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2Q 2016 Financial Results
Conference Call
August 11, 2016

www.materialise.com
NASDAQ: MTLS

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Agenda

Fried Vancraen
Founder & CEO

Peter Leys
Executive Chairman

Johan Albrecht
CFO

- Q2 2016 Highlights
- Market Trends in 3D Printing Industry
- Q2 2016 Financial Results
- Growing Presence of Blue-Chip Players
- Facilities Expansion
- Q&A

Q2 2016 Highlights

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- Total revenue increased 11.4% to 27,597 kEUR.
- Revenue increases and positive EBITDA in all three business segments.
- Deferred revenue from annual software sales and maintenance contracts increased 2,311 kEUR from Q2 prior year to 14,555 kEUR.
- Adjusted EBITDA was 1,034 kEUR for a 3.7% margin.

Market Trends in 3D Printing Industry

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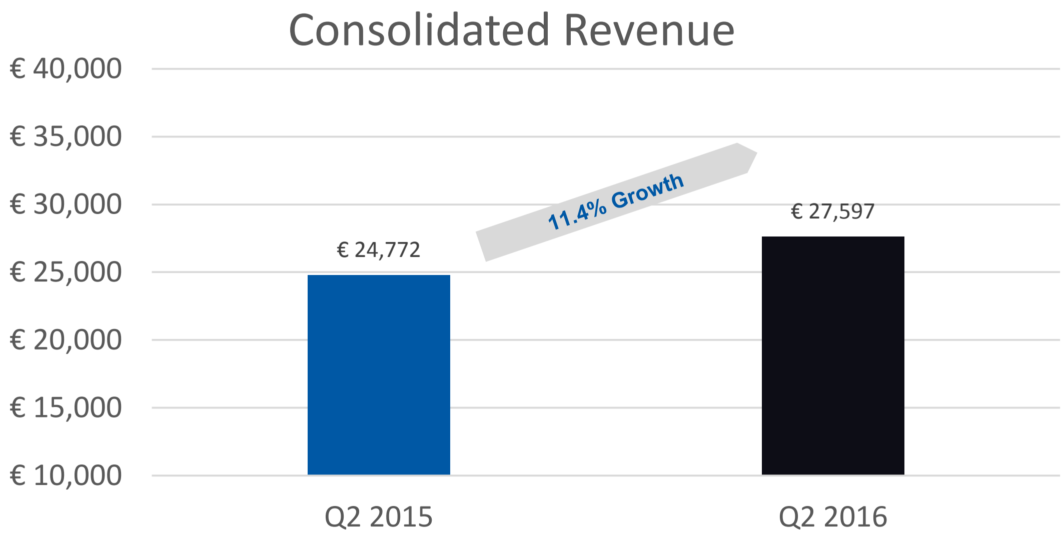
- Declining machine sales indicate overcapacity.
- Some markets in additive manufacturing services are experiencing intense competition.
- OEM players in different industries – 2D-printing, aerospace, medical devices, CAD-CAE – are in early phases of adopting additive manufacturing strategies.
- Expanded use of Materialise consulting services, co-creating increasing number of 3D printed end-parts, indicative of more widespread acceptance and coming demand for solutions.
- New generation of higher-productivity machines expected to spur demand.

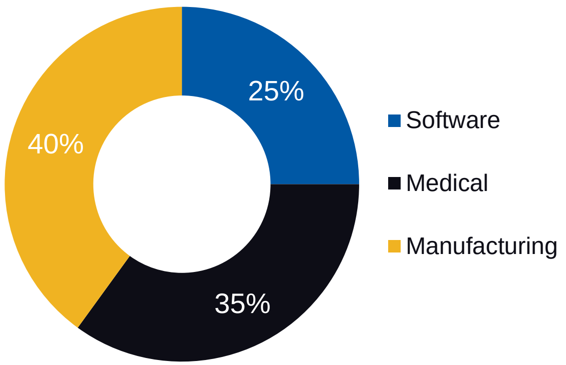
New Growth Phase to Emerge for 3D Printing Sector

Consolidated Revenue

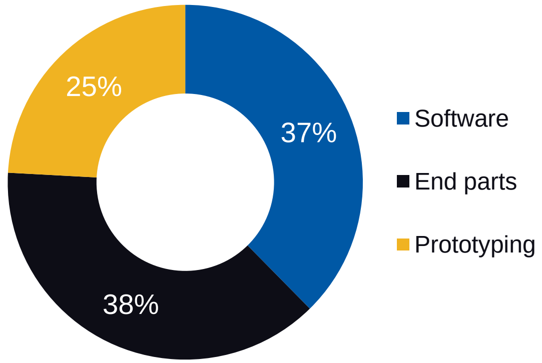


- Revenue increases in all segments.
- Medical led the gain with a 17% increase, followed by software.
- 75% of Q2 2016 revenue from software sales and end parts.

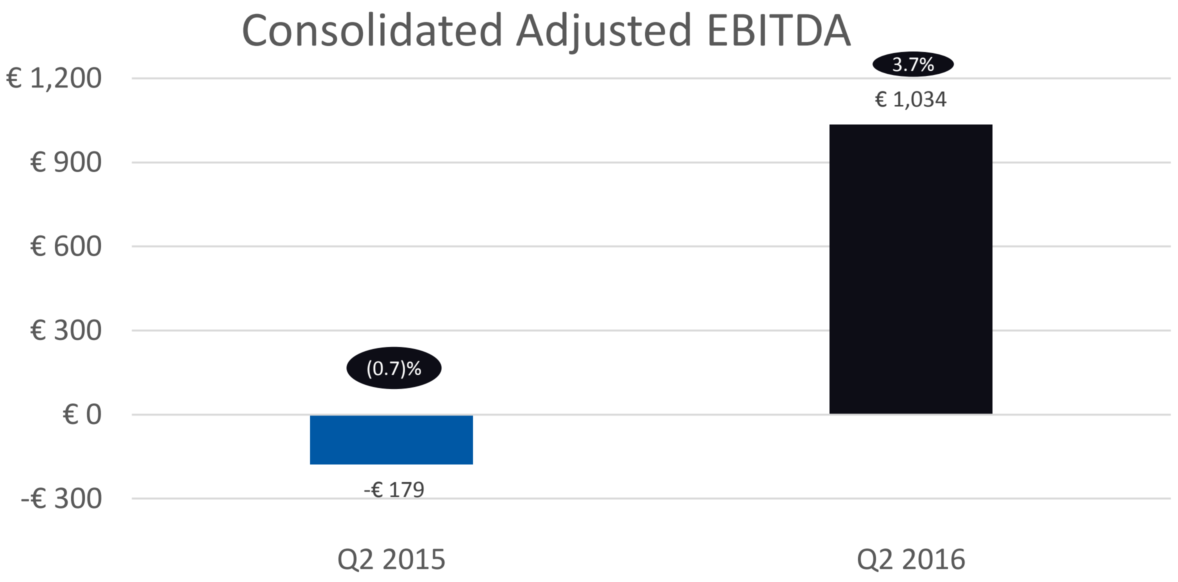
Q2 2016 Revenue by Segment



Q2 2016 Revenue by Product Type

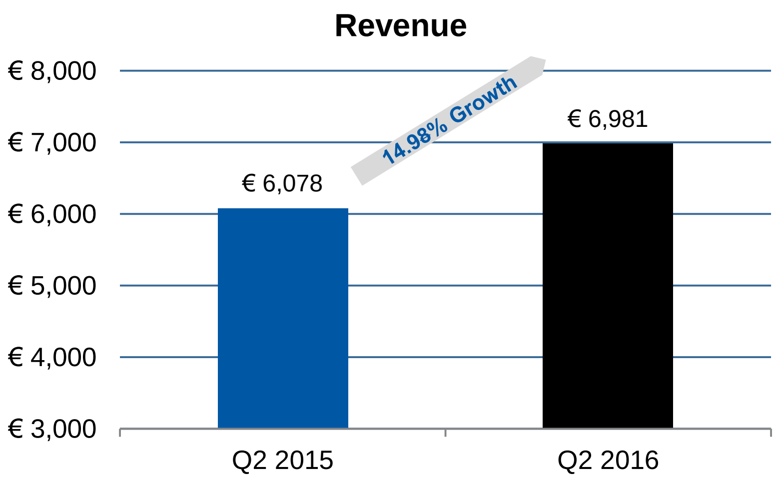


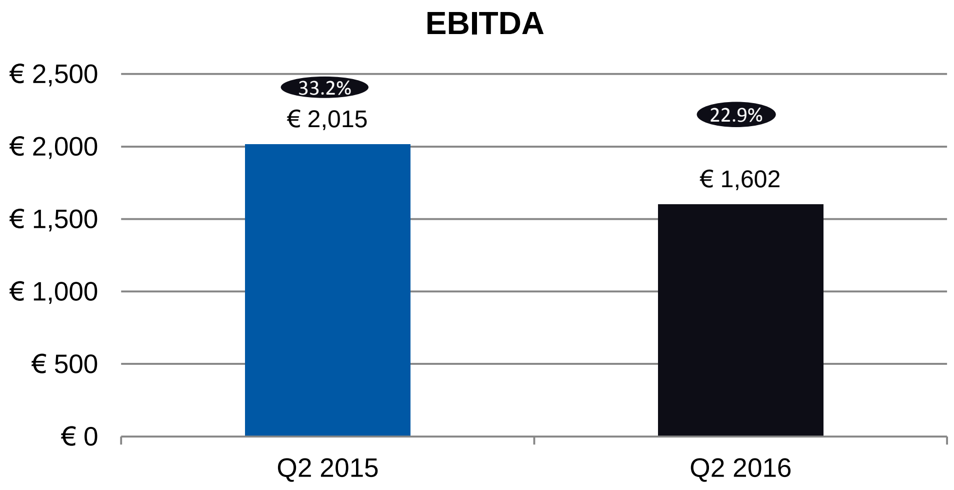
Consolidated Adjusted EBITDA



- Q2 2016 consolidated adjusted EBITDA grew from (179) kEUR to 1,034 kEUR.
- Q2 2016 consolidated adjusted EBITDA grew 447 basis points to 3.7%.
- Improvements reflect:
  - Continued revenue growth
  - 13% increase in gross profit
  - 8% increase in operational expenses

Software Segment

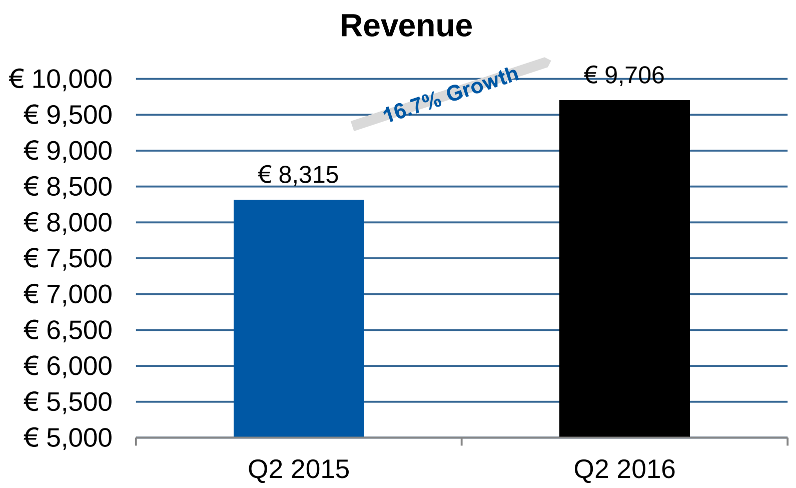


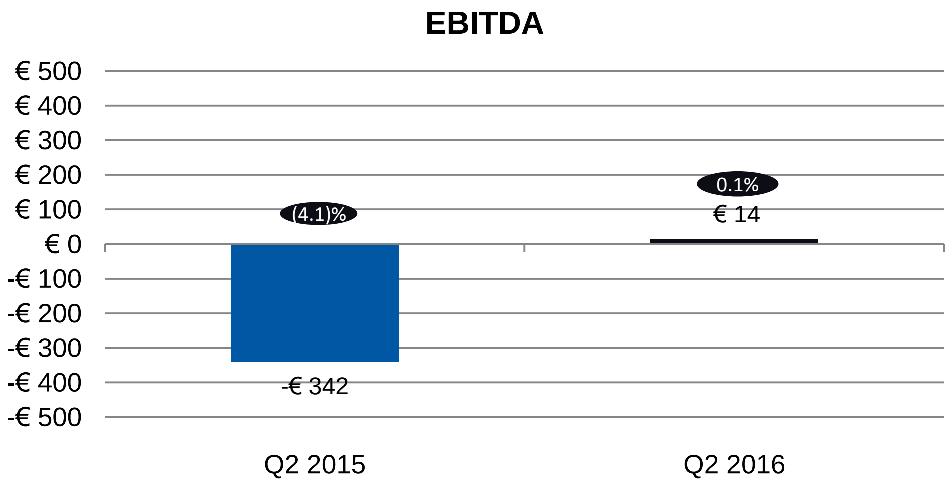


- 9% YOY growth in recurring license revenue.
- Q2 2016 sales* generated from OEMs decreased by -3% from the prior-year period.
- EBITDA decline primarily due an increase in R&D expenses for allocated software projects.

*Sales are defined in this presentation as revenue plus deferred revenue.

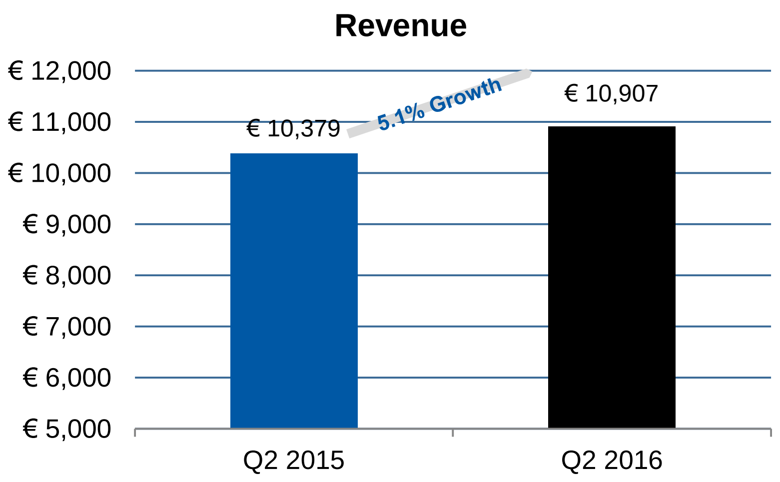
Medical Segment

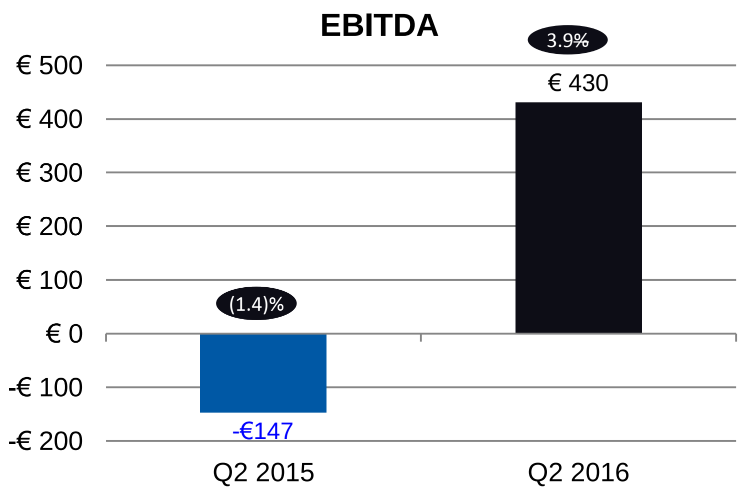




- Q2 2016 sales from medical collaboration partners increased 14% from Q2 2015.
- Direct sales from complex surgery devices increased 42% from Q2 2016.
- Q2 2016 medical software sales decreased 2% from Q2 2015 and represented 34% of total medical revenues.
- EBITDA turned positive as a result of higher revenues and modest increase of operational expenses.

Manufacturing Segment





- 36% growth in sales of end parts for Q2 2016 over Q2 2015.
- EBITDA increased to 3.9% from (1.4)% on higher gross profit due to manufacturing efficiencies.
  - Excluding growth businesses, Q2 2016 EBITDA was 13.0% versus 8.4% in prior-year period.
- Number of printers increased to 147 as of June 30, 2016.

Income Statement Highlights

(in thousands of euros, except where indicated)	Q2	
	2016	2015
Revenue	27,597	24,772
Cost of sales	(11,344)	(10,445)
Gross profit	16,253	14,327
Research & development expenses	(4,760)	(4,371)
Sales & marketing expenses	(9,533)	(9,620)
General & administrative expenses	(4,889)	(3,747)
Other income/(expenses), net	1,778	1,474
Operating profit/(loss)	(1,151)	(1,937)
Financial income/(expenses), net	207	(938)
Share in loss of joint venture	(131)	(63)
Taxes	639	(75)
Net profit/(loss)	(436)	(3,013)
Diluted EPS*	(0.01)	(0.06)
Diluted weighted average shares (thousands)	47,325	47,227

* Excludes non-controlling interest.

Other Financial Highlights

(in thousands of euros)	06/30/2016	12/31/2015
Cash & equivalents	51,304	50,726
Receivables	20,547	22,843
Inventories	5,392	5,387
Payables	9,905	9,967
Total deferred income	18,132	16,601
Total borrowings	22,717	21,089
Total equity	78,247	82,955
Total liabilities and equity	143,257	144,136

(in thousands of euros)	Q2 2016	Q2 2015
Capital expenditures	5,763	1,175
Cash flow from operations	4,405	543

Growing Presence of Blue-Chip Players

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Wide array of partnerships illustrates Materialise's capabilities and positioning in additive manufacturing

SOFTWARE	Large group of machine manufacturers HP added to roster in Q2 2016
MEDICAL	Large group of medical device companies Collaboration with Depuy Synthes extended in Q2 2016
MANUFACTURING	Large OEMs in the aerospace, medical, consumer and automotive sectors i.materialise collaboration with Microsoft launched in Q2 2016

Maintaining Full-Year Guidance for 2016
(*assuming current market conditions*)

Expanding Facilities to Meet Long-Term Demand

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- Company intends to expand production facilities in Poland and corporate facilities in Belgium.
- Plans to invest ~ 17,000 kEUR in cap ex over next 12 months.
- Two new buildings to be financed entirely with debt.
- Conditional commitment received at favorable rates.
  - Fixed interest rates below 1.5%.
  - Deferred amortization until 2019 and 2023, respectively.
- Facilities expected to be completed and ready for use in 2H 2017.

APPENDIX
Adjusted EBITDA Reconciliation

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	For the three months ended June 30	
(in thousands of euros)	**2016**	**2015**
Net profit/(loss)	(436)	(3,013)
Income taxes	(639)	75
Financial expense	609	1,286
Financial income	(816)	(348)
Share of loss in a joint venture	131	63
Depreciation & amortization	2,040	1,506
EBITDA	889	(431)
Non-cash stock-based compensation expenses	145	252
Adjusted EBITDA	1,034	(179)