MATERIALISE NV
Company subject to the Belgian Code of Companies and Associations

Technologielaan 15
B-3001 Leuven
enterprise number 0441.131.254
RPR/RPM Leuven

(the "**Company**")

MANAGEMENT REPORT
TO THE ANNUAL GENERAL MEETING
TO BE HELD ON 2 JUNE 2020

Ladies and Gentlemen,

In accordance with the requirements laid down by law and the statutes of the Company, we are pleased to report to you about the activities of the Company and its subsidiaries (the "**Group**") for the financial year starting on January 1, 2019 and ending on December 31, 2019, and to present to you both the statutory annual accounts as well as the consolidated annual accounts as at December 31, 2019. This report has been prepared in accordance with articles 3:5 and 3:32 of the Belgian Code of Companies and Associations. For additional information, we also refer to our annual report on Form 20-F which has been filed with the SEC and is available on our website.

1. ANALYSIS OF THE OPERATING RESULTS ON A CONSOLIDATED BASIS

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

Comparison of the Years Ended December 31, 2019 and 2018

	Year Ended December 31,		
	2019	**2018**	**% Change**
	(in thousands of €)		*(%)*
Revenue	196,679	184,721	6.5%
Cost of sales	(86,972)	(82,299)	5.7%
Gross profit	**109,707**	**102,422**	**7.1%**
Research and development expenses	(23,348)	(22,416)	4.2%
Sales and marketing expenses	(52,989)	(46,303)	14.4%
General and administrative expenses	(31,786)	(32,310)	-1.6%
Net other operating income (expenses)	5,432	3,771	44.0%
Operating (loss) profit	**7,016**	**5,164**	**35.9%**
Financial expenses	(3,682)	(4,864)	
Financial income	1,377	3,627	
Share in loss of joint venture	(392)	(475)	
(Loss) profit before taxes	**4,319**	**3,452**	

	Year Ended December 31,		
	2019	2018	% Change
	(in thousands of €)		*(%)*
Income taxes	(2,595)	(425)	
Net (loss) profit for the year	**1,724**	**3,027**	**-43.0%**

Comparison for the Years Ended December 31, 2019 and 2018 by Segment

	Materialise Software	Materialise Medical	Materialise Manufacturing	Total Segments	Unallocated[(1)]	Consolidated
			(in thousands of €, except percentages)			
For the year ended December 31, 2019						
Revenues	41,654	60,808	94,156	196,618	61	196,679
Segment Adjusted EBITDA	13,812	10,774	12,154	36,740	(10,084)	26,656
Segment Adjusted EBITDA %	33.2%	17.7%	12.9%	18.7%		13.6%
For the year ended December 31, 2018						
Revenues	37,374	52,252	94,956	184,582	139	184,721
Segment Adjusted EBITDA	11,536	10,252	10,785	32,573	(9,047)	23,526
Segment Adjusted EBITDA %	30.9%	19.6%	11.4%	17.6%		12.7%

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

Comparison for the Years Ended December 31, 2019 and 2018

	As of December 31,	
in 000€	2019	2018
Assets		
Non-current assets	158,108	143,906
Current assets	191,186	169,319
Total assets	**349,29**	**313,23**
Equity and liabilities		
Equity attributable to the owners of the parent	*139,57*	*135,99*
Non-controlling interest	*3,107*	–
Equity	142,675	135,989
Non-current liabilities	122,574	104,121
Current liabilities	84,045	73,115
Total equity and liabilities	**349,29**	**313,23**

Analysis

Revenue. Revenue was €196.7 million in the year ended December 31, 2019 compared to €184.7 million in the year ended December 31, 2018, an increase of €12 million, or 6.5 %.

Revenue from our Materialise Software segment increased 11.4% from €37.4 million in the year ended December 31, 2018 to €41.7 million in the year ended December 31, 2019. Recurrent revenue, consisting of limited license fees and maintenance fees, grew 20.0%. Non-recurrent revenue, mainly consisting of perpetual fees, increased 4.3%. Deferred revenue from license and maintenance fees increased to €3.1 million, compared to €2.8 million in the year ended December 31, 2018.

Revenue from our Materialise Medical segment increased €8.6 million, or 16.4%, from €52.3 million in the year ended December 31, 2018 to €60.8 million in the year ended December 31, 2019, including €2.4 million from Engimplan Engenharia De Implante Indústria E Comércio Ltda., or Engimplan. Medical software revenue grew by 18.3% from 2018 to 2019. Within our medical software department recurrent revenue from annual and renewed licenses and maintenance fees increased by 20.0%, reflecting the implementation of our strategy focused on products with defined contractual periods. Our revenue from perpetual licenses and services decreased by 3.3%. These recurrent revenues represented 77.7% of all medical software revenues in the year ended December 31, 2019, compared to 73.7% in the year ended December 31, 2018. Revenues from medical devices and services grew 17.6% in the year ended December 31, 2019, due to the revenue increase from partner sales business lines, (especially in our Cranio- maxillofacial, or CMF), and Engimplan. As of December 31, 2019, our Materialise Medical segment operated 32 3D printers, as compared to 32 as of December 31, 2018.

Revenue from our Materialise Manufacturing segment decreased from €95.0 million in the year ended December 31, 2018 to €94.2 million in the year ended December 31, 2019, representing a decrease of €0.8 million. During 2019, we had moderate single digit revenue growth of the first three quarters, which was offset by a decrease of 11% in the fourth quarter, reflecting lower activity in both our traditional manufacturing and ACTech business lines, which were affected by the softened macro-economic environment. As of December 31, 2019, Materialise Manufacturing operated 149 3D printers, six vacuum casting machines and 20 CNC machines, as compared to 149, six and 19 as of December 31, 2018, respectively. Although the total number of 3D printers did not change from the year ended December 31, 2018 to the year ended December 31, 2019, we replaced certain printers with printers we believe to be more efficient. Four metal 3D printers were added, while four older plastic 3D printers were put out of operation during the year ended December 31, 2019.

Cost of sales. Cost of sales was €87.0 million in the year ended December 31, 2019, compared to €82.3 million in the year ended December 31, 2018, representing an increase of €4.7 million, or 5.7%. This increase in cost of sales was mainly due to

increased payroll expenses and the inclusion of Engimplan's cost of sales as of August 1, 2019.

Gross profit. The overall gross profit margin (gross profit divided by our revenue) amounted to 55.8% in the year ended December 31, 2019, compared to 55.4% in the year ended December 31, 2018. The improved margin reflected a combination of the following factors: a change in sales mix, which was positively affected by growing importance of software revenues and negatively affected by the growing cost of sales from medical devices (specifically, our Engimplan and CMF business lines); and improvements in efficiency in general in all of our business lines.

Research and development, or R&D, sales and marketing, or S&M, and general and administrative, or G&A, expenses. R&D, S&M and G&A expenses increased, in the aggregate, to €108.1 million in the year ended December 31, 2019, compared to €101.0 million in the year ended December 31, 2018. R&D expenses increased from €22.4 million to €23.3 million, S&M expenses increased from €46.3 million to €53.0 million and G&A expenses decreased from €32.3 million to €31.8 million. The R&D cost increase excludes €0.9 million of expenditures in 2019 that were capitalized as intangible assets and related to our tracheal splint project. In total, the intangible assets related to this development project amounted to K€1,651 on our balance sheet at December 31, 2019.

Net other operating income. Net other operating income increased from €3.8 million in the year ended December 31, 2018 to €5.4 million in the year ended December 31, 2019. The variance was mainly due to higher grant income and an improvement of our bad debt position.

Financial result (financial expenses and financial income). In each of 2018 and 2019, the net financial result mainly related to the net interest expense from loans and deposits of financial institutions. The net financial result decreased from € -1.2 million in the year ended December 31, 2018 to € -2.3 million in the year ended December 31, 2019. This variance was due to an increase of net interest expense and bank charges.

Income taxes. Income taxes in the year ended December 31, 2019 resulted in an expense of €2.6 million, which was a combination of deferred tax bookings and income taxes due over the result for the period.

Net profit. As a result of the factors described above, net profit was €1.7 million in the year ended December 31, 2019 compared to a net profit of €3.0 million in the year ended December 31, 2018, or a decrease of €1.3 million.

EBITDA. As a result of the factors described above, our consolidated EBITDA increased from €22.5 million in the year ended December 31, 2018 to €26.2 million in the year ended December 31, 2019, an increase of €3.8 million, or 16.8%, and our total segment EBITDA increased from €32.6 million in the year ended December 31, 2018 to €36.7 million in the year ended December 31, 2019, an increase of €4.2 million, or 12.8%. The 2019 EBITDA includes Engimplan's contribution of €0.7 million.

Our Materialise Software segment's EBITDA increased from €11.5 million in the year ended December 31, 2018 to €13.8 million in the year ended December 31, 2019, an increase of €2.3 million, or 19.7%. This segment's EBITDA margin (the segment's EBITDA divided by the segment's revenue) increased from 30.9 % for the year ended December 31, 2018 to 33.2 % in the year ended December 31, 2019. The increase in the EBITDA margin was due to revenue growth of 11.4% (which was affected positively by sales mix with a higher portion of recurrent sales), partly offset by an increase in operating expenses by 11.7%, reflecting continued investments in S&M. R&D cost was flat, while G&A expenses decreased.

Our Materialise Medical segment's EBITDA increased from €10.3 million in the year ended December 31, 2018 to €10.8 million in the year ended December 31, 2019. The segment's EBITDA margin decreased from 19.6 % in the year ended December 31, 2018 to 17.7% in the year ended December 31, 2019. Excluding Engimplan's contribution, the margin was 17.4% in 2019. The EBITDA margin was affected negatively by a changed sales mix in our medical devices business (CMF's production revenue grew significantly requiring higher cost of sales), and our operating expenses, which grew in the aggregate by 16.4%. The increase of our operating expenses was mainly due to an increase of remuneration expenses.

Our Materialise Manufacturing segment's EBITDA increased from €10.8 million in the year ended December 31, 2018 to €12.2 million in the year ended December 31, 2019. The EBITDA margin of this segment increased from 11.4% in the year ended December 31, 2018 to 12.9% in the year ended December 31, 2019. While the gross margin remained stable, the operating expenses (Sales and Marketing, Research and Development, and G&A) decreased slightly, and Net Other Operating income (including grants) increased.

The total balance sheet amounted to €349.3 million in the year ended December 31, 2019, compared to €313.2 million in the year ended December 31, 2018.

Non-current assets increased €14.2 million to €158.1 million in the year ended December 31, 2019. Our goodwill increased by €2.7 million, mainly as a result of our participation in Engimplan. Our intangible assets, property, plant & equipment and right-of-use assets increased by €9.4 million to €128.3 million. Our other non-current assets increased €2.2 million to €9.4 million, including a convertible loan to Fluidda NV of €2.5 million.

Our cash at bank increased €13.4 million to €128.9 million per December 31, 2019.

Our loans & borrowings increased €12.0 million to €118.1 million per December 31, 2019. Of the total debt, €13.4 million is related to short term debt. This variance includes a second drawing of €25.0 million of our credit facility agreement with the European Investment Bank, new bank loans, and capital reimbursements of existing loans.

Total equity per December 31, 2019 amounts to €142.7 million compared to €136.0 million last year.

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

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

Comparison of the Years Ended December 31, 2019 and 2018

	Year Ended December 31,		
	2019	**2018**	**% Change**
	(in thousands of €)		*(%)*
Operating income	**136.990**	**130.212**	**5,2%**
70 Turnover	111.490	106.411	4,8%
71 Stocks of finished goods and WIP increase	253	94	
72 Own work capitalized	19.600	18.519	5,8%
74 Other operating income	5.629	5.188	8,5%
76 Non-recurring operating income	18	-	
Operating charges	**143.154**	**137.862**	**3,8%**
60 Raw materials-consumables	29.502	28.652	3,0%
61 Services and other goods	41.709	38.147	9,3%
62 Remuneration, social security and pensions	44.458	39.867	11,5%
63 Depreciations and other amounts written off	26.767	30.458	-12,1%
64 Other operating charges	664	518	28,2%
66 Non-recurring operating charges	54	240	
Operating profit (loss)	**-6.164**	**-7.650**	**-19,4%**
Financial income	4.445	5.587	
Financial charges	3.526	12.812	
Gain (loss) on ordinary activities before taxes	**-5.245**	**-14.875**	
Transfer from deferred taxes and tax free reserves	4	2	
Taxes on result	274	-232	
Net profit	**-5.515**	**-14.641**	

	Year Ended December 31,	
	2019	**2018**
	(in thousands of €)	
Assets	**289.046**	**276.573**
Formation expenses		492
Fixed assets	140.550	126.699
Current assets	148.496	149.382
Equity and Liabilities	**289.046**	**276.573**
Equity	124.341	128.589
Provisions and deferred taxes	14	18
Amounts payable	164.691	147.966

Analysis

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

Operating income was €137.0 million in the year ended December 31, 2019 compared to €130.2 million in the year ended December 31, 2018, an increase of €6.8 million, or 5.2%.

Operating charges amounted to €143.2 million in the year ended December 31, 2019, compared to €137.9 million in the year ended December 31, 2018. This increase of 3.8% was mainly due to:

- an increase in purchases of raw materials & consumables of €0.8 million;
- an increase in purchases of services & other goods of €3.6 million mainly due to higher cost of 3rd party service providers;
- remuneration cost increased €4.6 million or 11.5% as a combined result of increased number of employees and salary adjustments;
- depreciation decreased €3.1 million to €26.9 million. The €26.9 million includes the 100% depreciation of in 2019 capitalized development expenses of €17.8 million in 2019, allowing the company to keep benefiting from tax credits ;
- a positive variance of bad debt provisions of €0.5 million in 2019 compared to 2018.

As a result, the operating loss in 2019 amounted to €6.2 million, compared to €7.6 million in 2018.

Financial income amounted to €4.4 million in the year ended December 31, 2019, compared to €5.6 million in the year ended December 31, 2018.

Financial charges amounted to €3.5 million in the year ended December 31, 2019, compared to €12.8 million in the year ended December 31, 2018. In 2018, financial

charges included an impairment of €7.0 million on our investment in Rapidfit NV, and a €2.5 million bank cost, related to the capital increases in July 2018.

The net loss for 2019 amounted to €5.5 million, compared to a loss of €14.6 million last year.

The total balance sheet amounted to €289.0 million in the year ended December 31, 2019, compared to €276.6 million in the year ended December 31, 2018.

Fixed assets increased €13.9 million to €140.6 million in the year ended December 31, 2019. Our tangible and intangible fixed assets decreased slightly to €47.5 million from €48.3 million last year. Our participating interests increased €14.3 million to €34.4 million, including our participation in Engimplan of €12.3 million.

Our other long term receivables of €2.9 million per December 31, 2019 included a convertible loan to Fluidda NV of €2.5 million.

Our cash at bank increased €18.7 million to €105.0 million per December 31, 2019.

Our financial debt increased €18.5 million to €104.5 million per December 31, 2019. Of the total debt of €104.5 million, €11.2 million is related to short term debt. This variance includes a second drawing of €25.0 million of our credit facility agreement with the European Investment Bank, new bank loans, and capital reimbursements of existing loans.

Total equity per December 31, 2019 amounts to €124.3 million compared to €128.6 million last year. This variance is the result of the net loss of the year of €5.5 million, and the capital increase of €1.3 million from the exercise of warrants.

Although we have losses for the fourth consecutive year, we maintain our valuation rules in the company, based on going concern. Such presumption is justified by the Company's equity position of €124.3 million end 2019, and the outcome of the sensitivity testing that we have performed on our projected income statement and balance sheet KPI's, in the context of the COVID-19 pandemic circumstances.

Appropriation of loss

The net loss for 2019, to be appropriated, amounted to €5,519,577.

Together with the carried forward loss of the previous financial year €17,825,920, the total amount to be appropriated amounts to €23,345,497 which we propose to carry forward in its entirety.

3. STRUCTURE AND DEVELOPMENT OF THE GROUP

On December 31, 2019, we had 24 (direct and indirect) subsidiaries (in Belgium (2), Brazil (2), France (2), England (3), Germany (3), Czech Republic, Austria, Poland, the United States (2), Columbia, Japan, Malaysia, China, Italy, Australia and Ukraine).

With regard to the joint-venture company RS Print NV, Materialise NV has a participation of €2.9 million fully paid up as per end 2019.

On July 18, 2018, we and BASF New Business GmbH, or BASF New Business, a subsidiary of BASF SE, the German chemical conglomerate (FWB: BAS), entered into a Strategic Alliance Partnership Agreement. The Strategic Alliance Partnership Agreement establishes a framework for collaboration to leverage the parties' existing strengths and expertise to develop new materials for the 3D printing industry.

In connection with the entry into the Strategic Alliance Partnership Agreement, we and BASF Antwerpen NV, or BASF Antwerpen, a subsidiary of BASF SE, entered into a Subscription Agreement pursuant to which BASF Antwerpen subscribed for 1,953,125 of our newly issued ordinary shares in a private placement, for an aggregate subscription price of approximately $25 million. The ordinary shares subscribed for were delivered to BASF Antwerpen on July 19, 2018.

On July 27, 2018, we sold 3,450,000 ADSs in a follow-on public offering at a public offering price of $13.00 per ADS, and received net proceeds of approximately $40.2 million.

In December 2018, we filed for dissolution of Meridian Corporate Trustees Limited and Orthoview Limited, subsidiaries of Orthoview Holdings Limited.

On August 6, 2019, we acquired 75% shares of Engimplan through a combined acquisition of existing and new shares through our Brazilian subsidiary Engimplan Holding Ltda., or Engimplan Holding. Engimplan is a Brazil-based manufacturer of orthopaedic and CMF implants and instruments.

As of October 1, 2019, all the assets and liabilities of Materialise UK Ltd., our wholly owned subsidiary, were transferred to Meridian Technique Ltd., also our wholly owned subsidiary as part of a global restructuring to enable us to operate as one legal entity in the United Kingdom.

4. MATERIAL EVENTS SINCE THE END OF THE FINANCIAL YEAR

Impact of coronavirus

The outbreak of a novel coronavirus, was first identified in December 2019 in Wuhan, China, and has since spread globally. In response to the pandemic, governments worldwide have closed business, restricted travel and implemented emergency

quarantines, and businesses and individuals have reduced travel, cancelled meetings and events and implemented of work-from-home policies, which have caused significant disruption to the global economy and normal business operations. The coronavirus public health crisis is expected to have broader macroeconomic implications, including a decrease in or halt to economic growth, the effects of which could be long lasting.

In an effort to protect the health and safety of employees, we, and many of our customers, partners, suppliers and other counterparties, currently require that employees work from home and restrict travel as much as possible, which affects, amongst other things, their ability to attend industry events and to engage in commercial visits. In the event we or our customers, partners, suppliers and other counterparties maintain or expand these restrictions, we may suffer disruptions to business operations including the closure of manufacturing facilities, warehouses and logistics supply chains worldwide. Furthermore, the coronavirus and the responses thereto could have a range of other effects on us. For example, the implementation of business continuity plans in a fast-moving public health emergency could have an adverse effect on our internal controls (potentially giving rise to significant deficiencies or material weaknesses) and increase our vulnerability to information technology and other systems disruptions.

As of April 30, 2020, we are unable to predict the duration and severity of the spread of the coronavirus and the political and economic responses thereto and as a result, we are unable to assess with certainty its impact on our business and operations, results of operations, financial condition, cash flows and liquidity. The coronavirus and related responses are developing rapidly, making their impact highly uncertain, and are subject to many factors beyond our control, such as the speed of contagion, the implementation of effective preventative and containment measures, the development of effective medical solutions, the timing and scope of governmental restrictions on public gatherings, mobility and other activities, financial and other market reactions, and reactions and responses of the public. While we expect we will suffer adverse effects, the more severe the outbreak is and the longer it lasts, the effects on us and our business will be more materially adverse.

Based on our current assessment of the COVID-19 pandemic, we have considered various hypothetical scenarios on how our business, results of operations, and financial condition could be impacted during the year 2020. In these scenarios we take the general view, but without any certainty as we are reviewing the situation constantly, that our business will be impacted very significantly in the second quarter of 2020, and will subsequently continue to be weak for the rest of the year, although that our current assessment of the situation is that our business may gradually improve during the remainder of 2020. However, in the current situation, in view of the many uncertainties of this unprecedented crisis, we find it very hard to gain any visibility beyond the second quarter.

The Materialise software segment, represented 24% of the total sales exiting 2019 and had an EBITDA margin of 33.2% in 2019. We believe that an important part of the software sales of our Materialise software segment are, at least temporarily, at risk. A

significant portion of the sales of this segment comes from parties that either sell or use 3D printing systems. The weakness of the 3D printing industry in general is expected to weigh very negatively on 3D printing system sales and thus also on our software sales, definitely in the second quarter of 2020 with a possible extension into the second half of 2020.

The Materialise medical segment, which represented 34% of the total sales exiting 2019 and had an EBITDA margin of 17.7% in 2019, designs, produces and sells customized implants, surgical guides and models as well as visualization and planning software to research institutes, universities, medical device companies and hospitals. A significant percentage of this segment's revenue stems, directly or indirectly, from elective surgeries, almost all of which are now being postponed due to the U.S. Centers for Disease Control and Prevention, or CDC, guidelines, which require hospitals to prioritize preparation for and response to the pandemic. As a result, these revenues (and at least the timing thereof) become uncertain, which will result in a significant reduction of sales of our Materialise medical segment, definitely in the second quarter of 2020, and possibly in the next quarters as well, depending on how the pandemic evolves.

The remaining 42% of the total sales exiting 2019 comes from the Materialise manufacturing segment, which operates as part of the overall manufacturing sector in Europe, which includes subsectors such as automotive, aviation, machine parts and consumer products, all of which are heavily impacted by the coronavirus crisis. The European automotive market was particularly weak before the COVID-19 outbreak, and we now expect an even slower recovery than previously estimated. Other European industrial subsectors are not faring much better in this market and will likely face larger declines than previously expected. Order intake within the Materialise manufacturing segment has been slowing down, which will significantly impact the segment's second quarter results and which may impact the results beyond this quarter, as a function of how the crisis develops in general and how the industry as a whole, and our customers in particular, subsequently recover from the situation.

We also expect an increase of bad debt, delay in trade payments, and that we will not be able to adjust and align all of our costs according to the expected decrease of revenue. We experienced the first negative effects of this crisis on our revenues in the first quarter of 2020. In these analyses, we considered a major negative impact in the second quarter, and only a gradual and partial recovery in the third and fourth quarter of this year. From these analyses, we conclude that (according to the currently most likely scenarios), the going concern principle should be maintained, and that the principle covenants of our credit facilities (at EIB and KBC), 'minimum cash' and 'Net Debt / Adjusted EBITDA', will not be violated. We believe that the expected situation does not impact the current valuation of our inventories, investments, intangible assets (including goodwill), long-lived assets, or our debt.

While we continue to monitor the situation regularly, we believe that eventually the 3D printing industry will recover and may even come out of this crisis stronger, as the crisis appears to be underscoring certain advantages of the 3D printing technology, in particular its flexibility in terms of part design, speed, production of smaller strategic batches and localization. Therefore, while we try to adjust our costs and capital

spending in proportion to the short term reduction of our revenues, we currently take the view that these cost and spending reductions should, where possible, be as moderate and temporary as possible, since we believe that continued innovation during the current crisis may give us a competitive advantage going forward. This strategy involves significant risks, including risks in terms of its impact on our cash position, and as the crisis lasts longer, we may not be able to sustain this strategy and it might have negative implications for our long term competitive position.

Warrant exercises

In connection with the exercise of 21,750 warrants, representing 21,750 shares, from the 2015 warrant plan in the course of March 2020, the share capital was raised for the amount of K€1 and the share premium was raised for the amount of K€140 by deed before the notary on April 16, 2020 (we refer to Note 14 of the consolidated financial statements for further information about the share based payment plans). As per April 16, 2020 the funds received in connection with the exercise of the warrants (K€140) were accounted for on a restricted bank account classified under the Cash and Cash Equivalents.

There are no other significant events subsequent to the statement of financial position date that would require adjustments or disclosures to the financial statements.

5. RISKS AND UNCERTAINTIES

The risks and uncertainties, with which both the Group and the Company are faced, can be summarized as follows. However, other than those risks and uncertainties, we are not aware of any circumstances that are likely to have a material influence on the development of the Company.

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

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

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

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

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

- Our revenue and results of operations may fluctuate.

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

- We are dependent upon sales to certain industries.

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

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

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

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

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

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

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

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

- Failure to comply with the U.S. Foreign Corrupt Practices Act or other applicable anti-corruption legislation could result in fines, criminal penalties and an adverse effect on our business.

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

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

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

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

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

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

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

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

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

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

- The coronavirus global health crisis could have a material adverse impact on our business, results of operations, financial condition, cash flows or liquidity.

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

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

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

- Healthcare policy changes, including legislation to reform the U.S. healthcare system and legislation to reform the EU medical Device legislation, could adversely affect us.

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

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

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

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

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

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

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

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

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

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

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

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

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

- The implementation of the recent reform of the Belgian Companies Code that entered into force on May 01, 2019, may adversely affect the rights of our shareholders.

6. RESEARCH AND DEVELOPMENT

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

We have a long history of research and development through collaborations, which augment our internal development efforts. Our earliest joint research projects date from the early 1990s with market leading collaboration partners such as Siemens AG, Zeneca and the University of Leuven (Katholieke Universiteit Leuven), or KU Leuven. Many of our innovations are based on industrial collaborations such as those with Phonak Staefa Switzerland, Zimmer Biomet, DePuy Synthes, and BASF SE and its subsidiaries.

As of December 2019, we were active in 28 government funded research projects and we also employed two researchers with a publicly funded scholarship. With our platform technologies and strong track record in successful commercialization of scientific innovations, we receive many requests for participation in new development projects. While we strongly protect our intellectual property in our core competencies, many of our products require collaborations in order to create healthy ecosystems for their successful implementation.

As of December 31, 2019, we had approximately 80 active research and development projects in various stages of completion and approximately 380 FTEs and fully dedicated consultants working on research and development in our facilities in Belgium, France, Germany, the United Kingdom, the United States, Ukraine, China and Malaysia.

For the year ended December 31, 2019, our research and development expenses were €23.3 million, or 11.9% of our revenue (15.1% excluding ACTech), as compared to €22.4 million, or 12.1% (15.9% excluding ACTech) of our revenue, in 2018.

In addition, our strategic partnership with BASF New Business focuses on collaboration for research and development activities in multiple areas, primarily focusing on the introduction of new plastic materials in additive processes. One of the new products developed by the partnership was TPU material for HP Multi Jet Fusion.

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

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

7. FINANCIAL INSTRUMENTS

The Company has used interest rate and foreign currency swaps as financial instruments in the course of the financial period. A more detailed information is included in our notes to the consolidated financial statements, more specifically in note 25 for foreign exchange, liquidity, interest rate and credit risk.

8. MISCELLEANOUS

8.1 Internal audit and risk management

We have implemented an internal control system based on the COSO framework. Our management has made an assessment regarding the framework's 17 principles in respect of the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring). All components are being actively addressed by our management.

During the year ended December 31, 2020, we plan to continue to enhance our internal control over financial reporting in an effort to remediate any weaknesses identified and to enhance our overall control environment. We are committed to ensuring that our internal control over financial reporting is designed and operating effectively.

Notwithstanding any identified material weaknesses and management's assessment that internal control over financial reporting was not entirely effective as of December 31, 2019, management believes that the audited consolidated financial statements fairly present, in all material respects, our financial condition, results of operations and cash flows for the fiscal years presented in conformity with IFRS.

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

8.2 Exceptional tasks performed by the auditor

The fees for services provided by BDO Bedrijfsrevisoren CVBA and BDO member firms in relation to the financial audit of the Group amounted to €565,031.

€610,082 has been paid for the audit opinion on the internal control over financial reporting in connection with SEC reporting obligations, €35,364 and €1,702 for other control services including legal engagements and tax related services respectively.

8.3 Conflicts of interest

Not applicable

8.4 Use of authorised capital

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

On July 18, 2018, the Board of Directors of the company decided to increase the company's registered capital within the framework of the authorized capital, which on July 26, 2018 was fixed at an amount for the capital increase of one hundred and seventy-three thousand and nine euros and nineteen cents (173,009.19 EUR), which

resulted in a decrease in the available amount of the authorized capital to two million four hundred and fifty-six thousand two hundred and sixty-thirds euros and fourteen cents (2,456,261.14 EUR).

On July 19, 2018, the Board of Directors of the company decided to increase the company's registered capital within the framework of the authorized capital for an amount of one hundred and twelve thousand six hundred and thirty-six euros twenty cents (EUR 112,636.20), which resulted in a decrease in the available amount of the authorized capital to two million three hundred and forty-three thousand six hundred and twenty-four euros and ninety-four cents (2,343,624.94 EUR).

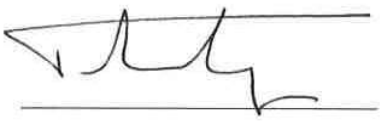
On July 18, 2018, the Board of Directors of the company decided to increase the company's registered capital within the framework of the authorized capital, which on July 27, 2018 was fixed at an amount for the capital increase of twenty-five thousand nine hundred and fifty-three euros and thirty-eight cents (25,951.38 EUR), which resulted in a decrease in the available amount of the authorized capital to two million three hundred and seventeen thousand six hundred and seventy-three euros and fifty-six cents (2,317,673.56 EUR).

8.5 **Acquisition or disposal of own shares**

Not applicable

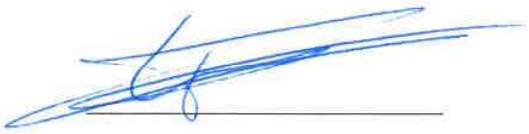
[*Signature Page Follows*]

Done in Leuven on April 30, 2020



Peter Leys

Chairman



Wilfried Vancraen

Director