

				<b>1</b>	<b>EUR</b>
NAT.	Filing Date	Nr.	P.	U.	D.

CONSO 1

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

**IDENTIFICATION DETAILS**

NAME OF THE CONSOLIDATING COMPANY OR THE CONSORTIUM<sup>(1) (2)</sup> : .....

*Materialise* .....

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<sup>(3)</sup>: http://www. ....

Company identification number BE 0441.131.254

**CONSOLIDATED ANNUAL ACCOUNTS**

Presented to the general meeting of 06 / 06 / 2017

Regarding the period from 01 / 01 / 2016 To 31 / 12 / 2016

Preceding period from 01 / 01 / 2015 to 31 / 12 / 2015

The amounts for the preceding period are identical to the ones previously published: **yes / no** <sup>(1)</sup>

- Included with these consolidated accounts are:
- the consolidated annual report
  - the auditors report on the consolidated annual accounts

**IN CASE THE CONSOLIDATED ACCOUNTS OF A FOREIGN COMPANY ARE SUBMITTED BY A BELGIAN SUBSIDIARY**

Name of the Belgian subsidiary which deposits the accounts (article 113, § 2, 4<sup>a</sup> of the Company Law)

.....

.....

Company identification number of the belgian subsidiary which deposits the accounts  

Total number of pages deposited: *4, 5, 3, 5, 4, 5, 5, 5, 6, 5, 7, 5, 8, 2, 5, 8, 5, 5, 10, 1, 5, 13, 5, 14, 5, 15, 5, 16, 5, 17, 5, 18, 7, 8, 9* ..... Number of sections of the standard form not deposited because they serve no useful purpose: .....

Signature  
(name and position)

Signature  
(name and position)

(1) Strike out what is not applicable.  
(2) A consortium has to fill in disclosure IV (page CONSO 5.4).  
(3) Optional information.

**LIST OF DIRECTORS AND MANAGERS OF THE  
CONSOLIDATING COMPANY AND OF THE AUDITORS  
REGARDING A COMPLIMENTARY REVIEW OR CORRECTION  
ASSIGNMENT OF THE CONSOLIDATED ANNUAL ACCOUNT**

**LIST OF THE DIRECTORS, MANAGERS AND AUDITORS**

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

*Marcel, Constant, Camiel Demeulenaere* Director  
*Graag de Grunnelaan 3, 3001 Heverlee, Belgium* 18/11/2006 - 07/06/2016

*Wilfried, Frans, Isidoor Vancraen* Managing director  
*Jan Van der Vorstlaan 19, 3040 Huldenberg, Belgium* 18/11/2003 - 06/06/2017

*Van der Sloten Jos* Director  
*Langestraat 62, 3190 Boortmeerbeek, Belgium* 03/06/2008 - 06/06/2017

*A TREC CVBA* Director  
*Nr.: BE 0456.384.307* 03/06/2008 - 06/06/2017  
*Timmermansstraat 32, 8340 Damme, Belgium*

Represented by:

*Johan De Lille*  
*Gaversesteeweg 604, 9820 Merelbeke, Belgium*

*Pol Ingelaere* Director  
*Hazegoedweg 13, 8800 Roeselaere, Belgium* 07/06/2011 - 06/06/2017

*Jurgen Gino Ingels* Director  
*Clemenceaustraat 117 box A, 2860 Sint-Katelijne-Waver, Belgium* 28/11/2013 - 06/06/2017

*Peter Leys* Director  
*Strooistraat 57, 1860 Meise, Belgium* 28/11/2013 - 06/06/2017

*Hilde Ingelaere* Director  
*Jan Van der Vorstlaan 19, 3040 Huldenberg, Belgium* 02/06/2015 - 06/06/2017

*Lieve Verplancke* Director  
*Dikkemeerweg 54, 1653 Dworp, Belgium* 02/06/2016 - 06/06/2017

*BDO* Registered auditor  
*Nr.: BE 0431.088.289* 07/06/2016 - 06/06/2017  
*Da Vincilaan 9 box E.6, 1930 Zaventem, Belgium*  
*Membership nr.: B00023*

Represented by:

*Bert Kegels*  
*Da Vincilaan 9 box E.6, 1930 Zaventem, Belgium*  
*Membership nr.: A01627*

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**Report of Independent Registered Public Accounting Firm**

Board of Directors and Shareholders  
Materialise NV  
Leuven, Belgium

We have audited the accompanying consolidated statements of financial position of Materialise NV as of December 31, 2016, December 31, 2015 and December 31, 2014 and 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, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Materialise NV at December 31, 2016, December 31, 2015 and December 31, 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements as of December 31, 2015 and 2014 and for each of the two years in the period ended December 31, 2015, have been restated to reflect adjustments relating to current deferred income and non-current deferred income as described in Note 2 to the consolidated financial statements.

Zaventem, Belgium

April 28, 2017

BDO Bedrijfsrevisoren Burg. CVBA

Represented by

Bert Kegels

/s/ Bert Kegels

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**Consolidated income statements**

(in thousands euros, except per share data)	Notes	For the year ended December 31		
		2016	2015	2014
Revenue	20.1	114,477	109,038	81,355
Cost of sales	20.2	(46,706)	(42,963)	(32,396)
<b>Gross profit</b>		<b>67,771</b>	<b>59,072</b>	<b>48,959</b>
Research and development expenses	20.3	(17,682)	(18,186)	(15,093)
Sales and marketing expenses	20.4	(36,153)	(36,832)	(27,543)
General and administrative expenses	20.5	(20,041)	(15,045)	(11,645)
Net other operating income / (expenses)	20.6	6,212	7,102	5,652
<b>Operating (loss) profit</b>		<b>107</b>	<b>(3,889)</b>	<b>330</b>
Financial expenses	20.8	(2,437)	(2,470)	(1,150)
Financial income	20.9	2,039	3,511	3,160
Share in loss of joint venture	8	(1,018)	(401)	(81)
<b>(Loss) profit before taxes</b>		<b>(1,309)</b>	<b>(3,249)</b>	<b>2,259</b>
Income taxes	20.10	(1,710)	389	(387)
<b>Net (loss) profit of the year</b>		<b>(3,019)</b>	<b>(2,860)</b>	<b>1,872</b>
Net (loss) profit attributable to:				
The owners of the parent		(3,019)	(2,807)	2,061
Non-controlling interest		—	(53)	(189)
<b>Earnings per share attributable to ordinary owners of the parent</b>				
Basic	21	(0.06)	(0.06)	0.05
Diluted	21	(0.06)	(0.06)	0.05

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

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**Consolidated statements of comprehensive income**

(in thousands euros)	Notes	For the year ended December 31		
		2016	2015	2014
<b>Net (loss) profit of the year</b>		<b>(3,019)</b>	<b>(2,860)</b>	<b>1,872</b>
<b>Other comprehensive (loss) income</b>				
Exchange differences on translation of foreign operations *		(1,833)	624	126
<b>Other comprehensive (loss) income, net of taxes</b>		<b>(1,833)</b>	<b>624</b>	<b>126</b>
<b>Total comprehensive (loss) income of the year, net of taxes</b>		<b>(4,852)</b>	<b>(2,236)</b>	<b>1,998</b>
Total comprehensive (loss) income attributable to:				
The owners of the parent		(4,852)	(2,183)	2,187
Non-controlling interest		—	(53)	(189)

\* May be reclassified subsequently to profit & loss

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

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**Consolidated statements of financial position**

(in thousands of euros)	Notes	For the year ended December 31		
		2016	2015	2014
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill	5	8,860	9,664	7,714
Intangible assets	6	9,765	9,657	7,727
Property, plant & equipment	7	45,063	38,400	30,212
Investments in joint ventures	8	—	1,018	419
Deferred tax assets	20,10	336	1,092	232
Other non-current assets	9	2,154	356	328
<b>Total non-current assets</b>		<b>66,178</b>	<b>60,187</b>	<b>46,632</b>
<b>Current assets</b>				
Inventories	9	7,870	5,387	3,660
Trade receivables	10	27,479	22,843	18,370
Held to maturity investments	11	—	—	10,000
Other current assets	9	4,481	4,993	3,540
Cash and cash equivalents	11	55,912	50,726	51,019
<b>Total current assets</b>		<b>95,742</b>	<b>83,949</b>	<b>86,589</b>
<b>Total assets</b>		<b>161,920</b>	<b>144,136</b>	<b>133,221</b>

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

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(in thousands of euros)	Notes	For the year ended December 31		
		2016	2015*	2014*
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	12	2,729	2,729	2,788
Share premium	12	79,019	78,098	76,650
Consolidated reserves	12	(1,603)	1,407	5,764
Other comprehensive income		(1,112)	721	97
<b>Equity attributable to the owners of the parent</b>		<b>79,033</b>	<b>82,955</b>	<b>85,299</b>
Non-controlling interest	12	—	—	(132)
<b>Total equity</b>		<b>79,033</b>	<b>82,955</b>	<b>85,167</b>
<b>Non-current liabilities</b>				
Loans & borrowings	14	28,267	16,007	11,848
Deferred tax liabilities	20,10	1,325	2,068	1,329
Deferred income	16	3,588	1,905	1,970
Other non-current liabilities	15	1,873	2,244	969
<b>Total non-current liabilities</b>		<b>35,053</b>	<b>22,824</b>	<b>16,116</b>
<b>Current liabilities</b>				
Loans & borrowings	14	5,539	4,482	5,499
Trade payables		13,400	9,712	7,205
Tax payables		926	255	128
Deferred income	16	17,822	14,696	10,449
Other current liabilities	17	10,147	9,212	8,657
<b>Total current liabilities</b>		<b>47,834</b>	<b>38,357</b>	<b>31,938</b>
<b>Total equity and liabilities</b>		<b>161,920</b>	<b>144,136</b>	<b>133,221</b>

\* The years 2015 and 2014 have 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.



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Consolidated statements of changes in equity

(In thousands of euros)	Notes	Attributable to the owners of the parents				Non-controlling interest	Total equity
		Share capital	Share premium	Reserves	Other comprehensive income		
<b>At 1 January, 2016</b>		<b>2,729</b>	<b>78,098</b>	<b>1,407</b>	<b>721</b>	<b>82,955</b>	<b>82,955</b>
Net loss		—	—	(3,019)	—	(3,019)	(3,019)
Other comprehensive loss		—	—	—	(1,833)	—	(1,833)
<b>Total comprehensive income (loss)</b>		<b>—</b>	<b>—</b>	<b>(3,019)</b>	<b>(1,833)</b>	<b>—</b>	<b>(4,852)</b>
Equity-settled share-based payment expense	13	—	921	9	—	930	930
<b>At 31 December, 2016</b>		<b>2,729</b>	<b>79,019</b>	<b>(1,603)</b>	<b>(1,112)</b>	<b>79,033</b>	<b>79,033</b>

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

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(In thousands of euros)	Notes	Attributable to the owners of the parents				Total	Non-controlling interest	Total equity
		Share capital	Share premium	Reserves	Other comprehensive income			
<b>At 1 January, 2015</b>		<b>2,788</b>	<b>76,650</b>	<b>5,764</b>	<b>97</b>	<b>85,299</b>	<b>(132)</b>	<b>85,167</b>
Net loss		—	—	(2,807)	—	(2,807)	(53)	(2,860)
Other comprehensive income		—	—	—	624	624	—	624
<b>Total comprehensive income (loss)</b>		<b>—</b>	<b>—</b>	<b>(2,807)</b>	<b>624</b>	<b>(2,183)</b>	<b>(53)</b>	<b>(2,236)</b>
Transfer share capital to share premium - correction	12	(69)	69	—	—	—	—	—
Capital increase in cash	12	5	575	—	—	580	—	580
Capital increase through exercise of warrants	12	5	90	—	—	95	—	95
Acquisition NCI Mobelife	12	—	—	(1,562)	—	(1,562)	185	(1,377)
Equity-settled share-based payment expense	13	—	714	12	—	726	—	726
<b>At 31 December, 2015</b>		<b>2,729</b>	<b>78,098</b>	<b>1,407</b>	<b>721</b>	<b>82,955</b>	<b>—</b>	<b>82,955</b>

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

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(In thousands of euros)	Notes	Attributable to the owners of the parents				Total	Non-controlling interest	Total equity
		Share capital	Share premium	Reserves	Other comprehensive income			
<b>At 1 January, 2014</b>		<b>2,235</b>	<b>12,321</b>	<b>3,198</b>	<b>(29)</b>	<b>17,725</b>	<b>10</b>	<b>17,735</b>
Net profit		—	—	2,061	—	2,061	(189)	1,872
Other comprehensive income		—	—	—	126	126	—	126
<b>Total comprehensive income (loss)</b>		<b>—</b>	<b>—</b>	<b>2,061</b>	<b>126</b>	<b>2,187</b>	<b>(189)</b>	<b>1,998</b>
Equity-settled share-based payment expense	13	—	604	11	—	615	—	615
Capital increase initial public offering	12	480	70,004	—	—	70,484	—	70,484
IPO Transaction costs	12	—	(6,279)	—	—	(6,279)	—	(6,279)
Capital increase Rapidfit+	12	—	—	750	—	750	—	750
Written put option on NCI	12	—	—	(273)	—	(273)	—	(273)
Payment Uncalled capital Mobelife	12	—	—	(7)	—	(7)	40	33
Capital increase Mobelife through exercise of warrants	13	—	—	24	—	24	7	31
Capital increase through exercise of warrants	13	73	—	—	—	73	—	73
<b>At 31 December, 2014</b>		<b>2,788</b>	<b>76,650</b>	<b>5,764</b>	<b>97</b>	<b>85,299</b>	<b>(132)</b>	<b>85,167</b>

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

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**Consolidated cash flow statements**

in 000€	Notes	For the year ended December 31		
		2016	2015	2014
<b>Operating activities</b>				
Net (loss) profit of the year		(3,019)	(2,860)	1,872
<i>Non-cash and operational adjustments</i>				
Depreciation of property, plant & equipment	7	6,420	5,122	3,498
Amortization of intangible assets	6	1,954	1,585	1,067
Impairment of goodwill	5	—	104	—
Share-based payment expense	13	977	769	675
Loss (gain) on disposal of property, plant & equipment	7	(149)	(62)	23
Government grants		—	—	(8)
Movement in provisions		18	(116)	—
Movement reserve for bad debt	10	77	254	361
Financial income	20.9	(172)	(413)	(260)
Financial expense	20.8	983	901	1,031
Impact of foreign currencies		(400)	(1,530)	(2,781)
Share in loss of a joint venture (equity method)	8	1,018	401	81
Deferred tax expense (income)	20.10	374	(761)	73
Income taxes	20.10	1,338	373	314
Fair value adjustment contingent consideration	4	(455)	—	—
Other		(78)	—	23
<b>Working capital adjustment &amp; income tax paid</b>				
Increase in trade receivables and other receivables		(6,465)	(6,645)	(5,749)
Decrease (increase) in inventories		(2,482)	(1,671)	(311)
Increase in trade payables and other payables		9,086	7,148	5,177
Income tax paid		(530)	(246)	(247)
<b>Net cash flow from operating activities</b>		<b>8,495</b>	<b>2,353</b>	<b>4,839</b>

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

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in 000€	Notes	For the year ended December 31		
		2016	2015	2014
<b>Investing activities</b>				
Purchase of property, plant & equipment	7	(12,237)	(8,907)	(9,581)
Purchase of intangible assets	6	(2,342)	(1,641)	(923)
Proceeds from the sale of property, plant & equipment (net)	7	1,928	338	103
Acquisition of subsidiary	4	—	(1,619)	(10,364)
Investments in joint-ventures	8	—	(1,000)	(500)
Investments in investments held to maturity	11	—	10,000	(10,000)
Interest received		11	35	20
<b>Net cash flow used in investing activities</b>		<b>(12,640)</b>	<b>(2,794)</b>	<b>(31,245)</b>
<b>Financing activities</b>				
Proceeds from loans & borrowings and convertible debt	14	14,669	5,672	3,299
Repayment of loans & borrowings	14	(2,796)	(4,711)	(3,914)
Repayment of finance leases	14	(1,898)	(1,546)	(1,403)
Proceeds from the exercise of warrants	13	—	95	73
Capital increase in subsidiary by non-controlling interest		—	—	781
Purchase of non-controlling interest	12	—	(1,377)	—
Contribution unpaid capital non-controlling interest		—	—	35
Capital increase in parent company	12	—	580	70,484
Direct attributable expense capital increase	12	—	—	(6,279)
Interest paid		(630)	(589)	(606)
Other financial income (expense)		(79)	88	(413)
<b>Net cash flow from (used in) financing activities</b>		<b>9,266</b>	<b>(1,788)</b>	<b>62,057</b>
<b>Net increase of cash &amp; cash equivalents</b>		<b>5,121</b>	<b>(2,229)</b>	<b>35,651</b>
Cash & cash equivalents at beginning of the year	11	50,726	51,019	12,598
Exchange rate differences on cash & cash equivalents		65	1,936	2,770
Cash & cash equivalents at end of the year	11	55,912	50,726	51,019

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

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**Table of Contents****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 26 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 and Asia.

The consolidated financial statements of the Group for the year ended December 31, 2016 were approved and authorized for issue on April 28, 2017 in accordance with a resolution of the Parent’s Board of Directors.

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### 2 Basis of preparation

The consolidated financial statements of the Group for the three years ended December 31, 2016 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, 2016.

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortization, effective for annual periods beginning on January 1, 2016.
- Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations, effective for annual periods beginning on January 1, 2016.
- Annual Improvements to IFRS 2012-2014 Cycle, effective for annual periods beginning on January 1, 2016.
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception, effective for annual periods beginning on January 1, 2016.
- Amendments to IAS 1 – Disclosure Initiative, effective for annual periods beginning on January 1, 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*

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.

For 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 and 2014.

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

in 000€	For the year ended	
	December 31	
	2015	2014
Deferred income - current - prior to change	16,509	11,652
<b>Deferred income - current - restated</b>	<b>14,696</b>	<b>10,449</b>
<b>Reclassified non-current deferred maintenance revenue</b>	<b>1,813</b>	<b>1,203</b>
Deferred income - non-current - prior to change	92	767
<b>Deferred income - non-current - restated</b>	<b>1,905</b>	<b>1,970</b>

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### **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 2016:

- Liquidation of the subsidiary Rapit Fit Holding Inc on February 17, 2016;
- Merger of the subsidiary Cenat BVBA with Materialise NV on June 29, 2016;
- Incorporation of the subsidiary Materialise S.R.L. (Italy) on July 29, 2016;
- Incorporation of the subsidiary Materialise Australia PTY Ltd on September 30, 2016;
- Merger of the subsidiary Elbimmo NV with Materialise NV on November 7, 2016;
- Liquidation of the subsidiary Materialise Metal BVBA on December 5, 2016;
- Liquidation of the subsidiary Mobelife NV on December 5, 2016;

#### **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".



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### *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.

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### **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:	20-30 years
• Furniture, Plant & Equipment	3-15 years
• Property leased Assets -	20-30 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 fulfillment 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.

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### **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 the development is done based upon specific request of the customer and subject to an agreement. 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.

### **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:   | 5-10 years; |
| • Technology:           | 6-10 years. |

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 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.

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.

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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**

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.

## **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.

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.

The Group has held-to-maturity investments only during 2014. Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity.

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 12.

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### *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 and financial liabilities resulting from written put options on non-controlling interests. 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 12).

- 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 reclassified to consolidated reserves. When the written put option is not exercised, the carrying value of the financial liability is derecognized against 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.

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### *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.

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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.

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### *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.



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### *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.

### *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.

Such grants have been received from the Belgian 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).

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.

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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.

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### **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 2016, 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 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 expect to apply the simplified approach and record lifetime expected losses on all trade receivables.

We plan to adopt the new standard on the required effective date. We expect no significant impact on our balance sheet and equity.

#### *IFRS 15 Revenue from Contracts with Customers*

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. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. We plan to adopt the new standard on the required effective date. We have performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Once the analysis is performed, the transition method will be chosen. Based on the current sales contracts, both methods are feasible from implementation perspective and we do not expect a significant impact in the implementation. Furthermore, we are considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

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 15 provides 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 Company's financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2016 we developed and started testing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

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Our directors are currently reviewing the impact of the implementation of IFRS 15 and have yet to conclude on whether it will have a significant impact on our financial statements in the year of initial application. This analysis is expected to be finalized in the last quarter of 2017.

### *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.

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 2017 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 22.

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:

- Annual Improvements to IFRSs 2014-2016 Cycle (December 2016);
- IFRS 2: Share-based Payment — Amendments to clarify the classification and measurement of share-based payment transactions (June 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
- IFRS 9: Financial Instruments — Classification and Measurement (Original issue July 2014, and subsequent amendments)
- IFRS 10 Consolidated Financial Statements — Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (September 2014)
- IAS 7: Cash flow statement — Amendments as result of the Disclosure initiative (January 2016)
- IAS 12: Income taxes — Amendments regarding the recognition of deferred tax assets for unrealized losses (January 2016)
- 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)
- IAS 39: Financial Instruments: Recognition and Measurement — Amendments for continuation of hedge accounting (fair value hedge of interest rate exposure) when IFRS 9 is applied (November 2013)
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (December 2016)

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### **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.

Management 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 the development is done based upon specific request of the customer and subject to an agreement. As such, development expenditure not satisfying the above criteria and expenditure 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.

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### *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 13 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 31 December 2016, the Group had K€9,451 (2015: K€12,231; 2014: K€10,293) of tax losses carry forward and other tax credits such as investment tax credits and notional interest deduction, of which K€1,570 related to Materialise NV (2015: K€2,009; 2014: K€3,634). These losses relate to the parent and subsidiaries that have a history of losses, do not expire, except for the notional interest deduction of K€315 in 2016 (2015: K€402; 2014: K€338) 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 2016, 2015 and 2014, given that in view of the Belgian Patent Income Deduction there is an uncertainty to which extent these tax losses will be used in future years. The Belgian Patent Income Deduction allows companies to deduct 80% of the qualifying gross patent income from the taxable basis. Currently the Company is updating the detailed analysis of its tax situation and tax planning. Once this analysis has been finalized, the Company will reassess the need for a valuation allowance on the deferred tax assets.

With respect to the unused tax losses and credits of the other entities, deferred tax assets have been recognized for K€109 only (2015: K€906; 2014: K€58). The Group has not recognized deferred tax assets on unused tax losses totaling K€8,877 in 2016 (2015: K€9,660; 2014: K€9,226) 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€3,017 in 2016 during which K€783 of tax losses were utilized. Further details on taxes are disclosed in Note 20.10.

### *Impairment of goodwill, intangible assets and property, plant & equipment*

The Group has goodwill for a total amount of K€8,860 as at December 31, 2016 (2015: K€9,664; 2014: K€7,714) 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.

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 2016 (2015: K€104; 2014: K€216).

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### *Business combinations*

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

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

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

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

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

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#### 4 Business Combinations

##### 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 26 February 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
<b>Assets</b>	
PP&E	306
Inventory	17
Trade receivables	22
	<b>345</b>
<b>Liabilities</b>	
Financial debts	(295)
Trade payables	(34)
Other liabilities	(117)
	<b>(446)</b>
<b>Total identified assets and liabilities</b>	<b>(101)</b>
Goodwill	177
<b>Acquisition price paid in cash</b>	<b>76</b>
<b>Cash flow from business combination</b>	
Cash & cash equivalents acquired	—
Acquisition price	(76)
<b>Total cash flow</b>	<b>(76)</b>

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.

The contribution of the acquired business to the revenue and net loss was respectively K€4 and K€(105) as of 31 December 2015. The revenue and the net loss of the acquired business as if it would have been acquired at 1 January 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.



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### *Cenat*

The Group signed a sale and purchase agreement on 10 March 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 as of December 31, 2015 was estimated at K€1,310.

This Belgian-based company was primarily acquired for its technology in the field of embedded computing software and solutions for additive manufacturing control systems.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

in thousands of €	Carrying value at acquisition date	Fair value adjustments	Fair value at acquisition date
<b>Assets</b>			
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
	<b>114</b>	<b>1,671</b>	<b>1,785</b>
<b>Liabilities</b>			
Financial debts	(8)	—	(8)
Deferred tax liabilities	—	(568)	(568)
Trade payables	(22)	—	(22)
Other liabilities	(39)	—	(39)
	<b>(69)</b>	<b>(568)</b>	<b>(637)</b>
<b>Total identified assets and liabilities</b>	<b>45</b>	<b>1,103</b>	<b>1,148</b>
Goodwill			1,709
<b>Acquisition price</b>			<b>2,857</b>
<b>Cash flow from business combination</b>			
Cash & cash equivalents acquired			4
Consideration paid in cash			(1,547)
<b>Total cash flow</b>			<b>(1,543)</b>

As of December 31, 2015 the fair value of the technology amounts to K€1,674. The deferred tax liabilities comprise the tax effect of the fair value adjustment for the technology platform. The fair value of the contingent consideration payable was valued at K€1,310 and relates to the achievement of certain financial targets related to revenue and production costs as a percentage of revenue set for the next years up to 2019. The contingent consideration is payable in the years 2018, 2019 and 2020.

The contribution of the acquired business to the revenue and net loss was respectively K€0 and K€(500) as of 31 December 2015. The revenue and the net loss of the acquired business as if it would have been acquired at 1 January 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.

The total amount of the acquisition related costs were not material.

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### Acquisitions in 2014

#### *E-prototypy*

The Group signed a sale and purchase agreement on 23 January 2014 to acquire all of the shares and voting interests of e-prototypy, an entity incorporated in Poland, for a total purchase consideration in cash of K€1,260. The entity e-prototypy is a provider of rapid prototypes and 3D printing in Poland since 2008 and is integrated in the industrial production segment.

The acquisition meets the definition of a business.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

in thousands of euro	Carrying value at acquisition date	Fair value adjustments	Fair value at acquisition date
<b>Assets</b>			
Customer relationships	—	93	93
Favorable contract	—	87	87
Other intangible assets	4	—	4
Property, plant & equipment	756	—	756
Other assets	229	—	229
	<b>989</b>	<b>180</b>	<b>1,169</b>
<b>Liabilities</b>			
Deferred tax liabilities	—	(34)	(34)
Other liabilities	(695)	—	(695)
	<b>(695)</b>	<b>(34)</b>	<b>(729)</b>
<b>Total identified assets and liabilities other than goodwill</b>	<b>294</b>	<b>146</b>	<b>440</b>
Goodwill			820
<b>Acquisition price paid in cash</b>			<b>1,260</b>

The cash flow from the business combination is as follows:

Cash & cash equivalents acquired	98
Acquisition price	(1,260)
<b>Total cash flow</b>	<b>(1,162)</b>

The fair value of the customer relationship amounts to K€93 and the fair value of property, plant & equipment (mainly 3D printers) amounts to K€756. The deferred tax liabilities comprise the tax effect of the fair value adjustment for the customer relationships. There were no contingent considerations payable. The fair value of the receivables at acquisition date is K€98 which equals the gross contractual amounts receivable.

The contribution of the acquired business to the revenue and net loss was respectively K€1,115 and K€(264) as of 31 December 2014. The revenue and the net loss of e-Prototypy since 1 January 2014 is not materially different.

The goodwill recognized is primarily attributable to the expected synergies, acquiring the market leadership in Poland and highly skilled workforce. The goodwill is not deductible for income tax purposes.

The total amount of the acquisition related costs were not material.

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### *Orthoview*

On 21 October 2014 the Group acquired all shares of OrthoView Holdings (“Orthoview”), a United Kingdom based company specializing in Orthopedic Pre-Operative Planning Software. Orthoview generates income mainly in the US, Europe, Japan & Latin-America using its two main sale channels: direct sales and PACS (“Picture Archiving Communication System”) partners. The acquisition meets the definition of a business. Orthoview is integrated in the medical segment.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

in thousands of euros	Carrying value at acquisition date	Fair value adjustments	Fair value at acquisition date
<b>Assets</b>			
Technology	—	1,278	1,278
Customer relations	—	4,688	4,688
Other intangible assets	1	—	1
Property, plant & equipment	11	—	11
Cash and cash equivalents	1,522	—	1,522
Other assets	909	—	909
	<b>2,443</b>	<b>5,966</b>	<b>8,409</b>
<b>Liabilities</b>			
Deferred tax liability	226	(1,325)	(1,099)
Deferred income	(1,754)	346	(1,408)
Accrued charges	(84)	—	(84)
Other liabilities	(154)	—	(154)
	<b>(1,766)</b>	<b>(979)</b>	<b>(2,745)</b>
<b>Total identified assets and liabilities</b>	<b>677</b>	<b>4,987</b>	<b>5,664</b>
Goodwill			5,060
<b>Acquisition price paid in cash</b>			<b>10,724</b>
<b>Cash flow from business combination</b>			
Cash & cash equivalents acquired			1,522
Acquisition price			(10,724)
<b>Total cash flow</b>			<b>(9,202)</b>

The accounting for the business combination was finalized during 2015 whereby the fair value of the deferred income has been reduced from K€1,754 to K€1,408 impacting also the fair values of the customer relationships and the technology. The fair value of the customer relationship amounts to K€4,688 and the fair value of the technology amounts to K€1,278. The deferred tax liabilities comprise the tax effect of the fair value adjustment for the customer relationships, technology and deferred income. The purchase price paid at the acquisition date amounted to KGBP 8,472 or K€10,724. The fair value of the receivables is K€909 which equals the gross contractual amounts receivable.

There are no contingent considerations payable.

The goodwill recognized is primarily attributable to the expected synergies that will be realized by increasing the sales of OrthoView’s products through the Materialise sales organization and by integrating the Group’s 3D technology in the OrthoView’s Orthopedic Pre-Operative Planning Software. The goodwill is not deductible for income tax purposes.

The contribution of the acquired business to the revenue and net profit of the Group for the year ended 31 December 2014 were respectively K€937 and K€265. The pro forma revenue and the pro forma net profit of the acquired business would have been K€3,438 and K€797, respectively, if the business would have been acquired on 1 January 2014.

The total amount of the acquisition related costs is K€157 which have been recognized in the line “General and administrative expenses”.

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**Changes in the measurement of the contingent consideration for previous acquisitions**

*Cenat*

The Group signed a sale and purchase agreement on 10 March 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 (31 December 2015) at K€1,310 .

The Group has re-estimated the fair value of the contingent consideration at 31 December 2016 to K€909, based on the historical results and the forecasted financial information for the period 2017 to 2019. The fair value adjustment resulted in a gain of K€455 recorded in the line “other operating income (expenses)”.

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.

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**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		
	2016	2015	2014
CGU: MAT NV SAM BE	3,241	3,241	1,532
CGU: e-Prototype	775	801	820
CGU: Rapidfit+ (USA)	—	—	107
CGU: OrthoView	4,667	5,445	5,255
CGU: MAT NV Manufacturing (Metal)	177	177	—
<b>Total</b>	<b>8,860</b>	<b>9,664</b>	<b>7,714</b>

The changes in the carrying value of the goodwill can be presented as follows for the year 2016, 2015 and 2014:

in 000€	Impair-		
	Gross	ment	Total
<b>At 1 January 2014</b>	<b>1,612</b>	<b>—</b>	<b>1,612</b>
Additions	5,997	—	5,997
Impairment	—	—	—
Currency translation	105	—	105
<b>At 31 December 2014</b>	<b>7,714</b>	<b>—</b>	<b>7,714</b>
Additions	1,769	—	1,769
Impairment	—	(104)	(104)
Currency translation	285	—	285
<b>At 31 December 2015</b>	<b>9,768</b>	<b>(104)</b>	<b>9,664</b>
Additions	—	—	—
Impairment	—	—	—
Currency translation	(804)	—	(804)
<b>At 31 December 2016</b>	<b>8,964</b>	<b>(104)</b>	<b>8,860</b>

The goodwill of Orthoview (UK) and of e-Prototype (PL) include respectively K€(777) and K€(27) impact of currency translation.

The goodwill related to the acquired business of CENAT during 2015 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”.

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### *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 2015 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 7.17% 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 €23.2 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 c-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 10.55% 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 significant capex in new 3D printing equipment expected to realize in 2017 which will positively impact revenue during 2017 and beyond. It was concluded that the value in use is higher than the carrying value of the cash generating unit of €1.9 million. Based on the sensitive 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 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 11.17% 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 is higher than the carrying value of the cash generating unit of €9.8 million. Based on the sensitive 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 higher than the carrying value of the cash generating unit. The Orthoview business is being integrated more and more in the existing software business within our Matricialisc Medical segment. Synergies that are expected from joined product lines are not taken into account in the current impairment review. For 2016 management believes that Orthoview can still be considered a separate cash generating unit. Per end of 2016 we believe that the goodwill for Orthoview is not impaired.

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**6 Intangible assets**

The changes in the carrying value of the intangible assets can be presented as follows for the years 2016, 2015 and 2014:

in thousands of euros	<u>Patents &amp; licenses</u>	<u>Software</u>	<u>Acquired customers and technology</u>	<u>Total</u>
<b>Acquisition value</b>				
<b>At 1 January 2014</b>	<b>1,664</b>	<b>730</b>	<b>199</b>	<b>2,593</b>
Additions	595	244	84	923
Acquisition of a subsidiary	1	1	6,343	6,345
Disposals	(2)	(16)	—	(18)
Exchange differences	—	—	81	81
Other	84	8	(63)	29
<b>At 31 December 2014</b>	<b>2,342</b>	<b>967</b>	<b>6,644</b>	<b>9,953</b>
Additions	761	671	89	1,521
Acquisition of a subsidiary	—	3	1,474	1,477
Disposals	—	(6)	—	(6)
Currency translation	89	143	(112)	120
Other	10	1	430	441
<b>At 31 December 2015</b>	<b>3,202</b>	<b>1,779</b>	<b>8,525</b>	<b>13,506</b>
Additions	606	1,738	—	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)
<b>At 31 December 2016</b>	<b>3,788</b>	<b>3,769</b>	<b>7,596</b>	<b>15,153</b>

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in thousands of euros	Patents & licenses	Software	Acquired customers and technology	Total
<b>Amortization</b>				
<b>At 1 January 2014</b>	(670)	(474)	(10)	(1,154)
Additions	(326)	(203)	(538)	(1,067)
Disposals	—	18	—	18
Other	—	(2)	(21)	(23)
<b>At 31 December 2014</b>	(996)	(661)	(569)	(2,226)
Additions	(465)	(269)	(851)	(1,585)
Disposals	—	5	—	5
Other	(10)	(33)	—	(43)
<b>At 31 December 2015</b>	(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
<b>At 31 December 2016</b>	(2,042)	(1,251)	(2,095)	(5,388)
<b>Net carrying value</b>				
At 31 December 2016	1,746	2,518	5,501	9,765
At 31 December 2015	1,731	821	7,105	9,657
At 31 December 2014	1,346	306	6,075	7,727
At 1 January 2014	994	256	189	1,439

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€39

The 'Acquired customers and technology' have been recognized as part of the acquisition of Advanced Machining Ltd, E-Prototypy, OrthoView and Cenat (see Note 4).

At 31 December 2016, the remaining amortization period for the acquired customers is 7.75 years for OrthoView, 2.00 years for E-Prototypy and 8.25 years for Cenat (2015: 8.75 years for OrthoView, 3.00 years for E-Prototypy and 9.25 years for Cenat).

The total amortization charge for 2016 is K€1,954 (2015: K€1,585 ; 2014: K€1,067 ) 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.



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**7 Property, plant & equipment**

The changes in the carrying value of the property, plant and equipment can be presented as follows for the year 2016 and 2015:

in thousands of euros	Land & buildings	Plant & equipment	Leased assets	Construction in progress	Total
<b>Acquisition value</b>					
<b>At 1 January 2015</b>	<b>13,268</b>	<b>30,139</b>	<b>7,116</b>	<b>999</b>	<b>51,522</b>
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
<b>At 31 December 2015</b>	<b>19,719</b>	<b>33,408</b>	<b>8,933</b>	<b>2,114</b>	<b>64,174</b>
Additions	8	4,916	2,483	7,899	15,306
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)
<b>At 31 December 2016</b>	<b>19,797</b>	<b>40,199</b>	<b>11,241</b>	<b>4,652</b>	<b>75,889</b>
<b>Amortization</b>					
<b>At 1 January 2015</b>	<b>(2,451)</b>	<b>(16,354)</b>	<b>(2,505)</b>	<b>—</b>	<b>(21,310)</b>
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
<b>At 31 December 2015</b>	<b>(4,369)</b>	<b>(18,927)</b>	<b>(2,478)</b>	<b>—</b>	<b>(25,774)</b>
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
<b>At 31 December 2016</b>	<b>(5,093)</b>	<b>(22,263)</b>	<b>(3,470)</b>	<b>—</b>	<b>(30,826)</b>
<b>Net book value</b>					
At 31 December 2016	14,704	17,936	7,771	4,652	45,063
At 31 December 2015	15,350	14,481	6,455	2,114	38,400
At 1 January 2015	10,817	13,785	4,611	999	30,212

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The changes in the carrying value of the property, plant and equipment can be presented as follows for the year 2014:

in thousands of euros	Land & buildings	Plant & equipment	Leased assets	Construc- tion in progress	Total
<b>Acquisition value</b>					
<b>At 1 January 2014</b>	<b>11,778</b>	<b>21,702</b>	<b>4,636</b>	<b>693</b>	<b>38,809</b>
Additions:	180	5,577	2,647	3,824	12,228
Acquired from business combinations	—	713	54	—	767
Disposals	—	(536)	—	(95)	(631)
Transfers	1,092	2,539	(217)	(3,421)	(7)
Currency Translation	218	144	(4)	(2)	356
Other	—	—	—	—	—
<b>At 31 December 2014</b>	<b>13,268</b>	<b>30,139</b>	<b>7,116</b>	<b>999</b>	<b>51,522</b>
<b>Amortization</b>					
<b>At 1 January 2014</b>	<b>(1,774)</b>	<b>(14,322)</b>	<b>(2,096)</b>	<b>—</b>	<b>(18,192)</b>
Depreciation charge for the year	(492)	(2,295)	(711)	—	(3,498)
Acquired from business combinations	—	—	—	—	—
Disposals	—	506	—	—	506
Transfers	(155)	(144)	299	—	—
Currency Translation	(30)	(99)	3	—	(126)
Other	—	—	—	—	—
<b>At 31 December 2014</b>	<b>(2,451)</b>	<b>(16,354)</b>	<b>(2,505)</b>	<b>—</b>	<b>(21,310)</b>
<b>Net book value</b>					
At 31 December 2014	10,817	13,785	4,611	999	30,212
At 1 January 2014	10,004	7,380	2,540	693	20,617

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The investments in property, plant & equipment in 2016 amounted to K€15,306 (2015: K€12,836 ; 2014: K€12,228) and mainly 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). The additions of 2014 essentially related to the acquisitions of leased and purchased machines.

The Group realized a net gain on disposal of property, plant and equipment of K€149 in 2016 (2015: a net gain of K€73; 2014: a loss of K€23).

No impairment of property, plant and equipment was recorded.

### *Land and buildings*

The carrying value of land included in land and buildings at 31 December 2016 included K€0 of assets under construction (2015: K€0 ; 2014: K€1,764).

### *Finance leases*

The carrying value of finance leases at 31 December 2016 was K€7,771 (2015: K€6,455; 2014: K€4,611). Finance leases are included in the column leased assets and mainly relate to 3D printing machines with a carrying value of K€7,771 at 31 December 2016 (2015: K€6,455; 2014: K€4,148) and for which depreciation of K€1,663 was recorded in 2016 (2015: K€1,357; 2014: K€643). New finance leases in 2016 amount to K€2,757 (2015: K€3,808; 2014: K€2,647) and mainly relate to leased machinery (3D printing machines).

### *Assets under construction*

In 2016 the assets under construction mainly include 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. In 2015 and 2014 the assets under construction were mainly the construction and upgrade of 3D printing machines that are being built by the Group.

### *Borrowing costs*

Because insignificant, no borrowing costs were capitalized during any of the years ended December 31, 2016, 2015 and 2014.

### *Pledges*

Land and buildings with a carrying amount of K€10,388 (2015: K€7,479; 2014: K€7,906) and buildings under construction with a carrying amount of K€2,206 (2015: nil; 2014: nil) are subject to pledges to secure several of the Group's bank loans (Note 22).

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### 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€	2016°	2015	2014
<i>(Share in the) joint venture's statement of financial position°</i>			
Current assets	610	414	173
Non-current assets	132	838	381
Goodwill	—	—	—
Current liabilities	(1,060)	(234)	(135)
Non-current liabilities	—	—	—
Shareholders' Equity	(318)	1,018	419
<i>(Share in the) joint venture income and expenses (loss)°</i>			
Revenue	720	214	—
Profit (loss) *	(2,036)	(401)	(81)

- \* there are no discontinued operations  
° as from 2016 the complete numbers of the joint venture's financial statements are presented (100%), for the years 2015 and 2014 only the share of Materialise in the joint venture's financial statements are presented.

Total current assets include cash and cash equivalents for a total amount of K€86 per 31 December 2016 (2015: K€518 ; 2014: K€222 ). Profit (loss) include total depreciations and amortization for a total amount of K€34 in 2016 (2015: K€218 ; 2014: K€31 ).

The movement of the carrying value of the joint venture is as follows:

	in 000€
<b>Carrying value per 31 December 2014</b>	<b>419</b>
Additional investment	1,000
Share in loss	(401)
<b>Carrying value per 31 December 2015</b>	<b>1,018</b>
Additional investment	—
Share in loss	(1,018)
<b>Carrying value per 31 December 2016</b>	<b>—</b>

The Group has not recognized its share in the losses of the joint venture for a total amount of K€161 in 2016.

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### 9 Inventories and other assets

#### *Other non-current assets*

Other non-current assets include the following:

in 000€	For the year ended December 31		
	2016	2015	2014
Tax credits	1,766	—	—
Guarantees and deposits	342	320	270
Other	46	36	58
<b>Total non-current assets</b>	<b>2,154</b>	<b>356</b>	<b>328</b>

The non-current tax credits relate to tax credits that will be realized over more than one year. In 2015 and 2014, all tax credits were presented as current based on the assessment of the realization at that time.

#### *Inventories*

Inventories include the following:

in 000€	For the year ended December 31		
	2016	2015	2014
Raw materials	4,297	3,390	2,175
Work in progress	2,693	1,442	1,096
Finished goods	880	555	389
<b>Total inventories (at cost or net realizable value)</b>	<b>7,870</b>	<b>5,387</b>	<b>3,660</b>

The amount of the inventory written-off as an expense is K€98 (2015: K€88 ; 2014: K€50 ).

#### *Other current assets*

Other current assets include the following:

in 000€	For the year ended December 31		
	2016	2015	2014
Deferred charges	1,483	1,442	1,034
Tax credits	176	1,285	696
Accrued income	666	254	236
Other tax receivables	604	958	253
Other non-trade receivables	1,552	1,054	1,321
<b>Total current assets</b>	<b>4,481</b>	<b>4,993</b>	<b>3,540</b>

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**10 Trade receivables**

The trade receivables include the following:

in 000€	For the year ended December 31		
	2016	2015	2014
Trade receivables	27,990	23,348	18,660
Amortization receivables	(511)	(505)	(290)
<b>Total</b>	<b>27,479</b>	<b>22,843</b>	<b>18,370</b>

Trade receivables are non-interest bearing and are generally on payment terms of 30 to 90 days.

As at 31 December 2016, trade receivables of an initial value of K€511 (2015: K€506; 2014: K€290) were impaired and fully provided for. See below for changes in the impairment of receivables.

in 000€	
<b>At 1 January, 2014</b>	<b>(1,252)</b>
Addition	(473)
Usage	1,162
Reversal	273
<b>At 31 December, 2014</b>	<b>(290)</b>
Addition	(424)
Usage	39
Reversal	170
<b>At 31 December, 2015</b>	<b>(505)</b>
Addition	(266)
Usage	190
Reversal	70
<b>At 31 December, 2016</b>	<b>(511)</b>

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**11 Cash and cash equivalents and held to maturity investments**

Cash and cash equivalents include the following:

in 000€	For the year ended December 31		
	2016	2015	2014
Cash at bank	45,645	41,701	39,921
Cash equivalents	10,267	9,025	11,098
<b>Total</b>	<b>55,912</b>	<b>50,726</b>	<b>51,019</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of 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.

As at 31 December 2014, the Group also owned held to maturity investments for an amount of K€10,000. These were investments on term accounts between 6 to 12 months and earned interest at a fixed deposit rate.

There were no restrictions on cash during 2016, 2015 or 2014.

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### 12 Equity

#### Share capital

The share capital of the parent company Materialise NV consists of 47,325,438 ordinary nominative shares at December 31, 2016 (2015: 47,325,438 ; 2014: 47,147,256 ) with no nominal but par value of €0.058 in 2016 (2015: €0.058 ; 2014: €0.059 ) for a total amount of K€2,729 at 31 December 2016 (2015: K€2,729 ; 2014: K€2,788 ).

in 000€, except share data	Total number of founder shares	Total number of ordinary shares	Total shareholders' capital	Total share-premium
<b>Outstanding at 1 January, 2014</b>	—	<b>39,072,056</b>	<b>2,235</b>	<b>12,321</b>
Capital increase IPO 30/06/2014	—	8,000,000	480	70,004
Capitalization costs IPO 30/06/2014	—	—	—	(6,279)
Equity settled share-based payments expense	—	—	—	604
Capital increase by exercise warrants on 31/10/2014	—	75,200	73	—
<b>Outstanding on 31 December, 2014</b>	—	<b>47,147,256</b>	<b>2,788</b>	<b>76,650</b>
Transfer share capital to share premium	—	—	(69)	69
Capital increase in cash	—	80,182	5	575
Capital increase via exercise of warrants	—	98,000	5	90
Equity settled share-based payments expense	—	—	—	714
<b>Outstanding on 31 December, 2015</b>	—	<b>47,325,438</b>	<b>2,729</b>	<b>78,098</b>
Transfer share capital to share premium	—	—	—	—
Capital increase in cash	—	—	—	—
Capital increase via exercise of warrants	—	—	—	—
Equity settled share-based payments expense	—	—	—	921
<b>Outstanding on 31 December, 2016</b>	—	<b>47,325,438</b>	<b>2,729</b>	<b>79,019</b>

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 (2014: K€73) as a result of the exercise of warrants outstanding and fully vested. The number of new shares issued was 98,000 at a price is €0.98 per share.

On June 30, 2014, the Group has successfully completed and settled its initial public offering on Nasdaq at the initial stock price \$12 and the issuance of 8,000,000 new ordinary shares (post stock-split) with a total increase in share capital and share premium of K€70,484 (equivalent of K\$96,000). The total expenses directly related to the share capital increase amounted to K€6,279 which were deducted from the share premium.

In addition, the shareholders have approved on June 30, 2014 a stock-split of 1 ordinary share to 4 new ordinary shares and the pre-existing classes of ordinary shares have been eliminated. In this respect, all share amounts and the EPS were adjusted retro-actively to reflect the stock-split.

Until 2013, the ordinary shares were divided in three categories: A, B and C with similar voting and dividend rights. The three categories have been eliminated as part of the initial public offering in June 2014.

The Company also issued previously 300,000 founder shares which do not represent shareholders' capital but grant the holder voting and dividend rights. The terms & conditions are further discussed in Note 24. The General Meeting of Shareholders held on November 28, 2013 converted the 300,000 founder shares into ordinary A shares resulting in a dilution for the existing shareholders by 3.07%. Those A shares will benefit from all rights allocated to the ordinary shares.



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The shareholders of the Group have granted to the Group's Board of Director's, by a decision taken on April 23, 2014, the right to increase the share capital by K€2,715 without the consent of the Shareholders for a maximum of 5 years.

### Share premium

In Belgium, the portion of the capital increase in excess of par value is typically allocated to share premium.

The carrying value of the share premium is K€79,019 at December 31, 2016 (2015: K€78,098; 2014: K€76,650). The change in 2016 is the result of the share-based payment expense of K€921.

The change in 2015 is the result of (i) the transfer of K€69 from share capital; (ii) the portion of the capital increase in cash of K€575; (iii) the portion of the capital increase due to the exercise of warrants of K€90 and (iv) the result of the share-based payment expense of K€714.

### Reserves

The nature and purpose of the reserves is as follows:

in 000€	For the year ended December 31		
	2016	2015	2014
Legal reserve	279	226	226
Retained earnings	(1,882)	1,181	5,538
<b>Reserves</b>	<b>(1,603)</b>	<b>1,407</b>	<b>5,764</b>

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 2016, 2015 and 2014.

### Non-controlling interest

The non-controlling interest is zero at December 31, 2016 and at December 31, 2015. The non-controlling interest in 2014 represents 22.31% of the shares in the subsidiary Mobelife that are held by third parties.

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.

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### *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. The shareholders of Mobelife paid during 2014 uncalled capital for a total amount of K€181 of which K€33 by the non-controlling interest. A loss on dilution for the Group has been recognized for an amount of K€7 in 2014.

At the end of December 2014, the shareholders' capital of Mobelife was increased by K€31 as a result of the exercise of fully vested warrants. A gain in dilution for the Group has been recognized in the amount of K€24.

### *Rapidfit+*

On February 28, 2013, the Group has carved-out its Rapidfit+ business into a newly created entity Rapidfit+. On June 27, 2013, the investor PMV-TINA has subscribed to 100% of the capital increase of K€1,000 resulting in a dilution of the Group's interest in Rapidfit+ from 100% to 83.33%. As a result of this dilution, the Group recognized a gain of K€736 in consolidated reserves at December 31, 2013.

The shareholders of Rapidfit+ have decided to increase the capital of the entity as of December 23, 2014 to K€2,235. Each shareholder has participated in proportion to its interest in Rapidfit+ whereby the Group participated for K€3,750 (of which K€703 as capital increase and K€3,047 as increase share premium) and PMV-TINA participated for K€750 (of which K€141 as capital increase and K€609 as increase share premium). The capital increase subscribed by PMV-TINA is shown in the reserves as no non-controlling interest is presented for Rapidfit+ (see further).

After the capital increase the shareholders of Rapidfit+ have decided to reduce the shareholders capital by K€1,410 by incorporating the historical losses of K€1,328 and creating a reserve of K€82.

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. Currently the call option is deeply out of the money due to the significant losses of Rapidfit+ and as such the fair value is estimated at zero at December 31, 2016. 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€735 at 31 December 2016 (2015: K€673; 2014 K€639). The undiscounted estimated redemption amount totals K€875 at December 31, 2016 (2015: K€875; 2014: 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 2016 (2015: zero; 2014: zero).

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### 13 Share-based payment plans

#### *Share-based payment plans of the parent*

The changes of the year for the warrant plans are as follows:

	2016	2015	2014
<b>Outstanding at 1 January</b>	<b>1,401,852</b>	<b>1,579,955</b>	<b>505,064</b>
Granted	350,000	18,180	1,398,540
Forfeited / Cancelled	(70,852)	(98,283)	(248,449)
Exercised	—	(98,000)	(75,200)
<b>Outstanding at 31 December</b>	<b>1,681,000</b>	<b>1,401,852</b>	<b>1,579,955</b>
<b>Exercisable at 31 December</b>	<b>—</b>	<b>—</b>	<b>123,163</b>

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.

#### *Equity-settled share-based payment plans*

The Group has several plans in place (2007 warrant plan, 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.

#### 2007 warrant plan and 2013 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 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 2007 and 2013 warrant plan at 31 December is as follows:

	2016	2015	2014
<b>Outstanding at 1 January</b>	<b>439,896</b>	<b>555,896</b>	<b>505,064</b>
Granted	—	—	166,800
Forfeited / Cancelled	(4,800)	(18,000)	(40,768)
Exercised	—	(98,000)	(75,200)
<b>Outstanding at 31 December</b>	<b>435,096</b>	<b>439,896</b>	<b>555,896</b>
<b>Exercisable at 31 December</b>	<b>—</b>	<b>—</b>	<b>123,163</b>

#### 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.

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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:

	2016	2015	2014
<b>Outstanding at 1 January</b>	<b>772,859</b>	<b>828,342</b>	<b>—</b>
Granted	—	18,180	1,016,052
Forfeited / Cancelled	(45,260)	(73,663)	(187,710)
Exercised	—	—	—
<b>Outstanding at 31 December</b>	<b>727,599</b>	<b>772,859</b>	<b>828,342</b>
<b>Exercisable at 31 December</b>	<b>—</b>	<b>—</b>	<b>—</b>

## Warrant plan 2015

The Board of Directors decided on 18 December 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.

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:

	2016
<b>Outstanding at 1 January</b>	<b>—</b>
Granted	350,000
Forfeited / Cancelled	—
Exercised	—
<b>Outstanding at 31 December</b>	<b>350,000</b>
<b>Exercisable at 31 December</b>	<b>—</b>

## 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 2007 warrant plan, 2013 warrant plan, IPO warrant plan and 2015 warrant plan:

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	Plan 2015 (sept 16)	IPO 2015 (Nov)	IPO 2014 (Nov)	IPO 2014 (June)	2013 (Dec) *	2013 (Oct) *	2007*
Return dividend	0%	0%	0%	0%	0%	0%	0%
Expected volatility	47%	47%	50%	46%	50%	53%	56%
Risk-free interest rate	0.24%	1.17%	1.12%	1.70%	2.56%	2.43%	4.25%
Expected life	4.30	5.50	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	3.92
Stock price (in €)	6.42	8.08	8.67	8.81	18.09	18.09	3.92
Fair value SAR (in €)	2.41	3.30	3.94	3.83	12.23	12.77	2.15

(\*) 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 Sept 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.

The expense arising from share-based payment transactions for the warrants plans mentioned above was K€921 in 2016 (2015: K€714 ;2014:K€604 ).

The weighted average remaining estimated life of the warrants outstanding as of 31 December 2016 is 4.38 years (2015: 5.50 years; 2014: 4.65 years). The weighted average fair value for the warrants outstanding at the end of 2016 was €6.01 (2015: €3.54 ; 2014: €3.45 ). The weighted average exercise price for the warrants outstanding at the end of 2016 was €8.06 (2015: €8.81 ; 2014: €8.46 ).

The weighted average share price at the date that the 98,000 options during 2015 were exercised was €7.91.

### 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:

	2016	2015	2014
<b>Outstanding at 1 January</b>	<b>189,097</b>	<b>195,717</b>	<b>—</b>
Granted	—	—	215,688
Forfeited / Cancelled	(20,792)	(6,620)	(19,971)
Exercised	—	—	—
<b>Outstanding at 31 December</b>	<b>168,305</b>	<b>189,097</b>	<b>195,717</b>
<b>Exercisable at 31 December</b>	<b>—</b>	<b>—</b>	<b>—</b>

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.

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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:

	2016	2015
Return dividend	0%	0%
Expected volatility	50%	47%
Risk-free interest rate	0.55%	0.98%
Expected life	3.25	4.25
Exercise price (in €)	8.81	8.81
Stock price (in €)	7.30	6.48
Fair value SAR (in €)	2.17	1.87

The expense arising from share-based payment transactions for the SAR's plan was K€46 in 2016 (2015: K€43 ; 2014: K€60 ). The carrying value of the liability at 31 December 2016 amounts to K€147 (2015: K€101 ; 2014: K€59 ). The total intrinsic value of the liability for warrants currently exercisable was K€0 at 31 December 2016, 2015 and 2014.

### Share-based payment plans of Mobelife

The changes in the year for the Mobelife warrant plan 2012 and 2009 are follows:

	2016	2015	2014
<b>Outstanding at 1 January</b>	—	—	<b>404</b>
Granted	—	—	—
Forfeited / Cancelled	—	—	—
Exercised	—	—	(404)
<b>Outstanding at 31 December</b>	—	—	—
<b>Exercisable at 31 December</b>	—	—	—

### Mobelife warrant plan 2009

The subsidiary Mobelife issued and granted on 30 March 2009 405 warrants to its executive management with an exercise price of €100. Each warrant gives the holder the right to one ordinary share of Mobelife. The warrants have a contractual term of 7 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 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.

### Mobelife warrant plan 2012

The subsidiary Mobelife issued on 17 January 2012 100 warrants to its executive management with an exercise price of €536. Each warrant gives the holder the right to one ordinary share of the subsidiary Mobelife. The warrants have a contractual term of 7 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 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.

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The following table lists the input to the Black-Scholes model both warrant plans:

	Warrantplan	
	2009	2012
Return dividend	0%	0%
Expected volatility	31%	56%
Risk-free interest rate	4.25%	4.25%
Expected life	5.50	5.50
Exercise price	€100.00	€536.00
Fair value shares	€100.00	€536.00
Fair value option	36.89	203.64

The above input for the Black-Scholes model have been determined on the same basis as disclosed above.

The expense arising from share-based payment transactions for Mobelife warrant plans was K€0 in 2016 (2015: K€0; 2014: K€2).

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### Share-based payment plans of Rapidfit+

The subsidiary Rapidfit+ has issued a warrant plan on 23 August 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:

	2016	2015	2014
<b>Outstanding at 1 January</b>	199	199	—
Granted	—	—	199
Forfeited / Cancelled	—	—	—
Exercised	—	—	—
<b>Outstanding at 31 December</b>	199	199	199
<b>Exercisable at 31 December</b>	—	—	—

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 2016 (2015: K€10; 2014: K€9).



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### 14 Loans and borrowings

The loans and borrowings include the following:

in 000€	Interest rate	Maturity	For the year ended December 31		
			2016	2015	2014
€5,000 bank loan	4.61%	Jun-2027	3,847	4,125	4,390
€4,050 bank loan	1.24%	Dec-2032	4,050	—	—
€2,390 bank loan	1.36%	Oct-2020	1,847	2,392	—
€2,354 bank loan	1.15%	Sep-2032	2,354	—	—
€2,000 bank loan	4.43%	Nov-2020	658	808	952
€1,800 bank loan	0.92%	Sep-2023	1,738	—	—
€1,750 bank loan	5.40%	Dec-2022	906	1,019	1,138
€1,600 investment loan	1.55%	Nov-2022	1,382	1,600	—
€1,000 convertible bond	3.70%	Oct-2020	1,000	1,000	1,011
€1,000 straight loan	1.79%	Feb-2015	—	—	1,000
€899 investment loan	1.12%	Dec-2022	775	900	—
€750 bank loan	1.07%	Sep-2023	750	—	—
€630 institutional loan	0.25%	Sep-2021	630	—	—
€613 bank loan	0.77%	Jun-2023	570	—	—
€612 bank loan	0.85%	Dec-2023	612	—	—
€609 bank loan	1.96%	Mar-2019	—	405	529
€500 bank loan	1.78%	Dec-2018	205	305	404
€490 bank loan	1.02%	Mar-2023	439	—	—
€486 bank loan	0.78%	Jun-2023	452	—	—
€468 bank loan	0.76%	Sep-2023	452	—	—
€450 bank loan	0.93%	Dec-2023	450	—	—
€448 bank loan	5.11%	Dec-2019	200	271	345
€425 bank loan	0.78%	Jun-2023	395	—	—
€414 bank loan	0.76%	Sep-2023	399	—	—
€400 loan with related party	4.23%	Oct-2025	266	290	313
Interest free loan agreements	—	Oct-2016; Mar-2020	306	856	1,652
Obligations under finance lease with related party	0.00%	2015-2017	—	—	1,087
Obligations under finance leases (third parties)	—	2016-2023	7,339	5,823	3,127
Short term credit agreements	0.90%	Jun-2015	—	—	325
Short term credit agreements	1.08%	Jun-2016	—	25	—
Other loans	—	—	1,784	1,270	1,074
<b>Total loans and borrowings</b>			<b>33,806</b>	<b>21,089</b>	<b>17,347</b>
of which					
current			5,539	4,482	5,499
non-current			28,267	16,607	11,848

#### KE5,000 secured bank loan

This bank loan has been used to finance the construction of a portion of the office and production building in Leuven (Belgium). The loan started on December 23, 2011 and was completely drawn at K€5,000 as of June 30, 2012. The loan matures on 30 June 2027. The loans bears a fixed interest rate of 4.61% with monthly fixed installments as from July 1, 2012. This bank loan is secured with a mortgage on the building.

#### KE4,050 secured bank loan

This bank loan has been used to finance the construction of a portion of the office and production building in Leuven (Belgium). The loan was agreed for a total amount of K€12,000 and was first drawn on December 28, 2016 for the amount of K€4,050. The loan matures on December 31, 2032. The loans bears a fixed interest rate of 1.24%. Repayment of capital will only start as of December 1, 2022. This bank loan is secured with a mortgage on the building.

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### *KE2,390 bank loan*

This bank loan has been used to finance the Polish operations. The loan started on October 22, 2015 and is repaid in 60 fixed monthly payments. The interest rate is fixed at 1.36%.

### *KE2,354 secured bank loan*

This bank loan has been used to finance the construction of the office and production building in Poland. The loan was agreed for a total amount of KE6,000 and was first drawn on December 28, 2016 for the amount of KE2,354. The loan matures on September 30, 2032. The loan bears a fixed interest rate of 1.15%. The repayment of the capital will only start as of June 1, 2019. This bank loan is secured with a mortgage on the building.

### *KE2,000 secured bank loan*

This bank loan has been used to finance the construction of a portion of the office and production building in Leuven. The loan started on December 1, 2005 with a maturity of 15 years. The loan bears a fixed interest rate of 4.43% with monthly fixed installments. This bank loan is secured with a mortgage on the building.

### *KE1,800 bank loan*

This bank loan has been used to finance the purchase of production equipment. The loan started on October 28, 2016 with a maturity of 7 years. The loan bears a fixed interest rate of 0.92% with monthly fixed installments.

### *KE1,750 secured bank loan*

This bank loan has been used to finance the construction of an office in Czech Republic. The loan started on November 1, 2008 with a maturity of 14 years. The loan bears a fixed interest rate of 5.40% with monthly fixed installments. This bank loan is secured with a mortgage on the building.

### *KE1,600 investment loan*

This loan was contracted to finance the operations of Materialise USA and runs for 7 years. Interest is fixed at 1.55% and payments are done each quarter.

### *KE1,000 convertible bond with related party*

The Group has issued on October 28, 2013 1,000 convertible bonds with a related party for a total amount of KE1,000. 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: KE1
- Contractual life: 7 years
- Interest: 3.7%
- Conversion period: from 1 January 2017 until maturity
- Conversion price: €1.97

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 KE907. Upon initial recognition, an amount of KE93 was recognized in consolidated reserves reflecting the fair value of the conversion option.

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### *Straight loan*

Rapidfit N.V. has obtained a straight loan in order to finance its working capital needs. The loan was repaid by the end of 2016.

### *KE900 investment loan*

This loan was contracted to finance the operations of Materialise Poland and runs for 7 years. Interest is fixed at 1.12% and payments are monthly.

### *KE750 bank loan*

This loan was contracted to finance the operations of Materialise NV and runs for 7 years. Interest is fixed at 1.07% and payments are monthly.

### *KE630 institutional loan*

This loan was contracted with a financial institution in Germany to finance the production operations of Materialise Germany for a maximum amount of KE2,000. Per end of 2016 KE630 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.

### *KE613 bank loan*

This loan was contracted to finance the purchase of a 3D printer and runs for 7 years. Interest is fixed at 0.77% and payments are monthly.

### *KE612 bank loan*

This loan was contracted to finance the purchase of a 3D printer and runs for 7 years. Interest is fixed at 0.85% and payments are monthly.

### *KE609 bank loan*

This bank loan was contracted in order to finance the acquisition of machines.

### *KE500 secured bank loan*

This bank loan has been used to finance the purchase of a 3D printing machine. The loan started on December 1, 2013 with a maturity of 5 years. The loans bear a fixed interest rate of 1.78% with monthly fixed installments and is secured.

### *KE414-KE490 bank loans*

Several bank loans were contracted to finance the purchase of 3D printers and other equipment. The maturity ranges from 5 to 7 years, and the annual interest rate varies between 0.76% and 5.11%.

### *Interest-free loan agreements*

The Group has several interest-free loans with an outstanding nominal amount of KE308 (2015: KE881; 2014: KE1,595). The interest-free loans have been initially measured at fair value, which is the present value of the future installments with a discounting rate of 3.04%. The maturity of the remaining loans is February and March 2020 and have either monthly or quarterly installments. The carrying value at December 31, 2016 is KE306 (2015: KE856; 2014: KE1,652). The difference between the carrying value and the nominal value is recognized as financial income over the loan period.

The loans have been granted by either government organizations or business partners.

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### *Finance lease obligations with related parties*

The Group has signed two finance lease obligations with Ailanthus NV, a related party to and shareholder of, the Company, for the land and building in Leuven. In April 1998, the Group has signed a finance lease agreement with Ailanthus NV to lease land and a portion of the office and production building. The lease has a term of 15 years and includes a purchase option for the land and the building. The Group has determined that this lease is 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 the Group would exercise its purchase option. The amounts outstanding as of December 31, 2016 is K€0 (2015: K€0; 2014: K€1,000). The interest expense for the year 2016 is K€0 (2015: K€0; 2014: K€0). The term of the lease expired at March 31, 2013 and the purchase option has been exercised. Ownership has been transferred on February 18, 2015.

In October 2001, the Group has signed a finance lease agreement with Ailanthus NV to lease land and a portion of a new production building. The lease has a term of 15 years and a purchase option for the land and the building. The Group has determined that this lease is 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 the Group would exercise its purchase option. The amounts outstanding as of December 31, 2016 is K€74 (2015: K72; €2014: K€86). The interest expense for the year 2016 is K€4 (2015: K€5; 2014: K€6). The term of the lease expired on September 20, 2016 and the purchase option will be exercised by notary deed in 2017.

Ailanthus NV has granted another loan at fixed interest rate of 4.23% which 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, 2016 is K€266 (2015: K€290; 2014: K€313). The interest expense for the year 2016 is K€12 (2015: K€13; 2014: K€14) and is included in the "other loans" in the above table.

### *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.

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**15 Other non-current liabilities**

The other non-current liabilities consist of the following:

in 000€	For the year ended December 31		
	2016	2015	2014
Written-put option Rapidfit+	735	673	638
Contingent consideration	909	1,310	—
Advances received on contracts	—	81	93
Provisions	69	53	169
Other	160	127	69
<b>Total</b>	<b>1,873</b>	<b>2,244</b>	<b>969</b>

We refer to Note 12 for a description of the written-put options Rapidfit+.

The contingent consideration of K€909 at 31 December 2016 (2015: K€1,310) relates to the business combination of CENAT.

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 2016, 2015 and 2014. As such, no further disclosures have been provided.

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**16 Deferred income**

Deferred income consists of the following:

in 000€	For the year ended December 31		
	2016	2015*	2014*
Deferred maintenance & license	16,799	13,136	9,521
Deferred (project) fees	4,134	2,738	2,105
Deferred government grants	419	703	593
Other	58	24	200
<b>Total</b>	<b>21,410</b>	<b>16,601</b>	<b>12,419</b>
of which			
current	17,822	14,696	10,449
non-current	3,588	1,905	1,970

\* The years 2015 and 2014 have 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 research projects. The grants are recognized as income under "other operating income".

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**17 Other current liabilities**

Other current liabilities include the following:

in 000€	For the year ended December 31		
	2016	2015	2014
Payroll-related liabilities	7,873	7,162	5,827
Non-income tax payables	694	913	988
Accrued charges	946	645	837
Advances received	581	338	503
Other current liabilities	53	154	502
<b>Total</b>	<b>10,147</b>	<b>9,212</b>	<b>8,657</b>

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### 18 Fair value

#### *Financial assets*

The carrying value and fair value of the financial assets for 31 December 2016, 2015 and 2014 can be presented as follows:

in 000€	Carrying value			Fair value		
	2016	2015	2014	2016	2015	2014
<b>Financial assets</b>						
<b>Loans and receivables measured at amortized cost</b>						
Trade receivables (current)	27,479	22,843	18,370	27,479	22,843	18,370
Other financial assets (non-current)	388	356	328	388	356	328
Other current assets	2,312	1,751	3,540	2,312	1,751	3,540
Cash & cash equivalents	55,912	50,726	51,019	55,912	50,726	51,019
<b>Total loans and other receivables</b>	<b>86,091</b>	<b>75,676</b>	<b>73,257</b>	<b>86,091</b>	<b>75,676</b>	<b>73,257</b>
Held to maturity investments	—	—	10,000	—	—	10,005
<b>Total held-to-maturity investment</b>	<b>—</b>	<b>—</b>	<b>10,000</b>	<b>—</b>	<b>—</b>	<b>10,005</b>

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 held to maturity investments is calculated as the present value of the interest income and nominal amount using the interest rates applicable at reporting date (level 2 inputs);
- Other current financial assets such as current other 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 31 December 2016, 2015 and 2014

#### *Financial liabilities:*

The carrying value and fair value of the financial liabilities for 31 December 2016, 2015 and 2014 can be presented as follows:



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in 000€	Carrying value			Fair value		
	2016	2015	2014	2016	2015	2014
<b>Financial liabilities measured at amortized cost</b>						
Loans & Borrowings	33,806	21,089	17,347	34,619	21,449	17,761
Trade payables	13,400	9,712	7,205	13,400	9,712	7,205
Other liabilities	794	1,345	2,004	794	1,345	2,004
<b>Total financial liabilities measured at amortized cost</b>	<b>48,000</b>	<b>32,146</b>	<b>26,556</b>	<b>48,813</b>	<b>32,506</b>	<b>26,970</b>
<b>Financial liabilities measured at fair value</b>						
Contingent consideration	909	1,310	—	909	1,310	—
Written put option on NCI	735	673	638	735	673	638
<b>Total financial liability measured at fair value</b>	<b>1,644</b>	<b>1,983</b>	<b>638</b>	<b>1,644</b>	<b>1,983</b>	<b>638</b>
Total non-current	30,071	18,851	12,817	30,714	19,259	13,284
Total current	19,573	15,278	14,377	19,743	15,230	14,324

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 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 31 December 2016, 2015 and 2014 except for 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 12) and is estimated on historical financial figures. The impact on the income statement is K€50 during 2016 (2015: K€35 ; 2014: K€25 ).

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- The fair value of the call option is estimated at zero as the call option is deeply out of the money (see Note 12).
- 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 production cost level. The fair value of this contingent consideration was initially estimated at K€1,310 (31 December 2015). A fair value adjustment was recognized in 2016 bringing the fair value of the contingent consideration to K€909 per 31 December 2016 (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€40 (K€39). 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€7 (K€7).

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### 19 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 Manufact- uring	Total segments	Adjust- ments & elim- inations	Consoli- dated
<b>For the year ended 31 December, 2016</b>						
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%
<b>For the year ended 31 December, 2015</b>						
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%
<b>For the year ended 31 December, 2014</b>						
Revenues	18,095	30,034	33,222	81,351	4	81,355
Segment EBITDA	6,586	2,917	1,144	10,647	(5,752)	4,895
Segment EBITDA %	36.4%	9.7%	3.4%	13.1%		6.0%

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The segment EBITDA is reconciled with the consolidated net profit (loss) of the year as follows:

in 000€	For the year ended 31 December,		
	2016	2015	2014
<b>Segment EBITDA</b>	<b>14,872</b>	<b>11,160</b>	<b>10,647</b>
Depreciation, amortization and impairment	(8,374)	(6,810)	(4,565)
Corporate research and development	(1,673)	(2,955)	(2,487)
Corporate headquarter costs	(8,646)	(9,700)	(6,573)
Other operating income (expense)	3,928	4,416	3,308
<b>Operating (loss) profit</b>	<b>107</b>	<b>(3,889)</b>	<b>330</b>
Financial expenses	(2,437)	(2,470)	(1,150)
Financial income	2,039	3,511	3,160
Income taxes	(1,710)	389	(387)
Share in loss of joint venture	(1,018)	(401)	(81)
<b>Net (loss) profit</b>	<b>(3,019)</b>	<b>(2,860)</b>	<b>1,872</b>

Entity-wide disclosures

We refer to the Note 20.1 for the revenue by geographical area, based on location of the customer. The total revenue realized in the country of domicile (Belgium) in 2016 amounts to K€7,534 (2015: K€7,202; 2014: K€6,746).

The total non-current assets, other than financial instruments, deferred tax assets and tax credits, by geographical area is as follows:

in 000€	For the year ended 31 December,	
	2016	2015
United States of America (USA)	4,697	5,032
Americas other than USA	35	13
Europe (without Belgium)	23,984	22,436
Belgium	34,074	30,315
Asia	898	943
<b>Total</b>	<b>63,688</b>	<b>58,739</b>

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.

Please note that for the period ending December 31, 2014 the information is not available.

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### 20 Income and expenses

#### 20.1 Revenue

Revenue by geographical area is presented as follows:

in 000€	For the year ended December 31		
	2016	2015	2014
United States of America (USA)	29,267	29,400	24,478
Americas other than USA	1,537	1,590	1,033
Europe	67,883	58,939	47,358
Asia	15,790	12,106	8,486
<b>Total</b>	<b>114,477</b>	<b>102,035</b>	<b>81,355</b>

The Group has no customers (2015: none; 2014: one (within medical segment)) with individual sales larger than 10% of the total revenue. In previous years, one customer represented 11.3% of total revenue in 2014.

The revenue by category is presented as follows:

in 000€	For the year ended December 31		
	2016	2015	2014
Software licenses	38,071	20,068	14,483
Software services	5,159	19,188	11,828
Clinical devices	18,315	14,556	14,675
Clinical services	1,908	3,098	1,510
Printed parts	46,445	39,651	32,511
Royalties and other fees	4,579	5,474	6,348
<b>Total</b>	<b>114,477</b>	<b>102,035</b>	<b>81,355</b>

#### 20.2 Cost of sales

Cost of sales include the following selected information:

in 000€	For the year ended December 31		
	2016	2015	2014
Purchase of goods and services	(25,374)	(25,203)	(18,739)
Amortization and depreciation	(5,007)	(3,173)	(2,624)
Payroll expenses	(16,161)	(14,524)	(10,910)
Other expenses	(164)	(63)	(123)
<b>Total</b>	<b>(46,706)</b>	<b>(42,963)</b>	<b>(32,396)</b>

#### 20.3 Research and development expenses

Research and development expenses include the following selected information:

in 000€	For the year ended December 31		
	2016	2015	2014
Purchase of goods and services	(3,177)	(2,176)	(3,042)
Amortization and depreciation	(478)	(1,047)	(702)
Payroll expenses	(13,985)	(14,874)	(11,279)
Other	(42)	(89)	(70)
<b>Total</b>	<b>(17,682)</b>	<b>(18,186)</b>	<b>(15,093)</b>

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### 20.4 Sales and marketing expenses

Sales and marketing expenses include the following selected information:

in 000€	For the year ended December 31		
	2016	2015	2014
Purchase of goods and services	(7,450)	(8,330)	(6,339)
Amortization and depreciation	(563)	(1,108)	(436)
Payroll expenses	(27,828)	(26,655)	(20,173)
Other	(312)	(739)	(595)
<b>Total</b>	<b>(36,153)</b>	<b>(36,832)</b>	<b>(27,543)</b>

### 20.5 General and administrative expenses

General and administrative expenses include the following selected information:

in 000€	For the year ended December 31		
	2016	2015	2014
Purchase of goods and services	(5,488)	(3,774)	(2,748)
Amortization and depreciation	(2,326)	(1,482)	(803)
Payroll expenses	(11,895)	(9,270)	(7,872)
Other	(332)	(519)	(222)
<b>Total</b>	<b>(20,041)</b>	<b>(15,045)</b>	<b>(11,645)</b>

### 20.6 Net other operating income (expense)

The net other operating income (expense) can be detailed as follows:

in 000€	For the year ended December 31		
	2016	2015	2014
Government grants	4,181	4,788	3,632
Capitalized expenses (asset construction)	12	693	749
Net foreign currency exchange gains / (losses)	452	361	518
Tax Credits	741	588	—
Other	826	672	753
<b>Total</b>	<b>6,212</b>	<b>7,102</b>	<b>5,652</b>

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.

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## 20.7 Payroll expenses

The following table shows the breakdown of payroll expenses for 2016, 2015 and 2014:

in 000€	For the year ended December 31		
	2016	2015	2014
Short-term employee benefits	(50,714)	(48,372)	(37,192)
Social security expenses	(10,136)	(9,076)	(7,255)
Expenses defined contribution plans	(388)	(758)	(627)
Other employee expenses	(8,631)	(7,117)	(5,159)
<b>Total</b>	<b>(69,869)</b>	<b>(65,323)</b>	<b>(50,234)</b>
Total registered employees at the end of the period	1,432	1,304	1,100

## 20.8 Financial expenses

Financial expenses includes the following selected information:

in 000€	For the year ended December 31		
	2016	2015	2014
Interest expense	(665)	(615)	(606)
Foreign currency losses	(1,453)	(1,568)	(119)
Other financial expenses	(319)	(287)	(425)
<b>Total</b>	<b>(2,437)</b>	<b>(2,470)</b>	<b>(1,150)</b>

## 20.9 Financial income

Financial income includes the following selected information:

in 000€	For the year ended December 31		
	2016	2015	2014
Foreign currency exchange gains	1,853	3,098	2,900
Amortization discount interest free loans	14	40	62
Other finance income	172	373	198
<b>Total</b>	<b>2,039</b>	<b>3,511</b>	<b>3,160</b>

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**20.10 Income taxes**

*Current income tax*

The following table shows the breakdown of the tax expense for 2016, 2015 and 2014:

in 000€	For the year ended December 31		
	2016	2015	2014
Estimated tax liability for the period	(1,698)	(373)	(197)
Tax adjustments to the previous period	—	—	—
Deferred income taxes	(12)	762	(190)
<b>Total tax income (loss) for the period</b>	<b>(1,710)</b>	<b>389</b>	<b>(387)</b>

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 2016, 2015 and 2014:

in 000€	2016	2015	2014	2016	2015	2014
Tax losses, notional interest deduction and other tax benefits	109	906	58			
Amortization development assets and other intangible assets	227	186	170			
Deferred revenue	—	—	4			
Depreciation property, plant & equipment	—	—	—			
Borrowing cost	—	—	—			
Financial leasings	—	—	—			
Inventory	—	—	—			
Other non-current assets	—	—	—			
<b>Total deferred tax assets</b>	<b>336</b>	<b>1,092</b>	<b>232</b>	<b>(756)</b>	<b>860</b>	<b>(174)</b>
Property, plant & equipment	(452)	(363)	(277)			
Intangible assets	(873)	(1,705)	(1,281)			
Tax losses, notional interest deduction and other tax benefits	—	—	229			
<b>Total deferred tax liabilities</b>	<b>(1,325)</b>	<b>(2,068)</b>	<b>(1,329)</b>	<b>744</b>	<b>(98)</b>	<b>(16)</b>
<b>Total deferred tax income (loss)</b>				<b>(12)</b>	<b>762</b>	<b>(190)</b>

The Group has unused tax losses, tax credits and notional interest deduction available in an amount of K€9,451 for 2016 (2015:K€12,231 ; 2014:K€10,293 ) of which K€1,570 for 2016 (2015:K€2,009 ; 2014: K€3,634 ) relating to Materialise NV. A total of K€315 in 2016 (2015:K€402 ; 2014:K€338 ) relates to unused notional interest deduction with an expiration date of 31 December 2018.



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With respect to the net operating losses of Materialise NV, no deferred tax assets, have been recognized given that in view of the Belgian Patent Income Deduction there is an uncertainty as to what extent these tax losses will be used in future years. The Belgian Patent Income Deduction allows companies to deduct 80% of the qualifying gross patent income from the taxable basis. Currently the Company is preparing a detailed analysis of its tax situation and tax planning. Once this analysis has been finalized, the Company will determine the basis on which to reassess the need for a valuation allowance on the deferred tax assets.

With respect to the net tax losses of the other entities in the Group, no deferred taxes have been recognized in 2016 except for K€109 (2015:K€906 ; 2014:K€58 ), given that it is unclear whether there will be a positive taxable base in the near future for the other entities with fiscal losses.

### *Relationship between Tax Expense and Accounting Profit*

in 000€	For the year ended December 31		
	2016	2015	2014
Profit (loss) before tax	(1,309)	(3,249)	2,259
Income tax at statutory rate of 33,99%	445	1,104	(768)
Effect of different local tax rate	663	445	105
Tax adjustments to the previous period	—	—	—
Non-deductible expenses	(453)	(394)	(275)
Capitalized initial public offering transaction costs	—	—	308
Research and development tax credits & patent income deduction	3,664	1,872	1,316
Notional interest deduction Belgium	351	365	—
Non recognition of deferred tax asset	(6,767)	(4,510)	(1,206)
Recognition of deferred tax assets on previous years tax losses	—	742	—
Non-taxable income	729	—	—
Use of previous years tax losses and tax credits for which no deferred tax assets was recognized	50	693	—
Taxes on other basis	(342)	—	—
Other	(50)	72	133
<b>Income tax expense as reported in the consolidated income statement</b>	<b>(1,710)</b>	<b>389</b>	<b>(387)</b>

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### 21 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit (loss) of 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) of the year used for the basic and diluted earnings per share are reconciled as follows:

in 000€	For the year ended December 31		
	2016	2015	2014
<b>Net profit attributable to ordinary equity holders of the parent for basic earnings</b>	<b>(3,019)</b>	<b>(2,807)</b>	<b>2,061</b>
Interest on convertible bonds	—	—	—
<b>Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution</b>	<b>(3,019)</b>	<b>(2,807)</b>	<b>2,061</b>

The convertible bond and the warrants are anti-dilutive as per 31 December 2016 and as such has not been considered for adjusting the net profit. We refer to Notes 13 and 14 for information on the number of instruments that could potentially be dilutive but which were not considered in the calculation above.

The following reflects the share data used in the basic and diluted earnings per share computations:

in 000€	For the year ended December 31		
	2016	2015	2014
<b>Weighted average number of ordinary shares for basic earnings per share</b>	<b>47,325</b>	<b>47,224</b>	<b>43,118</b>
Effect of dilution:			
Share options	—	—	170
Convertible loan	—	—	—
<b>Weighted average number of ordinary shares adjusted for effect of dilution</b>	<b>47,325</b>	<b>47,224</b>	<b>43,288</b>

The earnings per share are as follows:

	For the year ended December 31		
	2016	2015	2014
<b>Earnings per share attributable to ordinary owners of the parent</b>			
Basic	(0.06)	(0.06)	0.05
Diluted	(0.06)	(0.06)	0.05

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### 22 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		
	2016	2015	2014
Within 1 year	2,012	908	1,138
Between 2 and 3 years	1,964	1,074	919
Between 4 and 5 years	561	541	34
More than 5 years	84	15	—
<b>Total</b>	<b>4,621</b>	<b>2,538</b>	<b>2,091</b>

The total lease payments recognized in the consolidated income statement are K2,451 in 2016 (2015: K€1,165; 2014: K€1,188). Per January 1, 2017 the Group has refinanced operating car lease commitments into financial lease commitments for an amount of K€1,699. These commitments are not included in the above schedule, nor in the below finance lease commitments overview.

#### Finance lease commitments

The Group has finance leases for the building and various other items of plant and equipment. Future minimum lease payments under finance lease with the present value of the net minimum lease payments are as follows:

in 000€	31 December 2016		31 December 2015		31 December 2014	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	2,400	2,287	1,769	1,682	2,077	2,048
Between two and three years	3,640	3,503	4,345	3,968	1,595	1,468
Between four and five years	1,206	1,057	261	254	784	703
More than five years	587	548	—	—	—	—
<b>Total</b>	<b>7,833</b>	<b>7,395</b>	<b>6,375</b>	<b>5,904</b>	<b>4,456</b>	<b>4,219</b>
Less finance charges	(438)	—	(471)	—	(237)	—
Present value of minimum lease payments	7,395	7,395	5,904	5,904	4,219	4,219

#### Mortgages and pledges

The Group has several loans secured by a mortgage on the building. The carrying value of related property, plant & equipment is K€12,594 (2015: K€7,479; 2014 K€7,906). The total outstanding mortgages and pledges are K€32,362 in 2016 (2015: K€12,028; 2014: K€12,147).

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€4,491 in 2015 (2015: K€3,491; 2014: K€3,491).

#### Other commitments

The Group has outstanding non-cancellable contracts with a future commitment of K€1,290 at 31 December 2016 (2015: K€288; 2014: K€196). For property, plant & equipment, we have committed expenditures of K€10,204 as per 31 December 2016 (2015: K€505; 2014: nil). These commitments relate to the construction of the new buildings in Belgium and Poland.

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**Table of Contents***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.

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### 23 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 as foreign currency. During 2016, 2015 and 2014 the changes in the USD did not have a significant impact on the operating profit of the Group.

During 2016 the USD impact on the cash and term accounts held in USD funded through the initial public offering proceeds was positive for an amount of K€320.

If the USD (rate for 1 EUR) would have appreciated by 10%, the net result would have been K€1,006 lower, 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€823 higher, excluding the effect of the cash and term accounts held in USD

#### *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€3,063 at 31 December 2016 (2015: K€4,355; 2014: K€4,320).

These line of credit arrangements do not contain significant financial covenants.

The range of contracted obligations and related carrying amounts are as follows:

in 000€	<u>&lt; 1 year</u>	<u>2 to 3 years</u>	<u>4-5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<b>At 31 December, 2016</b>					
Loan & borrowings	6,050	10,787	7,471	12,620	36,928
Trade payables	13,400	—	—	—	13,400
Other current liabilities	794	—	—	—	794
<b>Total</b>	<b>20,244</b>	<b>10,787</b>	<b>7,471</b>	<b>12,620</b>	<b>51,122</b>
	<u>&lt; 1 year</u>	<u>2 to 3 years</u>	<u>4-5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<b>At 31 December, 2015</b>					
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
<b>Total</b>	<b>15,748</b>	<b>10,989</b>	<b>4,187</b>	<b>3,230</b>	<b>34,154</b>
	<u>&lt; 1 year</u>	<u>2 to 3 years</u>	<u>4-5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<b>At 31 December, 2014</b>					
Loan & borrowings	4,885	5,221	3,498	5,568	19,172
Trade payables	7,205	—	—	—	7,205
Other current liabilities	2,004	—	—	—	2,004
<b>Total</b>	<b>14,094</b>	<b>5,221</b>	<b>3,498</b>	<b>5,568</b>	<b>28,381</b>

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### *Interest rate risk*

The Group has loans outstanding primarily with a fixed interest rate and is, therefore, not subject to immediate changes in interest rates.

### *Credit risk*

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

The following is an aging schedule of trade receivables:

in 000€	<u>Total</u>	<u>Non-due</u>	<u>&lt; 30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-180 days</u>	<u>&gt; 181 days</u>
<b>31 December, 2016</b>	27,479	15,590	6,434	1,885	490	2,008	1,072
<b>31 December, 2015</b>	22,843	15,104	3,402	1,348	814	1,057	1,118
<b>31 December, 2014</b>	18,370	11,946	3,144	1,197	558	1,094	431

### *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 31 December 2016, 2015 and 2014.

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### 24 Related party transactions

The compensation of key management personnel of the Group is as follows:

in 000€	For the year ended December 31		
	2016	2015	2014
Short-term employee benefits	2,693	2,638	2,636
Post-employment benefits	116	109	93
Termination benefits	—	22	118
<b>Total</b>	<b>2,809</b>	<b>2,769</b>	<b>2,847</b>
Warrants granted	199,500	18,180	307,160
Warrants outstanding	790,752	593,448	673,756

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

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
<b>Non-executive director's of the Group</b>					
2016	—	72	50	—	972
2015	—	99	12	—	932
2014	—	52	11	—	920
<b>Shareholders of the Group</b>					
2016	—	117	16	—	378
2015	—	214	18	—	447
2014	25	264	20	—	1,514
<b>Joint ventures</b>					
2016	527	—	—	601	—
2015	547	—	—	189	—
2014	595	—	—	200	—

#### *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 14 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 2016 was K€141 (2015: K€167; 2014: K€168).

#### *Related party – Convertible debt*

The Group has issued on 28 October 2013 1,000 convertible bonds for a total amount of K€1,000. The bonds have been fully subscribed by a member of our senior management. We refer to Note 14 for more details.

#### *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 3,07%. Those A shares will benefit from all rights attached to the ordinary shares.

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**25 Events subsequent to the statement of financial position date**

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



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**26 Overview of consolidated entities**

Name	Country of incorporation	% equity interest			
		2016	2015	2014	2013
Materialise NV	Belgium	100%	100%	100%	100%
Materialise France SAS	France	100%	100%	100%	100%
Materialise GmbH	Germany	100%	100%	100%	100%
Materialise Japan K.K.	Japan	100%	100%	100%	100%
Materialise Czech Republic SRO	Czech Republic	100%	100%	100%	100%
Materialise USA, LLC	United States	99%	99%	99%	99%
Materialise UK Limited	United Kingdom	100%	100%	100%	100%
OBL SAS	France	100%	100%	100%	100%
Materialise Austria GmbH	Austria	100%	100%	100%	100%
Mobelife NV (liquidated)	Belgium	—	100%	77.7%	80.6%
Materialise NY LLC (liquidated)	United States	—	—	—	100%
Marcam (merged with Materialise GmbH)	Germany	—	100%	100%	100%
Materialise Malaysia SDN. Bhd.	Malaysia	100%	100%	100%	100%
Materialise Ukraine LLC	Ukraine	100%	100%	100%	100%
RapidFit NV	Belgium	83.3%	83.3%	83.3%	83.3%
RapidFit, LLC	United States	83.3%	83.3%	83.3%	83.3%
Meridian Technique Limited	United Kingdom	100%	100%	100%	—
OrthoView, LLC	United States	100%	100%	100%	—
OrthoView Holdings Limited	United Kingdom	100%	100%	100%	—
Meridian (Corporate Trustee) Limited	United Kingdom	100%	100%	100%	—
OrthoView Limited	United Kingdom	100%	100%	100%	—
Materialise SA	Poland	100%	100%	100%	—
Materialise Colombia SAS	Colombia	100%	100%	100%	—
RSPRINT powered by Materialise NV (joint venture)	Belgium	50.0%	50.0%	50.0%	—
Materialise Shanghai Co.Ltd	China	100%	100%	100%	—
Cenat bvba (merged with Materialise NV)	Belgium	—	100%	—	—
Mat Metal bvba (liquidated)	Belgium	—	100%	—	—
Elbimmo NV (merged with Materialise NV)	Belgium	—	100%	—	—
Rapidfit Holding LLC (liquidated)	United States	—	100%	—	—
Materialise Australia PTY Ltd	Australia	100%	—	—	—
Materialise S.R.L.	Italy	100%	—	—	—

