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NAT.	Filing date	Nr.	P.	U.	D.

F 1

ANNUAL ACCOUNTS AND OTHER DOCUMENTS TO BE FILED UNDER BELGIAN COMPANY LAW

IDENTIFICATION DETAILS

NAME: Materialise GROUP

Legal form: Public limited company

Address: Technologielaan Nr.: 15 Box:

Postal code: 3000 Municipality: Leuven

Country: Belgium

Register of legal persons – commercial court Leuven

Website address[1]:

Company identification number: BE 0441.131.254

DATE 05 / 12 / 2016 of filing the memorandum of association OR of the most recent document mentioning the date of publication of the memorandum of association and of the act amending the articles of association.

ANNUAL ACCOUNTS: ANNUAL ACCOUNTS IN EUROS (2 decimals)

approved by the general meeting of 05 / 06 / 2018

Regarding the financial year from 01 / 01 / 2017 to 31 / 12 / 2017

Preceding financial year from 01 / 01 / 2016 to 31 / 12 / 2016

The amounts for the preceding period **are** / ~~are not~~[2] identical to the ones previously published.

Total number of pages filed: 32 Numbers of sections of the standard form not filed because they serve no useful purpose: ...

Signature (name and position)

Signature (name and position)

1 Optional information.

2 Strike out what is not applicable.

OCR9002

Nr.	BE 0441.131.254

F 2.1

LIST OF DIRECTORS, BUSINESS MANAGERS AND AUDITORS AND DECLARATION REGARDING A COMPLIMENTARY REVIEW OR CORRECTION ASSIGNMENT

LIST OF THE DIRECTORS, BUSINESS MANAGERS AND AUDITORS

COMPLETE LIST with surname, first names, profession, place of residence (address, number, postal code and municipality) and position within the company

A TREC *Nr.: BE 0456.384.307* *Timmermansstraat 32, 8340 Damme, Belgium*	*Director* *03/06/2008 - 05/06/2018*
Represented by:	
Johan De Lille *Gaversesteenweg 604, 9820 Merelbeke, Belgium*	
Wilfried Vancraen *Jan Van der Vorstlaan 19, 3040 Huldenberg, Belgium*	*Managing director* *18/11/2003 - 05/06/2018*
Jos Van der Sloten *Langestraat 62, 3190 Boortmeerbeek, Belgium*	*Director* *03/06/2008 - 05/06/2018*
Pol Ingelaere *Hazegoedweg 13, 8800 Roeselaere, Belgium*	*Director* *07/06/2011 - 05/06/2018*
Peter Leys *Strooistraat 57, 1860 Meise, Belgium*	*Director* *28/11/2013 - 05/06/2018*
Jurgen Ingels *Clemenceaustraat 177 box A, 2860 Sint-Katelijne-Waver, Belgium*	*Director* *28/11/2013 - 05/06/2018*
Lieve Verplancke *Dikkemeerweg 54, 1653 Dworp, Belgium*	*Director* *02/06/2015 - 05/06/2018*
Hilde Ingelaere *Jan Van der Vorstlaan 19, 3040 Huldenberg, Belgium*	*Director* *18/11/2003 - 05/06/2018*
Bart Luyten *Hanswijkstraat 37 box A, 2820 Bonheiden, Belgium*	*Director* *06/06/2017 - 05/06/2018*
BDO Bedrijfsrevisoren Burg. Ven. CVBA *Nr.: BE 0431.088.289* *Da Vinchilaan 9 box E6, 1930 Zaventem, Belgium* *Membership nr.: B00023*	*Auditor* *07/06/2016 - 04/06/2019*
Represented by:	
Bert Kegels *Da Vinchilaan 9 box E6, 1930 Zaventem, Belgium* *Membership nr.: A01627*	

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

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.

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.

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.

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	Share capital	Share premium	Reserves	Other compre-hensive income	Total	Non-controlling interest	Total equity
		Attributable to the owners of the parents						
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	Share capital	Share premium	Reserves	Other compre-hensive income	Total	Non-controlling interest	Total equity
		Attributable to the owners of the parents						
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	Share capital	Share premium	Reserves	Other compre-hensive income	Total	Non-controlling interest	Total equity
		Attributable to the owners of the parents						
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.

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)
Non-cash and operational adjustments				
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.

Consolidated cash flow statements

in 000€	Notes	2017	2016	2015
		For the year ended December 31,		
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.

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 licenses 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€	**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 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 uncertainly 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

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.

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 knowledgable 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.

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-Prototypy (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 that 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 thc intangible assets can be presented as follows for the years 2017, 2016 and 2015:

in 000€	Patents & licenses	Software	Acquired customers, technology and backlogs	Total
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**

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 8.25years 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€	Land & buildings	Plant & equipment	Leased assets	Construction in progress	Total
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
(Share in the) joint venture's statement of financial position°			
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)
(Share in the) joint venture income and expenses (loss)°			
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 deprecations 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:

	For the year ended December 31		
in 000€	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:

	For the year ended December 31		
in 000€	**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.

<u>2013 warrant plan</u>

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.

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:

	2017
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:

	Plan 2015 (sept 16)	**IPO 2015 (Nov)**	**IPO 2014 (Nov)**	**IPO 2014 (June)**	**2013 (Dec) ***	**2013 (Oct) ***
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:

	2017	2016	2015
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:

	2017	2016	2015
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:

	2017	2016	2015
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:

	2014
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
- Convertion 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 shareholers 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 refered 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 finacial 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 observatable 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 observatable 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€	Materialise Software	Materialise Medical	Materialise Manufacturing	Total segments	Unallocated	Consolidated
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:

	For the year ended December 31		
in 000€	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:

	For the year ended December 31		
in 000€	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:

	For the year ended December 31		
in 000€	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:

	For the year ended December 31		
in 000€	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:

	Asset/(liability)			Income/(expense)		
in 000€	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 uncertainly 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

	For the year ended December 31		
in 000€	**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:

	For the year ended December 31		
in 000€	2017	2016	2015
Net profit attributable to ordinary equity holders of theparent for basic earnings	**(1,656)**	**(3,019)**	**(2,807)**
Interest on convertible bonds	—	—	—
Net profit attributable to ordinary equity holders of theparent 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:

	For the year ended December 31		
in 000€	2017	2016	2015
Weighted average number of ordinary shares for basicearnings per share	**47,325**	**47,325**	**47,224**
Effect of dilution:			
Share options	—	—	—
Convertible loan	—	—	—
Weighted average number of ordinary shares adjusted foreffect 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 ownersof 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:

	December 31, 2017		December 31, 2016		December 31, 2015	
in 000€	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€	Total	Non-due	< 30 days	31-60 days	61-90 days	91-180 days	> 181 days
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.

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 ("oprichtersaandelen") 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%	—	—