or thousands of €) and all “currency” values are rounded to the nearest thousand (€000), except when otherwise indicated.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group’s accounting policies. The areas where significant judgment and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

New standards, interpretations and amendments adopted by the Group

The Group has adopted the following new and revised standards and interpretations issued by the IASB and IFRIC that are relevant to its operations and effective for accounting periods beginning on January 1, 2017.

- IAS 12: Income taxes – Amendments regarding the recognition of deferred tax assets for unrealized losses;
- IAS 7: Cash flow statement – Amendments as result of the Disclosure initiative;
- Annual Improvements to IFRS 10 2014-2016 Cycle (December 2016)

The application of the above new standards and interpretations did not have a significant impact on the financial position and the results of the Group.

Classification error adjusted in 2016

Through September 30, 2016, the Group presented all deferred income associated with maintenance and license contracts and project contracts as a current liability while a portion of such deferred income relates to contractual periods that are more than 12 months after the reporting date and therefore such portion should have been presented as non-current. The Group has an increasing volume of software and project contracts with a contractual term of more than 12 months.

As from the financial reporting year ended December 31, 2016, the Group is presenting portions of its deferred income associated with such contracts as current and non-current liabilities. This presentation has been applied retroactively for the financial reporting year ended December 31, 2015.

The impact on the statement of financial position is as follows:

in 000€	For the year ended December 31, 2015
Deferred income - current - prior to change	16,509
Deferred income - current - restated	14,696
Reclassified non-current deferred maintenance revenue	1,813
Deferred income - non-current - prior to change	92
Deferred income - non-current - restated	1,905

Notes to the consolidated financial statements (continued)

3 Summary of significant accounting policies

Basis for consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries.

Entities are fully consolidated from the date of acquisition, which is the date when the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the entities are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Group balances, transactions, unrealized gains and losses resulting from intra-Group transactions and dividends are fully eliminated.

The Group attributes profit or loss and each component of other comprehensive income to the owners of the parent company and to the non-controlling interest based on present ownership interests, even if the results in the non-controlling interest have a negative balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over the subsidiary, it will derecognize the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains an interest in the previous subsidiary, then such interest is measured at fair value at the date the control is lost.

The proportion allocated to the parent and non-controlling interests in preparing the consolidated financial statements is determined based solely on present ownership interests.

The following changes to the consolidation scope occurred in 2017:

- Acquisition of ACTech Holding GmbH, ACTech GmbH and ACTech North America Inc. as of October 4, 2017;
- Liquidation of Rapidfit Inc.
- Liquidation of Orthoview US Inc.

Non-controlling interests

The Group has the choice, on a transaction by transaction basis, to initially recognize any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The Group has not elected to take the option to use fair value in acquisitions completed to date and currently does not have non-controlling interest resulting from business combinations.

Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using the functional currency.

Financial statements of foreign subsidiaries

Foreign subsidiaries use the local currencies of the country where they operate. The statement of financial position is translated into euro at the closing rate on the reporting date and their income statement is translated at the average exchange rate at each month-end. Differences resulting from the translation of the financial statements of said subsidiaries are recognized in other comprehensive income as "exchange differences on translation of foreign operations".

Notes to the consolidated financial statements (continued)

Foreign currency transactions

Transactions denominated in foreign currencies are translated into euro at the exchange rate at the end of the previous month-end. Monetary items in the statement of financial position are translated at the closing rate at each reporting date and the relevant translation adjustments are recognized in financial or operating result depending on its nature.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date at which the Group obtains control over the entity. The cost of an acquisition is measured as the amount of the consideration transferred to the seller, measured at the acquisition date fair value, and the amount of any non-controlling interest in the acquiree.

The Group measures goodwill initially at cost at the acquisition date, being:

- the fair value of the consideration transferred to the seller, plus
- the amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree re-measured at the acquisition date, less
- the fair value of the net identifiable assets acquired and assumed liabilities

Goodwill is recognized as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on acquisition date.

Acquisition costs incurred are expensed and included in general and administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized either as a profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Acquisition of non-controlling interests are accounted for as an equity transaction.

Investments in joint ventures

The Group carries investment in a joint venture (RS Print NV). The Group's investments in its joint venture is accounted for using the equity method. Under the equity method, the investment in the joint venture was initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of the joint venture is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of the change in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the Group's interest in the joint venture (higher of value in use and fair value less costs to sell), and then recognizes the loss as 'Share of profit or loss of joint ventures' in the income statement.

Notes to the consolidated financial statements (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes borrowing costs directly attributable to construction projects if the asset necessarily takes a substantial period of time to get ready for its intended use, it is probable that they will result in future economic benefits to the group and the cost can be measured reliably. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Buildings:	20-50 years
• Furniture, Plant & Equipment	5-30 years
• Property leased Assets -	15-30 years or lease term if shorter
• Leased machines	5-10 years or lease term if shorter

Land is not depreciated.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognized as financial expenses in the consolidated income statement.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualified asset that necessarily takes a substantial period of time to prepare for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the consolidated financial statements (continued)

Research and development

Research and development includes the costs incurred by activities related to the development of software solutions (new products, updates and enhancements), guides and other products.

Development activities involve the application of research findings or other knowledge to a plan or a design of new or substantially improved (software) products before the start of the commercial use.

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development.

The Group has determined that the conditions for recognizing internally generated intangible assets from proprietary software, guide and other product development activities are not met until shortly before the products are available for sale, unless either (i) the Group has strong evidence that the above criteria are met and a detailed business plan is available showing the asset will on a reasonable basis generate future economic benefits or (ii) the development is done based upon specific request of the customer, the Group has the intention to market the product also to other parties than the customer, the development is subject to an agreement and the substance of the agreement is that the customer reimburses the Group for a significant portion of the development expenses incurred. As such, development expenditures not satisfying the above criteria and expenditures on the research phase of internal projects are recognized in the consolidated income statement as incurred. Internally generated intangible assets from proprietary software are amortized over their useful lives, starting from the moment they are ready for use/available for sale.

Intangible assets other than goodwill

Intangible assets comprise acquired technology and customer portfolio, patents and licenses, goodwill and technology and customers acquired in connection with business combinations. Those intangible assets are measured on initial recognition at cost, except for the acquired technology and customers arising from business combinations, which are measured initially at fair value. Following initial recognition, intangible assets other than goodwill are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful life of the intangible assets is as follows:

- | | |
|-------------------------|---|
| • Software: | 3 years; |
| • Patents and licenses: | 5 years; |
| • Acquired customers: | 5-20 years; |
| • Technology: | 6-10 years; |
| • Order backlog: | Period over which orders will be completed. |

The intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement based on its function which may be “cost of sales”, “sale & marketing expenses”, “research & development expenses” and “general and administrative expenses”.

Impairment of goodwill and other non-financial assets (excluding inventories and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets and goodwill are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Notes to the consolidated financial statements (continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest Group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to future cash flows projected after the fifth year.

Impairment charges are included in profit or loss, except, where applicable, to the extent they reverse gains previously recognized in other comprehensive income. An impairment loss recognized for goodwill is not reversed.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Inventories and Contracts in progress

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis; and
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

A write-off of inventories is estimated based on an ageing or rotation analysis.

Work in progress relates to production of inventory for which a customer has not yet been secured, while contracts in progress relates to production for specific customers in performance of a signed contract.

Contract revenues and expenses are recognized by reference to the stage of completion of contract activity where the outcome of the construction contract can be estimated reliably, otherwise revenue is recognized only to the extent of recoverable contract costs incurred (percentage of completion). Contract revenue includes the amount agreed in the initial contract, plus revenue from alternations in the original contract work. Contract expenses include costs that relate directly to the specific contract, plus costs that are attributable to the contractor's general contracting activity to the extent that they can be reasonably allocated to the contract, plus such other costs that can be specifically charged to the customer under the terms of the contract.

The stage of completion of a contract is based on the predefined steps with corresponding fix levels of completion, on a project by project basis. The Group only accounts for contract revenue before the completion of the contract for contract types with a general throughput time of more than 3 months. Contracts with a shorter throughput time are accounted for as work in progress.

Financial assets

Financial assets include loans, deposits, receivables and held-to-maturity investments measured at amortized cost. The Group currently does not have available for sale financial investments.

Financial assets measured at amortized cost

The Group has loans and receivables and held-to-maturity investments that are measured at amortized cost.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Notes to the consolidated financial statements (continued)

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial assets that are classified as loans and receivables and held-to-maturity are initially measured at fair value plus transaction costs and subsequently at amortized cost using the effective interest rate method (EIR). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included under financial income in the consolidated income statement. The losses arising from impairment are recognized in the consolidated income statement under other operating expenses or financial expenses.

Financial assets measured at fair value

The Group does not currently have financial assets classified as financial assets at fair value through profit or loss except for a call option on non-controlling interests in Rapidfit+ as disclosed in Note 13.

Notes to the consolidated financial statements (continued)

Impairment of financial assets

The group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the income statement.

Financial liabilities

The Group has financial liabilities measured at amortized cost which include loans and borrowings, trade payables and other payables. Financial liabilities resulting from written put options on non-controlling interests are measured at fair value. The Group currently does not have financial liabilities held for trading.

Financial liabilities at amortized cost

Those financial liabilities are recognized initially at fair value plus directly attributable transaction costs and are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Written put options on non-controlling interest

The Group recognizes a financial liability for the written put options on non-controlling interest. The written put options have a variable redemption price based on a formula as specified in the contract (see Note 13).

- The financial liability is initially recognized at fair value and the fair value is reclassified from non-controlling interest and, for any amount higher than the non-controlling interest, from consolidated reserves.
- The fair value is determined as the present value of the redemption amount.
- Any change in the fair value as a result of a change in the estimated redemption price is recognized directly in consolidated reserves. Any unwinding effect of the present value of the redemption price is recognized directly in profit and loss (financial cost).
- No share of profit is allocated to the non-controlling interest.
- Upon exercise of the written put option, the carrying value will be offset with the cash payment received. When the written put option is not exercised, the carrying value of the financial liability is derecognized against non-controlling interest with the difference going to consolidated reserves.

Compound financial instruments

The Group has issued convertible debt which is accounted for as a compound financial instrument. For those instruments, the Group determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivative features) that does not have an associated equity component. The carrying amount of the equity instrument is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Notes to the consolidated financial statements (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Pensions benefits

The Group has a defined contribution obligation where the Group pays contributions based on salaries to an insurance company, in accordance with the laws and agreements in each country.

The Belgian defined contribution pension plans are by law with variable minimum returns based on the Belgian government bonds, with a minimum of 1.75% and a maximum of 3.75%, effective for contributions paid as from 2016. For contribution paid until 2015, the minimum guaranteed return is 3.25% on employer contributions and 3.75% on employee contributions.

These plans qualify as defined benefit plans. However for the years 2015 and before, when taken into account the historical discussions on how to account for these specific type of plans where the contributions paid are subject to a minimum guaranteed return at the level of IFRIC, the Company believes the application of the projected unit credit method to these plans is troublesome and will not provide a faithful representation of the liability with respect to these promises. The Group has adopted a retrospective approach whereby the net liability recognized in the statement of financial position is based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the benefits accrued at the closing date based on the actual rates of return.

Contributions are recognized as expenses for the period in which employees perform the corresponding services. Outstanding payments at the end of the period are shown as other current liabilities.

As from 2016, those plans are accounted for as a defined benefit plan however are considered not material.

Share based payments

Directors and employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The Group currently has only warrants and share-appreciation rights as share-based payments.

Equity-settled transactions

Equity-settled share-based payments to employees and others providing similar services are measured, indirectly, at the fair value of the equity instruments granted. The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is recognized as employee benefits expense.

Notes to the consolidated financial statements (continued)

The Group does currently only have equity-settled share-based payments that have service-based vesting conditions and no instruments with market vesting conditions.

No expense is recognized for awards that do not ultimately vest.

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash-settled transactions

The Group has cash-settled share-based payment transaction for certain employees in certain countries due to legal requirements (in the form of share-appreciation rights). The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognized in employee benefits expense.

Revenue recognition

The Group's revenue, which is presented net of sales taxes, is primarily generated by the sale of our software and 3D printed products and services. Software revenue is comprised of perpetual and periodic licenses, maintenance revenue and software development service fees. Perpetual license holders may opt to take an annual maintenance contract, which leads to annual fees. Periodic licenses entitle the customer to maintenance, support and product updates without additional charge. 3D printed product revenue is derived from our network of 3D printing service centers and may include support and services such as pre-production collaboration prior to printing the product.

The Group sells its products and software through its direct sales force and through authorized distributors.

Software license revenue, maintenance and/or software development service fees may be bundled in one arrangement, or may be sold separately.

The Group recognizes revenue for goods including software when all the significant risks and rewards have been transferred to the customer, no continuing managerial involvement usually associated with ownership of the goods is retained, no effective control over the goods sold is retained, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transactions will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3D printed products

The Group recognizes revenue on the sale of goods to the customer or distributor upon shipment or delivery taking into account the shipment terms (usually Ex-works or FOB Time of Shipment Incoterms (International Commercial Terms)).

Perpetual licensed software

The sale and/or license of software products is deemed to have occurred when a customer either has taken possession of or has the ability to take immediate possession of the software and the software key.

Perpetual software licenses can include one year maintenance and support services. The Company sells these maintenance services also on a stand-alone basis and is therefore capable of determining their fair value. On this basis, the amount of the embedded maintenance is separated from the fee for the perpetual license and is recognized ratably over the period to which they relate.

Notes to the consolidated financial statements (continued)

Time-based licensed software

The time-based license agreements include the use of a software license for a fixed term and maintenance and support services during the same period. The Company does not sell time-based licenses without maintenance and support services and therefore revenues for the entire arrangements are recognized ratably over the term.

Maintenance and support services

The Group recognizes revenue from maintenance and support services ratably on a straight-line basis over the term that the maintenance service is provided. In general, maintenance services are not automatically renewed.

A maintenance and support contract may include a reinstatement for previous years when the customer did not have a maintenance and support contract previously. Revenue from reinstatements are recognized immediately when the maintenance and support services commence.

Software development services (SDS)

SDS include customized development of software components for customers. The Group recognizes revenue on SDS agreements based either on time and material basis or on the stage of completion of each service contract and when the stage of completion can be measured reliably.

The Company determines the percentage-of-completion by comparing labor hours incurred to-date to the estimated total labor hours required to complete the project. The Company considers labor hours to be the most reliable available measure of progress on these projects. Adjustments to the Company's estimates of the time to completion are made when facts resulting in a change become known. When the estimate indicates that a loss will be incurred, such loss is recognized immediately.

Multiple element arrangements

The Group has entered into a number of multiple element arrangements, such as when selling perpetual licenses that may include maintenance and support (included in price of perpetual licenses) and time-based licenses (that include embedded maintenance and support, both of which may be sold with software development services, training, and other product sales). In some cases, the Group delivers software development services bundled with the sale of the software.

In multiple element arrangements, whether sold to end-customers or to collaboration partners, the Company uses either the stand-alone selling prices or management's best estimate of selling prices to determine the fair value of each separate element within the arrangement, including software and software-related services such as maintenance and support. In general, elements in such arrangements are also sold on a stand-alone basis and stand-alone selling prices are available. Where a selling price does not exist on a stand-alone basis or an estimate cannot be made for such element, as it may not be sold separately, then the remaining fees within the contract are recognized over the contractual period on a straight-line basis.

Revenue is allocated to each deliverable based on the fair value of each individual element and is recognized when the revenue recognition criteria described above are met, except for time-based licenses which are not unbundled. When software development services are performed and are considered essential to the functionality of the software, the Group recognizes revenue from the software development services on a stage of completion basis, and the revenue from the software when the related development services have been completed.

Contracts with collaboration partners in the medical segment also include multiple elements such as software, maintenance and support services, training, software development services, 3D printed products and royalties. Revenue from those contracts is determined and recognized consistent with other multiple element arrangements.

For certain contracts with collaboration partners, the Company also receives up-front fees, paid by customers for certain exclusivity rights granted only on previously acquired perpetual software licenses, which may be bundled with transfer of title, rights and ownership of certain software products and maintenance and support services. The Group recognizes revenues in such arrangements using the reverse-residual method, where fees for the items that are deemed separate elements, such as maintenance and support services, training, software development services, 3D printed products and royalties are recognized based on their estimated fair value as each element is delivered. The remaining fees within the arrangement are recognized on a straight-line basis over the period of exclusivity, which is up to five years.

Notes to the consolidated financial statements (continued)

Royalty income

Royalty income is recognized on an accrual basis as revenue when the royalty is earned. Such royalty income is earned when the corresponding 3D printed goods have been delivered to the customer.

Contract revenue

With respect to contract revenue we refer to our accounting policies regarding Inventories and Contracts in Progress.

Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included under financial income in the income statement.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to development costs or another expense, it is recognized as income over the grant period necessary to match the income on a systematic basis to the costs that it is intended to compensate. When the grant relates to the construction of buildings, it is recognized as income over the amortization period of the related building.

Such grants have been received from the federal and regional governments and from the European Union in the forms of grants linked to certain of its research and development programs, reduced payroll taxes and the financing of the construction of an office building in Leuven (Belgium) and in Freiberg (Germany).

Where retention of a government grant related to assets or to income, is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to other operating income in the consolidated income statement on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

Any government grants recognized as income do not have any unfulfilled conditions or other contingencies attached to them, as otherwise we would not be recognizing income for such.

Other financial income and expenses

Other financial income and expenses include mainly foreign currency gains or losses on financial transactions and bank related expenses.

Taxes

Current income tax

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items that are recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Notes to the consolidated financial statements (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenue, expenses and assets are recognized net of the amount of VAT, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the consolidated financial statements (continued)

New and revised standards not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the closing date of the Group's financial statements are disclosed below.

A number of new standards, amendments to standards, and interpretations are not effective for 2017, and therefore have not been applied in preparing these accounts.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, or IFRS 9, that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 9 requires us to record expected credit losses on all of our debt securities, loans and trade receivables, either on a 12-month or lifetime basis. We will apply the simplified approach and record lifetime expected losses on all trade receivables.

We will to adopt the new standard on the required effective date. The lifetime expected losses will be determined based on a provision matrix applied to the each of the trade receivable aging buckets. We are still finalizing the provision matrix but do not expect that this will have a significant impact on our balance sheet and equity.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers, or IFRS 15, was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard provides a single, principles based five step model to be applied to all contracts with customers as follows:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. We will adopt the new standard on the required effective date on January 1, 2018. We have performed a detailed assessment of the impact of IFRS 15 which is detailed below. The transition method that will be applied is the modified retrospective method whereby the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings in 2018.

Our IFRS assessment identified the following areas that may be significantly impacted from a qualitative perspective:

OEM software license and distribution agreements

We regularly enter into software license and distribution agreements that may include the right for a partner to embed the Materialise software in its own property software or machine, that is marketed and sold to end-customers. Typically, those contracts provide a license to use and market the software, training and one year of maintenance and support service. Those performance obligations are "distinct". Certain contracts may also include development services. Those development services are in general also "distinct" services except in case the customer cannot benefit from the license with readily available resources without the development services and the development services significantly customize/modify the existing license. In that case, those development services are combined with the license and recognized over the term of the license.

Those agreements may also provide for step-based volume discounts when certain sales targets are achieved and discounts when certain development revenue is achieved. In current accounting, volume discounts are recognized based on a reasonable estimate of the volume discounts to be paid and deducted from revenue over the contract period (based on sales). Certain other discounts are immediately deducted in full from revenue when they are expected to be met. Under IFRS 15, the transaction price will include an estimate of all the discounts payable under the contract period and will be subsequently allocated to the performance obligations. However, the impact on revenue is not expected to be material as of January 1, 2018.

Notes to the consolidated financial statements (continued)*Medical partner license, supply and distribution agreements*

Medical partner license, supply and distribution agreements generally include a time-based license for online order management system and surgical guide planning software, surgical guide development services and 3D printing, training, set-up and on boarding services and maintenance services. The consideration for the license is in general included within the price for a surgical guide (whether or not via an explicit royalty added to the price). The current accounting is not significantly different than under IFRS 15, except for:

- The license is not considered “distinct” and may be combined with the “surgical guide services and printing” as the license as such has no significant benefit for the partner with other readily available resources;
- Certain agreements may include significant development services other than the standard set-up and on boarding services, which significantly modify/customize the existing platform for the purpose of the partner and are not considered “distinct” and combined with the license;
- Allocation of the transaction price over the “distinct” performance obligations may result in higher or lower revenue allocated to a performance obligation than the contractual pricing.

The impact of the above differences on revenue is expected to be K€323 additional deferred revenue as of January 1, 2018.

One contract with a non-cancellable contract period of 10 years had an up-front non-refundable fee for exclusivity for a total of €2.25 million. Under current accounting, this fee has been fully recognized in the previous years (from 2010 onwards). Under IFRS 15, this fee will be included in the transaction price and allocated to the “distinct” performance obligations of the contract which are primarily software license, surgical guides services and printing, maintenance, and development services. The impact of this difference will be higher deferred revenue of K€850 with a debit of the retained earnings for the same amount as of January 1, 2018. This deferred revenue will be recognized in revenue over the next three years.

IFRS 15 is not expected to have significant impacts on our other revenue streams such as 3D print products and software license and related maintenance.

IFRS 15 provides also new presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in our financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2016 and 2017 we developed and started testing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

Based on our detailed assessment, we currently estimate the cumulative effect in retained earnings as of January 1, 2018 as follows (positive is a debit):

in 000€	<u>January 1, 2018</u>
Software	—
Medical	1,173
Manufacturing	—
Total catch-up adjustment	1,173

We will continue to assess individual contracts to determine the performance obligations included, relating to licenses and royalty based sales, maintenance and support services and the estimated variable considerations and related constraints.

IFRS 16, Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Notes to the consolidated financial statements (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, subject to endorsement by the European Union. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. We are however not intending to early adopt this standard.

During 2018 we plan to assess the potential effect of IFRS 16 on our consolidated financial statements. To see the volume of operating leases, please refer to Note 24.

The other standards, interpretations and amendments issued by the IASB and relevant for the Group, but not yet effective are not expected to have a material impact on the Group's future consolidated financial statements:

- IFRS 2: Share-based Payment — Amendments to clarify the classification and measurement of share-based payment transactions (June 2016);
- IFRS 3: Business Combinations — Annual improvements 2015-2017 Cycle;
- Amendments to IFRS 4 — Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contract (September 2016);
- IFRS 7: Financial Instruments: Disclosures (Amendments December 2011) — Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
- IFRS 7: Financial Instruments: Disclosures (Amendment November 2013) — Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9
- Amendments to IAS 40 — Transfers of investment property (December 2016);
- IFRS 10: Consolidated Financial Statements — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRS 11: Joint Arrangements — Annual Improvements 2015 – 2017 Cycle;
- IFRS 17: Insurance contracts (May 2017);
- IAS 12: Income Taxes — Annual improvements 2015-2017 Cycle;
- IAS 19: Employee Benefits — Plan Amendment, Curtailment or Settlement;
- IAS 23: Borrowing Costs — Annual Improvements 2015-2017 Cycle;
- IAS 28: Investments in Associates and Joint Ventures — Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (September 2014), Annual Improvements 2014-2016 Cycle and Long-term interest in Associates and Joint Ventures;
- IAS 40: Investment Property — Transfers of investment property;
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (December 2016);
- IFRIC 23: Uncertainty over Income Tax Treatments (June 2017);
- Amendments to IFRS 2014-2016 cycle — Amendments to IFRS 1 and IAS 28 (December 2016).

Notes to the consolidated financial statements (continued)

Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities for future periods.

On an ongoing basis, the Group evaluates its estimates, assumptions and judgments, including those related to revenue recognition, development expenses, share-based payment transactions, income taxes, impairment of goodwill, intangible assets and property, plant & equipment and business combinations.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revenue recognition

For revenue recognition, the significant estimates and judgments relate to allocation of value to our separate elements in our multiple-element arrangements and in identifying stage of completion of our customized development of software components for customers. Software development services are mostly billed on time & material basis or occasionally on a fixed basis.

With respect to the allocation of value to the separate elements, the Company is using the stand-alone selling prices or management best estimates of selling prices to estimate the fair value of the software and software-related services to separate the elements and account for them separately. Elements in such an arrangement are also sold on a stand-alone basis and stand-alone selling prices are available. Revenue is allocated to each deliverable based on the fair value of each individual element and is recognized when the revenue recognition criteria described above are met. When we provide software development services considered essential to the functionality of the software, we recognize revenue from the software development services as well as any related software licenses on a percentage of completion basis whereby the arrangement consideration is recognized as the services are performed, as measured by an observable input.

We determine the percentage-of-completion by comparing labor hours incurred to-date to the estimated total labor hours required to complete the project. We consider labor hours to be the most reliable, available measure of progress on these projects. Adjustments to estimates to complete are made in the periods in which facts resulting in a change become known. When the estimate indicates that a loss will be incurred, such loss is recorded in the period identified. Significant judgments and estimates are involved in determining the percent complete of each contract. Different assumptions could yield materially different results.

Our revenue recognition policies require management to make significant estimates. Management analyzes various factors, including a review of specific transactions, historical experience, creditworthiness of customers and current market and economic conditions. Changes in judgments based upon these factors could impact the timing and amount of revenue and cost recognized and thus affects our results of operations and financial condition.

Development expenses

Under IAS 38, internally generated intangible assets from the development phase are recognized if certain conditions are met. These conditions include the technical feasibility, intention to complete, the ability to use or sell the asset under development, and the demonstration of how the asset will generate probable future economic benefits. The cost of a recognized internally generated intangible asset comprises all directly attributable cost necessary to make the asset capable of being used as intended by management. In contrast, all expenditures arising from the research phase are expensed as incurred.

Determining whether internally generated intangible assets from development are to be recognized as intangible assets requires significant judgment, particularly in determining whether the activities are considered research activities or development activities, whether the product enhancement is substantial, whether the completion of the asset is technical feasible considering a company-specific approach, the probability of future economic benefits from the sale or use.

The Group has determined that the conditions for recognizing internally generated intangible assets from proprietary software, guide and other product development activities are not met until shortly before the products are available for sale, unless either (i) the Group has strong evidence that the above criteria are met and a detailed business plan is available showing the asset will on a reasonable basis generate future economic benefits or (ii) the development is done based upon specific request of the customer, the Group has the intention to market the product also to other parties than the customer, the development is subject to an agreement and the substance of the agreement is that the customer reimburses the Group for a significant portion of the development expenses incurred. As such, development expenditures not satisfying the above criteria and expenditures on the research phase of internal projects are recognized in the consolidated income statement as incurred. This assessment is monitored by the Group on a regular basis.

Notes to the consolidated financial statements (continued)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted and measured the cost of cash-settled transactions by reference to the fair value of the equity instrument at the date of reporting. The Group has applied the Black-Scholes valuation model to estimate fair value. Using this model requires management to make assumptions with regards to volatility and expected life of the equity instruments. The assumptions used for estimating fair value for share-based payment transactions are disclosed in Note 14 and are estimated as follows:

- Volatility is estimated based on the average annualized volatility of the Group;
- Estimated life of the warrant is estimated to be until the first exercise period which is typically the month after their vesting;
- Fair value of the shares is determined based on the share price of the Group on Nasdaq at the date of issuance. For the grants prior to the initial public offering, the fair value of the shares was estimated based on a discounted cash flow model with 3-year cash flow projections and a multiple of EBITDA determined based on a number quoted peers in the 3D printing industry.
- The dividend return is estimated by reference to the historical dividend payment of the Group. Currently, this is estimated to be zero as no dividends have been paid since inception.

Income taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

As at December 31, 2017, the Group had K€11.948 (2016: K€9,451; 2015: K€12,231) of tax losses carry forward and other tax credits such as investment tax credits and notional interest deduction, of which K€4.581 related to Materialise NV (2016: K€1,570; 2015: K€2,009). These losses relate to the parent and subsidiaries that have a history of losses, in countries where these losses do not expire, except for the notional interest deduction of K€315 in 2017 (2016: K€315; 2015: K€402) and may not be used to offset taxable income elsewhere in the Group.

With respect to the unused tax losses of Materialise NV, no deferred tax assets have been recognized in 2017, 2016 and 2015, given that it in view of the Belgian Patent Income Deduction and Innovation Income Deduction there is an uncertainty to which extent these tax losses will be used in future years. As from July 1, 2016, the new Innovation Income Deduction replaces the former Patent Income Deduction. Under the grandfathering rule the Patent Income Deduction system can still be applied until June 30, 2021. The Belgian Patent Income Deduction allows companies to deduct 80% of the qualifying gross patent income from the taxable basis. Under the Innovation Income Deduction system, companies can deduct up to 85% of their net innovation income from the taxable basis. Based on its analysis in 2017 the Company has assessed that no deferred tax asset should be accounted for with respect to its unused tax losses in Belgium.

With respect to the unused tax losses of the other entities, no deferred tax assets have been recognized in 2017 (2016: K€109; 2015: K€906). The Group has not recognized deferred tax assets on unused tax losses totalling K€7,904 in 2017 (2016: K€8,877; 2015: K€9,660) given that it is not probable that sufficient positive taxable base will be available in the foreseeable future against which these tax losses can be utilized.

If the Group was able to recognize all unrecognized deferred tax assets, net profit would have increased by K€2,687 in 2017 during which K€7,904 of tax losses were utilized. Further details on taxes are disclosed in Note 22.10.

Impairment of goodwill, intangible assets and property, plant & equipment

The Group has goodwill for a total amount of K€18,447 as at December 31, 2017 (2016: K€8,860; 2015: K€9,664) which has been subject to an impairment test. The goodwill is tested for impairment based on a discounted cash flow model with cash flows for the next five years derived from the budget and a residual value considering a perpetual growth rate. The value in use is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the value in use for the different CGUs are disclosed and further explained in Note 5.

Notes to the consolidated financial statements (continued)

When events or changes in circumstances indicate that the carrying amount of the intangible assets and property, plant and equipment may not be recoverable, we estimate the value in use for the individual assets, or when not possible, at the level of CGUs to which the individual assets belong. No impairment charges have been recorded during 2017 (2016: K€0; 2015: K€104).

Business combinations

We determine and allocate the purchase price of an acquired business to the assets acquired and liabilities assumed as of the business combination date. The purchase price allocation process requires us to use significant estimates and assumptions, including

- estimated fair value of the acquired intangible assets;
- estimated fair value of property, plant and equipment; and
- estimated fair value of the contingent consideration

The contingent consideration as included in the financial statements is recorded at fair value at the date of acquisition and is reviewed on a regular basis. The fair value of the contingent consideration is based on risk-adjusted future cash flows of different scenarios discounted using appropriate interest rates. The structure of the possible scenarios and the probability assigned to each one of them is reassessed by management at every reporting period and requires judgement from management about the outcome and probability of the different scenarios as well as the evolution of the variables.

While we are using our best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the date of acquisition, our estimates and assumptions are inherently uncertain and subject to refinement. Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to:

- future expected cash flows from customer contracts and relationships, software license sales and maintenance agreements;
- the fair value of the plant and equipment
- the fair value of the deferred revenue; and
- discount rates

Notes to the consolidated financial statements (continued)

4 Business Combinations

Acquisitions in 2017

ACTech

The Group has signed a share and purchase agreement on October 4, 2017 to acquire all of the shares and voting interest of ACTech Holding GmbH, an entity incorporated in Germany, and its subsidiaries ACTech GmbH and ACTech North America Inc. (together referred to as “ACTech Group”) for a total purchase consideration in cash of K€27,370 (net of indemnification asset).

The German-based ACTech Group is specialist in producing limited runs of highly complex cast metal parts in a short timeframe. ACTech Group will be part of the Manufacturing segment.

The provisional fair values of the identifiable assets and liabilities at the date of acquisition were:

in 000€	Carrying value at acquisition date	Provisional fair value adjustments	Provisional fair value at acquisition date
Assets			
Technology	—	515	515
Customer relations	—	17,305	17,305
Other intangible assets	6,330	(5,333)	997
Property, plant & equipment	19,986	—	19,986
Deferred tax assets	503	—	503
Other non-current financial assets	56	—	56
Inventory	2,788	—	2,788
Trade receivables	5,176	—	5,176
Cash & cash equivalents	2,245	—	2,245
Other assets	542	—	542
Total Assets	37,626	12,487	50,113
Liabilities			
Deferred tax liabilities	(47)	(5,970)	(6,017)
Deferred income	(1,298)	—	(1,298)
Loans & borrowings	(11,308)	—	(11,308)
Trade payables	(777)	—	(777)
Tax payables	(3,664)	(323)	(3,987)
Other liabilities	(9,063)	—	(9,063)
Total Liabilities	(26,157)	(6,293)	(32,450)
Total identified assets and liabilities	11,469	6,194	17,663
Goodwill			9,707
Acquisition price paid in cash			27,370

The cash flow from the business combination is as follows:

Cash & cash equivalents acquired	(2,245)
Indemnification assets	(2,048)
Acquisition price	29,418
Total cash flow	27,173

The provisional accounting for the business combination resulted in fair values of K€17,305 for customer relationships, K€515 for patented technology, K€837 for order backlog, and K€2,048 for tax contingencies subject to an indemnification asset. The deferred tax liabilities comprise the tax effect of the fair value adjustment for the customer relationships, technology and order backlog. The fair value of the receivables is K€5,176 which equals the gross contractual amounts receivable. Fair value analysis with respect to property, plant and equipment was not yet finalized upon reporting date.

Notes to the consolidated financial statements (continued)

The purchase price paid at the acquisition date amounted to K€29,418. The share and purchase agreement foresees that the Sellers will indemnify the Group for certain tax payables and contingencies that may occur in the period between 2018 and 2021. A amount of K€3,788 has been paid in an escrow account which can be applied against the indemnification asset. The Group has estimated that the fair value of the indemnification asset is K€2,048 which has been applied against the acquisition price. The indemnification asset will be paid out of the escrow account when the related tax payables and contingencies are paid.

There are no contingent considerations payable.

The goodwill recognized is primarily attributable to the trained and knowledgeable workforce and to the expected synergies that will be realized at level of software platforms, manufacturing and existing customer base. The goodwill is not deductible for income tax purposes.

The total acquisition-related costs recognized as an expense in the general & administration costs are K€609.

The contribution of the acquired business to the revenue and net profit of the Group for the year ended December 31, 2017 were respectively K€9,965 and K€275. The pro forma revenue and the pro forma net profit of the acquired business would have been K€37,096 and K€2,060, respectively, if the business would have been acquired on January 1, 2017.

Acquisitions in 2016

The Group has not completed any Business Combinations during the year 2016.

Acquisitions in 2015*Aldema*

The Group signed a sale and purchase agreement on February 26, 2015 to acquire all of the shares and voting interests of Aldema BVBA, an entity incorporated in Belgium, for a total purchase consideration in cash of K€76. Aldema BVBA had developed expertise in metal 3D printing and is integrated in the Materialise Manufacturing segment.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

in thousands of euro	Fair value at acquisition date
Assets	
PP&E	306
Inventory	17
Trade receivables	22
	345
Liabilities	
Financial debts	(295)
Trade payables	(34)
Other liabilities	(117)
	(446)
Total identified assets and liabilities	(101)
Goodwill	177
Acquisition price paid in cash	76
Cash flow from business combination	
Cash & cash equivalents acquired	—
Acquisition price	(76)
Total cash flow	(76)

The carrying value of the acquired assets and liabilities equaled its fair value. As such, the amount of excess paid was fully accounted for as goodwill.

Notes to the consolidated financial statements (continued)

The contribution of the acquired business to the revenue and net loss was respectively K€4 and K€ (105) as of December 31, 2015. The revenue and the net loss of the acquired business as if it would have been acquired at January 1, 2015 is not materially different.

The goodwill recognized is primarily attributable to the expected synergies and the accelerated go-to-market time for the products developed with the acquired technology. The goodwill is not deductible for income tax purposes.

Changes in the measurement of the contingent consideration for previous acquisitions

Cenat

The Group signed a sale and purchase agreement on March 10, 2015 to acquire all of the shares and voting interests of Cenat BVBA for a consideration in cash of K€1,547 and a contingent consideration related to certain targets set over the coming years between K€0 and K€2,250 . The fair value of this contingent consideration was estimated at time of time of final accounting (December 31, 2015) at K€1,310.

Based on the historical results and the forecasted financial information for the period 2018 to 2019 the Group has re-estimated the fair value of the contingent consideration at December 31, 2016 to K€ 905, and maintained this estimate per December 31, 2017. Of this fair value estimate, an amount of K€257 is already payable to the former shareholders within one year (we refer to Notes 16 and 19).

The undiscounted earn-out scenarios range from K€610 to K€1,507 . The probabilities for each scenario range from 0 % to 40 % whereby a cumulative probability of at least 50 %is allocated to the scenarios with a undiscounted consideration between K€ 610 and K€ 641.

Notes to the consolidated financial statements (continued)

in 000€	Carrying value at acquisition date	Fair value adjustments	Fair value at acquisition date
Assets			
Technology	3	1,671	1,674
PP&E	34	—	34
Inventory	39	—	39
Trade receivables	2	—	2
Other current assets	32	—	32
Cash	4	—	4
	114	1,671	1,785
Liabilities			
Financial debts	(8)	—	(8)
Deferred tax liabilities	—	(568)	(568)
Trade payables	(22)	—	(22)
Other liabilities	(39)	—	(39)
	(69)	(568)	(637)
Total identified assets and liabilities	45	1,103	1,148
Goodwill	—	—	1,709
Acquisition price	—	—	2,857
Cash flow from business combination			
Cash & cash equivalents acquired	—	—	4
Consideration paid in cash	—	—	(1,547)
Total cash flow	—	—	(1,543)

Notes to the consolidated financial statements (continued)

5 Goodwill

The goodwill has been allocated to the cash generating units (“CGU”) as follows:

in thousands of euros	For the year ended December 31		
	2017	2016	2015
CGU: MAT NV SAM BE	3,241	3,241	3,241
CGU: e-Prototype	818	775	801
CGU: ACTech	9,707	—	—
CGU: OrthoView	4,504	4,667	5,445
CGU: MAT NV Manufacturing (Metal)	177	177	177
Total	18,447	8,860	9,664

The changes in the carrying value of the goodwill can be presented as follows for the year 2017, 2016 and 2015:

in 000€	Gross	Impairment	Total
At January 1, 2015	7,714	—	7,714
Additions	1,769	—	1,769
Impairment	—	(104)	(104)
Currency translation	285	—	285
At December 31, 2015	9,768	(104)	9,664
Additions	—	—	—
Impairment	—	—	—
Currency translation	(804)	—	(804)
At December 31, 2016	8,964	(104)	8,860
Additions	9,707	—	9,707
Impairment	—	—	—
Currency translation	(120)	—	(120)
At December 31, 2017	18,551	(104)	18,447

The goodwill of Orthoview (UK) and of e-Prototype (PL) include respectively K€ (163) and K€43 impact of currency translation.

The goodwill related to the acquired business of CENAT during 2016 is allocated to the cash generating unit MAT NV SAM BE.

The Group has performed an impairment test based on a discounted cash flow model with cash flows for the next five years derived from the budget and a residual value considering a perpetual growth rate.

The MAT NV 3D Printing software (BE) and Cenat CGU are included in the reportable segment Materialise Software. The Rapidfit+ (USA), e-Prototype (PL) and Mat Metal CGU are included in the reportable segment “Materialise Manufacturing”. The CGU Orthoview (UK) is included in the reportable segment “Materialise Medical”. The CGU ACTech is included in the reportable segment “Materialise Manufacturing”.

Notes to the consolidated financial statements (continued)

CGU: MAT NV 3D Printing software (BE)

The goodwill allocated to the CGU MAT NV 3D Printing software (BE) relates to the goodwill from the acquisition of CENAT in 2016 and the goodwill related to Marcam (DE-3D Printing Software).

The impairment test is based on the projected discounted cash flows resulting from the CGU MAT NV 3D Printing software, considering a period of 5 years. The main assumptions for goodwill impairment testing include a pre-tax discount rate (based on WACC) of 10.18 % and a perpetual growth rate of 2 %. Other assumptions include the year-on-year growth rate of the revenue, gross margin and the operating costs which has been determined by management based on past experience. It was concluded that the value in use is higher than the carrying value of the cash generating unit of €20.9 million. Based on the sensitivity analysis where the year-on-year growth rate of the revenue, gross margin and the operating costs would be zero and the sensitivity analysis where discount rate would increase with 1 %, the value in use would be significantly higher than the carrying value of the cash generating units.

CGU e-prototype

The impairment test on the GCU e-prototype is based on the projected discounted cash flows resulting, considering a period of 5 years. The main assumptions include a pre-tax discount rate (based on WACC) of 11.25 % and a perpetual growth rate of 5 %. Other assumptions include the year-on-year growth rate of the revenue, gross margin and the operating costs which has been determined by management based on past experience and continued investments in capex in new 3D printing equipment. It was concluded that the value in use (€9.6 million) is higher than the carrying value of the cash generating unit of €3.32 million. Based on the sensitivity analysis where discount rate would increase with 1 %, the value in use would be significantly higher than the carrying value of the cash generating units.

CGU Orthoview

The impairment test on the GCU Orthoview is based on the projected discounted cash flows resulting, considering a period of 5 years. The main assumptions include a pre-tax discount rate (based on WACC) of 13.84 % and a perpetual growth rate of 2 %. Other assumptions include the year-on-year growth rate of the revenue, gross margin and the operating costs which have been determined by management based on past experience. It was concluded that the value in use (€10.4 million) is higher than the carrying value of the cash generating unit of €9.71 million. Based on the sensitivity analysis where discount rate would increase with 1 %, the value in use would equal the carrying value of the cash generating unit. If the perpetual growth rate would decrease by 1% to 1%, the value in use would still be higher than the carrying value of the cash generating unit. The Orthoview business is being integrated further in the existing software business within our Materialise Medical segment. Synergies that are expected from joined product lines are not taken into account in the current impairment review. For 2017 management believes that Orthoview can still be considered a separate cash generating unit. Per end of 2017 we believe that the goodwill for Orthoview is not impaired.

CGU ACTECH

The impairment test on the GCU ACTech is based on the projected discounted cash flows resulting, considering a period of 5 years. The main assumptions include a pre-tax discount rate (based on WACC) of 14.93 % and a perpetual growth rate of 1.57 %. Other assumptions include the year-on-year growth rate of the revenue, gross margin and the operating costs which have been determined by management based on past experience. It was concluded that the value in use is higher than the carrying value of the cash generating unit of €27.6 million. Based on the sensitivity analysis where discount rate would increase with 1 %, the value in use would be higher than the carrying value of the cash generating unit.

Notes to the consolidated financial statements (continued)

6 Intangible assets

The changes in the carrying value of the intangible assets can be presented as follows for the years 2017, 2016 and 2015:

in 000€	<u>Patents & licenses</u>	<u>Software</u>	<u>Acquired customers, technology and backlogs</u>	<u>Total</u>
Acquisition value				
At January 1, 2015	2,342	967	6,644	9,953
Additions	761	671	89	1,521
Acquisition of a subsidiary	—	3	1,474	1,477
Disposals	—	(6)	—	(6)
Transfer between accounts	—	—	—	—
Currency translation	89	143	(112)	120
Other	10	1	430	441
At December 31, 2015	3,202	1,779	8,525	13,506
Additions	606	1,736	—	2,342
Acquisition of a subsidiary	—	—	—	—
Disposals	(18)	(212)	—	(230)
Transfer between accounts	—	490	—	490
Currency translation	(2)	(26)	(923)	(951)
Other	—	2	(6)	(4)
At December 31, 2016	3,788	3,769	7,596	15,153
Additions	749	3,718	—	4,467
Acquisition of a subsidiary	115	242	18,658	19,015
Disposals	(159)	(143)	—	(302)
Transfer between accounts	—	(98)	—	(98)
Currency translation	—	(5)	(183)	(188)
Other	4	155	(251)	(92)
At December 31, 2017	4,497	7,638	25,820	37,955

Notes to the consolidated financial statements (continued)

in 000€	Patents & licenses	Software	Acquired customers, technology and backlogs	Total
Amortization				
At January 1, 2015	(996)	(661)	(569)	(2,226)
Additions	(465)	(269)	(851)	(1,585)
Disposals	—	5	—	5
Transfer between accounts	—	—	—	—
Currency translation	—	—	—	—
Other	(10)	(33)	—	(43)
At December 31, 2015	(1,471)	(958)	(1,420)	(3,849)
Additions	(576)	(559)	(819)	(1,954)
Disposals	3	239	—	242
Transfer between accounts	—	—	—	—
Currency translation	2	26	144	172
Other	—	1	—	1
At December 31, 2016	(2,042)	(1,251)	(2,095)	(5,388)
Additions	(609)	(1,634)	(1,758)	(4,001)
Disposals	2	77	—	79
Transfer between accounts	—	98	—	98
Currency translation	—	4	45	49
Other	(117)	(279)	250	(146)
At December 31, 2017	(2,766)	(2,985)	(3,558)	(9,309)
Net carrying value				
At 31 December 2017	1,731	4,653	22,262	28,646
At 31 December 2016	1,746	2,518	5,501	9,765
At 31 December 2015	1,731	821	7,105	9,657
At 1 January 2015	1,346	306	6,075	7,727

Patent & licenses include only the direct attributable external costs incurred in registering the patent and obtaining the license. Software relates to purchased software for internal use only except for software development on certain application interfaces that were almost fully funded by a third party. The software development capitalized, after deduction of the funding, amounts to K€86 per end of 2017 (2016: K€39, 2015: €0). The remaining amortization period is 1.9 years for the main software purchases and 2.7 years for the main patents and licenses.

The 'Acquired customers and technology' have been recognized as part of the acquisition of ACTech, E-Prototypy, OrthoView, and Cenat (see Note 4).

At December 31, 2017, the remaining amortization period for the acquired customers is 21.73 years for ACTech, 6.75 years for OrthoView, 1.00 years for E-Prototypy and 7.25 years for Cenat (2016: 7.75 years for OrthoView, 2.00 years for E-Prototypy and 8.25 years for Cenat). At December 31, 2017, the remaining amortization period for the acquired technology of ACTech, OrthoView and Cenat are 6.75 years, 2.75 years and 7.25 years respectively.

The total amortization charge for 2017 is K€4,001 (2016: K€1,954; 2015: K€1,585) which is included in lines cost of sales, research and development expenses, sales and marketing expenses and general and administrative expenses of the consolidated income statement.

Notes to the consolidated financial statements (continued)

7 Property, plant & equipment

The changes in the carrying value of the property, plant and equipment can be presented as follows for the year 2017 and 2016:

in 000€	Land & buildings	Plant & equipment	Leased assets	Construction in progress	Total
Acquisition value					
At January 1, 2016	19,719	33,408	8,933	2,114	64,174
Additions	8	4,916	2,483	7,899	15,306
Acquired from business combinations	—	—	—	—	—
Disposals	(2)	(2,266)	(699)	(6)	(2,973)
Transfers	3	4,180	540	(5,330)	(607)
Currency Translation	69	—	(20)	(25)	24
Other	—	(39)	4	—	(35)
At December 31, 2016	19,797	40,199	11,241	4,652	75,889
Additions	377	10,560	2,246	17,334	30,517
Acquired from business combinations	11,412	8,024	136	414	19,986
Disposals	(31)	(1,046)	(39)	218	(898)
Transfers	11,527	7,439	(425)	(18,914)	(373)
Currency Translation	(185)	(118)	5	88	(210)
Other	(663)	(235)	1,139	(38)	203
At December 31, 2017	42,234	64,823	14,303	3,754	125,114
Depreciation					
At January 1, 2016	(4,369)	(18,927)	(2,478)	—	(25,774)
Depreciation charge for the year	(709)	(4,048)	(1,663)	—	(6,420)
Disposals	2	541	669	—	1,212
Transfers	—	117	—	—	117
Currency Translation	(17)	6	2	—	(9)
Other	—	48	—	—	48
At December 31, 2016	(5,093)	(22,263)	(3,470)	—	(30,826)
Depreciation charge for the year	(858)	(5,444)	(2,327)	—	(8,629)
Disposals	15	842	18	—	875
Transfers	521	(444)	296	—	373
Currency Translation	31	166	(1)	—	196
Other	853	64	(1,139)	—	(222)
At December 31, 2017	(4,531)	(27,079)	(6,623)	—	(38,233)
Net book value					
At December 31, 2017	37,703	37,744	7,680	3,754	86,881
At December 31, 2016	14,704	17,936	7,771	4,652	45,063
At January 1, 2016	15,350	14,481	6,455	2,114	38,400

Notes to the consolidated financial statements (continued)

The changes in the carrying value of the property, plant and equipment can be presented as follows for the year 2015:

in 000€	<u>Land & buildings</u>	<u>Plant & equipment</u>	<u>Leased assets</u>	<u>Construction in progress</u>	<u>Total</u>
Acquisition value					
At January 1, 2015	13,268	30,139	7,116	999	51,522
Additions	4,333	4,693	1,200	2,610	12,836
Acquired from business combinations	5	29	306	—	340
Disposals	—	(680)	(325)	—	(1,005)
Transfers	1,824	(1,106)	645	(1,484)	(121)
Currency Translation	289	320	(9)	(11)	589
Other	—	13	—	—	13
At December 31, 2015	19,719	33,408	8,933	2,114	64,174
Depreciation					
At January 1, 2015	(2,451)	(16,354)	(2,505)	—	(21,310)
Depreciation charge for the year	(582)	(3,183)	(1,357)	—	(5,122)
Disposals	—	686	44	—	730
Transfers	(1,281)	(12)	1,293	—	—
Currency Translation	(55)	(51)	(1)	—	(107)
Other	—	(13)	48	—	35
At December 31, 2015	(4,369)	(18,927)	(2,478)	—	(25,774)
Net book value					
At December 31, 2015	15,350	14,481	6,455	2,114	38,400
At January 1, 2015	10,817	13,785	4,611	999	30,212

Notes to the consolidated financial statements (continued)

The investments in property, plant & equipment in 2017 amounted to K€30,517 (2016: K€15,306; 2015: K€12,836) and mainly related to the building constructions in Leuven and Poland (K€12,762), the investment into new machines and installations in Belgium, Poland and Germany (acquired and leased – K€11,947) and the investment in leased motor vehicles (K€1,444). The investments in 2016 related to the building constructions in Leuven and Poland (K€6,098), the investment into new machines and installations (acquired and leased – K€8,254) and the investment in computer equipment (K€890). The investments in 2015 related to the acquisition of land in Leuven (K€2,026) and in Poland (K€1,283) and the investment into new machines and installations (acquired and leased – K€7,298).

Through the acquisition of ACTech property, plant & equipment was acquired for a total amount of K€19,986, of which K€11,412 related to land and buildings and K€8,024 related to machines and installations.

The Group realized a net loss on disposal of property, plant and equipment of K€25 in 2017 (2016: a net gain of K€149; 2015: a net gain of K€73).

No impairment of property, plant and equipment was recorded.

Land and buildings

The carrying value of land included in land and buildings at December 31, 2017 included K€0 of assets under construction (2016: K€0; 2015: K€0).

Finance leases

The carrying value of finance leases at December 31, 2017 was K€7,680 (2016: K€7,771; 2015: K€6,455). Finance leases are included in the column leased assets and mainly relate to 3D printing machines with a carrying value of K€6,613 at December 31, 2017 (2016: K€7,771; 2015: K€6,455) and for which depreciation of K€1,864 was recorded in 2017 (2016: K€1,663; 2015: K€1,357). New finance leases in 2017 amount to K€2,246 of which K€1,596 relate to leased motor vehicles (2016:K€2,757; 2015:K€3,808).

Assets under construction

Per end of 2017 the assets under construction mainly relate to machinery and installations in Belgium, Poland and Germany. In 2016 the assets under construction mainly included the building of the new production and office facility in Belgium and Poland (K€6,098) as well as the construction and upgrade of 3D printing machines, transferred to land & buildings and plant & equipment respectively in 2017. In 2015 the assets under construction were mainly the construction and upgrade of 3D printing machines that are being built by the Group.

Borrowing costs

In 2017 borrowing costs have been capitalized for an amount of K€87. No borrowing costs were capitalized during any of the years ended December 31, 2016 and 2015.

Pledges

Land and buildings (including buildings under construction) with a carrying amount of K€28,526 (2016: K€12,594; 2015: K€7,479) are subject to pledges to secure several of the Group's bank loans. In addition pledges have been given on current and other fixed assets with a total carrying amount of K€13,340 (2016: €0; 2015: €0) (Note 24).

Notes to the consolidated financial statements (continued)**8 Investments in joint ventures**

The Group has one investment in the joint venture RSprint NV (Belgium).

The summarized financial information of RSprint NV can be presented as follows:

in 000€	2017	2016	2015
<i>(Share in the) joint venture's statement of financial position°</i>			
Current assets	1,468	1,643	2,128
Non-current assets	134	186	178
Goodwill	—	—	—
Current liabilities	(1,525)	(1,118)	(387)
Non-current liabilities	(15)	—	—
Shareholders' deficit	(62)	(711)	(1,919)
<i>(Share in the) joint venture income and expenses (loss)°</i>			
Revenue	864	684	213
Profit (loss) *	(649)	(1,208)	(1,180)

* there are no discontinued operations

Total current assets include cash and cash equivalents for a total amount of K€128 per December 31, 2017 (2016: K€86; 2015: K€517). Profit (loss) include total depreciations and amortization for a total amount of K€50 in 2017 (2016: K€34; 2015: K€8).

The movement of the carrying value of the joint venture is as follows:

	in 000€
Carrying value per December 31, 2015	1,018
Additional investment	—
Share in loss	(1,018)
Carrying value per December 31, 2016	—
Additional investment	500
Share in loss	(469)
Carrying value per December 31, 2017	31

Notes to the consolidated financial statements (continued)**9 Inventories and contracts in progress**

Inventories include the following:

in 000€	For the year ended December 31		
	2017	2016	2015
Raw materials	4,970	4,297	3,390
Work in progress	3,944	1,538	720
Finished goods	1,414	880	555
Contracts in progress	1,266	1,155	722
Total inventories and contracts in progress	11,594	7,870	5,387

The amount of the inventory written-off as an expense is K€48 (2016: K€98; 2015: K€88).

The group has contracts in progress and advances from customers. The total costs incurred is K€973 and the profit recognized is K€293 as per December 31, 2017. There are no advances received from customers or retentions outstanding. In 2016 and 2015 the contracts in progress were presented under the heading of work in progress (2016: K€1,155; 2015: K€722).

10 Other assets*Other non-current assets*

Other non-current assets include the following:

in 000€	For the year ended December 31		
	2017	2016	2015
Tax credits	2,446	1,766	—
Guarantees and deposits	362	342	320
Non-current receivable on joint venture	804	—	—
Other	55	46	36
Total non-current assets	3,667	2,154	356

The non-current tax credits relate to tax credits that will be realized over more than one year. In 2015, all tax credits were presented as current based on the assessment of the realization at that time.

Other current assets

Other current assets include the following:

in 000€	For the year ended December 31		
	2017	2016	2015
Deferred charges	2,021	1,483	1,442
Tax credits	219	176	1,285
Accrued income	524	666	254
Other tax receivables	2,910	604	958
Other non-trade receivables	3,538	1,552	1,054
Total current assets	9,212	4,481	4,993

The other tax receivables include Value Added Tax (VAT) receivables. The non-trade receivables for the year ending December 31, 2017 include the indemnification asset for the amount of K€2,048 as referred to in Note 4 Business Combinations related to ACTech. Also please note that a receivable related to factoring was accounted for under the non-trade receivables in the years ending December 31, 2016 and 2015 (2016: K€541; 2015: K€162). In the year ending December 31, 2017 this receivable related to factoring has been recorded under the trade receivables for the amount of K€646.

Notes to the consolidated financial statements (continued)**11 Trade receivables**

The trade receivables include the following:

in 000€	For the year ended December 31		
	2017	2016	2015
Trade receivables	36,572	27,990	23,348
Amortization receivables	(990)	(511)	(505)
Total	35,582	27,479	22,843

Trade receivables are non-interest bearing and are generally on payment terms of 30 to 90 days.

As at December 31, 2017, trade receivables of an initial value of K€990 (2016: K€511; 2015: K€505) were impaired and fully provided for. Impairment is calculated on an individual basis and is accounted for under the other operating expenses. See below for changes in the impairment of receivables.

in 000€	
At January 1, 2015	(290)
Addition	(424)
Usage	39
Reversal	170
At December 31, 2015	(505)
At January 1, 2016	(505)
Addition	(266)
Usage	190
Reversal	70
At December 31, 2016	(511)
At January 1, 2017	(511)
Addition	(620)
Usage	12
Reversal	129
At December 31, 2017	(990)

Notes to the consolidated financial statements (continued)

12 Cash and cash equivalents

Cash and cash equivalents include the following:

in 000€	For the year ended December 31		
	2017	2016	2015
Cash at bank	33,611	45,645	41,701
Cash equivalents	9,564	10,267	9,025
Total	43,175	55,912	50,726

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

In connection with the exercise of warrants payments have been received from employees for a total amount of K€209. In line with regulations the amount of K€209 is posted on a restricted bank account per December 31, 2017. There were no restrictions on cash during 2016 or 2015.

Notes to the consolidated financial statements (continued)

13 Equity

Share capital

The share capital of the parent company Materialise NV consists of 47,325,438 ordinary nominative shares at December 31, 2017 (2016: 47,325,438; 2015: 47,325,438) with no nominal but par value of €0.058 in 2017 (2016: €0.058; 2015: €0.058) for a total amount of K€2,729 at December 31, 2017 (2016: K€2,729; 2015: K€2,729).

in 000€, except share data	Total number of founder shares	Total number of ordinary shares	Total share- holders' capital	Total share- premium
Outstanding at January 1, 2015	—	47,147,256	2,788	76,650
Transfer share capital to share premium	—	—	(69)	69
Capital increase in cash	—	80,182	5	575
Capital increase via exercise warrants on 31/10/2014	—	98,000	5	90
Equity settled share-based payments expense	—	—	—	714
Outstanding on December 31, 2015	—	47,325,438	2,729	78,098
Outstanding at January 1, 2016	—	47,325,438	2,729	78,098
Transfer share capital to share premium	—	—	—	—
Capital increase in cash	—	—	—	—
Capital increase via exercise of warrants	—	—	—	—
Equity settled share-based payments expense	—	—	—	921
Outstanding on December 1, 2016	—	47,325,438	2,729	79,019
Outstanding at January 1, 2017	—	47,325,438	2,729	79,019
Transfer share capital to share premium	—	—	—	—
Capital increase in cash	—	—	—	—
Capital increase via exercise of warrants	—	—	—	—
Equity settled share-based payments expense	—	—	—	820
Outstanding on December 31, 2017	—	47,325,438	2,729	79,839

The transfer of the share capital to the share premium in 2015 relates to the capital increase by exercise of warrants on October 31, 2014 whereby the Group has transferred an amount of K€69 to share premium as registered in the notarial deed of March 5, 2015.

On March 5, 2015, the Group has issued 80,182 new shares at a price of €7.22 per share resulting in an increase of the share capital by K€5 and the share premium by K€575. The creation of the shares was done as part of the deal with the former shareholders of Mobelife.

The shareholders' capital increased by K€5 in 2015 as a result of the exercise of warrants outstanding and fully vested. The number of new shares issued was 98,000 at a price of €0.98 per share.

Share premium

In Belgium, the portion of the capital increase in excess of par value is typically allocated to share premium.

Notes to the consolidated financial statements (continued)

The carrying value of the share premium is K€79,839 at December 31, 2017 (2016: K€79,019; 2015: K€78,098). The change in 2017 is the result of the share-based payment expense of K€820.

The change in 2016 is the result of the share-based payment expense of K€921. The change in 2015 is the result of (i) the transfer of K€69 from share capital; (ii) the portion of the capital increase in cash of K€575; (iii) the portion of the capital increase due to the exercise of warrants of K€90 and (iv) the result of the share-based payment expense of K€714.

Reserves

The nature and purpose of the reserves is as follows:

in 000€	For the year ended December 31		
	2017	2016	2015
Legal reserve	279	279	226
(Accumulated deficit)/retained earnings	(3,529)	(1,882)	1,181
Reserves	(3,250)	(1,603)	1,407

The legal reserve is increased by reserving 5% of the yearly statutory profit until the legal reserve reaches at least 10% of the shareholders' capital. The legal reserve cannot be distributed to the shareholders.

The Group did not pay any dividend during 2017, 2016 and 2015.

Non-controlling interest

The non-controlling interest is zero per end of 2017, 2016 and 2015.

No non-controlling interest is recognized for the 16.67% held by a third party in RapidFit+ as the amount was reclassified to a financial liability.

Notes to the consolidated financial statements (continued)

Mobelife

On March 5, 2015 the Group acquired all non-controlling interests in the subsidiary Mobelife for a total cash consideration of K€1,377. The acquisition was accounted for as an equity transaction resulting in a K€1,562 loss recognized in the reserves attributable to the owners of the parent.

Rapidfit+

The Group has purchased a call option and written a put-option on the non-controlling interest in Rapidfit+. The call option is accounted for in accordance with IAS 39 and has an exercise price which is calculated according to a specified contractual formula based on the following parameters: invested capital, multiple of EBITDA minus net financial debt. Based on our analysis the call option remains out of the money and as such the fair value is estimated at zero at December 31, 2017. The call option is exercisable between 2015 and 2019.

The written put option has been recognized as a financial liability and measured at the fair value of the redemption amount and amounts to K€788 at 31 December 2017 (2016: K€735; 2015 K€673). The undiscounted estimated redemption amount totals K€875 at December 31, 2017 (2016: K€875; 2015: K€875). The redemption price has an exercise price according to a specified contractual formula based on the following parameters: invested capital, multiple of EBITDA minus net financial debt. The initial recognition resulted in a reclassification of K€264 from non-controlling interest and K€64 from consolidated reserves. The parameter “invested capital” of the contractual formula has been adjusted in December 2014 to reflect the impact of the capital increase and the exercise period has been extended with one year. As a result, the estimated redemption amount of the written put option has increased by K€273 which has been recorded in diminution of the consolidated reserves. The written put option is exercisable between 2017 and 2021.

In addition, Rapidfit+ has issued 10 dilution warrants to the non-controlling interest which are exercisable upon occurrence of certain specified events. The fair value of the dilution warrants is zero per end of 2017 (2016: K€0; 2015: K€0).

Notes to the consolidated financial statements (continued)**14 Share-based payment plans***Share-based payment plans of the parent*

The changes of the year for the warrant plans are as follows:

	2017	2016	2015
Outstanding at January 1	1,681,000	1,401,852	1,579,955
Granted	—	350,000	18,180
Forfeited / Cancelled	(119,784)	(70,852)	(98,283)
Exercised	(102,856)	—	(98,000)
Outstanding at December 31	1,458,360	1,681,000	1,401,852
Exercisable at December 31	—	—	—

The Group's share-based payment plans are all equity-settled except for the IPO warrants that have been granted to certain employees in certain countries due to legal requirements which are cash-settled.

The number of outstanding warrants has been adjusted to reflect the 1-to-4 stock split decided in June 2014. The 2013 warrant plan gives right to 4 shares for each warrant, whereas under all other warrant plans one warrant gives right to one share. For presentation purposes the tables reflect the number of shares the warrants give right to across all plans.

In the course of October and November 2017 payments were done by employees in connection with the exercise of 25,714 warrants, representing 102,856 shares (2013 warrant plan). The payments have been received on a restricted bank account of the Company. The notary deed required for the capital increase in connection with this exercise has passed before the notary in the course of March 2018.

Equity-settled share-based payment plans

The Group has several plans in place (2013 warrant plan, IPO warrant plan and 2015 warrant plan) which have similar terms except for the exercise price, except for the 2015 warrant plan.

2013 warrant plan

Each warrant gives the right to the holder to four ordinary shares of the parent Company. The warrants have a contractual term of 10 years and vest for 25% in the fourth year; 25% in the fifth year; 25% in the sixth year and 25% in the seventh year. Warrants are exercisable as from the month after they have vested and in the subsequent exercise periods. There are no cash settlement alternatives and the Group does not have a practice of cash settlement for these warrants. The warrants have a contractual term of 10 years.

The Group granted in October 2013 and December 2013 under the 2013 warrant plan 323,096 warrants to senior management, directors and certain employees with an exercise price ranging from €7.86 to €8.54. A total of 166,800 warrants were additionally granted to senior management and directors in January 2014.

[Table of Contents](#)

Notes to the consolidated financial statements (continued)

The status of the 2013 warrant plan at December 31 is as follows:

	2017	2016	2015
Outstanding at January 1	435,096	439,896	555,896
Granted	—	—	—
Forfeited / Cancelled	(11,600)	(4,800)	(18,000)
Exercised	(102,856)	—	(98,000)
Outstanding at December 31	320,640	435,096	439,896
Exercisable at December 31	—	—	—

With respect to the warrants exercised, we refer to our comments above. Since the 2013 warrant plan prescribes that each warrant gives right to 4 shares and our table above presents the impact on the number of shares, the actual remaining number of warrants as per December 31, 2017 equals 83,060.

IPO warrant plan

Each warrant gives the right to the holder to one ordinary share of the parent Company. The warrants have a contractual term of 10 years and vest for 25% in the fourth year; 25% in the fifth year; 25% in the sixth year and 25% in the seventh year. Warrants are exercisable as from the month after they have vested and in the subsequent exercise periods. There are no cash settlement alternatives and the Group does not have a practice of cash settlement for these warrants. The warrants have a contractual term of 10 years.

The Group granted 979,898 warrants in July 2014 and 36,151 warrants in November 2014 in the context of the initial public offering to the employees of the Group with an exercise price of €8.81 (“IPO warrant plan”). The Group granted an additional 18,180 warrants to employees in July 2015 under the IPO warrant plan.

The status of the IPO warrant plan at 31 December is as follows:

	2017	2016	2015
Outstanding at January 1	727,599	772,859	828,342
Granted	—	—	18,180
Forfeited / Cancelled	(56,096)	(45,260)	(73,663)
Exercised	—	—	—
Outstanding at December 31	671,503	727,599	772,859
Exercisable at December 31	—	—	—

Warrant plan 2015

The Board of Directors decided on December 18, 2015 on a new plan (“2015 warrant plan”) by which it can grant up to 1,400,000 warrants to employees. Each warrant gives the right to the holder to one ordinary share of the parent Company. The warrants vest for 10% on the second anniversary of the granting; 20% on the third anniversary of the granting; 30% on the fourth anniversary of the granting and 40% on the fifth anniversary of the granting, unless otherwise decided by the board of directors or one or more of its representatives granted powers thereto. Warrants are exercisable only after they have vested and only during a period of (i) four weeks following the publication of the results of the parent Company of the second and fourth quarter, or (ii) if no quarterly results are published, during the month March and the month September of every year. There are no cash settlement alternatives and the Group does not have a practice of cash settlement for these warrants. The warrants have a term of 10 years.

Notes to the consolidated financial statements (continued)

The Group granted 350,000 warrants in September 2016 to the employees of the Group with an exercise price of €6.45.

The status of the 2015 warrant plan at 31 December is as follows:

	<u>2017</u>
Outstanding at January 1	350,000
Granted	—
Forfeited / Cancelled	(21,000)
Exercised	—
Outstanding at December 31	329,000
Exercisable at December 31	—

Fair value

The fair value of the warrants is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the warrants were granted.

The following table provides the input to the Black-Scholes model for the 2013 warrant plan, IPO warrant plan and 2015 warrant plan:

	<u>Plan 2015</u> <u>(sept 16)</u>	<u>IPO 2015</u> <u>(Nov)</u>	<u>IPO 2014</u> <u>(Nov)</u>	<u>IPO 2014</u> <u>(June)</u>	<u>2013</u> <u>(Dec) *</u>	<u>2013</u> <u>(Oct) *</u>
Return dividend	0%	0%	0%	0%	0%	0%
Expected volatility	47%	47%	50%	46%	50%	53%
Risk-free interest rate	0.24%	1.17%	1.12%	1.70%	2.56%	2.43%
Expected life	4.30	5.50	5.50	5.50	5.50	5.50
Exercise price (in €)	6.45	8.81	8.81	8.81	8.54	7.86
Stock price (in €)	6.42	8.08	8.67	8.81	18.09	18.09
Fair value SAR (in €)	2.41	3.30	3.94	3.83	12.23	12.77

(*) Exercise price, stock price and fair value are not adjusted for the 1 to 4 stock-split completed in June 2014.

The above input for the Black-Scholes model have been determined based on the following:

- The dividend return is estimated by reference to the historical dividend payment of the Group. Currently, this is estimated to be zero as no dividend have been paid since inception.
- Expected volatility is estimated based on the average annualized volatility of the volatility of the Group's stock (until September 2016: of a number of quoted peers in the 3D printing industry and the volatility of the Group's stock);
- Risk-free interest rate is based on the interest rate applicable for the 10Y Belgian government bond at the grant date
- Estimated life of the warrant is determined to be until the first exercise period which is typically the month after vesting;
- Fair value of the shares is determined based on the share price of the Group on Nasdaq at the date of valuation. For the grants prior to the initial public offering, the fair value of the shares was estimated based on a discounted cash flow model with 3-year cash flow projections and a multiple of EBITDA determined based on a number of quoted peers in the 3D printing industry.

Notes to the consolidated financial statements (continued)

The expense arising from share-based payment transactions for the warrants plans mentioned above was K€819 in 2017 (2016: K€921; 2015: K€714).

The weighted average remaining estimated life of the warrants outstanding as of December 31, 2017 is 6.92 years (2016: 4.38 years; 2015: 5.50 years). The weighted average fair value for the warrants outstanding at the end of 2017 was €5.60 (2016: €6.01; 2015: €3.54). The weighted average exercise price for the warrants outstanding at the end of 2017 was €8.05 (2016: €8.06; 2015: €8.81).

Cash-settled share-based payment plans

The Group has issued 215,688 stock appreciation rights (“SAR”) in July 2014 towards certain employees in certain countries due to legal requirements with similar terms and conditions as the IPO warrant plan except that the SAR will be settled in cash. The exercise price of the SAR is €8.81.

The status of this plan is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Outstanding at January 1	168,305	189,097	195,717
Granted	—	—	—
Forfeited / Cancelled	(31,088)	(20,792)	(6,620)
Exercised	—	—	—
Outstanding at December 31	137,217	168,305	189,097
Exercisable at December 31	—	—	—

The SAR plan grants the bearer the right to a cash payment equal to the difference between the exercise price and the stock price at the exercise date. This plan is considered a cash settled shared based payment and is as such recorded as liability (see Note 16).

The SAR’s have a contractual term of 10 years and vest for 25% in the fourth year; 25% in the fifth year; 25% in the sixth year and 25% in the seventh year. SAR’s are exercisable as from the month after they have vested and in the subsequent exercise periods.

The fair value of the SAR is estimated at each reporting date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the warrants were granted.

The following table lists the input used for the Black-Scholes model:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Return dividend	0%	0%	0%
Expected volatility	49%	50%	47%
Risk-free interest rate	0.73%	0.55%	0.98%
Expected life	2.25	3.25	4.25
Exercise price (in €)	8.81	8.81	8.81
Stock price (in €)	10.61	7.30	6.48
Fair value SAR (in €)	3.85	2.17	1.87

The expense arising from share-based payment transactions for the SAR’s plan was K€204 in 2017 (2016: K€46; 2015: K€43). The carrying value of the liability at December 31, 2017 amounts to K€351 (2016: K€147; 2015: K€101). The total intrinsic value of the liability for warrants currently exercisable was K€0 at December 31, 2017, 2016 and 2015.

Notes to the consolidated financial statements (continued)*Share-based payment plans of Rapidfit+*

The subsidiary Rapidfit+ has issued a warrant plan on August 23, 2013 where a maximum of 300 warrants can be offered to management with an exercise price of €553.92. In January 2014, a total of 199 warrants were granted and accepted.

The changes for the year for the RapidFit+ warrant plan are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Outstanding at January 1	199	199	199
Granted	—	—	—
Forfeited / Cancelled	—	—	—
Exercised	—	—	—
Outstanding at December 31	199	199	199
Exercisable at December 31	—	—	—

The following table lists the input to the Black-Scholes model for the RapidFit+ warrant plan:

	<u>2014</u>
Return dividend	0%
Expected volatility	50%
Risk-free interest rate	2.29%
Expected life	5.5
Exercise price	€553.92
Fair value option	€262.70

The expense arising from share-based payment transactions for Rapidfit+ warrant plan was K€10 in 2017 (2016: K€10; 2015: K€10).

Notes to the consolidated financial statements (continued)

15 Loans and borrowings

The loans and borrowings include the following:

in 000€	As of December 31		
	2017	2016	2015
K€ 28,000 acquisition bank loan	27,513	—	—
K€ 18,000 secured bank loans (construction Belgium/Poland)	17,575	6,404	—
K€ 11,250 bank loans ACTech	9,247	—	—
K€ 8,750 other facility loans	4,982	5,411	5,952
Bank investment loans—top 20 outstanding	21,441	9,467	4,892
Bank investment loans—other	2,289	2,927	2,195
Financial lease agreements	9,164	7,395	5,904
Institutional loan	1,105	936	856
Convertible loan	1,000	1,000	1,000
Related party loan	241	266	290
Total loans & borrowings	94,557	33,806	21,089
current	12,769	5,539	4,482
non-current	81,788	28,267	16,607

K€ 28,000 Acquisition loan (balance K€ 27,513 per December 31, 2017)

This bank loan has been concluded in October 2017 to finance the acquisition of ACTech. The loan includes a portion of K€ 18,000, monthly reimbursable during 7 years, and a bullet portion of K€ 10,000, reimbursable at once in October 2024. The interest rate is fixed for the duration of the loan, and amounts to 1.1% on average for both portions. The bank loans are secured with a business pledge mandate, a share pledge on Materialise Germany GMBH, and debt covenants.

K€ 18,000 secured bank loans

The K€ 18,000 loan has been concluded in 2016 in two agreements to finance the construction of new facilities in Leuven (Belgium) and in Poland, both maturing in 2032. The agreement for the Belgian facility financing amounts to K€12,000 (drawn per end 2017: K€ 11,575; per end 2016: K€ 4,050), and with reimbursements only starting in December 2022. The agreement for the Polish facility financing amounts to K€6,000 (fully drawn per end 2017; per end 2016: K€ 2,354), and with reimbursements only starting in June 2019. The average interest rate of both agreements amounts to 1.2%. The bank loan is secured with a mortgage mandate on the Belgian facility buildings.

K€ 11,250 bank loans

These 3 bank loans have been agreed by the ACTech Group to refinance a vendor loan. On December 31, 2017, the outstanding balances amounted to K€ 9,247 (K€ 7,496 maturing June 2023, and K€ 1,750 maturing June 2021). The 3 loans bear variable and fixed interest rates, on average amounting to 3%. The bank loans are secured with a mortgage on the ACTech facilities, business pledges on fixed assets, cash, accounts receivable, a negative pledge on ACTech's shares, and with financial covenants. These loans have been refinanced entirely in March 2018 for K€ 9,300, with adjusted maturity to May 2025 and first reimbursements in August 2020. The interest rate has been fixed at approximately 1.6%, and pledges have been reduced to a K€ 4,650 mortgage on ACTech's facilities, besides a guarantee of Materialise NV.

K€ 8,750 - Other facility loans

Three facility loans were contracted in 2005, 2006 and 2012 for the construction of Leuven office and production facilities (K€2,000, K€ 300 and K€5,000 respectively) and another loan for the Czech Republic offices in 2008 (K€ 1,750). The balance of the four loans amounts to K€ 4,981 per December 31, 2017. All loans have a repayment schedule of 15 years and interest rates are fixed between 4.3% and 5.4% for the four loans.

Notes to the consolidated financial statements (continued)

Miscellaneous investment loans

The 20 largest of these loans outstanding per December 31, 2017 amount to a balance of K€ 21,441. They have been agreed in 2017, 2016 and in the years before to finance various investments in machinery, printers, equipment, and software tools. The vast majority of the loans have a reimbursement period over 7 years, and are at fixed interest rates with weighted average below 1%.

Finance lease obligations with third parties

The Group has several finance lease obligations mainly with financial institutions and related to the financing of buildings and various other items of plant and equipment such as 3D printers. Per December 31, 2017 the balance of these financial lease agreements amounts to K€9,164, and are mostly at fixed interest rates with weighted average below 2%.

K€1,142 institutional loan

This loan was contracted with a governmental institution in Germany to finance the production operations of Materialise Germany for a maximum amount of K€2,000. Per December 31, 2017 K€1,105 has been drawn. The loan is repayable over a 4 year period, starting as of September 2017 with a fixed interest rate of 0.25% payable per quarter.

K€1,000 convertible bond with related party

We issued, on October 28, 2013, 1,000 convertible bonds with a related party for a total amount of K€1,000. The bonds have been fully subscribed by a member of our senior management.

The conditions of the convertible bond can be summarized as follows:

- Number of convertible bonds: 1,000
- Nominal value per bond: €1.000
- Contractual life: 7 years
- Interest: 3.7% per year
- Conversion period: from January 1, 2017 until maturity
- Conversion price: €1.97 per share

The maximum number of ordinary shares that can be issued upon conversion is 508,904.

The Group has estimated the fair value of a similar liability however without any conversion option by reference to a number of quoted peers in Belgium. The fair value was estimated at K€907. Upon initial recognition, an amount of K€93 was recognized in consolidated reserves reflecting the fair value of the conversion option.

Finance lease obligations with related parties

In October 2001, we entered into a finance lease agreement with Ailanthus NV to lease land and a portion of a new production building. The lease had a term of 15 years and included a purchase option for the land and the building. We determined that this lease was a finance lease because (i) the purchase option is assumed to be significantly lower than the fair value of the land and building and (ii) it was very likely at inception of the lease that we would exercise our purchase option. The amounts outstanding as of December 31, 2017 is K€0 (2016: K€74; 2015: K€72). The interest expense for the year 2017 is K€0 (2016: K€4; 2015: K€5). The term of the lease expired on September 20, 2016 and we exercised a purchase option in respect of the land and building. The notary deed transferring the land and building was completed in the course of 2017.

Related party loan

Ailanthus NV has granted us one other loan at fixed interest rate of 4.23% that matures in 2025. The purpose of the loan is to finance the purchase of a building in France. The amounts outstanding as of December 31, 2017 is K€241 (2016: K€266; 2015: K€290). The interest expense for the year ended December 31, 2017 is K€11(2016: K€12; 2015: K€13).

Changes of liabilities for financing activities:

The following table presents the changes of the liabilities for financing activities:

Notes to the consolidated financial statements (continued)

(in thousands of euros)	For the year ended December 31		
	2017	2016	2015
Balance as per January 1,	33,806	21,089	17,347
Proceeds from loans & borrowings	54,319	14,669	5,672
Repayment of loans & borrowings	(11,904)	(2,796)	(4,711)
New finance leases	2,906	2,483	3,808
Repayment of finance leases	(2,947)	(1,898)	(1,546)
Loans acquired from business combination	18,205	—	303
Net foreign exchange movements	172	259	216
Balance as per December 31,	94,557	33,806	21,089

Notes to the consolidated financial statements (continued)**16 Other non-current liabilities**

The other non-current liabilities consist of the following:

in 000€	For the year ended December 31		
	2017	2016	2015
Written-put option Rapidfit+	788	735	673
Contingent consideration	648	909	1,310
Advances received on contracts	—	—	81
Provisions	109	69	53
Other	359	160	127
Total	1,904	1,873	2,244

We refer to Note 13 for a description of the written-put options Rapidfit+.

The contingent consideration of K€648 at December 31, 2017 (2016: K€909; 2015: K€1,310) relates to the business combination of CENAT. In connection with the CENAT business an amount of K€257 is already payable to the former shareholders within one year. We refer to Note 19.

The other items in the above table include a liability of K€351 per December 31, 2017 related to the cash settled shared based payment plan as referred to in Note 14 (2016: K€147; 2015: K€101).

The impact of the accounting treatment of the Belgian contribution plans with a minimal guarantee is not material as only a limited number of people can benefit. No provisions have been recognized as of 31 December 2017, 2016 and 2015. As such, no further disclosures have been provided.

17 Tax payables

The tax payables amount to K€3,560 as per December 31, 2017 (2016: K€926; 2015: K€255) and is mainly related to the tax payable of the newly acquired ACTech entities (K€3,437). At ACTech a tax payable of K€1,497 relates to the calendar year 2017, whereas the remainder is related to pending tax controls over the previous years.

Notes to the consolidated financial statements (continued)**18 Deferred income**

Deferred income consists of the following:

in 000€	For the year ended December 31		
	2017	2016*	2015*
Deferred maintenance & license	18,723	16,799	13,136
Deferred (project) fees	3,765	4,134	2,738
Deferred government grants	1,343	419	703
Other	—	58	24
Total	23,831	21,410	16,601
of which			
current	18,791	17,822	14,696
non-current	5,040	3,588	1,905

* The year 2015 has been restated to reflect the reclassification of the long-term deferred income. We refer to Note 2 for more information.

The deferred maintenance and license consist of maintenance fees paid up-front which are deferred and amortized over the maintenance period.

The deferred (project) fees consist of one-time and advance payments received which are deferred over the contractual period.

The deferred government grants relate to grants received from the government mainly in relation to the construction of the building at ACTech in Germany. The grants are recognized as income under “other operating income”.

Notes to the consolidated financial statements (continued)**19 Other current liabilities**

Other current liabilities include the following:

in 000€	For the year ended December 31		
	2017	2016	2015
Payroll-related liabilities	9,274	7,873	7,162
Non-income tax payables	2,063	694	913
Accrued charges	769	946	645
Advances received	870	581	338
Other current liabilities	520	53	154
Total	13,496	10,147	9,212

The other current liabilities as per December 31, 2017 include an amount of K€257 payable in connection with the CENAT business combination. See also Note 16.

Notes to the consolidated financial statements (continued)

20 Fair value

Financial assets

The carrying value and fair value of the financial assets for December 31, 2017, 2016 and 2015 can be presented as follows:

in 000€	Carrying value			Fair value		
	2017	2016	2015	2017	2016	2015
Financial assets						
Loans and receivables measured at amortized cost						
Trade receivables (current)	35,582	27,479	22,843	35,582	27,479	22,843
Other financial assets (non-current)	1,221	388	356	1,221	388	356
Other current non-trade receivables	5,359	2,312	1,751	3,757	2,312	1,751
Cash & cash equivalents	43,175	55,912	50,726	43,175	55,912	50,726
Total loans and other receivables	83,517	86,091	75,676	83,735	86,091	75,676
Derivatives	218	—	—	218	—	—
Total financial assets measured at fair value	218	—	—	218	—	—

The fair value of the financial assets has been determined on the basis of the following methods and assumptions:

- The carrying value of the cash and cash equivalents and the current receivables approximate their fair value due to their short term character;
- The fair value of the derivatives has been determined based on a markt-to-market analysis prepared by the bank based on observable marketinputs (level 2 inputs);
- Other current non-trade receivables are being evaluated on the basis of their credit risk and interest rate. Their fair value is not different from their carrying value on December 31, 2017, 2016 and 2015

Financial liabilities:

The carrying value and fair value of the financial liabilities for December 31, 2017, 2016 and 2015 can be presented as follows:

in 000€	Carrying value			Fair value		
	2017	2016	2015	2017	2016	2015
Financial liabilities measured at amortized cost						
Loans & Borrowings	94,557	33,806	21,089	95,351	34,619	21,449
Trade payables	15,670	13,400	9,712	15,670	13,400	9,712
Other liabilities	1,741	794	1,345	1,741	794	1,345
Total financial liabilities measured at amortized cost	111,968	48,000	32,146	112,762	48,813	32,506
Financial liabilities measured at fair value						
Contingent consideration	905	909	1,310	905	909	1,310
Written put option on NCI	788	735	673	788	735	673
Derivatives	8	—	—	8	—	—
Total financial liability measured at fair value	1,701	1,644	1,983	1,701	1,644	1,983
Total non-current	83,840	30,071	18,798	84,454	30,714	19,259
Total current	29,829	19,573	15,331	30,009	19,743	15,230

Notes to the consolidated financial statements (continued)

The fair value of the financial liabilities has been determined on the basis of the following methods and assumptions:

- The carrying value of current liabilities approximates their fair value due to the short term character of these instruments;
- Loans and borrowings are evaluated based on their interest rates and maturity date. Most interest bearing debts have fixed interest rates and their fair value is subject to changes in interest rates and individual creditworthiness. The interest-free loans have already been recognized initially at fair value based on a present value technique (level 2 inputs) and are subsequently measured at amortized cost. Their carrying value approximates their fair value;
- The fair value of the derivatives has been determined based on a markt-to-market analysis prepared by the bank based on observable marketinputs (level 2 inputs)
- The fair value of the written put option on non-controlling interest has been determined based on the present value of the redemption amount (level 3 inputs).
- The fair value of the contingent consideration has been determined based on the latest long-term business plans of the Cenat business (level 3 inputs).

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group has no financial instruments carried at fair value in the statement of financial position on December 31, 2017, 2016 and 2015 except for the derivatives related to intrest rate and foreign currency swaps as included in the above tables, and a call option and written put option on non-controlling interest and the contingent consideration for the acquisition of Cenat:

- The fair value of the written put option is determined based on the present value of the redemption amount and is considered level 3. The redemption amount is a formula (see Note 13) and is estimated on historical financial figures. The impact on the income statement is K€53 during 2017 (2016: K€50; 2015: K€35).
- The fair value of the call option is estimated at zero as the call option is out of the money based on our analysis (see Note 13).
- The fair value of the contingent consideration is estimated based on the current business plans of Cenat and is primarily dependent on achieving certain targets based on future hardware revenue and productions cost level. The fair value of this contingent consideration was initially estimated at K€1,310 (December 31, 2015). A fair value adjustment was recognized in 2017 bringing the fair value of the contingent consideration to K€905 per December 31, 2017 (see Note 4). A decrease (increase) of the future hardware revenue by an average of 10% assuming stable production cost, would result in a decrease (increase) of the fair value by K€22(K€21). Higher (lower) production costs by an average of 10% assuming stable hardware sales would result in a decrease (increase) of the fair value by K€2(K€2).

Notes to the consolidated financial statements (continued)

21 Segment information

For management purposes, the Group is organized into segments based on their products, services and industry and has the following three reportable segments:

- The Materialise Medical segment, which develops and delivers medical software solutions, medical devices and other related products and services;
- The Materialise Software segment, which develops and delivers additive manufacturing software solutions and related services; and
- The Materialise Manufacturing segment, which delivers 3D printed products and related services.

The measurement principles used by the Group in preparing this segment reporting are also the basis for segment performance assessment and are in conformity with IFRS. The Chief Executive Officer of the Group acts as the chief operating decision maker. As a performance indicator, the chief operating decision maker controls the performance by the Group's revenue and EBITDA. EBITDA is defined by the Group as net profit plus finance expenses, less financial income plus income taxes, plus depreciation, amortization and impairment.

The following table summarizes the segment reporting for each of the reportable periods ending 31 December. Corporate research and development, headquarters' function, financing and income taxes are managed on a Group basis and are not allocated to operating segments. As management's controlling instrument is mainly revenue-based, the reporting information does not include assets and liabilities by segment and is as such not available per segment.

in 000€	<u>Materialise Software</u>	<u>Materialise Medical</u>	<u>Materialise Manufacturing</u>	<u>Total segments</u>	<u>Unallocated</u>	<u>Consolidated</u>
For the year ended December 31, 2017						
Revenues	35,770	42,841	63,712	142,323	250	142,573
Segment EBITDA	13,926	4,400	4,967	23,293	(9,797)	13,496
Segment EBITDA %	38.9%	10.3%	7.8%	16.4%		9.5%
For the year ended December 31, 2016						
Revenues	30,122	37,910	46,406	114,438	39	114,477
Segment EBITDA	10,130	894	3,848	14,872	(6,391)	8,481
Segment EBITDA %	33.6%	2.4%	8.3%	13.0%		7.4%
For the year ended December 31, 2015						
Revenues	25,798	34,856	41,381	102,035	—	102,035
Segment EBITDA	9,093	422	1,645	11,160	(8,239)	2,921
Segment EBITDA %	35.2%	1.2%	4.0%	10.9%		2.9%

Notes to the consolidated financial statements (continued)

The segment EBITDA is reconciled with the consolidated net profit (loss) for the year as follows:

in 000€	For the year ended 31 December,		
	2017	2016	2015
Segment EBITDA	23,293	14,872	11,160
Depreciation, amortization and impairment	(12,631)	(8,374)	(6,810)
Corporate research and development	(2,017)	(1,673)	(2,955)
Corporate headquarter costs	(9,690)	(8,646)	(9,700)
Other operating income (expense)	1,910	3,928	4,416
Operating (loss) profit	865	107	(3,889)
Financial expenses	(4,728)	(2,437)	(2,470)
Financial income	3,210	2,039	3,511
Income taxes	(534)	(1,710)	389
Share in loss of joint venture	(469)	(1,018)	(401)
Net (loss) profit	(1,656)	(3,019)	(2,860)

Entity-wide disclosures

We refer to the Note 22.1 for the revenue by geographical area, based on location of the customer. The total revenue realized in the country of domicile (Belgium) in 2017 amounts to K€8,145 (2016: K€7,534; 2015: K€7,202).

The total non-current assets, other than financial instruments, deferred tax assets, by geographical area is as follows:

in 000€	For the year ended 31 December,		
	2017	2016	2015
United States of America (USA)	3,880	4,697	5,032
Americas other than USA	29	35	13
Europe (without Belgium)	82,746	23,984	22,436
Belgium	46,576	34,074	30,315
Asia-Pacific	744	898	943
Total	133,975	63,688	58,739

The totals of the above table includes goodwill, intangible assets, property, plant & equipment and investments in joint ventures as disclosed in the consolidated statements of financial position.

Notes to the consolidated financial statements (continued)**22 Income and expenses****22.1 Revenue**

Revenue by geographical area is presented as follows:

in 000€	For the year ended December 31		
	2017	2016	2015
United States of America (USA)	32,926	29,267	29,400
Americas other than USA	2,194	1,537	1,590
Europe & Africa	87,940	67,883	58,939
Asia-Pacific	19,513	15,790	12,106
Total	142,573	114,477	102,035

The Group has no customers with individual sales larger than 10% of the total revenue in 2017 (2016: none; 2015: none).

The revenue by category is presented as follows:

in 000€	For the year ended December 31		
	2017	2016	2015
Software revenue (non-medical)	35,770	30,122	25,798
Software revenue (medical)	15,619	13,404	11,927
Medical devices and services	27,222	24,506	22,929
Prototyping	28,423	27,568	26,630
End parts production	25,324	18,838	14,751
Complex metal parts production (ACTech)	9,965	—	—
Other	250	39	—
Total	142,573	114,477	102,035

22.2 Cost of sales

Cost of sales include the following selected information:

in 000€	For the year ended December 31		
	2017	2016	2015
Purchase of goods and services	(33,978)	(25,374)	(25,203)
Amortization and depreciation	(7,897)	(5,007)	(3,173)
Payroll expenses	(20,806)	(16,161)	(14,524)
Other expenses	(106)	(164)	(63)
Total	(62,787)	(46,706)	(42,963)

Notes to the consolidated financial statements (continued)**22.3 Research and development expenses**

Research and development expenses include the following selected information:

in 000€	2017	2016	2015
Purchase of goods and services	(3,140)	(3,177)	(2,176)
Amortization and depreciation	(686)	(478)	(1,047)
Payroll expenses	(16,054)	(13,985)	(14,874)
Other	(79)	(42)	(89)
Total	(19,959)	(17,682)	(18,186)

22.4 Sales and marketing expenses

Sales and marketing expenses include the following selected information:

in 000€	For the year ended December 31		
	2017	2016	2015
Purchase of goods and services	(8,035)	(7,450)	(8,330)
Amortization and depreciation	(679)	(563)	(1,108)
Payroll expenses	(30,175)	(27,828)	(26,655)
Other	(220)	(312)	(739)
Total	(39,109)	(36,153)	(36,832)

22.5 General and administrative expenses

General and administrative expenses include the following selected information:

in 000€	For the year ended December 31		
	2017	2016	2015
Purchase of goods and services	(7,053)	(5,488)	(3,774)
Amortization and depreciation	(3,369)	(2,326)	(1,482)
Payroll expenses	(14,858)	(11,895)	(9,270)
Other	(204)	(332)	(519)
Total	(25,484)	(20,041)	(15,045)

22.6 Net other operating income/(expense)

The net other operating income/(expense) can be detailed as follows:

in 000€	For the year ended December 31		
	2017	2016	2015
Government grants	4,368	4,181	4,788
Capitalized expenses (asset construction)	123	12	693
Net foreign currency exchange gains / (losses)	(235)	452	361
Tax Credits	899	741	588
Other	476	826	672
Total	5,631	6,212	7,102

Notes to the consolidated financial statements (continued)

The Company has received government grants from the Belgian federal and regional governments and from the European Community in the forms of grants linked to certain of its research and development programs and reduced payroll taxes.

Any government grants recognized as income do not have any unfulfilled conditions or other contingencies attached to them.

Notes to the consolidated financial statements (continued)**22.7 Payroll expenses**

The following table shows the breakdown of payroll expenses for 2017, 2016 and 2015:

in 000€	For the year ended December 31		
	2017	2016	2015
Short-term employee benefits	(60,195)	(50,714)	(48,372)
Social security expenses	(11,200)	(10,136)	(9,076)
Expenses defined contribution plans	(926)	(388)	(758)
Other employee expenses	(9,572)	(8,631)	(7,117)
Total	(81,893)	(69,869)	(65,323)
Total registered employees at the end of the period	1,862	1,432	1,304

22.8 Financial expenses

Financial expenses includes the following selected information:

in 000€	For the year ended December 31		
	2017	2016	2015
Interest expense	(1,026)	(665)	(615)
Foreign currency losses	(3,131)	(1,453)	(1,568)
Other financial expenses	(571)	(319)	(287)
Total	(4,728)	(2,437)	(2,470)

22.9 Financial income

Financial income includes the following selected information:

in 000€	For the year ended December 31		
	2017	2016	2015
Foreign currency exchange gains	2,830	1,853	3,098
Amortization discount interest free loans	6	14	40
Other finance income	374	172	373
Total	3,210	2,039	3,511

Notes to the consolidated financial statements (continued)

22.10 Income taxes and deferred taxes

Current income tax

The following table shows the breakdown of the tax expense for 2017, 2016 and 2015:

in 000€	For the year ended December 31		
	2017	2016	2015
Estimated tax liability for the period	(1,530)	(1,698)	(373)
Tax adjustments to the previous period	412	—	—
Deferred income taxes	584	(12)	762
Total income taxes	(534)	(1,710)	389

The current tax expense is equal to the amount of income tax owed to the tax authorities for the year, under the applicable tax laws and rates in effect in the various countries.

Deferred tax

Deferred tax is presented in the statement of financial position under non-current assets and non-current liabilities, as applicable. The following table shows the breakdown of the deferred tax assets, deferred tax liability and the deferred tax expense for 2017, 2016 and 2015:

in 000€	Asset/(liability)			Income/(expense)		
	2017	2016	2015	2017	2016	2015
Tax losses, notional interest deduction and other tax benefits	—	109	906	—	—	—
Amortization development assets and other intangible assets	304	227	186	—	—	—
Deferred revenue	—	—	—	—	—	—
Depreciation property, plant & equipment	—	—	—	—	—	—
Borrowing cost	—	—	—	—	—	—
Financial leasings	—	—	—	—	—	—
Inventory	—	—	—	—	—	—
Other non-current assets	—	—	—	—	—	—
Total deferred tax assets	304	336	1,092	(32)	(756)	860
Property, plant & equipment	(698)	(452)	(363)	—	—	—
Intangible assets	(6,247)	(873)	(1,705)	—	—	—
Tax losses, notional interest deduction and other tax benefits	—	—	—	—	—	—
Other items	(61)	—	—	—	—	—
Total deferred tax liabilities	(7,006)	(1,325)	(2,068)	616	744	(98)
Total deferred tax income (loss)	—	—	—	584	(12)	762

The Group has unused tax losses, tax credits and notional interest deduction available in an amount of K€11,948 for 2017 (2016: K€9,451; 2015: K€12,231) of which K€4,581 for 2017 (2016: K€1,570; 2015: K€2,009) relating to Materialise NV. A total of K€315 in 2017 (2016: K€315; 2015: K€402) relates to unused notional interest deduction with an expiration date of December 31, 2018.

Notes to the consolidated financial statements (continued)

With respect to the net operating losses of Materialise NV, no deferred tax assets have been recognized given that it in view of the Belgian Patent Income Deduction and Innovation Income Deduction there is an uncertainty to which extent these tax losses will be used in future years. As from 1 July 2016, the new Innovation Income Deduction replaces the former Patent Income Deduction. Under the grandfathering rule the Patent Income Deduction system can still be applied until June 30, 2021. The Belgian Patent Income Deduction allows companies to deduct 80% of the qualifying gross patent income from the taxable basis. Under the Innovation Income Deduction system, companies can deduct up to 85% of their net innovation income from the taxable basis. Based on its analysis in 2017 the Company has assessed that no deferred tax asset should be accounted for with respect to its unused tax losses in Belgium.

With respect to the net tax losses of the other entities in the Group, no deferred taxes have been recognized in 2017 (2016: K€109; 2015: K€906), given that it is unclear whether there will be a positive taxable base in the near future for the other entities with fiscal losses. The deferred tax liability of K€7,006 in the year ending December 31, 2017 mainly relates to the intangibles that have been recognized as part of the purchase price allocation (ACTech).

In our financial statements for the year ending December 31, 2017 we already took into account the announced corporate tax rate decreases in Belgium and the United States, however the impact was not significant.

Relationship between Tax Expense and Accounting Profit

in 000€	For the year ended December 31		
	2017	2016	2015
Loss before taxes	(1,122)	(1,309)	(3,249)
Income tax at statutory rate of 33,99%	381	445	1,104
Effect of different local tax rate	442	663	445
Tax adjustments to the previous period	412	—	—
Non-deductible expenses	(675)	(453)	(394)
Capitalized initial public offering transaction costs	—	—	—
Research and development tax credits & patent income deduction	44	3,664	1,872
Notional interest deduction Belgium	—	351	365
Non recognition of deferred tax asset	(1,505)	(6,767)	(4,510)
Recognition of deferred tax assets on previous years tax losses	—	—	742
Non-taxable income	564	729	—
Use of previous years tax losses and tax credits for which no deferred tax assets was recognized	12	50	693
Taxes on other basis	(117)	(342)	—
Other	(92)	(50)	72
Income tax expense as reported in the consolidated income statement	(534)	(1,710)	389

Notes to the consolidated financial statements (continued)**23 Earnings per share**

Basic earnings per share amounts are calculated by dividing the net profit (loss) for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit (loss) attributable to ordinary equity holder of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all warrants.

The net profit (loss) for the year used for the basic and diluted earnings per share are reconciled as follows:

in 000€	For the year ended December 31		
	2017	2016	2015
Net profit attributable to ordinary equity holders of the parent for basic earnings	(1,656)	(3,019)	(2,807)
Interest on convertible bonds	—	—	—
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	(1,656)	(3,019)	(2,807)

The convertible bond and the warrants are anti-dilutive as per December 31, 2017 and as such has not been considered for adjusting the net profit. We refer to Notes 14 and 15 for information on the number of instruments that could potentially be dilutive but which were not considered in the calculation above.

The following reflects the share data used in the basic and diluted earnings per share computations:

in 000€	For the year ended December 31		
	2017	2016	2015
Weighted average number of ordinary shares for basic earnings per share	47,325	47,325	47,224
Effect of dilution:			
Share options	—	—	—
Convertible loan	—	—	—
Weighted average number of ordinary shares adjusted for effect of dilution	47,325	47,325	47,224

The earnings per share are as follows:

	For the year ended December 31		
	2017	2016	2015
Earnings per share attributable to ordinary owners of the parent			
Basic	(0.03)	(0.06)	(0.06)
Diluted	(0.03)	(0.06)	(0.06)

Notes to the consolidated financial statements (continued)**24 Commitments and contingent liabilities***Operating lease commitments*

The Group has operating lease commitments mainly related to buildings and cars as follows:

in 000€	For the year ended December 31		
	2017	2016	2015
Within one year	1,721	2,012	908
Between two and three years	1,504	1,964	1,074
Between four and five years	406	561	541
More than 5 years	77	84	15
Total	3,708	4,621	2,538

The total lease payments recognized in the consolidated income statement are K€2,909 in 2017 (2016: K€2,451; 2015: K€1,165).

Finance lease commitments

The Group has finance leases for the building and various other items of plant and equipment. Future minimum lease payments under finance lease with the present value of the net minimum lease payments are as follows:

in 000€	December 31, 2017		December 31, 2016		December 31, 2015	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	3,179	3,034	2,400	2,287	1,769	1,682
Between two and three years	5,017	4,643	3,640	3,503	4,345	3,968
Between four and five years	1,361	1,269	1,206	1,057	261	254
More than five years	285	218	587	548	—	—
Total	9,842	9,164	7,833	7,395	6,375	5,904
Less finance charges	(678)	—	(438)	—	(471)	—
Present value of minimum lease payments	9,164	9,164	7,395	7,395	5,904	5,904

Mortgages and pledges

The Group has several loans secured by a mortgage on the building. The carrying value of related property, plant & equipment (including buildings under construction) is K€28,526 (2016: K€12,594; 2015: K€7,479). The total outstanding mortgages and pledges are K€85,186 in 2017 (2016: K€32,362; 2015: K€12,028).

Included in the above, the Group also has pledges on the business goodwill (“fonds de commerce”) of the Company for a total amount of K€29,000 in 2017 (2016: K€4,491; 2015: K€3,491) and pledges on current and other fixed assets for a total amount of K€9,131 (2016: K€0; 2015: K€0).

Notes to the consolidated financial statements (continued)

In addition to the above a notarial pledge has been granted by Materialise NV to KBC Bank on 100% of the shares of Materialise GmbH in connection with the financing of the ACTech acquisition.

Other commitments

The Group has outstanding non-cancellable contracts with a future commitment of K€7,638 at December 31, 2017 (2016: K€1,290; 2015: K€288), mainly related to purchase commitment for raw materials. For property, plant & equipment, we have committed expenditures of K€672 as per December 31, 2017 (2016: K€10,204; 2015: K€505). These commitments relate to the purchase of land in Germany.

Notes to the consolidated financial statements (continued)

Contingent liabilities

The Group is currently involved in a legal proceeding with Dentsply Implants NV regarding the alleged wrongful termination of a supply agreement between the Company and Dentsply Implants NV entered into in 2010. The court of first instance ruled, in favor of Dentsply Implants NV, that we have wrongfully terminated the relationship. We have appealed this decision before the court has pronounced itself on the monetary damages. The amount of damages which Dentsply Implants NV is claiming is €2.7 million. While we are confident about the chances that the first instance decision will be overruled, we believe that, in the event that the first instance decision would be confirmed, the amount of monetary damages that we would be exposed to, will not have a material impact in our business, financial conditions or result of operations. We are currently not a party to, and we are not aware of any threat of, any other legal proceedings, which, in the opinion of our management, is likely to have or could reasonably possibly have a material adverse effect on our business, financial condition or results of operations. As a result management concluded that no provision is required.

Notes to the consolidated financial statements (continued)

25 Risks

The Group is mainly exposed to liquidity risk, interest rate risk and credit risk

Foreign exchange risk

The Group has primarily exposure to the USD, GBP and JPY as foreign currency.

During 2017 the impact of changes in foreign currency rates on the cash and term accounts held in USD funded through the initial public offering proceeds was negative for an amount of K€1,159.

If the USD (rate for 1 EUR) would have appreciated by 10%, the net result would have been K€1,114 higher, excluding the effect of the cash and term accounts held in USD. If the USD (rate for 1 EUR) would have depreciated by 10%, the net result would have been K€911 lower, excluding the effect of the cash and term accounts held in USD.

To limit the exposure to foreign currency rate fluctuations on GBP and JPY, the Group has entered into currency rate swaps as of 2017. We refer to note 20.

Liquidity risk

The liquidity risk is that the Group may not have sufficient cash to meet its payment obligations. This risk is countered by day-by-day liquidity management at the corporate level. The Group has historically entered into financing and lease agreements with financial institutions to finance significant projects and certain working capital requirements. The Group still has undrawn lines of credit totaling K€4,473 at December 31, 2017 (2016: K€4,355; 2015: K€4,355).

On September 29, 2017 KBC Bank and Materialise agreed on a credit facility, mainly related to the financing of the ACTech acquisition, in which debt covenants were determined based on the ratio of the Group's total net financial debt over EBITDA.

On December 20, 2017, the European Investment Bank (EIB) and Materialise entered into a finance contract to support Materialise's ongoing research and development programs for growth from 2017 to 2020. The contract provides a credit of up to EUR 35,000,000 drawable in two tranches. The first can not exceed EUR 25,000,000 and can be drawn during the first year of the contract. The second tranche can be drawn during the second year of the contract, subject to a specified debt ratio being met. The duration of the loan will be between six to eight years starting from the disbursement of the respective tranches, and includes a 2 years loan reimbursement grace period. Loans under the contract will be made at a fixed rate, based on the Euribor rate at the time of the borrowing, plus a variable margin. The margin is initially equal to 1.86% and varies in function of certain EBITDA levels and debt ratios. The contract contains customary securities, covenants and undertakings. As per December 31, 2017 no funds had yet been drawn in connection with this agreement.

Notes to the consolidated financial statements (continued)

The range of contracted obligations are as follows:

in 000€	< 1 year	2 to 3 years	4-5 years	> 5 years	Total
At December 31, 2017					
Loan & borrowings	14,331	37,933	22,286	32,699	107,249
Trade payables	15,670	—	—	—	15,670
Other current liabilities	1,741	—	—	—	1,741
Total	31,742	37,933	22,286	32,699	124,660
	< 1 year	2 to 3 years	4-5 years	> 5 years	Total
At December 31, 2016					
Loan & borrowings	6,050	10,787	7,471	12,620	36,928
Trade payables	13,400	—	—	—	13,400
Other current liabilities	794	—	—	—	794
Total	20,244	10,787	7,471	12,620	51,122
	< 1 year	2 to 3 years	4-5 years	> 5 years	Total
At December 31, 2015					
Loan & borrowings	4,691	10,989	4,187	3,230	23,097
Trade payables	9,712	—	—	—	9,712
Other current liabilities	1,345	—	—	—	1,345
Total	15,748	10,989	4,187	3,230	34,154

Notes to the consolidated financial statements (continued)*Interest rate risk*

Although the Group mainly has loans outstanding with a fixed interest rate, some of the loans have been contracted with variable interest rates. The most significant loans with variable interest rates have been secured by means of a variable to fixed interest rate swap. We therefore believe that the Group is not subject to immediate changes in interest rates. With respect to the interest rate swaps, we refer to note 20.

Credit risk

Credit risk is the risk that third parties may not meet their contractual obligations resulting in a loss for the Group. The Group is exposed to credit risk from its operating activities and from its financing activities, which are mainly deposits with financial institutions. The Group limits this exposure by contracting with credit-worthy business partners or with financial institutions which meet high credit rating requirements. In addition, the portfolio of receivables is monitored on a continuous basis. Credit risk is limited to a specified amount with regard to individual receivables.

The following is an aging schedule of trade receivables:

in 000€	<u>Total</u>	<u>Non-due</u>	<u>< 30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-180 days</u>	<u>> 181 days</u>
December 31, 2017	35,582	21,630	6,920	1,765	1,526	1,614	2,127
December 31, 2016	27,479	15,590	6,434	1,885	490	2,008	1,072
December 31, 2015	22,843	15,104	3,402	1,348	814	1,057	1,118

Capital management

The primary objective of the Group's shareholders' capital management strategy is to ensure it maintains healthy capital ratios to support its business and maximize shareholder value. Capital is defined as the Group shareholder's equity.

The Group consistently reviews its capital structure and makes adjustments in light of changing economic conditions. The Group made no changes to its capital management objectives, policies or processes during the years ended December 31, 2017, 2016 and 2015.

Notes to the consolidated financial statements (continued)

26 Related party transactions

The compensation of key management personnel of the Group is as follows:

in 000€	For the year ended December 31		
	2017	2016	2015
Short-term employee benefits	2,190	2,693	2,638
Post-employment benefits	80	116	109
Termination benefits	—	—	22
Total	2,270	2,809	2,769
Warrants granted	—	199,500	18,180
Warrants outstanding	573,980	790,752	593,448

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel (senior management and executive committee members). In the year ending December 31, 2017 the compensation to key management by means of share based payments amounts to K€384.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

in 000€	Sale of goods to	Purchases from	Interest expense	Receivables	Liabilities
Non-executive directors of the group					
2017	—	96	50	—	965
2016	—	72	50	—	972
2015	—	99	12	—	932
Shareholders of the group					
2017	—	172	11	—	371
2016	—	117	16	—	378
2015	—	214	18	—	447
Joint ventures					
2017	714	23	—	804	28
2016	527	—	—	601	—
2015	547	—	—	189	—

Related party – Ailanthus NV

Ailanthus NV, shareholder and director of the Group, has provided several loans and financial leases to the Group for the purchase of machinery and a portion of the office and production buildings. We refer to Note 15 for details.

The Group rent apartments on a regular basis from Ailanthus NV in order to host our employees from foreign subsidiaries who are visiting our headquarters in Leuven. The total amount paid to Ailanthus NV for rent in 2017 was K€172 (2016: K€141; 2015: K€167).

Related party – Convertible debt

The Group has issued on 28 October 2013 1,000 convertible bonds for a total amount of K€958. The bonds have been fully subscribed by a member of our senior management. We refer to Note 15 for more details.

Notes to the consolidated financial statements (continued)

Founder shares

At the inception of the Company, the other shareholders granted a total of 300,000 founder shares (“oprichters aandelen”) to the founder and CEO of the Group, Mr. Wilfried Vancraen, in his capacity as shareholder. In accordance with Belgian Company Law, these founder shares do not represent shareholders’ capital but grant the holder voting and dividend rights. No other terms and conditions were attached to these founder shares and no dividends has been paid by the Group to the shareholders since inception.

The General Meeting of Shareholders held at 28 November 2013 converted the 300,000 founder shares to ordinary A shares. Converting the founder shares into ordinary A Shares did not confer any substantial advantage to their holder but resulted in a dilution for the existing shareholders by 0%. Those A shares will benefit from all rights attached to the ordinary shares.

Joint ventures

The receivable for the amount of K€804 is accounted for under the other non-current assets and relates to the services and goods delivered to the joint venture RSPRINT.

Notes to the consolidated financial statements (continued)

27 Events subsequent to the statement of financial position date

Apart from what is mentioned below, there are no significant events subsequent to the statement of financial position date that would require adjustments or disclosures to the financial statements.

In connection with the exercise of 25,714 warrants, representing 102,856 shares, from the 2013 warrant plan in the course of October and November 2017, the share capital was raised for the amount of K€6 and the share premium was raised for the amount of K€201 by deed before the notary on March 30, 2018 (we refer to Note 14 for further information about the share based payment plans). As per December 31, 2017 the funds received in connection with the exercise of the warrants (K€207) were accounted for on a restricted bank account classified under the Cash and Cash Equivalents.

Notes to the consolidated financial statements (continued)

28 Overview of consolidated entities

Name	Country of incorporation	% equity interest 2017	2016	2015
Materialise NV	Belgium	100%	100%	100%
Materialise France SAS	France	100%	100%	100%
Materialise GmbH	Germany	100%	100%	100%
Materialise Japan K.K.	Japan	100%	100%	100%
Materialise Czech Republic SRO	Czech Republic	100%	100%	100%
Materialise USA, LLC	United States	99%	99%	99%
Materialise UK Limited	United Kingdom	100%	100%	100%
OBL SAS	France	100%	100%	100%
Materialise Austria GmbH	Austria	100%	100%	100%
Mobelife NV (liquidated)	Belgium	—	—	100.0%
Marcam (merged with Materialise GmbH)	Germany	—	—	100%
Materialise Malaysia SDN. Bhd.	Malaysia	100%	100%	100.0%
Materialise Ukraine LLC	Ukraine	100%	100%	100%
RapidFit NV	Belgium	83%	83%	83.3%
RapidFit, LLC (liquidated)	United States	—	83%	83%
Meridian Technique Limited	United Kingdom	100%	100%	100.0%
OrthoView, LLC (liquidated)	United States	—	100%	100%
OrthoView Holdings Limited	United Kingdom	100%	100%	100.0%
Meridian (Corporate Trustee) Limited	United Kingdom	100%	100%	100%
OrthoView Limited	United Kingdom	100%	100%	100.0%
Materialise SA	Poland	100%	100%	100%
Materialise Colombia SAS	Colombia	100%	100%	100.0%
RSPRINT powered by Materialise NV (joint venture)	Belgium	50%	50%	50%
Materialise Shanghai Co.Ltd	China	100%	100%	100.0%
Cenat bvba (merged with Materialise NV)	Belgium	—	—	100%
Mat Metal bvba (liquidated)	Belgium	—	—	100.0%
Elbimmo NV (merged with Materialise NV)	Belgium	—	—	100%
Rapidfit Holding LLC (liquidated)	United States	—	—	100.0%
Materialise Australia PTY Ltd	Australia	100%	100%	—
Materialise S.R.L.	Italy	100%	100%	—
ACTech GmbH	Germany	100%	—	—
ACTech Holding GmbH	Germany	100%	—	—
ACTech, Inc	United States	100%	—	—

“MATERIALISE”

**NV [Public Limited Liability Company]
in 3001 Leuven (Heverlee), at Technologielaan 15
Company No. BTW BE 0441.131.254
Register of Legal Entities in Leuven**

ARTICLES OF ASSOCIATION

1. Name – duration – registered office – purpose

ARTICLE 1: Name.

The company has the legal form of a *public limited liability company* (“*naamloze vennootschap*”) and carries the name **“MATERIALISE”**.

It is a company that makes or has made a public offering for general subscription.

ARTICLE 2: Duration.

The company is set up for an indefinite period as from June 28, 1990.

Except by the judge, the company can only be dissolved by an extraordinary meeting in observance of the requirements for bylaw amendments.

ARTICLE 3: Registered office.

The registered office of the company is established in 3001 Heverlee, at Technologielaan 15.

The registered office may be relocated within the Dutch-speaking area of Belgium or the bilingual Brussels Capital Region without a bylaw amendment upon resolution of the Management Board. It shall be publicly disclosed.

In addition, the Management Board is authorized to have a bylaw amendment resulting from the relocation of the registered office set down in a notarial deed.

ARTICLE 4: Purpose.

The purpose of the company is: research, development and marketing of additive manufacturing and applied technologies, and all service, engineering and holding activities associated therewith. All of this is understood in the broadest sense.

The company acts for its own account, in consignment, in commission, as an intermediary or representative.

The company’s purpose is also:

- the purchase, sale, exchange, construction, conversion, set-up, exploitation, letting, subletting, management, maintenance, parceling, horizontal distribution and placement under compulsory joint ownership, leasing, prospecting, and promotion in all forms of all immovable properties or intangible property rights.
- investing, subscribing, taking over, placement, purchase, sale, trading of all movable securities, issued by Belgian or foreign undertakings, whether or not in the form of trading companies, administrative offices, establishments or associations, and the management of these investments and participations;
- providing advice, management and other services to all affiliated companies or companies with which an equity relationship exists, in its capacity as director, liquidator, or otherwise, and providing executive management or exercising control over these companies.

By way of contributions in cash or in kind, merger, registration, participation, financial agreement or otherwise, it may take a share of all companies or undertakings, in Belgium or abroad, existing or to be established, which have the same, similar or related purpose, or are of a nature to promote the exercise of its purpose.

As a general rule, the company may perform all actions of a civil or commercial nature, movable, immovable, industrial nature, which directly or indirectly, wholly or partially are connected with the company’s purpose.

2. Capital

ARTICLE 5: Capital and shares

The share capital amounts to two million seven hundred thirty five thousand one hundred seventy seven euros three cents (2,735,177.03 EUR), represented by forty seven million four hundred twenty eight thousand two hundred ninety four (47,428,294) shares, without nominal value, each representing an equal part of the share capital.

The share capital is fully and unconditionally subscribed and is fully paid.

ARTICLE 6: Authorized capital

a) By resolution of the general shareholders' meeting dated April 23, 2014, which shall become effective on the date of announcement of the resolution's effectiveness in the Annexes to the Belgian State Gazette, authorization was granted to the Management Board to increase the company capital in one or more tranches for a maximum total amount equal to the amount of the company capital after confirmation that the "First Capital Increase" has been realized, referred to in the second resolution of the general shareholders' meeting held on April 23, 2014 (the "**First Capital Increase**").

The Management Board may only exercise the authorization granted to it for a period of five (5) years counting from the announcement in the Annexes to the Belgian State Gazette of this authorization.

This authorization may be renewed in accordance with applicable statutory provisions.

The board of directors of the company decided on March 5, 2015 to increase the share capital of the company within the framework of the authorized capital for an amount of four thousand six hundred twenty six euros fifty cents (4,626.50 EUR), whereby the available amount of the authorized capital was brought to two million seven hundred and ten thousand eight euros thirty three cents (2,710,008.33 EUR).

The board of directors of the company has also decided on December 18, 2015 to increase the share capital in the framework of the authorized capital, subject to the condition precedent of the full or partial exercise of the previously issued one million four hundred thousand (1,400,000) "Warrants 2015", and noted that the authorized capital cannot be used, and this for an amount of eighty thousand seven hundred thirty eight euros (80,738 EUR), which is the maximum amount of the aforementioned capital increase (excluding issuance premium), as long as the capital increase resulting from the exercise of the aforementioned warrants has not been established and / or the period within which they can be exercised has not expired.

b) The capital increases resolved by virtue of this authorization can be implemented as determined by the Management Board, for example:

- by means of contributions in cash or in kind within the limits allowed by the Belgian Companies Code,
- by conversion of reserves and issue premiums,
- with or without issuance of new securities,
- by issuance of shares, with or without voting rights,
- by issuance of convertible bonds, whether or not of subordinate rank,
- by issuance of warrants (at no charge or for a specific issue price),
- by issuance of bonds to which warrants or other transferable securities are attached,
- by issuance of other securities, such as shares as part of a stock option plan.

c) In conformity with Article 606 of the Belgian Companies Code, the Management Board is not permitted to use the authorization for capital increases via (i) contribution in kind, except by a 10% shareholder, (ii) issuance below a fractional value, (iii) issuance of warrants primarily intended for one or more particular persons other than staff members.

d) The Management Board is likewise specifically authorized, in case of a public takeover bid for securities issued by the company, to increase the capital in any form, including a capital increase in which the preferential subscription right of shareholders is limited or withdrawn, under the terms and conditions provided in Article 607 of the Belgian Companies Code.

This authorization is granted for a period of three (3) years counting from the extraordinary general shareholders' meeting held on April 23, 2014.

This authorization may be renewed for the same period of time by resolution of the general meeting according to the rules for amendment of the bylaws.

The capital increases resolved under this authorization shall be added onto the remaining portion of the authorized capital referred to in subparagraph a).

e) Any issue premiums payable upon subscription to a capital increase within the framework of the authorized capital will be recorded by the Management Board in an undistributable account entitled "Issue Premiums" which will extend protection to third parties to the same extent as the company capital and which, except for the option of converting this reserve into capital, may only be disposed of by resolution at the general shareholders' meeting, deliberating according to the rules applicable to bylaw amendments.

f) The Management Board is also authorized to limit or cancel the preferential subscription rights in the interest of the company. It can do this for the benefit of one or more particular persons, even if they are not staff members of the company or its subsidiaries, on condition of compliance with the provisions of the law, including in the issue of warrants. It may also provide that in the respective case upon recognition of new shares priority will still be granted to the prior shareholders.

g) The Management Board is authorized, with right of substitution, to bring the bylaws of the company into conformity with the resolutions for the capital increase within the scope of the authorized capital.

ARTICLE 7: Capital increase—preferential subscription right.

a) With reservation of the possibility of a capital increase within the limits of an authorized capital by resolution of the Management Board, an increase of the company capital can be resolved only by an extraordinary general meeting in the presence of a notary in conformity with the provisions of the Belgian Companies Code.

b) In every capital increase by contribution of cash, the shareholders shall enjoy a preferential subscription right in conformity with Article 592 et seqq. of the Belgian Companies Code and the new shares, convertible bonds and warrants must be offered first to the shareholders, in proportion to the percentage of the capital represented by their shares.

The period during which the preferential subscription right can be exercised shall be determined by the general shareholders' meeting or, if necessary, by the Management Board, and it may not be shorter than fifteen days counting from the starting date of the subscription period.

The Management Board may decide that the full or partial non-exercise by the shareholders of their preferential right shall have the consequence that the proportional shares of the shareholders who already exercised their preferential subscription right will be increased; it shall also determine the manner of this subscription. The Management Board shall likewise be entitled, under terms and conditions that it shall determine, to enter into all agreements in order to ensure the subscription of all or part of the shares to be placed.

If a right of use (“*vruchtgebruik*”) is granted over the share, then the preferential subscription right shall belong to the usufructuary unless otherwise agreed. The newly acquired shares, convertible bonds and warrants belong to him in full ownership, subject to eventual compensation to the bare owner prior to the exercise of the preferential subscription right.

For pledged shares, the preferential subscription right shall belong to the owner-pledgor.

In the interests of the company and in observance of the statutory regulations in this regard, the general shareholders' meeting and, within the limits of the authorized capital, the Management Board may limit or withdraw the preferential subscription right.

c) The general shareholders' meeting or, as the case may be, the management board within the limits of the authorized capital may decide on a capital increase for the benefit of the staff, provided that the regulations of Article 609 of the Belgian Companies Code shall be followed.

d) If a capital increase includes some contribution in kind, a company auditor or statutory auditor shall draw up a report in addition to a special report by the Management Board, and furthermore the regulation of Article 602 of the Belgian Companies Code shall be followed. This contribution must be immediately paid in full.

e) A capital increase may also be effected by reversal of reserves. The extraordinary general meeting may grant the Management Board the authorization to increase the capital by reversal of reserves within the limits of the authorized capital.

f) In case the new shares are issued with an issue premium, it must be immediately paid in full at the time of subscription to the shares.

ARTICLE 8: Capital decrease

A decision to decrease the capital can be made in compliance with the relevant statutory regulations.

3. Shares and other securities

ARTICLE 9: Type of securities

The shares and other securities of the company are and shall always remain registered in the name of the relevant securityholder. Each security has a number.

A register for each category of registered securities shall be kept at the company's registered office, either in an original hard-copy form or in electronic form in compliance with applicable legislation. The ownership rights of the registered securities shall be determined by an entry in the register. If requested, certificates of these registrations shall be issued to the holders of the securities.

ARTICLE 10: Shares not fully paid—payment obligation

The obligation to make full payment of a share is unconditional and indivisible.

If shares not fully paid up belong to several persons in joint ownership, each of them is liable for payment of the entire amount of the requested due payments.

Payment or full payment shall be made at the request and time decided by the Management Board. The shareholders shall be given notice thereof by registered letter, indicating a bank account to which the payment must be made by transfer or deposit, with exclusion of any other payment method. The shareholder shall fall into default merely by the lapse of the period specified in the notice and interest shall be owed to the company at the statutory interest rate established at that time, increased by two points.

Until the requested claimable payments on a share have been made according to this provision, the exercise of the rights associated with it shall remain suspended.

Premature payments on shares cannot be made without the prior consent of the management board.

ARTICLE 11: Indivisibility of securities

The securities are indivisible vis-à-vis the company.

If a security belongs to multiple owners, or if multiple persons are entitled to a security, they may only exercise the rights associated with such securities via a common representative.

The company may suspend the exercise of the rights associated with them until a single person has been identified as owner of the security with effect in relation to the company or as their common representative.

All convocations, service and other notifications by the company to the various rights holders to one security are made validly and exclusively, depending on the case, either to the person designated as owner vis-à-vis the company, or to the designated common representative.

ARTICLE 12: Acquirers of rights

The rights and obligations remain associated with a security, regardless of whose hands it is in.

The heirs, creditors or other rights holders of a shareholder may not under any circumstances interfere with the management of the company, or have other goods and assets of the company sealed, or demand the liquidation of the company and the division of its assets.

Prior to exercising their rights, they must abide by the annual report of the company and conform to the resolutions of the general meeting.

ARTICLE 13: Bonds, warrants and other financial instruments that give rights to shares

The company may issue secured or other bonds upon decision of the Management Board, which shall determine the terms and conditions of the issue.

The issue of convertible bonds or of bonds redeemable in shares, of warrants or of other financial instruments that give forward rights to shares can be decided by the general shareholders' meeting or by the Management Board within the limits of the authorized capital.

The holders of bonds or warrants have the right to attend the general shareholders' meeting, but only with an advisory vote.

3. Acquiring and selling own securities

ARTICLE 14: Acquiring and selling own securities

a) By resolution of the general shareholders' meeting of April 23, 2014, the management board was authorized, in accordance with Article 620 et seqq. of the Belgian Companies Code and within the limits provided by this article, to acquire its own shares for a price per share not lower than 80% or higher than 120% of the average closing prices of the *American Depository Shares* that represent the shares of the company, for a period of 30 calendar days prior to either the date of purchase or the date of announcement thereof.

This authorization is likewise valid for the acquisition of the shares of the company by any of its directly controlled subsidiaries, as provided in and within the limits of Article 627 of the Belgian Companies Code.

Every offer to acquire the shares of the company must occur under the same conditions with respect to all shareholders, in accordance with Article 620, sec. 1 (5) of the Belgian Companies Code.

This authorization shall be valid for five years commencing from the realization of the First Capital Increase.

This authorization may be extended by a resolution of the general shareholders' meeting and in accordance with the provisions of the Belgian Companies Code.

b) By resolution of the general shareholders' meeting of April 23, 2014, the Management Board was also authorized to sell the company's own shares at a price determined by the Management Board.

This authorization is not time-limited.

This authorization also applies to the sale of the shares of the company by any of its direct subsidiaries, in accordance with Article 627 of the Belgian Companies Code.

c) By resolution of the general shareholders' meeting of April 23, 2014, the management board was authorized to acquire or sell shares of the company, without any additional resolution of the general shareholders' meeting and in accordance with the provisions of the Belgian Companies Act, if this acquisition or sale is necessary to prevent an imminent serious harm to the company.

This authorization is granted for a period of three years commencing from the announcement of this authorization in the Annexes to the Belgian State Gazette. This authorization may be extended for three-year periods by a resolution of the general meeting and in accordance with the provisions of the Belgian Companies Code.

4. Management and representation

ARTICLE 15: Appointment—Dismissal—Vacancy—Announcement

a) The Management Board of the company comprises a minimum of seven (7) and a maximum of eleven (11) directors, of whom at least three (3) directors must be independent (as defined in Article 526ter of the Belgian Companies Code).

b) As long as the total voting rights associated with the shares controlled directly or indirectly, jointly or severally, by each of the Family Shareholders make up at least 20% of all voting rights associated with all outstanding shares in the company, then at the simple request of one Family Shareholder, a maximum of six (6) directors shall be exclusively appointed on the recommendation of a majority of all Family Shareholders who on the date of the appointment directly or indirectly control at least 3% of the voting rights associated with the shares of the company. The number of candidates that appear on the list of recommendations of the Family Shareholders may be higher than the number of seats to be allotted subject to the right of recommendation. If a director who was appointed at the recommendation of the Family Shareholders resigns or is discharged, his vacancy may be filled exclusively by a candidate recommended by the majority of the other directors that were appointed on the recommendation of the Family Shareholders (if there are any).

For the purposes of this article, the term “**Family Shareholders**” encompasses the following persons: Wilfried Vancraen, Hilde Ingelaere and their first-degree relatives in the descending line.

c) If a legal entity is appointed as a director, it must appoint from among its shareholders, managing directors, directors, members of its executive committee or employees, a permanent representative who shall be charged with carrying out the mandate on behalf of and for the account of the director that is a legal entity.

d) The directors shall be appointed by the general shareholders’ meeting.

The duration of their mandate may not in any case exceed the maximum statutory period of six (6) years.

Their mandate shall terminate upon conclusion of the general shareholders’ meeting or the management board that provides for their replacement.

The directors may be discharged at any time by the general shareholders’ meeting.

Departing directors may be reappointed.

e) If a director’s seat opens up, the remaining directors shall be entitled to fill the vacancy early under the terms and conditions provided by law, subject to the foregoing nomination regulation. The next general shareholders’ meeting thereafter shall decide on the definitive appointment. The newly appointed director shall serve out the term of the one he replaces.

f) The Chair of the Management Board shall be elected by the Management Board.

g) The appointment of the members of the board and the termination of their terms of office shall be disclosed by including in the company file at the Clerk of the Commercial Court an extract of the resolution and a copy of it intended for publication in the Supplements of the Belgian State Gazette. It must be apparent from the items in any case whether the persons representing the company are able to bind the company acting individually, jointly or as a body.

ARTICLE 16: Convocation of the Management Board

a) The Management Board shall meet upon convocation by the chair as frequently as the interests of the company require, as well as within fourteen days after a request for a meeting from two directors or from the managing director.

If the chair has not convened the Management Board within the aforementioned period of fourteen days after a request from the directors or from the managing director for convocation of the Management Board, then the requesting directors or the requesting managing director shall be able validly to perform the convocation.

b) The invitations shall indicate the location, date, time and agenda of the meeting and shall be sent no later than two (2) working days prior to the meeting by letter, fax, or by another written (perhaps electronic) method.

c) The meeting shall be held at the registered office of the company or in any other location in Belgium, indicated in the convocation.

d) The propriety of the convocation cannot be disputed if all directors are present or validly represented.

ARTICLE 17: Meeting of the Management Board

a) The board shall be presided over by the chair or, in his absence, by the deputy chair (if one has been appointed) or the eldest of the directors in attendance.

b) The Management Board may only deliberate and make resolutions if at least a majority of its members are present or represented at the meeting.

c) Directors who cannot physically attend the session may participate in the deliberations and voting by means of telecommunication methods such as telephone or video conference, provided that all participants in the meeting can communicate directly with all other participants. Persons who participate in a meeting via such technological methods shall be viewed as having been present in person at that meeting.

d) Any director may give power-of-attorney to another director to represent him at a specific meeting. Such a mandate must form the object of a power-of-attorney that bears the signature of the director (which may be a digital signature as defined in Article 1322, sec. 2 of the Belgian Civil Code) and that must be communicated to the Management Board in an ordinary letter, fax or other (perhaps electronic) means of communication. One director may represent multiple members of the Management Board.

e) Resolutions shall be passed by a simple majority vote.

f) Minutes of the resolutions of the Management Board must be kept, which shall be signed by the Chair and in his absence by the director who chairs the meeting and at least the majority of the board members in attendance.

Copies and extracts shall be signed by two directors or by one managing director.

g) In exceptional cases when urgent necessity and the interests of the company require it, the resolutions of the Management Board can be passed by unanimous written consent of the directors, except for the approval of the annual financial statements and the appropriation of the authorized capital.

ARTICLE 18: Salary

Without prejudice to compensation of their expenses, the directors may be awarded fixed pay, the amount of which shall be determined each year by the general meeting and which shall be charged to the company's general expenses. In addition, the general meeting may award them bonuses out of the available profits for the accounting period.

ARTICLE 19: Conflict of interest

a) If a director directly or indirectly has an interest of a proprietary nature that conflicts with a resolution or an action that is part of the sphere of responsibility of the Management Board, then the respective director, as well as the Management Board in its deliberations and resolutions, must comply with the regulations of Article 523 of the Belgian Companies Code.

b) If multiple directors find themselves in this circumstance and the applicable legislation prohibits them from participating in the deliberations or voting related to this, then this resolution shall be validly passed by the remaining directors, even if under these circumstances it is no longer true that half of the directors are present or represented.

ARTICLE 20: Internal management – restrictions – delegation of authorities

a) The Management Board is authorized to perform all actions of internal management that are necessary or useful for the realization of the company's purpose, with the exception of the actions for which by law only the general meeting is authorized.

b) Notwithstanding the obligations flowing from management as a body, specifically deliberation and supervision, the directors may divide up the management duties among themselves. Objections to such division of duties cannot be raised to third parties.

c) The Management Board may set up an executive committee of which the members shall be elected from within or outside of its own membership.

It shall determine the powers of this committee, regulate its operation and determine the compensation of its members, which shall be charged to general expenses.

d) The Management Board may set up one or more advisory committees among its membership or under its liability. It shall define its composition, its responsibilities and its operation. The members of such committees shall be appointed by the Management Board, which shall likewise determine the conditions of their appointment, their dismissal, their remuneration and the term of their mandate.

d) The Management Board can entrust the day-to-day management of the company to:

- the executive committee, if one has been established;
- one or more members of the Management Board, referred to as managing director(s).

ARTICLE 21: External representative authority

a) The Management Board as a body represents the company legally and extralegally in all activities. It acts through the majority of its members.

Notwithstanding the general representative authority of the Management Board as a body, the company is also represented legally and extralegally by two directors acting jointly, of whom at least one director is appointed from the list of candidates nominated by the Family Shareholders.

b) With respect to the authorities of the executive committee, the company shall be validly represented legally and extralegally by two members of the executive committee acting jointly.

c) The company shall be likewise represented legally and extralegally in a legally binding manner as regards the day-to-day management:

- either by one or more persons entrusted with the day-to-day management, acting individually or jointly in fulfillment of the delegation resolution of the management board;
- or in the manner determined by the Management Board, if the executive committee has been charged with the day-to-day management.

ARTICLE 22: Special authorities

The Management Board or the directors who represent the company may appoint authorized agents of the company. Only special and limited authorities for specific legal operations or a series of specific legal operations are allowed. The authorized agents bind the company within the limits of the authority granted to them, without prejudice to the accountability of the directors in case of excessive authority.

ARTICLE 23: Accountability of the directors

The directors are not personally bound by the obligations of the company. Vis-à-vis the company and third parties, the directors are accountable for the faults that they have committed in their management, in accordance with the applicable provisions of the Belgian Companies Code.

5. Supervision

ARTICLE 24: Appointment—authority and compensation of the statutory auditor

The auditing of the company shall be entrusted as necessary to one or more statutory auditors. They shall be appointed by the general meeting for a renewable term of three years. On pain of compensation for damages, they may only be discharged from their commission by the general meeting for legal reasons.

If no obligation exists for the appointment of a statutory auditor by the company, then each shareholder individually shall hold the investigatory and auditing authority of a statutory auditor.

The pay of the statutory auditor consists of a fixed amount that is determined at the start of their commission by the general meeting, without prejudice to Article 134 of the Belgian Companies Code. It may be adjusted only with the consent of the parties. The statutory auditor must not receive any benefit in any form whatsoever from the company beyond this pay.

6. General meeting

ARTICLE 25: Ordinary, special and extraordinary general meeting

a) The ordinary general shareholders' meeting, referred to as the annual meeting, must be convened on the first Tuesday of June at ten o'clock in the morning (10:00 a.m.). If this day is a legal holiday, the meeting shall be held at the same time on the following working day (excluding Saturday).

b) A special general meeting may be convened at any time to deliberate and make resolutions on any matter that comes under its authority and that does not include an amendment of the bylaws.

c) An extraordinary general meeting may also be convened at any time to deliberate and make resolutions on any amendment of the bylaws, in the presence of a notary.

d) The general meetings shall be held at the registered office of the company or in any other location in Belgium, indicated in the convocation.

ARTICLE 26: Convocation

a) The Management Board and any potential statutory auditor may convene both an ordinary general meeting (annual meeting) and a special or an extraordinary general meeting. They must convene the annual meeting on the date stipulated in the bylaws. The Management Board and any potential statutory auditor shall be obligated to convene a special or extraordinary meeting whenever one or more shareholders that individually or jointly represent one fifth of the company capital request one.

The request shall be sent by registered letter to the registered office of the company; it must indicate the agenda items on which the general meeting must deliberate and resolve.

The invitation to the general meeting to be held as a result must be performed within three weeks after the request is made.

In the invitation, other subject matters may be added to the agenda items indicated by the shareholders.

b) The invitations to the general meeting shall state the agenda and shall be sent at least fifteen (15) days beforehand to the holders of shares, bonds and warrants, to the holders of registered certificates issued with the cooperation of the company, to the directors and to the statutory auditor(s), if any, by means of a registered postal letter or any other means of communication, on condition in the latter case that the addressees have consented individually, expressly and in written form to receiving the invitation by an alternative means of communication.

The invitations shall be deemed issued as soon as they are sent.

c) The agenda must include the subject matters to be discussed as well as the proposals for resolution.

d) Every person may waive its right to be convened, and shall in any case be viewed as properly invited if he attends the meeting or has himself represented.

ARTICLE 27: Admission to general meetings – representation

a) The right of shareholders to attend the general meeting and exercise voting rights is contingent upon registration of ownership of the shares in the name of the shareholder on or before the third (3rd) working day prior to the date of the planned meeting, by recording their names in the company's shareholder register.

The management board may make participation at general meetings contingent on a requirement of communication by the shareholder of the company (or to the person appointed by the company for this purpose) by a date to be set

by the management board prior to the date of the planned meeting that he plans to attend the meeting, with notification of the number of shares that the shareholders intends to represent at the meeting; this communication must be made in the manner provided in the convocation.

b) Each shareholder with voting rights may attend and take part in the meeting personally or be represented by one authorized proxy, who may or may not be a shareholder.

The power-of-attorney must be provided in written form in the manner stipulated in the convocation.

The company must receive the power-of-attorney by no later than the date set by the Management Board as indicated in the invitation.

c) Before participating in the meeting themselves, the shareholders or their proxies must sign the attendance list, stating (i) the identity of the shareholder, (ii) the identity of the proxy, if applicable, and (iii) the number of shares that they represent.

d) Holders of profit-sharing certificates, non-voting shares, bonds, warrants, or other securities issued by the company may attend the general shareholders' meeting to the extent that the law grants them this right, and as the case may be, the right to participate in voting. If they wish to participate, they shall be subject to the same formalities for admission, access, form and notice of powers-of-attorney that are imposed on shareholders.

ARTICLE 28: Chairmanship – bureau

Every general meeting shall be presided over by the chair of the Management Board or, in his absence, by the deputy chair (if one has been appointed) or the eldest member of the Management Board.

The chair shall appoint a secretary and vote-recorder who must not be a shareholder. The two functions can be exercised by one person. The chair, the secretary and the vote-recorder together form the bureau.

The chair may assemble the bureau prior to opening the session, and the bureau thus assembled may proceed to verify the powers of the participants prior to the opening of the session.

ARTICLE 29: Course of the meeting

a) The deliberation and voting shall take place under the leadership of the chair. The directors and any potential statutory auditor(s) shall respond to questions posed to them by the shareholders during the meeting or in writing, in relation to their annual report or the agenda items, insofar as the communication of data or facts is not of such a nature that it would cause serious harm to the business interests of the company, or to the confidentiality to which the company and its directors have bound themselves.

As soon as the convocation has been published, the shareholders may pose the aforementioned questions in written form, insofar as these shareholders meet the requirements to be admitted to the meeting and they have delivered their questions to the company in the manner provided in the invitation by no later the third (3rd) working day prior to the date of the planned meeting.

b) The Management Board has the right during the meeting to postpone any general shareholders' meeting for three weeks. This postponement shall not detract from the other resolutions passed, provided that no divergent resolution is passed in this regard by the general meeting. At the next meeting thereafter, the agenda items of the first meeting, on which no definitive resolution was passed, shall be further deliberated.

c) The general meeting cannot validly deliberate or make resolutions on points that are not included in the announced agenda or are not implicitly encompassed therein. Deliberations can be made on items not included in the agenda only in a meeting at which all shareholders are present or represented, and such resolutions must be passed by unanimous vote. The required consent is confirmed if no opposition is indicated in the minutes of the meeting.

ARTICLE 30: Voting rights

a) Each share gives the right to one vote.

b) If one or more shares belong to different persons or to a legal entity with a collegial representative body, then the exercise of the rights associated therewith in regards to the company may only be exercised by an individual person who is instructed to do so in written form by all rights holders. As long as such an instruction has not been provided, all rights associated with the shares remain suspended.

c) If a share carries usufructuary rights, then the exercise of the voting right associated with that share shall be exercised by the usufructuary, unless otherwise stipulated.

d) The voting rights associated with shares that have been pledged shall be exercised by the owner-pledgor.

ARTICLE 31: Passing of resolutions

a) The ordinary and the special general meetings shall deliberate and make resolutions in a valid manner regardless of the number of shares present or represented. The resolutions shall be passed by a simple majority of votes. Abstentions or blank votes and invalid votes shall be disregarded when calculating the majority. In case of a tie vote, the proposal shall be defeated.

b) The extraordinary general meeting must be held in the presence of a notary who shall draw up an authenticated transcript thereof. The general meeting may only deliberate and make resolutions in a legally valid manner

concerning a bylaw amendment if those in attendance at the meeting represent at least half the company capital. If the aforementioned quorum is not reached, then a new convocation shall be necessary according to Article 558 of the Belgian Companies Code; the second meeting shall validly deliberate and make resolutions regardless of the proportion of the capital present or represented.

An amendment of the bylaws shall be approved only if it receives three-quarters of the votes associated with the shares present or represented. In the calculation of the required majority, the votes of those who abstained or submitted blank or invalid votes shall be viewed as nay votes.

c) Minutes of every general meeting shall be taken, to which the attendance list and any reports and proxies shall be attached.

The minutes of the general shareholders' meeting shall be signed by the members of the bureau and by the shareholders that request to do so. Copies and extracts shall be signed by two directors or by one managing director.

d) The shareholders may pass all resolutions unanimously and in written form that come under the authority of the general meeting, with the exception of those that must be passed by an authenticated act. The holders of bonds, warrants or certificates defined in Article 537 of the Belgian Companies Code may take note of the resolutions.

7. Inventory – annual financial statements – reserve – distribution of profits.

ARTICLE 32: Accounting period – annual financial statements – annual report

a) The accounting period of the company shall begin each year on January 1 and end on December 31 of the same year.

At the end of each accounting period, the accounts and records are closed, and the Management Board draws up the inventory and the annual financial statements in accordance with relevant statutory regulations.

The directors also draw up an annual report, as the case may be, in which they give an account of their policies.

b) For fifteen days prior to the ordinary general meeting, which must be convened within six months after the close of the accounting period, the shareholders may inspect the annual financial statements, and other documents mentioned in the Belgian Companies Code, at the registered office of the company.

c) After approval of the annual financial statements, the general meeting in a separate vote resolves upon the approval of the actions of the directors and any statutory auditor.

ARTICLE 33: Appropriation of the profits – reserve

The surplus shown in the income statement comprises the net profit to be determined for the accounting period.

From this profit, at least one-twentieth is taken in advance to form the statutory reserve, until it amounts to one-tenth of the company capital.

The general meeting shall resolve freely upon the remaining appropriation of the balance of this net income, by a simple majority vote, based on a proposal by the Management Board.

In accordance with Article 615 of the Belgian Companies Code, the general shareholders' meeting may decide to appropriate this balance for redemption of capital by repayment at par value of the shares to be allocated by lottery.

No distribution will be made if the net assets on the closing date of the last accounting period, as appears from the annual financial statements, are lower, or as a result of a distribution would be lower, than the amount of the paid-up capital or – if this is higher – than the called-up share capital plus all reserves that cannot be paid out according to the law or the bylaws, and in addition, Article 617 of the Belgian Companies Code must be followed.

ARTICLE 34: Payout of dividends – interim dividends

a) The Management Board shall determine the location, time and manner in which dividends will be paid out.

b) The Management Board has the authority to pay out an interim dividend on the result of the accounting period. This distribution may only occur on the profit of the current accounting period in progress, reduced, as the case may be, by the loss carried forward or increased by the profit carried forward, without withdrawal from the established reserves and in observance of the reserves that must be formed by virtue of a provision of the law or bylaws. In addition, the regulation of Article 618 of the Belgian Companies Code shall be followed.

8. Dissolution – liquidation

ARTICLE 35: Dissolution

A resolution for the voluntary dissolution of the company can only be made by an extraordinary general shareholders' meeting and on condition of compliance with the relevant statutory regulations.

The company shall continue by law to exist as a legal entity after dissolution prior to its liquidation, until the liquidation is complete.

ARTICLE 36: Appointment and authority of liquidators

a) If no liquidators have been appointed, then the directors in office at the time of dissolution shall by law act as liquidators.

b) If a legal entity is appointed as liquidator, the natural person who represents it must be indicated in the appointment resolution prior to the performance of the liquidation. Any change in this indication must be disclosed in the Annexes to the Belgian State Gazette.

c) Nonetheless, the liquidators shall assume their function only after the Commercial Court has confirmed their appointment following the resolution by the general meeting, in conformity with the provisions of the Belgian Companies Code.

d) The general meeting of the dissolved company may appoint and discharge one or more liquidators at any time by a simple majority vote. If there are multiple liquidators, the general meeting shall decide whether the liquidators shall represent the company individually, jointly, or as a body.

ARTICLE 37: Authorities of the liquidators

a) The liquidators shall be authorized to take all actions cited in Articles 186, 187, and 188 of the Belgian Companies Code, without requiring a prior authorization from the general meeting, unless the general meeting in a simple majority vote makes a divergent resolution.

b) The liquidators shall submit to the Clerk's Office of the Commercial Court a comprehensive status report on the liquidation in the seventh and the thirteenth months after the start of liquidation, prepared at the end of the sixth and twelfth month of the liquidation year, in conformity with the provisions of the Belgian Companies Code. As of the second year of the liquidation, the comprehensive report must be submitted only for the year.

c) Every year, the liquidators must present to the ordinary general meeting the proceeds of the liquidation, stating the reasons why it was not possible to complete the liquidation. Each year they shall likewise draw up annual financial statements.

d) The annual report shall be published in compliance with the relevant statutory regulations.

ARTICLE 38: Method of liquidation

After payment of all debts, charges and expenses of liquidation or after consignment of the necessary funds to satisfy them, the liquidators shall distribute the net assets, in cash or securities, among the shareholders in proportion to the number of shares that they own.

9. General Terms and Conditions

ARTICLE 39: Election of domicile:

All directors, statutory auditors and liquidators whose place of domicile is unknown shall be deemed to elect domicile at the registered office of the company, where all summonses, service and notifications can be made regarding the matters of the company.

ARTICLE 40: Applicable law

With regard to everything that is not explicitly stipulated in these bylaws, or with regard to the statutory regulations from which these bylaws might deviate in an invalid manner, the regulations of the Belgian Companies Code and the other regulations of Belgian law shall be applicable.

SHARE AND LOAN PURCHASE AND TRANSFER AGREEMENT

**Regarding Shares and Shareholder Loans in
ACTech Holding GmbH**

Between

**PREMIUM Investment I GmbH & Co. KG
CornerstoneCapital II AG & Co. KG**

[***]

[***]

[***]

and

Materialise GmbH

and

Materialise N.V.

4 October 2017

[***]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

CONTENTS

Clause	Page
1. Preamble	2
2. Definitions	4
3. Sale and Transfer of the Shares and the Shareholder Loans	6
4. Purchase Price for the Shares and the Shareholder Loan Repayment Claims and Payment	7
5. No Leakage	11
6. Completion Actions, Right to rescind	13
7. Sellers' Guarantees	14
8. Remedies in case of a Breach of Guarantees	24
9. Taxes	26
9A. Director Indemnification Claim	30
10. Limitation of Liability	31
11. Purchaser's Guarantees and Indemnity	32
12. Payment to Reserves of the Sold Company	33
13. Non-Compete, Non-Solicitation	33
14. Confidentiality and Press Releases	33
15. Assignment	34
16. Several Liability of Sellers	34
17. Notices	34
18. Miscellaneous	36

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between

- (1) PREMIUM Investment I GmbH & Co. KG, registered in the commercial register of the local court in Frankfurt am Main under HRA No. 46864
- **“Seller 1”**
 - (2) CornerstoneCapital II AG & Co. KG, registered in the commercial register of the local court in Mannheim under HRA No. 701314
- **“Seller 2”**
 - (3) [***], born on ### ##, ####, ## ### ##### ##, ##### #####
- **“Seller 3”**
 - (4) [***], born on #### ##, ####, ##### #, ##### #####
- **“Seller 4”**
 - (5) [***], born on #### ##, ####, ##### #, ##### #####
- **“Seller 5”**
- together **“Sellers”**
- and
- (6) Materialise GmbH, registered in the commercial register of the local court of Munich under HRB 129938;
- **“Purchaser”**
 - (7) Materialise N.V., Technologielaan 15, 3001 Leuven, Belgium, registered with the Belgian business register (*Kruispuntbank van Ondernemingen*) under company registration number BE 0441.131.254;
- **“Purchaser’s Guarantor”**
(Purchaser and Sellers **“Parties”**, individually a **“Party”**)

[***]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

1. PREAMBLE

- (A) ACTech Holding GmbH (the “**Sold Company**”) is a German limited liability company with its seat in Freiberg/Sachsen, registered with the commercial register of the local court of Chemnitz under no. HRB 23619. The share capital (*Stammkapital*) of the Sold Company amounts to EUR 34,100.00 and is fully paid up.
- (B) The Sellers together own all of the existing 20 Shares of the Sold Company (“**Shares**”, individually “**Share**”), as follows:
- Seller 1: Six Shares with the serial numbers 1, 3, 6, 18, 20 and 25 in the aggregate nominal amount of EUR 15,501.00, representing 45.46% of the issued share capital of the Sold Company;
- Seller 2: Two Shares with the serial numbers 19 and 24 in the aggregate nominal amount of EUR 15,500.00, representing 45.45% of the issued share capital of the Sold Company;
- Seller 3: Four Shares with the serial numbers 7, 8, 15 and 21 in the aggregate nominal amount of EUR 1,033.00, representing 3.03% of the issued share capital of the Sold Company;
- Seller 4: Four Shares with the serial numbers 11, 12, 17 and 23 in the aggregate nominal amount of EUR 1,033.00, representing 3.03% of the issued share capital of the Sold Company;
- Seller 5: Four Shares with the serial numbers 9, 10, 16 and 22 in the aggregate nominal amount of EUR 1,033.00, representing 3.03% of the issued share capital of the Sold Company.
- Further details on the Shares are set forth in **Schedule (B)**.
- (C) The Sold Company is the sole shareholder of ACTech GmbH, a limited liability company with its seat in Freiberg/Sachsen and registered with the commercial register of the local court of Chemnitz under no. HRB 11649. ACTech GmbH offers engineering services and manufactures prototype or small scale production cast parts. The share capital of ACTech GmbH (*Stammkapital*) consists of one (1) share in the amount of EUR 63,750.00 and is fully paid up. The financial year of the Sold Company and ACTech GmbH has recently been changed to end on 30 September (registered in the commercial register on 29 September 2017).

[***]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

- (D) ACTech GmbH is the sole shareholder of ACTech North America Inc., with an issued share capital of USD 15,000.00, divided into one thousand (1,000) shares (out of 60,000 authorised shares). It has its registered seat in Ann Arbor, Michigan. ACTech GmbH also has a liaison office in India, which is staffed with employees of ACTech GmbH (“**India Office**”). ACTech Holding GmbH, ACTech GmbH and ACTech North America Inc. hereinafter are individually referred to as a “**Company**” and jointly as the “**Companies**”.
- (E) Purchaser’s Guarantor is a NASDAQ listed company and active in the 3D printing business. Purchaser is a wholly-owned subsidiary of Purchaser’s Guarantor and operates the German business of the Materialise group.
- (F) Sellers intend to sell and transfer the Shares to Purchaser, and Purchaser wishes to acquire the Shares from Sellers.
- (G) Seller 1 and Seller 2 are each creditors under certain shareholder loans to the Sold Company (“**Shareholder Loans**”). Parts of the Shareholder Loans have been extended by Seller 1 and Seller 2, respectively to the Sold Company, other parts of the Shareholder Loans have been extended by former shareholders of the Sold Company to the Sold Company and were subsequently purchased by Shareholder 1 and Shareholder 2. The aggregate amount of the Shareholder Loans (including accrued interest) owed by the Sold Company to Seller 1 as of December 31, 2016 amounts to EUR 3,494,702.45 and is herein after referred to as “**Shareholder Loan 1**”, and the aggregate amount of the Shareholder Loans (including accrued interest) owed by the Sold Company to Shareholder 2 as of December 31, 2016 amounts to EUR 3,494,702.45 and is hereinafter referred to as “**Shareholder Loan 2**”. Details on the Shareholder Loans are set forth in **Schedule (G)**.
- (H) Seller 1 and Seller 2 intend to terminate the Shareholder Loans and sell the resulting repayment claims to Purchaser. Purchaser wishes to acquire these Shareholder Loan repayment claims.
- (I) The Sold Company, ACTech GmbH and ACTech North America Inc. each has certain financial debt, part of which will remain with the Sold Company and/or ACTech GmbH and/or ACTech North America Inc. This includes a loan in the amount of EUR 6,000,000 granted by Sachsen Bank/LBBW on 6 June 2016. As collateral of such loan, each of Seller 1 and Seller 2 agreed to not transfer the Shares without the prior written consent of Sachsen Bank/LBBW *Verpflichtungserklärung des Gesellschafters*, “**Negative Pledge**”). Sachsen Bank/LBBW has granted its consent to the transfer of Shares to Purchaser on 29 September and 2 October 2017. Copies of such consent letters are attached to this Agreement as **Schedule (I)**.

[***]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

NOW, THEREFORE, IT IS AGREED as follows:

2. **DEFINITIONS**

In this Agreement, the following terms shall have the meaning set forth be-low:

“Affiliate”	means with respect to any specified legal entity, any other legal entity or per-son that, directly or indirectly, controls or is controlled by the first legal entity. For the purposes of this definition, control shall include the ownership of at least 50% of the capital or voting rights in any legal entity or the power to direct or cause the direction of the management or policies of such legal entity, whether through voting rights, by contract or otherwise;
“Aggregate Purchase Price”	Clause 4.1;
“BGB”	Clause 7;
“Business Day”	means any day on which banks in Frankfurt am Main, Germany, are open for business;
“Company, Companies”	Preamble (D);
“Data Room”	Clause 8.5
“DVD”	Clause 8.5
“Employee(s)”	Clause 7.13(b);
“Escrow Account”	Clause 4.6(a);
“Escrow Amount”	Clause 4.6(a);
“Financial Statements”	Clause 7.6(a);

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“GWB”	Clause 6.1;
“India Office”	Preamble (D);
“Intellectual Property Rights”	Clause 7.9(a);
“Key Employee(s)”	Clause 7.13(a);
“Leakage”	Clause 5.2;
“Material Agreements”	Clause 7.12;
“Negative Pledge”	Preamble (I).
“Overall Cap”	Clause 10.2(a);
“Party” or “Parties”	Introduction to this Agreement;
“Permitted Leakage”	Clause 5.3;
“Purchaser”	Introduction to this Agreement;
“Purchaser’s Guarantor”	Introduction to this Agreement;
“Related Person”	Clause 7.12(g);
“Schedule”	Clause 19.5;
“Self-Developed Software”	Clause 7.9(b);
“Seller 1”; “Seller 2”; “Seller 3”; “Seller 4”; “Seller 5”	Introduction to this Agreement;
“Seller”, “Sellers”	Introduction to this Agreement;
“Sellers’ Accounts”	Clause 4.5;
“Share Purchase Price”	Clause 4.2;
“Shareholders’ Agreement”	Clause 3.4;
“Shareholder Loans”	Preamble (H);
“Shareholder Loan 1”	Preamble (H);
“Shareholder Loan 1 Repayment Claim Purchase Price”	Clause 4.3(a);
“Shareholder Loan 2”	Preamble (H);

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“Shareholder Loan 2 Repayment Claim Purchase Price”	Clause 4.3(b);
“Shareholder Loan Termination Agreement”	Clause 3.3(a);
“Shares”	Preamble (B);
“Signing Date”	Clause 3.1;
“Sold Company”	Preamble (A);
“Subsidies”	Clause 7.11;
“Tax” / “Taxes”	Clause 9.1;
“Third Party Claim”	Clause 8.6.

3. SALE AND TRANSFER OF THE SHARES AND THE SHAREHOLDER LOANS

3.1 Sale of the Shares

Each Seller hereby sells to Purchaser on the date hereof (“**Signing Date**”) all of the Shares owned by such Seller as set forth in **Schedule (B)**, and all rights attached thereto, including the right to all undistributed profits of the Sold Company. Sellers have, in accordance with Clause 8 of the Company’s articles of association, agreed to such sale by way of an unanimous shareholders’ resolution attached as **Schedule 3.1**. For the avoidance of doubt, the sale and transfer of the Shares held by each Seller is conditional upon the sale and transfer of the Shares held by all other Sellers.

3.2 Transfer of the Shares

- (a) Subject to the payment of the Aggregate Purchase Price (less the Escrow Amount) and the Escrow Amount pursuant to Clause 4.7, each Seller hereby transfers title to the Shares to Purchaser, and Purchaser hereby accepts such transfer.
- (b) The sale and transfer of the Shares to Purchaser shall be made with economic effect as of (*mit wirtschaftlicher Wirkung zum*) October 1, 2017, 0.00 a.m. (CET).

[***]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

3.3 Sale and Transfer of the Shareholder Loan Repayment Claims

- (a) Each of Seller 1 and Seller 2 have entered into a termination agreement with the Sold Company to terminate the Shareholder Loans, in each case under the condition and with effect as of the payment of the Aggregate Purchase Price (less the Escrow Amount) and the Escrow Amount pursuant to Clause 4.7 (“**Shareholder Loan Termination Agreement**”). A Copy of the Shareholder Loan Termination Agreement is attached as **Schedule 3.3(a)**.
- (b) Seller 1 hereby sells the resulting repayment claim for the Shareholder Loan 1 (including all interest accrued thereon through the Signing Date) in the amount of EUR 3,447,014 (Euro three million four hundred forty seven thousand fourteen) (“**Shareholder Loan 1 Repayment Claim**”) to Purchaser, and Shareholder 2 hereby sells the resulting repayment claim for the Shareholder Loan 2 (including all interest accrued thereon through the Signing Date) in the amount of EUR 3,447,014 (Euro three million four hundred forty seven thousand fourteen) (“**Shareholder Loan 2 Repayment Claim**” and, together with the Shareholder Loan 1 Repayment Claim, the “**Shareholder Loan Repayment Claims**”) to Purchaser. Seller 1 hereby transfers the Shareholder Loan 1 Repayment Claim to Purchaser, and Shareholder 2 hereby transfers the Shareholder Loan 2 Repayment Claim to Purchaser, in each case under the condition of the payment of the Aggregate Purchase Price (less the Escrow Amount) and the Escrow Amount pursuant to Clause 4.7. Purchaser accepts such sales and transfers.

3.4 Shareholders’ Agreement

Sellers entered into a shareholders’ agreement named “*Gesellschaftervereinbarung*” dated [***] (number [***] of the roll of deeds of the notary [***] in Dresden) (“**Shareholders’ Agreement**”). Each of Sellers hereby acknowledges that it/he/she will not raise any claim arising out of or in connection with the Shareholders’ Agreement against Purchaser or the Companies. Each Seller shall indemnify and hold harmless (*freistellen*) Purchaser from any claims which the Companies, one or more Sellers or third parties may have in connection with the Shareholders’ Agreement.

4. PURCHASE PRICE FOR THE SHARES AND THE SHAREHOLDER LOAN REPAYMENT CLAIMS AND PAYMENT

4.1 Aggregate Purchase Price

The aggregate purchase price for the Shares and the Shareholder Loan Repayment Claims shall consist of the purchase price for the Shares pursuant to Clause 4.2 and the purchase price for the Shareholder Loan Repayment Claims pursuant to Clause 4.3 (together the “**Aggregate Purchase Price**”).

[***]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

4.2 Purchase Price for the Shares

- (a) The purchase price for all Shares to be paid to Sellers shall be EUR 29,417,776 (Euro twenty nine million four hundred seventeen thousand seven hundred seventy six), subject to reallocation, if any, in accordance with Clause 4.4 below (“**Share Purchase Price**”).

4.3 Purchase Price for the Shareholder Loan Repayment Claims

- (a) The purchase price for the Shareholder Loan 1 Repayment Claim shall be EUR 3,447,014 (Euro three million four hundred forty seven thousand fourteen), subject to reallocation, if any, in accordance with Clause 4.4 below (“**Shareholder Loan 1 Repayment Claim Purchase Price**”).
- (b) The purchase price for Shareholder Loan 2 Repayment Claim shall be EUR 3,447,014 (Euro three million four hundred forty seven thousand fourteen), subject to reallocation, if any, in accordance with Clause 4.4 below (“**Shareholder Loan 2 Repayment Claim Purchase Price**”).

4.4 Reallocation of Share Purchase Price, Shareholder Loan 1 Repayment Claim Purchase Price and Shareholder Loan 2 Repayment Claim Purchase Price

The Parties are aware that, based on agreements between the Sold Company, Seller 1 and Seller 2 (and/or the former shareholders of the Sold Company), any interest accrued on the Shareholder Loan during any calendar year through 2016, except for an amount of EUR 392,220.12 (Euro three hundred ninety two thousand two hundred twenty 12/100) for 2016 which was paid on July 19, 2017, was in the past not paid but capitalized at the beginning of the next following year, and thus increased the principal amount of the Shareholder Loans. The Parties agree that, should for whatever reasons such capitalizations and/or the underlying interest for any year up to and including 2016 retroactively not be recognized and/or otherwise be revalued or restated as to not having occurred, the Aggregate Purchase Price shall remain unaffected (provided, however, that any rights of Purchaser under Clauses 7 and/or 9 in connection with the capitalization or payment of interest under the Shareholder Loans shall remain unaffected by this Clause 4.4). In such case, as between the Parties, any reduction of the amounts of the Shareholder Loan Repayment Claims shall therefore result in a corresponding reduction of the Shareholder Loan 1 Repayment Claim Purchase Price and the Shareholder Loan 2 Repayment Claim Purchase Price and in a corresponding increase of the Share Purchase Price.

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4.5 Allocation of Aggregate Purchase Price, Sellers' Accounts

The Aggregate Purchase Price less the Escrow Amount shall be allocated to the individual Sellers and paid to the bank accounts of the Sellers ("Sellers' Accounts") as set forth in **Schedule 4.5**.

4.6 Escrow

- (a) The Parties agree that a portion of the Share Purchase Price in the amount of EUR 3,788,000 (Euro three million seven hundred eighty eight thousand) ("**Escrow Amount**") shall be paid on an escrow account (*Notaranderkonto*) of the acting notary ("**Escrow Account**") as security for any claims of Purchaser under this Agreement.
- (b) The account details, terms and conditions of the Escrow Account and the release of the Escrow Amount from the Escrow Account are set forth in the escrow agreement which is hereby agreed between Sellers and Purchaser as attached hereto as **Schedule 4.6(b)**; appointment as escrow agent and the respectively set out escrow instructions are hereby accepted by the acting notary.

4.7 Payment of Aggregate Purchase Price

Purchaser shall pay

- (a) the Aggregate Purchase Price less the Escrow Amount to the Sellers' Accounts as allocated in Schedule 4.5; and
- (b) the Escrow Amount to the Escrow Account,

each by wire transfer in immediately available funds at the Signing Date.

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4.8 Default Interest

In the event that any Party is in default with any payment obligation under this Agreement, the defaulting Party shall, as from the date on which the default occurs until the date of actual payment, pay default interest at the rate pursuant to Section 288 of the German Civil Code. The respective other Party's (or Parties') right to claim further damages, if any, shall remain unaffected. Any Party shall automatically, and without further notice requirements, be regarded as being in default with payments if such payments are not credited to the respective other Party's (or Parties') account on the day when they are due.

4.9 Exclusion of Set-off or Retention Rights

Unless specifically otherwise agreed herein, no Party shall be entitled to exercise any right of set-off (*Aufrechnung*) or retention (*Zurückbehaltung*) against any claims for payment under this Agreement, unless the relevant counterclaim is undisputed or has been established by way of a non-appealable court decision.

4.10 Purchaser's Guarantor's Guarantee

Purchaser's Guarantor hereby guarantees all of Purchaser's obligations, in particular the obligation to pay the Aggregate Purchase Price, under this Agreement.

4.11 No Value Added Tax

The Aggregate Purchase Price is exclusive of any value added tax (*Umsatzsteuer* or similar foreign transfer Taxes). Sellers undertake not to waive any applicable exemption from value added tax without Purchaser's consent. If and to the extent that any value added tax falls due on the transactions contemplated under this Agreement, such value added tax shall be borne by Purchaser. Purchaser will pay the statutory value added tax to Sellers only for those transactions that are not subject to reverse-charge (*Übergang der Steuerschuldnerschaft auf den Leistungsempfänger*) or similar shifts of value added tax liabilities to Purchaser and only upon receipt of valid invoices issued in accordance with the legal prerequisites for value added tax recovery.

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5. NO LEAKAGE

5.1 Sellers' Representations relating to Leakage

Each Seller hereby represents that from 1 January 2017 until the Signing Date no Leakage other than a Permitted Leakage has occurred.

5.2 Leakage

"Leakage" shall mean

- (a) any dividend payment or distribution of profits declared or made by the Companies to Sellers or their Affiliates;
- (b) any repayment, repurchase of or compensation for redemption, or other return of share capital of the Companies which results in a payment to, or an agreement or obligation to make a payment to, Sellers or their Affiliates;
- (c) the incurrance of any debt by the Companies vis-à-vis any of Sellers or their Affiliates, any repayment of debt incurred by the Companies vis-à-vis any of Sellers or their Affiliates, the granting of any guarantee by the Companies for the benefit of Sellers or their Affiliates, the waiver of any claims by the Companies vis-à-vis Sellers or their Affiliates and/or any sale or transfer of any material asset of the Companies to Sellers or their Affiliates;
- (d) any payment of advisory or similar fees by the Companies to Sellers or their Affiliates;
- (e) any encumbrance created over any of the material assets of the Companies in favour or for the benefit of Sellers or their Affiliates;
- (f) any payment of fees, costs and expenses to advisors of the Companies in connection with the preparation, negotiation or implementation of the transactions contemplated under this Agreement (for the avoidance of doubt, any obligation of the Companies to make such payment after the Signing Date shall also be considered as Leakage, irrespective when the obligation was incurred);
- (g) the granting or payment by the Companies of any transaction bonus, exit bonus, exceptional or contingent payment or similar payment or benefit to any director, employee or consultant of the Companies, other than bonus payments related to the normal business of the Companies and entered into in the ordinary course (for the avoidance of doubt, any obligation of the Companies to make such payment after the Signing Date shall also be considered as Leakage, irrespective when the obligation was incurred);

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- (h) any Taxes payable by the Companies in respect of any of the matters in Clause 5.2(a) through (g); and
- (i) the entering into an agreement or commitment by the Company to effect any of the matters referred to in Clause 5.2(a) through (g).

5.3 Permitted Leakage

“Permitted Leakage” shall mean

- (a) the payment of the Shareholder Loan 1 Repayment Claim Purchase Price and Shareholder Loan 2 Repayment Claim Purchase Price including interest thereon in accordance with Clause 4.3; and
- (b) the payments to Sellers 3, 4 and 5 under their respective service agreements existing as of the Signing Date, not exceeding the amounts as listed in **Schedule 5.3(b)**;
- (c) the payments of the remuneration for the members of the advisory board (*Beirat*) of the Sold Company, not exceeding the amounts as listed in **Schedule 5.3(b)**;
- (d) the payment of advisory fees to the accounting, tax and law firm Moog Partnerschaftsgesellschaft mbB, Freiberg, not exceeding the amounts as listed in **Schedule 5.3(b)**; and
- (e) the [***] payment to [***] in connection with his [***] of the Sold Company and ACTech GmbH, not exceeding of an amount of EUR 519,664.30 (Euro five hundred nineteen thousand six hundred four 30/100) plus VAT (including all related [***], if any).
- (f) the payment of interest on the Shareholder Loans in the amount of EUR 392,220.12 for the year 2016 as set forth in Clause 4.4.

5.4 Legal Consequences in case of Leakage

In case of a breach of the representation set forth in Clause 5.1,

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- (a) if only one Seller (or several, but not all Sellers) (or any of their respective Affiliate(s)) has received a Leakage which is not a Permitted Leakage, then such Seller (or Sellers) shall be liable towards Purchaser under the terms of this Agreement (and for the avoidance of doubt, for the full respective amount of the Leakage received irrespective of their respective percentage ownership of Shares in the Sold Company) and no other Seller shall have any liability towards Purchaser for such Leakage;
- (b) if all Sellers have directly or indirectly received a Leakage (in particular in case of payment to third parties under Clauses 5.2(f) and 5.2(g)) which is not a Permitted Leakage, then all Sellers shall be liable towards Purchaser under the terms of this Agreement proportionate to their respective percentage ownership of Shares in the Sold Company;

and the respective Seller or Sellers shall compensate Purchaser (or, at the election of Purchaser, the relevant Company) on a EUR for EUR basis for the full or proportionate amount of the Leakage, plus interest for the period from (but excluding) the date when the respective Leakage occurred until (but including) the date when Purchaser (or, as the case may be, the relevant Company) has been fully compensated for such Leakage at the interest rate set forth in Clause 4.8. For the avoidance of doubt, the provisions of Clause 10 shall not apply to claims under this Clause 5.

6. COMPLETION ACTIONS, RIGHT TO RESCIND

6.1 Completion Actions

- (a) Upon payment of the Aggregate Purchase Price (less the Escrow Amount) and the Escrow Amount in accordance with Clause 4.7. Purchaser shall provide a bank confirmation of the relevant payments. Sellers shall confirm to Purchaser and the acting notary in writing receipt of the relevant payments, and the acting notary shall confirm in writing receipt of the Escrow Amount to the Parties.
- (b) Sellers have provided the acting notary with (i) original signed resignation letters by all members of the advisory board (*Beirat*) of the Sold Company, confirming that no member of the advisory board has any further claims against the Companies, (ii) the original signed letter of [***] resigning as [***] of the Sold Company and AC Tech GmbH and confirming that [***] has no claims against the Sold Company and AC Tech GmbH, each as attached in **Schedule 6.1**. Upon receipt of the confirmation of the payment of the Aggregate Purchase Price by the Purchaser and the Escrow Amount pursuant to Clause 4.7, the acting notary shall hand such original letters over to Purchaser.

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6.2 Sellers' Right to Rescind as a Result of Failure to Pay the Aggregate Purchase Price

In the event that payment of the Aggregate Purchase Price has not been made in full within five (5) Business Days after the date of this Agreement, Sellers may rescind this Agreement by written notice to Purchaser. The rescission right (*Rücktrittsrecht*) shall not prejudice any further claims of Sellers.

7. SELLERS' GUARANTEES

Sellers guarantee, or each Seller individually, as the case may be, guarantees, to Purchaser in the form of guarantees pursuant to Sec. 311 (1) of the German Civil Code ("**BGB**"), i.e. as guarantees "sui generis", that the following statements are true and accurate as of the Signing Date. The Parties agree that the following guarantees do not constitute *Beschaffheitsgarantien* within the meaning of Sections 443, 444 of the German Civil Code (BGB). Other than expressed in the guarantees hereinafter, Sellers assume no further representations and warranties regarding the legal and economic affairs of the Companies that exceed the guarantees set forth in this Clause 7. To the extent any guarantee set forth herein is based on Sellers' knowledge, the positive knowledge of Sellers and the knowledge on their part which Sellers would have had applying the standard of care of a prudent business man according to section 93 AktG (*Sorgfalt eines ordentlichen and gewissenhaften Ges-chäftsleiters*) is relevant.

7.1 Shares

- (a) Each Seller guarantees, but only with respect to the Shares held by such Seller, that the statements in Preamble (B) and Schedule (B) regarding the Shares are correct.
- (b) Each Seller guarantees, but only with respect to the Shares held by such Seller, that (i) such Seller has good and marketable title to the Shares, (ii) the Shares have been duly and validly issued, are fully paid up and have not been repaid, (iii) the Shares are free from any pledges, encumbrances, liens and other rights of third parties of any type whatsoever, and (iv) there are no obligations to grant such rights to third parties.

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- (c) The Sold Company has good and marketable title to the shares in ACTech GmbH, and ACTech GmbH has good and marketable title to the shares in ACTech North America Inc., and the shares in these Companies are free from any pledges, encumbrances, liens and other rights of third parties.

7.2 Authorisation of Sellers

Each Seller guarantees, but only with respect to each such Seller, that each such Seller has full power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement constitutes the legal, valid and binding obligation of each Seller enforceable against it in accordance with the terms herein. Written consents of spouses of Sellers 3, 4 and 5, who are married, are attached as **Schedule 7.2**. To the respective Seller's knowledge, no Seller requires any other consent or permission of a third party or government authority with regard to this Agreement. No court order to open insolvency proceedings over the assets of a Seller has been served on such Seller. To the respective Seller's knowledge, (i) no request for the opening up of such proceedings has been filed, and (ii) no circumstances exist which would require a Seller to apply for the opening of such proceedings.

7.3 Status of the Companies

The statements in Preamble (A) through (D) regarding the Companies are correct. The Sold Company and ACTech GmbH are each duly organised and validly exist under the laws of the Federal Republic of Germany. ACTech North America Inc. is duly organised and validly exists under the laws of the state of its incorporation. The articles of association and/or by-laws set forth in **Schedule 7.3** constitute the current articles of associations of the Companies. The Companies do not hold any shares or other interests in any other company other than set forth in Schedule (B). The India Office is duly established and in compliance with the permission granted by the Reserve Bank of India and any other applicable obligations under the laws of India.

7.4 Shareholder Loans and Financial Debt

- (a) Seller 1 and Seller 2 are the sole owners of the Shareholder Loans and guarantee that the statements in Preamble (G) and **Schedule (G)** regarding the Shareholder Loans are correct. The Shareholder Loans and Shareholder Loan Repayment Claims are free from any pledges, encumbrances, liens and other rights of third parties of any type whatsoever.

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- (b) The Companies have no financial debt (as defined in **Schedule 7.4(b)**) other than the financial debt owed to Sachsenbank/LBBW, Sparkasse Erzgebirge and Ally Financial, as well as under any finance leases, described in **Schedule 7.4(b)** and the Shareholder Loans, in each case in the amounts specified in **Schedule 7.4(b)**.

7.5 No Insolvency

No insolvency proceedings have been applied for with respect to any of the Companies, nor has the institution of such proceedings been denied for a lack of assets. To Sellers' knowledge, no circumstances exist which would require a Company to apply for the opening of such proceedings.

7.6 Accounting, Annual Financial Statements

- (a) The audited financial statements of each of the Sold Company and ACTech GmbH (consisting of the balance sheet, the profit and loss account and the annex) and the audited consolidated financial statements for the Sold Company for each of the financial years 2015 and 2016 contained in folder 3.1 of the Data Room ("**Financial Statements**") were prepared in accordance with the requirements set forth in the German Commercial Code (HGB) and the principles of proper accounting (*Grundsätze ordnungsgemäßer Buchführung*) and in consistence with past practice. As of their respective balance sheet date, the Financial Statements give a true and fair view (*vermitteln ein den tatsächlichen Verhältnissen entsprechendes Bild*) of the respective assets and liabilities (*Vermögenslage*), financial conditions (*Finanzlage*) and results of operation (*Ertragslage*) as defined by Section 264 (2) of the German Commercial Code (HGB). The unaudited financial statements of ACTech North America, Inc. for each of the financial years 2015 and 2016 have been prepared from the books and records of ACTech North America, Inc. in accordance with US GAAP and in consistence with past practice, and fairly present, in all material respects, the financial position of ACTech North America, Inc. as of the dates thereof and the results of its operations and cash flows for the periods indicated.
- (b) The unaudited consolidated monthly reports of the Companies as of 31 August 2017 which is attached in **Schedule 7.6(b)** has been prepared with due care and in consistence with past practise, and to the Sellers' knowledge contains a fair reflection of the net cash position of the Companies as of such date.

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- (c) Unless otherwise stated in **Schedule 7.6(c)**, there are no agreements with respect to financial derivatives instruments (including, but not limited to, options, swaps, forward exchange transactions, commodity futures) to which any of the Companies is a party.

7.7 **Operation of Business**

Unless otherwise stated in **Schedule 7.7**, the business of each of the Companies has been operated from January 1, 2017 until the Signing Date within the ordinary course of business and substantially as previously conducted. In particular, with the exception of intercompany transactions and unless otherwise stated in **Schedule 7.7**, the Companies

- (a) have not issued any interests or shares to third parties nor granted any other participation rights;
- (b) have not paid out any dividends or other distributions;
- (c) have not made any investments (i.e. fixed assets capitalized in the balance sheet) exceeding in the individual case EUR 50,000.00 (Euro fifty thousand);
- (d) have not sold or disposed of any fixed assets (capitalized in the balance sheet), and have not entered into any pledge, assignment or creation of security interests of/over any such fixed assets exceeding in an individual case EUR 20,000 (Euro twenty thousand);
- (e) have not granted or extended any loans to third parties, and have not been granted or extended any loans from third parties;
- (f) have not granted any guarantees and/or sureties (*Bürgschaft*) securing liabilities or obligations of any third party;
- (g) have not waived or settled any liability towards the Companies in excess of EUR 25,000 (Euro twenty five thousand);
- (h) have not taken any steps to change their capital structure (*Kapitalmaßnahmen*);

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- (i) have not given or received notice of termination in regard to any Employee and have not appointed or employed any new fulltime Employee with an annual salary exceeding EUR 40,000 (Euro forty thousand);
- (j) have not changed the compensation or bonus or other terms of employment of any fulltime Employee with an annual salary exceeding EUR 40,000 (Euro forty thousand); and
- (k) have not significantly changed the previously agreed payment terms with any customer or supplier of the Companies.

7.8 Real Property, Physical Assets

- (a) The Companies own the real property (*Grundstücke*) listed in **Schedule 7.8(a)**, and do not own and have not owned any other real property. Copies of the real estate register regarding the real estate owned by the Companies are attached in **Schedule 7.8(a)**. With the exception of those rights listed in **Schedule 7.8(a)**, the owned real property is free from any encumbrances, liens and other rights of third parties of any type whatsoever.
- (b) The Companies lease the real properties listed in **Schedule 7.8(b)**.
- (c) The Companies are the owner or authorised user of all tangible assets currently used and required to conduct the business in a comparable manner as conducted up to the Signing Date.

7.9 Intellectual Property, Software

- (a) **Schedule 7.9(a)** contains a list of all patents, trademarks, domain names and other registered intellectual property rights owned by, or licensed to, the Companies ("**Intellectual Property Rights**"). The Companies have not received written notice regarding, or are subject to any proceedings for opposition, cancellation, revocation or rectification of, any Intellectual Property Right which is material to the business of the Companies. The Companies have not been informed in writing that a third party is challenging any Intellectual Property Right. To Sellers' knowledge the Intellectual Property Rights have not been infringed by a third party, and the Companies do not infringe any intellectual property rights of third parties.

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- (b) **Schedule 7.9(b)** contains a list of all material software (except customary standard office and administration software) (i) developed by the Companies (“**Self-Developed Software**”), and (ii) licensed or sub-licensed from any third party to the Companies. The Self-Developed Software is (i) owned by the Companies or the Companies have sufficient title to unrestricted use of the Self-Developed Software, (ii) free from any encumbrances, liens and other rights of third parties of any type whatsoever, and no open source software of the type listed in **Schedule 7.9(b)** or similar public software is incorporated into or is being (or has been) distributed with the Self-Developed Software except as disclosed in **Schedule 7.9(b)**.
- (c) The Intellectual Property Rights and the software described in Clause 7.9(b), including the Self-Developed Software, enable the Companies to conduct their business as currently conducted.
- (d) The Company has duly complied with, to the extent required by law, contract or otherwise, the provisions of the German Act on Employee Inventions (*Arbeitnehmererfindungsgesetz*) or similar foreign law. The Company has paid all remuneration to persons entitled to any compensation under the German Act on Employee Inventions or agreements entered into under such Act up to and including 31 December 2015 and has made accruals for the periods thereafter, and there are no other agreements with (current or former) employees of the Companies regarding employee inventions.

7.10 Business Operations, Compliance with Laws and Permits

Except as set forth in **Schedule 7.10**, the Companies hold all permits, licenses or approvals required under public law or neighbours’ law (*Nachbarschaftsrecht*) for the operation of the business as presently conducted.

7.11 Subsidies

The Companies have received or applied for certain (i) investment subsidies (*Investitionszulagen*), (ii) investment grants (*Investitionszuschüsse*) (iii) R&D grants (*Zuschüsse für Forschung and Entwicklung*), (iv) interest grants (*Zinszuschüsse*) and (v) other subsidies (*sonstige Fördermittel*) (with the exception of training subsidies (*Ausbildungszuschüsse*) in an amount of up to EUR 10,000 (Euro ten thousand) in the individual case) (together “**Subsidies**”). Except for Subsidies which are either completely consummated or under

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which, according to their terms, the Companies no longer have any obligations all Subsidies granted to the Companies are comprehensively and correctly listed in **Schedule 7.11**. Since January 1, 2016, none of the Companies has applied for, received or used any further public subsidies in an amount of at least EUR 25,000 (Euro twenty five thousand), other than the Subsidies listed in Schedule 7.11. No repayment claims have been received by the Companies with respect to the Subsidies, and, to Sellers' knowledge, there are no grounds for any such repayment claims. The Companies have fulfilled and are in compliance with any requirements and conditions imposed by the competent authority in connection with the Subsidies.

7.12 **Material Agreements**

Schedule 7.12 contains a schedule of all agreements as described below with respect to which any of the Companies is a party and which have not been terminated (the "**Material Agreements**"):

- (a) all rental agreements, lease agreements and other agreements with annual payment obligations exceeding EUR 15,000 (Euro fifteen thousand) in the individual agreement concerning the use of movable and immovable assets used for the business;
- (b) all credit and other loan agreements entered into with third parties other than loans to employees not exceeding three monthly gross salaries of the respective employee;
- (c) all guarantees, sureties (*Bürgschaften*), assumptions of debt, participations in debt, letters of support and any other instruments under which a Company could be liable for the obligations of any third party;
- (d) any other agreement (not covered in other paragraphs of this Clause and except for employment agreements) which cannot be terminated with effect as of or prior to December 31, 2017 and providing for annual payment obligations for the Companies in excess of EUR 10,000 (Euro ten thousand) in the individual case;
- (e) any agreement with an individual value exceeding EUR 25,000 (Euro twenty five thousand) containing a change-of-control clause;
- (f) all license agreements providing for annual payment obligations with an individual value exceeding EUR 10,000 (Euro ten thousand) for the Companies; and

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- (g) any agreements with Sellers or Sellers' Affiliates (other than the Companies) or persons with a personal relationship to a Seller (*Nahestehende Personen* within the meaning of Section 15 of the Tax Code (*Abgabenordnung*)) (together "**Related Persons**").

Except as disclosed in **Schedule 7.12**, the Companies have not given to or received from any party to a Material Agreement (i) any written notice of termination or (ii) any written notice of any actual or alleged default by the Companies under a Material Agreement.

7.13 Employees, Pensions

- (a) **Schedule 7.13(a)** contains a correct list of all managing directors (*Geschäftsführer*), statutory agents (*Prokuristen*) and other employees of the Companies with an annual salary in excess of EUR 75,000 (Euro seventy-five thousand) (such directors and employees together the "**Key Employees**" and individually as "**Key Employee**") showing their name, date of birth, date of commencement, termination period, annual fixed salary (gross amount excluding employer contributions), and other benefits including bonus entitlements, pensions and similar benefits.
- (b) **Schedule 7.13(b)** contains a correct anonymized list of all other employees of the Companies other than marginal part-time employees (*geringfügig Beschäftigte*), trainees and work students who are employed on a case to case basis (such employees together with the Key Employees jointly referred to as "**Employees**" and individually as "**Employee**") showing their personnel number, age, date of commencement, weekly working time, termination period, annual fixed salary (gross amount excluding employer contributions), and other benefits including bonus entitlements, pensions and similar benefits, and of the relevant applicable overtime entitlements. Unless stated in **Schedules 7.13(a) or (b)**, (i) there are no agreements with Employees that provide for a participation in the Companies' profits or special payments, such as bonuses, option rights, premiums or profit-oriented bonus payments, and (ii) no Employee has either given or received notice of termination of his or her employment agreement or has entered into a termination agreement with any of the Companies or has received or made an offer of such an arrangement. All compensation and withholding obligations of the Companies to or in respect of their current and former Employees for periods until the Signing Date have been satisfied by the Companies, and, to Sellers' knowledge, the Companies have fulfilled all conditions in connection with the payment of short time work compensation (*Kurzarbeitergeld*) to the Employees.

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- (c) The Employees are not subject to any collective bargaining agreements (*Tarifverträge*). Certain company-wide remuneration and bonus rules apply to the Employees of ACTech GmbH, as described in **Schedule 7.13(c)**. No legally binding promises or commitments have been made by any of the Companies to their Employees to increase benefits, except as set forth in **Schedule 7.13(c)**.
- (d) **Schedule 7.13(d)** contains a sample employment contract used by the Companies.
- (e) The Companies do not employ any freelancers or similar self-employed personnel.
- (f) The Companies have not granted any direct pensions entitlements (*Direktzusagen*) and do not provide any employer-financed company pension schemes (*arbeitgeberfinanzierte betriebliche Altersversorgung*), and the Companies have no other liabilities to any actual or former employees under any direct pension entitlements or company pension schemes.
- (g) Except as set forth in **Schedule 7.13(g)**, no works council has been elected at the Companies, and the Companies are not bound by shop agreements (*Betriebsvereinbarungen*) other than those listed in **Schedule 7.13(g)**.

7.14 Suppliers and Customers

Schedule 7.14 contains a list of the ten largest suppliers and of the ten largest customers of the Companies in the financial years 2014 - 2016, in each case indicating the relevant business volume. No customer has informed any of the Companies that it will cease or materially reduce its business with it.

7.15 Insurances

Schedule 7.15 contains a list of all insurance policies, with the exception of insurance policies relating to motor vehicles used in the business, entered into by any of the Companies. All motor vehicles used in the business are adequately insured as required by law.

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7.16 Litigation and Administrative Proceedings

With the exception of the proceedings listed in **Schedule 7.16**, none of the Companies is involved as plaintiff, as defendant or as any other party in any pending (*rechtshängig*) lawsuit or arbitration proceeding, and to Sellers' knowledge, no such proceedings have been threatened in writing against the Companies.

7.17 Compliance

To Sellers' knowledge, the Companies are in compliance with all material provisions of applicable law. None of the Companies and no Key Employee has been sentenced by a court or has been subject to criminal investigations with respect to fraud, corruption, bribery or other criminal behaviour in relation to the conduct of the business of the Companies, and to Sellers' knowledge, no circumstances exist which could lead to such a criminal investigation. The Companies have not been subject to any other administrative investigations or proceedings which resulted in fines, penalties and/or costs exceeding an amount of EUR 25,000 (Euro twenty-five thousand).

7.18 Environmental Issues

The Companies have not received clean-up orders from public authorities or requests from neighbours. Purchaser is aware of the existing environmental condition of the Freiberg, Halsbrücker Straße site. The environmental reports and the statements from environmental authorities relating to that site are set forth in **Schedule 7.18**.

7.19 Actions between January 1, 2017 and the Signing Date

Except as specified in **Schedule 7.7**, in the period between January 1, 2017 and the Signing Date, the business of the Companies has been conducted in the ordinary course.

7.20 No Commission or Finder's Fee

The Companies are under no obligation to pay any success fees to any broker, finder or agent with respect to the execution of this Agreement or the consummation of the transactions contemplated hereunder.

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8. REMEDIES IN CASE OF A BREACH OF GUARANTEES

8.1 Rectification of Breach

In case of the breach of any of the guarantees by Sellers according to Clause 7, Sellers shall compensate Purchaser within 45 days from Purchaser's request by creating such state that would have existed had the guarantee been correct (*Naturalrestitution*). Purchaser shall inform Sellers without undue delay and in any case within 30 days of becoming aware of the relevant facts if it believes that a breach of any such guarantees has occurred.

8.2 Compensation for Damages

In case (i) Sellers do not compensate Purchaser by creating the state that would have existed had the guarantee been correct (*Naturalrestitution*) within the period set forth in Clause 8.1 above, or (ii) such compensation is not possible, Sellers shall compensate Purchaser by paying damages in cash (*Schadenersatz in Geld*). Any compensation shall (i) include all reasonably foreseeable consequential damages (*Folgeschäden*) and applicable legal fees and other reasonable costs of defense, and (ii) exclude any contractually agreed loss of profits (*entgangener Gewinn*) or loss in value because of a loss in profits or revenue. The statutory regulations regarding the calculation of damages, mitigation of damages and offsetting of losses by advantages due to the damaging event (*Schadensberechnung, Schadensminderung, Vorteilsaus-gleich*) pursuant to Sec. 249 et seq. of the BGB shall apply. Any payments to Purchaser pursuant to this Clause 8 (and pursuant to Clauses 9 and 9A) shall be treated as a reduction of the Aggregate Purchase Price.

8.3 Recourse against Escrow Amount

Clause 17 notwithstanding, any claim of Purchaser against a Seller under this Agreement may be satisfied in full out of the Escrow Amount. Any liability of Sellers exceeding the Escrow Amount shall be severally (*teilschuldnerisch*).

8.4 Exclusion of Compensation

Any liability of Sellers hereunder shall be excluded to the extent that claims of Purchaser or the underlying facts or circumstances (a) are actually compensated by insurances or other third parties or (b) if Purchaser has not undertaken commercially reasonable efforts to have them actually compensated by insurances or other third parties, or (c) are compensated by Sellers on the basis of any indemnity provisions under this Agreement, or (d) are explicitly reflected for such fact or circumstance as a liability or accrual in the Financial

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Statements (no double dip). Any compensation payments that have been made to Purchaser by Sellers, and subsequently become excluded according to lit. (a) above shall be refunded by Purchaser to Sellers without undue delay.

8.5 Purchaser's Knowledge

Sellers' obligation to compensate Purchaser for damages is excluded if the breach of guarantee was specifically and fairly disclosed to Purchaser in this Agreement (including its Schedules) or in the virtual data room hosted by In-tralinks and accessible to Purchaser in the period from 13 July 2017 until 30 September 2017 (the "**Data Room**"). The Parties have submitted today to the acting notary a DVD and/or data memory stick ("**DVD**") with the contents of the Data Room and hereby instruct the acting notary to keep this DVD or data memory stick in safe custody together with this deed for a period of six years after the Signing Date, unless judicial or arbitration proceedings have been commenced relating to claims under or in connection with this Agreement, in which case the DVD shall remain deposited with the notary until the finalisation of such judicial or arbitration proceedings. The acting notary shall deposit the DVD in his offices or upon the acting notary's discretion in a bank safe. The acting notary is not obliged to organize special preventions against fire, theft or the risk of loss of data. The acting notary shall grant Sellers and Purchaser (solely or jointly) access to the DVD upon request. After expiration of the period set out above, the notary is authorized to destroy the DVD. Copies of the DVD have been handed out to each of Sellers and Purchaser on or prior to the Signing Date. For the purposes of this Clause 8.5, "fair disclosure" shall mean the disclosure of facts or circumstances in a manner to allow a reasonably diligent buyer of the Companies to fully assess the nature and significance of the relevant matter, including the fact that it constitutes a breach of guarantee, and any fact or circumstance disclosed under a particular clause or schedule in this Agreement shall be deemed a disclosure under all clauses and schedules of this Agreement. The Parties hereby acknowledge that the knowledge of any managing director, employee or professional advisor of the Companies shall not be attributed to Purchaser in connection with this Clause 8.5.

8.6 Third Party Claims

In the event that a claim against Purchaser or a Company is asserted, made, threatened or filed by a third party (including a public authority) which results,

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or which the Purchaser reasonably believes to result from or lead to a breach of any of the guarantees by Sellers according to Clause 7 (“**Third Party Claim**”) the following shall apply:

- (a) No admissions in relation to such a Third Party Claim shall be made by or on behalf of Purchaser or any of the Purchaser’s Affiliates (including the Companies) and a Third Party Claim shall not be compromised, disposed of or settled without the prior written consent of Sellers.
- (b) If a Seller wishes to defend Purchaser or a Company against a Third Party Claim in its name and on its behalf, such Seller shall notify Purchaser accordingly within a period of three weeks after having been duly notified of the Third Party Claim. Upon such notification the respective Seller shall be entitled to take any action he deems necessary to defend, appeal, compromise or settle the Third Party Claim in the name and on behalf of Purchaser or a Company, unless such action would be against the reasonable business interests of the Companies or Purchaser. Purchaser shall, and shall procure that the affected Company shall, promptly give all assistance and information to Seller including reasonable access to all relevant documents of the Companies as may be reasonably required to defend the Third Party Claim and in particular promptly forward all notices, communications and filings (including court papers).
- (c) If Sellers do not notify the Purchaser in accordance with Section 8.6(b), Purchaser shall, or shall procure that the affected Company shall, conduct the defence of the Third Party Claim diligently and in good faith. Purchaser shall, and shall procure that the affected Company shall keep Sellers fully informed of the progress of the Third Party Claim and its defence and consult with Sellers prior to taking any action in relation to the Third Party Claim and its defence so as to give the Sellers the opportunity to comment and object.
- (d) The costs and expenses incurred in relation to the defence against the Third Party Claim shall be borne by the party defending the Third Party Claim.

9. TAXES

9.1 Definition

“**Tax**” or “**Taxes**” shall mean

- (a) any taxes or similar assessments or ancillary charges or other payments (*Steuern and steuerliche Nebenleistungen*) within the meaning of Section 3 of the German Tax Code (*Abgabenordnung*), any customs duties (*Zölle*), and any equivalent taxes or duties under the laws of any other jurisdiction;

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- (b) social security contributions (*Beiträge, Gebühren*) for retirement, health, unemployment, nursing and occupational accident or long-term care insurance (*Pflegeversicherung*) under the laws of any jurisdiction;
- (c) any taxes to be withheld or paid for the account of a third party (*Steuerabzugsbeträge*), such as (in particular, but not limited to) capital withholding or wage tax (*Kapitalertrag- and Lohnsteuer*) under the laws of any jurisdiction;
- (d) any secondary liability (*Haftungsschuld*) for Taxes defined under sub-paragraphs (a) to (c) under the laws of any jurisdiction; and
- (e) any penalties, fines, interest, costs or additions in connection with Taxes defined under sub-paragraphs (a) to (d), irrespective whether imposed under the laws of Germany or any other jurisdiction.

9.2 Tax Guarantee

Sellers guarantee that as of the Signing Date, the Companies (i) have duly and timely paid (or withheld and remitted) all Taxes relating to any time period up to the Signing Date when due (*fällig*), and (ii) have duly and timely filed in accordance with applicable law all tax returns. All tax returns are correct and complete and have been prepared in accordance with applicable laws, rules and regulations. The books, accounting and other records of the Companies as well as any other documentation required to be prepared and maintained by the Company according statutory tax law, rules and regulations (i) are complete and up to date, (ii) contain complete and accurate details of the business activities of the Companies and of all matters to be recorded and documented under applicable law, including tax laws, rules and regulations, and (iii) have been maintained in accordance with applicable legal and tax law, rules and regulations on a proper and consistent basis. No notice or allegation that any books and records are incorrect or should be rectified has been received by the Companies in writing. Purchaser is aware that the completeness of the transfer pricing documentation of the Companies has been disputed in the current tax audit and, therefore, shall not be entitled to any claim under this Clause 9.2 in relation to the transfer pricing documentation of the Companies (but, for the avoidance of doubt, potential claims under Clause 9.3 shall remain unaffected).

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9.3 Tax Indemnification

Sellers shall indemnify and hold harmless (*freistellen*) Purchaser (or, at the election of Purchaser, the Companies) from and against any Taxes payable by the Companies and relating to any assessment periods (*Veranlagungszeiträume*) ending on or before the December 31, 2016. For the avoidance of doubt, such indemnification obligation shall include any Taxes that result from the [***] for the period until the [***] of the [***] pursuant to the [***]. Sellers shall not be obliged to indemnify Purchaser for any claim under the preceding sentences (“**Tax Indemnification Claim**”) if and to the extent that

- (a) the relevant Tax has been fully paid by [***] on or prior to the [***];
- (b) the relevant Tax will result in [***] of [***] in the [***], whereby the [***] of the Tax Indemnification Claim on account of [***] shall amount to the present value of [***] realized by [***] within the first [***] after the [***] and calculated on the basis of a presumed uniform aggregated [***] and [***] of [***]% or such other applicable [***] as known at the time the Tax reduction is calculated and a discount factor of [***]% per annum;
- (c) [***] are entitled to any [***] resulting from the continued utilization of [***] by [***] in the [***] and thereafter as a result of the [***] on the [***] [***] in case of a [***], provided, however, that such [***] shall only reduce a Tax Indemnification Claim after they have been confirmed as [***] and [***] vis-à-vis [***] by a [***]; if Tax Indemnification Claims occur prior to the [***] having been confirmed as [***] and [***], such Tax Indemnification Claims shall first be satisfied in full by [***] and [***] shall compensate [***] for the corresponding amount if and to the extent that such [***] are confirmed as [***] and [***] at a later stage; or
- (d) [***] have received [***] relating to [***] ending on or before the [***] which are not [***] for in the [***] of [***]; [***] shall (i) immediately inform [***] of any such [***] in writing, (ii) provide the relevant documentation to [***] and, (iii) to the extent that the amount of [***] relating to [***] ending on or before the [***] exceeds the amount of Tax Indemnification Claims, compensate [***] for the corresponding amount.

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9.4 Cooperation in Tax Matters

After the Signing Date, Sellers and Purchaser shall fully and in good faith cooperate with each other in respect of Tax matters of the Companies relating to any assessment periods (*Veranlagungszeiträume*) ending on or before the December 31, 2016. Purchaser shall procure that Sellers are informed of all Tax assessments, announcements of Tax audits and any other written correspondence or documents which the Companies receive from a Tax authority and which may give rise to a Tax Indemnification Claim without undue delay. The Parties agree on the following:

- (a) Purchaser shall, and shall procure that the Companies will, forward to Sellers copies of all Tax assessments and announcements of Tax audits which may give rise to a Tax Indemnification Claim within twenty (20) Business Days after Purchaser or the relevant Company has received such Tax assessment or announcement of a Tax audit. Purchaser (i) shall provide or make available and shall ensure that the Companies provide and make available upon request all relevant books, records and documentation, (ii) shall grant, and shall ensure that each Company grants, Sellers and Sellers' advisors the right to participate in material meetings, discussions and correspondence with the Tax Authorities, including in the case of Tax audits the right to attend the final meeting with the Tax auditor, at the sole expense of Sellers, and (iii) shall duly incorporate, and shall ensure that each Company incorporates in its statements to the Tax authorities any reasonable comments Sellers may have.
- (b) Unless required by law, Purchaser shall not, and shall ensure that the Companies will not without prior consent of Sellers, settle or concede to the findings of any Tax audits relating to any assessment periods (*Veranlagungszeiträume*) ending on or before the December 31, 2016. If Purchaser or the Companies intend to take any actions mentioned in the preceding sentence, Purchaser shall notify Sellers prior to taking

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such action in writing about the intention to do so and Sellers shall within ten (10) Business Days after receipt of the notification either provide their written consent to the intended action of Purchaser or the Companies or shall inform Purchaser in writing about their intention how to handle the matter differently; otherwise Sellers' written consent to such action shall be deemed to be given.

- (c) Purchaser shall procure that, upon request of Sellers, objections are filed and legal proceedings are instituted and conducted against any Tax assessment notices, orders, audits, decrees or judgments relating to any assessment periods (*Veranlagungszeiträume*) ending on or before the December 31, 2016 in accordance with the instructions and at the sole expense of Sellers. Purchaser shall ensure that Sellers are provided with all relevant documents, other information and assistance reasonably required by Sellers in this connection.
- (d) Purchaser shall cause the Sold Company and ACTech GmbH to use reasonable commercial efforts to have initiated a Tax audit for the years 2015 and 2016 within six months after the Tax audit for the financial years 2012 to 2014 has been finalized.

9.5 Exclusion of Tax Indemnification Claims

Tax Indemnification Claims shall be excluded

- (a) if and to the extent that Purchaser has breached its obligations under Clause 9.4, and the Tax Indemnification Claim has been caused or increased by such breach;
- (b) if and to the extent that the Tax Indemnification Claim was caused by any restructuring action taken by Purchaser or any of the Companies after the Signing Date.

For the avoidance of doubt, the provisions of Clauses 8.4, 8.5, 10.1 and 10.2 shall not apply to claims under this Clause 9.

9A. [***] INDEMNIFICATION CLAIM

Sellers shall indemnify and hold harmless (*freistellen*) Purchaser (or, at the election of Purchaser, the Companies) from and against any claims by [***][***] of [***], [***], in relation to the payment of [***] or any [***] for [***]. Any indemnification claim under this Clause 9A shall become

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due [***] Business Days before the relevant Company has to pay the relevant amounts to [***]. The Parties shall cooperate in good faith in the [***] of any [***] of [***], and Clause [***] shall apply mutatis mu-tandis to any [***] under this Clause 9A.

10. LIMITATION OF LIABILITY

10.1 De Minimis, Threshold

Claims of Purchaser in connection with a breach of any of the guarantees by Sellers according to Clause 7 may only be asserted if

- (a) the value of an individual claim or of a series of claims based on identical or similar circumstances exceeds EUR 25,000 (Euro twenty five thousand); and
- (b) to the extent that the aggregate amount of all claims that exceed the threshold set forth under (a) exceeds EUR 100,000 (Euro one hundred thousand), in which case the full amount of all qualifying claims may be claimed by Purchaser.

10.2 Cap

- (a) The aggregate liability of Sellers regarding a breach of any of the guarantees set forth in Clause 7.1, 7.2, 7.3 and 7.4(a) of this Agreement is limited to a total amount equal to the Aggregate Purchase Price (“**Overall Cap**”), provided that each Seller shall only be liable for such portion of the Overall Cap pro rata to the Shares (and, if applicable, Shareholder Loans) sold by such Seller under this Agreement.
- (b) In light of the fact that Purchaser shall enter into a W&I insurance, substantially in accordance with the terms in Schedule 10.2(b) to provide further coverage for such claims, Sellers’ aggregate liability is limited to EUR 200,000 (Euro two hundred thousand), provided that the Overall Cap shall in no event be exceeded.

10.3 Statute of Limitation

Claims of Purchaser arising under this Agreement shall become time-barred

- (a) 5 (five) years after the Signing Date with respect to claims relating to a breach of any of the guarantees set forth in Clause 7.1, 7.2, 7.3 and 7.4(a) or any claims under Clauses 5 and 9A;

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- (b) regarding all claims under Clause 9, the earlier of (i) six (6) months after the date of the final, non-appealable (*formell und materiel bestandskräftig*) assessment concerning the respective Tax, or (ii) five(5) years after the Signing Date; and
- (c) 20 (twenty) months after the Signing Date with respect to all other claims of Purchaser.

10.4 No Further Rights

The Parties agree that Purchaser's rights concerning the subject matter of this Agreement are exclusively laid down in this Agreement. Any other contractual, semi-contractual, statutory or other rights of Purchaser - irrespective of their legal character — are excluded to the extent permitted under applicable law. Unless expressly provided otherwise in connection with the guarantees (Clause 7) or elsewhere in this Agreement, in particular Purchaser's right to challenge the Agreement (*Anfechtung*), the right to re-performance (*Nacherfüllung*), the right to rescission (*Rücktritt*), the right to wind-up the Agreement (also in the form of comprehensive compensation (*großer Schadensersatz*), to make deductions from the purchase price (*Minderung*) or to adjust the Agreement (*Störung der Geschäftsgrundlage*) are excluded. The same applies to claims for compensation based on a positive violation of a right (*Positive Forderungsverletzung*) and breach of pre-contractual duties (*culpa in contra-hendo*) (Section 311 subsection 2 no. 1 and 2 of the BGB). Sellers' liability and any claims against them based on wilful misconduct (*Vorsatz*) or fraud (*Ar-glist*) shall remain unaffected.

11. PURCHASER'S GUARANTEES AND INDEMNITY

11.1 Guarantees

Purchaser and Purchaser's Guarantor each guarantees that Purchaser and Purchaser's Guarantor each was founded in accordance with applicable law and validly exists and holds all necessary powers of attorney, approvals and permissions to enter into and to execute this Agreement. This Agreement constitutes valid and binding obligations for Purchaser and Purchaser's Guarantor according to the statutory regulations applicable to them.

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11.2 Indemnity

Purchaser will indemnify and hold Seller 1 and Seller 2 harmless from all liabilities, damages and losses Seller 1 and/or Seller 2 may suffer if the expectations expressed in the consent letters of Sachsen Bank/LBBW attached hereto as Schedule I that certain amendments, additional agreements and other steps will be made and executed in connection with its loan to the Companies will not be met.

12. PAYMENT TO RESERVES OF THE SOLD COMPANY

Purchaser is aware that in 2014, Sellers 1 and 2 made a contribution to the re-serves of the Sold Company in the amount of EUR 1 million to enable the Sold Company to repay in part a loan to former shareholders of the Sold Company. The Sold Company subsequently repaid that amount on October 27, 2014 to Sellers 1 and 2. In 2015, Sellers 1 and 2 repaid the distributed amount of EUR 1 million to the Sold Company. The Parties are in agreement that Purchaser is not entitled to make any claims, and shall ensure that the Sold Company will not make any claims, against Sellers resulting from a potential violation of capital maintenance rules, in particular any claims for additional contributions to the share capital of the Sold Company.

13. NON-COMPETE, NON-SOLICITATION

Each of Seller 3, 4 and 5 agrees, for a period of 2 (two) years from the Signing Date, (i) not to directly or indirectly compete with the business of any of the Companies, as conducted, and in the geographic areas where the Companies are active, on the Signing Date, and (ii) not to directly or indirectly solicit any employees of the Companies. Nothing herein shall prohibit any of Sellers 3, 4 and 5 from purchasing or owning less than five percent (5%) of the outstanding securities and voting power of any corporation or entity, provided that such ownership represents a passive investment.

14. CONFIDENTIALITY AND PRESS RELEASES

The Parties shall, and shall cause their advisers, to keep the conclusion of this Agreement and the terms of this Agreement strictly confidential. Press releases and any other publications towards third parties shall be agreed in advance by all Parties. The preceding sentences shall not prohibit disclosure or use of any information if and to the extent that (i) the disclosure or use is required by law, applicable capital market rules or any regulatory body (including, in particular, Securities Exchange Commission (SEC) rules & regulations as a result of Purchaser's Guarantor's listing on the NASDAQ or any other stock exchange); (ii) the disclosure or use is required for the purpose of any judicial

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proceedings arising out of this Agreement or the disclosure is made to a competent Tax authority in connection with the Tax affairs of the disclosing Party; (iii) the disclosure is made to professional advisers, as part of Purchaser's customary capital market communication or to shareholders or actual or potential financiers of a Party on a need to know basis.

15. ASSIGNMENT

Neither Party may assign, in whole or in part, rights and obligations arising from this Agreement without the prior written consent of all other Parties. The restrictions pursuant to this Clause 15 shall not apply in the event of an assignment to Purchaser's Guarantor or an Affiliate of Purchaser, to financial institutions (or their agent(s)) that are financing all or the majority part of the Aggregate Purchase Price payable by Purchaser under this Agreement, or in the event of an assignment of claims to the insurer of the warranty and indemnity insurance policy taken out by Purchaser in connection with this Agreement. The obligations of the Purchaser under Clauses 8.6 and 9.4 shall only apply to the extent not prohibited by the terms of any warranty and indemnity insurance policy taken out by the Purchaser on the date of this Agreement and the conduct rights of the insurer under such policy shall prevail over the rights of the Sellers under Clauses 8.6 and 9.4 in case and to the extent of any conflict.

16. SEVERAL LIABILITY OF SELLERS

Each Seller shall be severally liable (*teilschuldnerisch haften*) for its obligations hereunder.

17. NOTICES

All notices under this Agreement shall be made in text form (*Textform*) unless a stricter form is required by law.

17.1 Notices to Sellers

All notices to Sellers in connection with this Agreement shall be addressed to:

PREMIUM Investment I GmbH & Co. KG
Marcel van Wijk
Email: #####@premium-equity.de
Fax: ### ### #####

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CornerstoneCapital II AG & Co. KG
Pieter van Halem
Email: #####@cornerstonecapital.de
Fax: ### ## #####

[***]
Email: #####@gmail.com

[***] is hereby authorized by Seller 3 and Seller 5 to represent them in giving and receiving notices in connection with this Agreement,
with a copy for informational purposes to:

HERMES & GIEBELER Rechtsanwälte
Dr. Reinhard Hermes
Email: #####@hermesgiebeler.com
Fax: +## #-#####-##

17.2 Notices to Purchaser

All notices to Purchaser in connection with this Agreement shall be addressed to:

Materialise GmbH
Carla van Steenberg
Friedrichshafener Str. 3, 82205 Gilching, Germany
Email: #####@materialise.be
Fax: +## ## ## ## ##

with a copy for informational purposes to:

Baker Mckenzie
Gerald Schumann
Theatinerstr. 23, 80333 München, Germany
Email: #####@bakermckenzie.com
Fax: +## ## ## ## #-###

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17.3 Notices to Purchaser's Guarantor

All notices to Purchaser's Guarantor in connection with this Agreement shall be addressed to:

Materialise N.V.
Carla van Steenberg
Technologielaan 15, 3001 Leuven, Belgium
Email: #####@materialise.be
Fax: +## ## ## ## ##

with a copy for informational purposes to:

Baker McKenzie
Gerald Schumann
Theatinerstr. 23, 80333 München, Germany
Email: #####@bakermckenzie.com
Fax: +## ## ## ## #-###

17.4 Changes of Address

The Parties shall inform each other of any changes of their addresses set forth in this Clause 17 without undue delay. Until such notice has been received, the address previously communicated by the other Party shall be used.

18. MISCELLANEOUS

18.1 Applicable Law

This Agreement shall be governed by, and construed in accordance with, the laws of the Federal Republic of Germany, except for the principles of conflicts of laws and further excluding the United Nations Convention on Contracts for the International Sale of Goods (CISG).

18.2 Costs

- (a) Each Party shall bear its own costs and expenditures, including its legal and tax counsels' fees.
- (b) Purchaser shall bear the notary's fees, requisite registration fees and the real estate transfer tax.

18.3 Jurisdiction

To the extent permitted by law, the courts of Frankfurt am Main shall have exclusive jurisdiction over all disputes between the Parties in connection with, or arising under, this Agreement.

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18.4 Amendments to Agreement

Any amendments to this Agreement, including the amendment of this provision itself, shall be valid only if made in writing unless a stricter form is required by law.

18.5 Schedules

All schedules to this Agreement (each a “**Schedule**” and together the “**Schedules**”) shall form an integral part of this Agreement; to the extent that the Schedules are agreements between the Parties, they shall be completed simultaneously with this Agreement. In case of a conflict between any Schedule and the provisions of this Agreement, the provisions of this Agreement shall prevail.

18.6 Entire Agreement; No Additional Agreements

This Agreement and its Schedules comprise all agreements made between the parties concerning the subject of the Agreement, and replace all oral or written negotiations, contracts, agreements, and provisions previously entered into between the Parties with respect to the subject of this Agreement, except for the confidentiality agreement dated June 2, 2017 which shall continue to apply if the actions to be performed pursuant to Clause 6.1 have not been consummated. There have not been any additional agreements between any one or several individual Seller(s) and Purchaser regarding the subject matter of this Agreement.

18.7 Severability Clause

Should any provision of this Agreement be or become invalid, ineffective or unenforceable in whole or in part, the validity, effectiveness and enforceability of the remaining provisions shall not be affected thereby. Any such invalid, ineffective or unenforceable provision shall be deemed replaced by such valid, effective and enforceable provision which comes closest to the economic intent and the purpose of such invalid, ineffective or unenforceable provision as regards subject-matter, amount, time, place and extent. Section 139 of the BGB shall not apply. The aforesaid shall apply *mutatis mutandis* to gaps in this Agreement, if any.

[***]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

18.8 Interpretation

Headings in this Agreement are for convenience only and shall not influence the interpretation of this Agreement.

18.9 Language of this Agreement

This Agreement is executed in the English language. Wherever this Agreement includes English terms after which either in the same provision or elsewhere in this Agreement German terms have been inserted in brackets and/or italics, the respective German terms alone and not the English terms shall be authoritative for the interpretation of the respective provisions.

[***]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

SUBSIDIARIES OF MATERIALISE NV

<u>Name</u>	<u>Jurisdiction of Incorporation</u>
Materialise France SAS	France
Materialise GmbH	Germany
Materialise Japan K.K.	Japan
Materialise Czech Republic SRO	The Czech Republic
Materialise USA, LLC	United States
Materialise UK Limited	United Kingdom
OBL SAS	France
Materialise Austria GmbH	Austria
Materialise Malaysia SDN. Bhd.	Malaysia
Materialise Ukraine LLC	Ukraine
RapidFit NV	Belgium
Materialise SA	Poland
Meridian Technique Limited	United Kingdom
OrthoView Holdings Limited	United Kingdom
Meridian (Corporate Trustee) Limited	United Kingdom
OrthoView Limited	United Kingdom
Materialise Colombia SAS	Colombia
RSPRINT powered by Materialise 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

CERTIFICATION

I, Wilfried Vancaen, certify that:

1. I have reviewed this annual report on Form 20-F of MATERIALISE NV (the “company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: April 30, 2018

By: /s/ Wilfried Vancaen

Wilfried Vancaen
Chief Executive Officer

CERTIFICATION

I, Johan Albrecht, certify that:

1. I have reviewed this annual report on Form 20-F of MATERIALISE NV (the “company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: April 30, 2018

By: /s/ Johan Albrecht

Johan Albrecht
Alfinco BVBA
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of MATERIALISE NV (the "Company") on Form 20-F for the fiscal year ended December 31, 2017, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Wilfried Vancraen, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2018

By: /s/ Wilfried Vancraen
Wilfried Vancraen
Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of MATERIALISE NV (the "Company") on Form 20-F for the fiscal year ended December 31, 2017, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Johan Albrecht, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2018

By: /s/ Johan Albrecht

Johan Albrecht
Alfinco BVBA
Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

Materialise NV
Leuven, Belgium

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-197236 and No. 333-212445) and Form F-3 (No. 333-213649) of Materialise NV of our report dated April 30, 2018, relating to the consolidated financial statements which appears in this Annual Report on Form 20-F.

BDO Bedrijfsrevisoren Burg. CVBA
On behalf of it,

Bert Kegels
/s/ Bert Kegels

Zaventem, Belgium
April 30, 2018