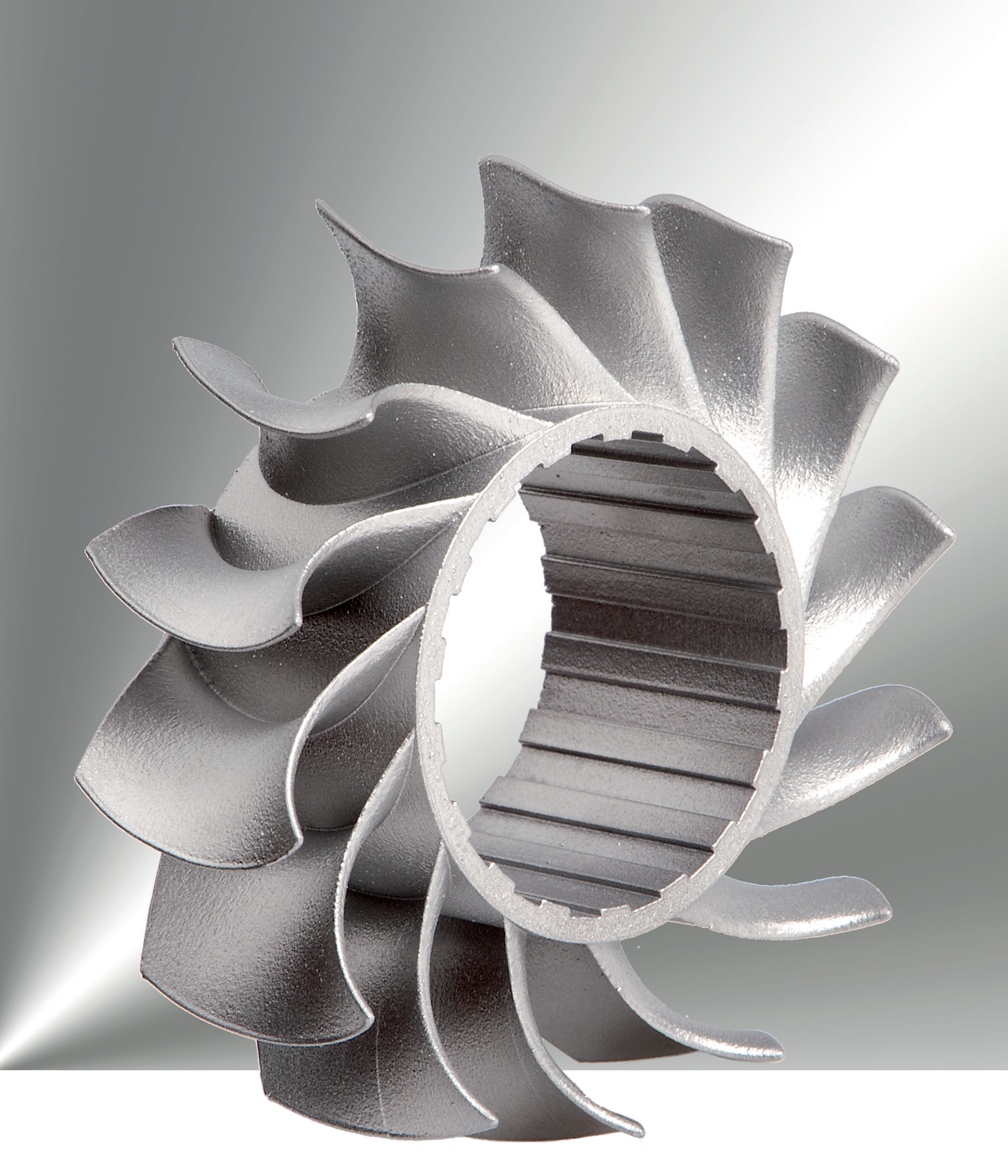


WELL PREPARED

H1-Report 2017

SLM SOLUTIONS

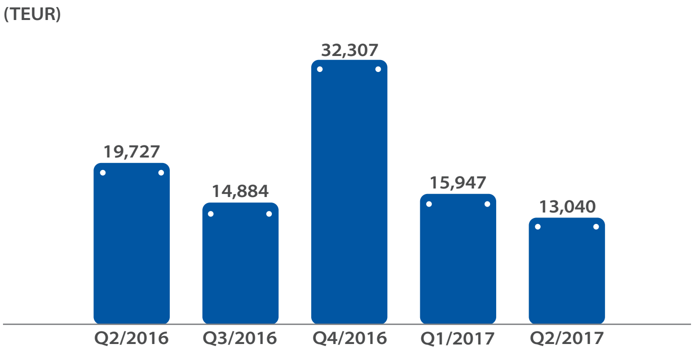
Highlights

	Unit	H1 / 2017	H1 / 2016	Change (in %)
Revenue	TEUR	28,987	33,516	-13.5
Total operating revenue	TEUR	29,452	41,701	-29.4
Cost of materials	TEUR	-12,680	-24,580	-48.4
Cost of materials ratio (as % of total operating revenue)	%	43.05	58.9	
Personnel costs, adjusted*	TEUR	-14,232	-11,497	+23.8
Personnel cost ratio, adjusted (as % of total operating revenue)	%	48.3	27.6	
Adjusted EBITDA*	TEUR	-4,518	-982	
Adjusted EBITDA margin (as % of revenue)*	%	-15.6	-2.9	
Consolidated net profit / loss	TEUR	-5,946	-2,278	
Earnings per share**	EUR	-0.33	-0.13	
New order intake	Machines	47	56	-16.1
New order intake	TEUR	35,309	29,956	+17.9
Machines sold	Machines	40	52	-23.1

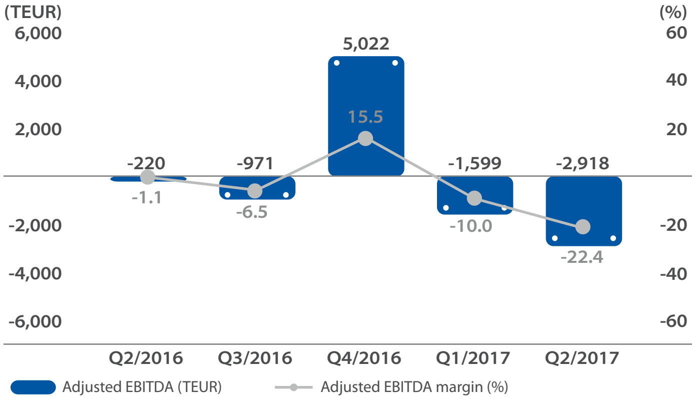
	Unit	30 June 2017	30 June 2016	Change (in %)
Non-current assets	TEUR	52,160	36,607	+42.5
Current assets	TEUR	67,396	78,255	-13.9
Equity ratio	%	74.8	83.6	
Total assets	TEUR	119,557	114,863	+4.1

* In H1-2017 adjusted for retention bonus of TEUR 94, in H1 / 2016 adjusted for retention bonus of TEUR 308
** Basic and diluted, calculated with 17,980,867 shares (previous year: 17,980,867 shares)

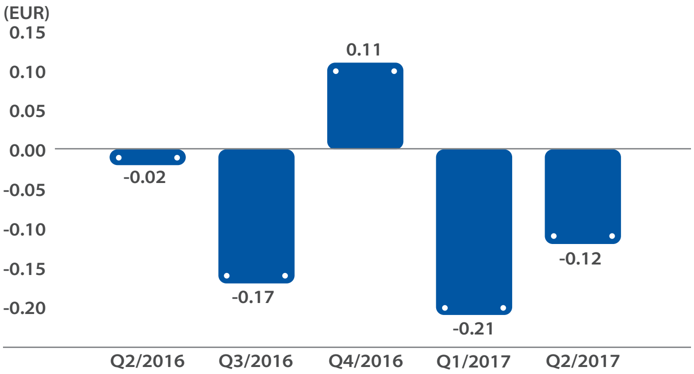
Development consolidated revenue



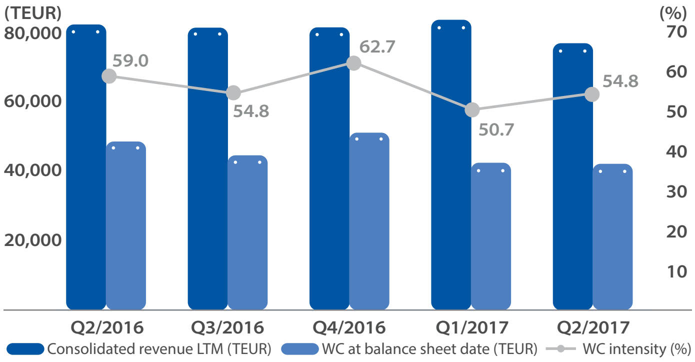
Adjusted EBITDA and EBITDA margin



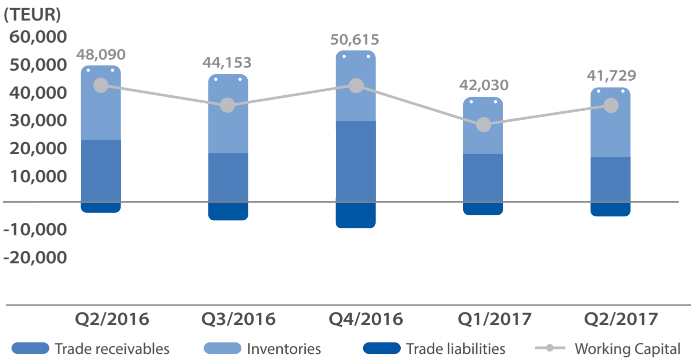
Earnings per share (basic)



Working capital intensity



Working Capital



Contents

Uwe Bögershausen, Management Board member

Letter from the Management Board

Dear shareholders, customers, business partners and colleagues,

The market for additive manufacturing remains in a state of flux. We have successfully positioned ourselves as an independent solutions provider in this context. Additive manufacturing is becoming increasingly accepted and has meanwhile achieved strategic importance for major industrial companies. We are profiting from this trend, and we booked our largest individual order in the company's history in June 2017. The partnerships we have entered into over the past months with Divergent in the USA and BeamIT in Italy underscore this development. Further strategic partnerships will follow over the coming months.

We focus entirely on partnership-based collaboration with our customers. We develop comprehensive solution approaches for additive manufacturing together with our customers – here we stand for the sector's highest construction rates and consequently the most cost-efficient production of highly complex series components. We develop our systems into complete solutions that are flexibly customised to our customers' manufacturing requirements. Closed powder cycles meet the highest safety standards that form a basic prerequisite in sectors such as aviation or the automotive industry. We aim to further advance the rapid dissemination of additive manufacturing of high-quality metal components – a goal that spurs us on.

SLM Solutions' growth continued in general during the first six months of this year. The number of potential customers has risen significantly further. At the same time, the value of new order intake was up by 17.9% compared to the previous year to reach EUR 35.3 million. We are succeeding in placing production-oriented and, as a consequence, higher-quality systems in the market. Revenue during the first six months of the year does not yet reflect this trend, and at EUR 29.0 million was 13.5% lower than in the previous year's first half: due to the wait-and-see approach that some customers are continuing to adopt, significant interest in our systems cannot be translated into shipments immediately. We assume this trend is temporary.

We are of the view that we can still achieve the targets for the year we recently announced. In this eventful year, however, reaching these targets depends particularly on the course of the fourth quarter, during which the important sector trade fair, formnext, will be held in Frankfurt.

On the Management Board's behalf, I would like to thank all who through their confidence support our company long-term in its further development.

Lübeck, August 9, 2017

Uwe Bögershausen
(Management Board member)

The SLM Solutions Group AG share

Share price performance (as of: 30 June 2017)

The share of SLM Solutions Group AG has traded in the Prime Standard of the Frankfurt Stock Exchange since May 9, 2014, and has been a member of the TecDAX share index since March 2016.

Over the twelve-month period until the 30 June 2017 reporting date, the share price has performed very well overall. The Xetra closing price of EUR 38.50 on 30 June 2017 was 64.5 % up on the closing price on 30 June 2016 (EUR 23.40). The market capitalisation stood at EUR 692.3 million as of 30 June 2017 based on 17,980,867 shares in issue (30 June 2016: EUR : 420.8 million).

Overall, over this period the company's share outperformed the comparable sector indices, the STOXX Global 3D Printing Tradable (+28.2 %) and TecDAX (+34.8 %).

The average number of SLM Solutions Group AG shares traded daily on Xetra amounted to 70,286 during the past twelve months until 30 June 2017 according to market data from arriva.de (30 June 2016: 41,364 shares).

Key data (as of: 31 July 2017)

The performance of the SLM Solutions share is currently covered by eight analysts. As of the date when this report was published, the analysts predominantly recommended either holding or selling the share due to its price level.

Institution	Analyst	Date	Rating	Share price target (EUR)
Berenberg	Gerhard Orgonas	31/03/2017	Hold	33.00
CANACCORD Genuity	Bobby Burleson	11/05/2017	Hold	38.00
Commerzbank	Adrian Pehl	21/07/2017	Reduce	24.00
Deutsche Bank	Uwe Schupp	11/05/2017	Buy	40.00
equinet Bank	Cengiz Sen	21/06/2017	Reduce	27.50
HSBC	Philip Saliba	10/04/2017	Hold	43.00
ODDO SEYDLER	Thomas Effler	06/04/2017	Neutral	38.50

Based on analyst ratings available on the 31 July 2017 cut-off date

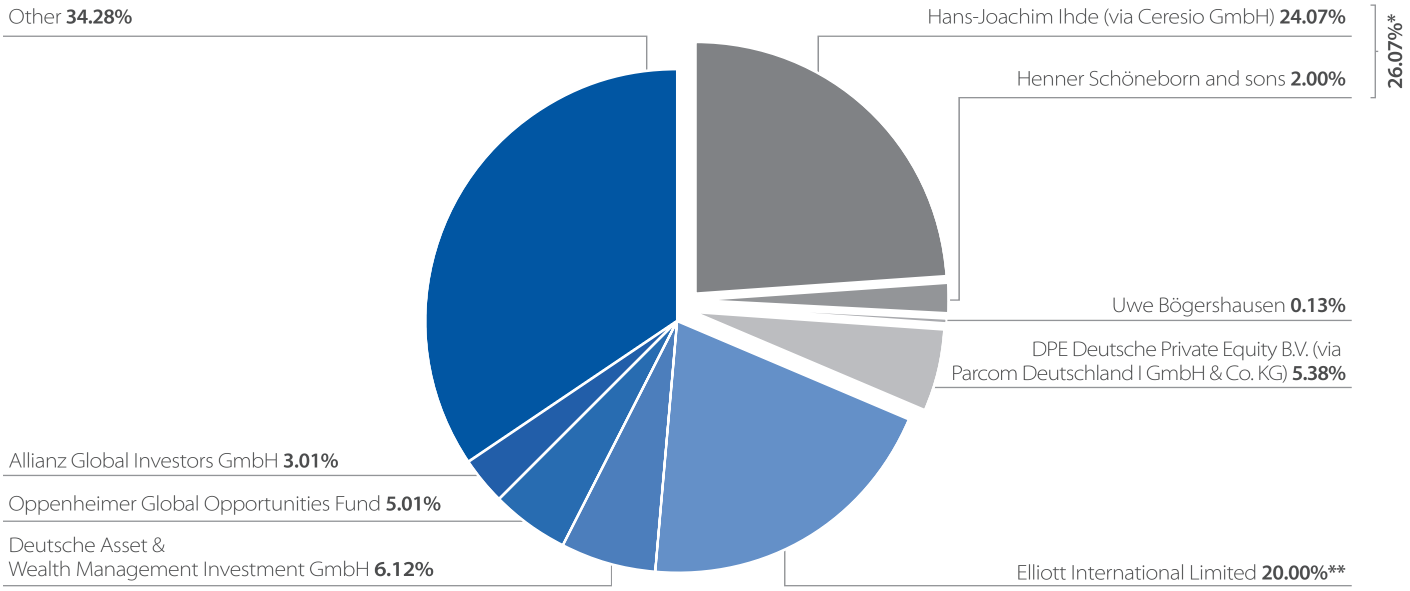
Investor Relations

Since the IPO, SLM Solutions has cultivated intensive dialog with the capital market. The Management Board of SLM Solutions sets great store in communicating frequently and transparently with the company's shareholders and stakeholders, and by informing them continuously about the company's development and growth. This is also to be ensured through regular publication of announcements of relevance to the company (such as new order intake or the founding of joint ventures), detailed financial reporting, and continuous personal contact with investors, analysts, journalists and the interested public.

The Management Board as well as the group of individuals responsible for the investor relations area of SLM Solutions Group AG also participate frequently at capital market conferences, and present the business model and strategy of SLM Solutions at roadshows in Europe and North America. Between 4 and 7 April, discussions were held with investors as part of a roadshow organised by equinet investment bank in Frankfurt, London, Edinburgh and Copenhagen. On 20 and 21 April, further investor discussions were held in Paris and Helsinki, organised by Deutsche Bank. Deutsche Bank also organised investor meetings on the East Coast of the USA between 2 and 5 May. Between 15 and 19 May, SLM Solutions participated in a roadshow in San Francisco and Los Angeles (USA) organised by investment bank Canaccord. On 21 June, SLM Solutions was also represented at an investor conference in Berlin organised by Deutsche Bank. Besides this, meetings were also held with investors at the company's head office in Lübeck.

Interested capital-providers, investors and analysts can find more information, which is updated constantly, on our website www.slm-solutions.com within the Investor Relations area. Along with financial reports, mandatory announcements and corporate news articles, visitors to our website can also access roadshow and analyst presentations there. Telephone conferences with webcasts are held when we publish our quarterly results, and the recordings are subsequently available as downloads from our website. All interested parties are provided with important company news promptly and directly via an electronic mailing list which users can register for on the website.

Shareholder structure (as of: 30 June 2017)



* Pooling agreement: joint pursuit of interests pursuant to Section 22 (2) of the German Securities Trading Act (WpHG)
** Shares attributed through the subsidiary Cornwall GmbH & Co. KG (20.001 %)

Financial calendar

09/11/2017	9M Report 2017
27-29/11/2017	German Equity Capital Forum, Frankfurt am Main Sheraton Frankfurt Airport Hotel & Conference Centre

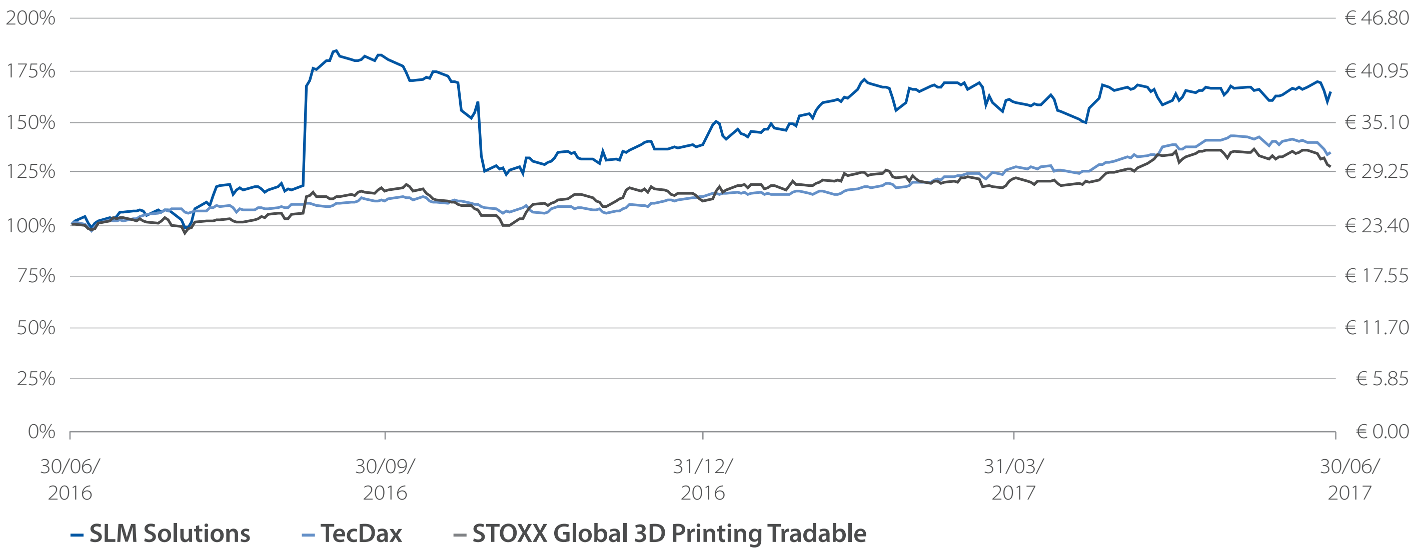
Investor relations contact

SLM Solutions Group AG
Dennis Schäfer
Telephone: +49 (0) 451 16082-1307
Email: dennis.schaefer@slm-solutions.com

Key data (as of: 30 June 2017)

ISIN	DE000A111338
German Securities Identification Code (WKN)	A11133
Ticker symbol	AM3D
Sector	Industry
Trading segment	Regulated Market (Prime Standard)
Stock exchange	Frankfurt Stock Exchange
Indices	TecDAX
Initial listing	Friday, May 9, 2014
Placing price in EUR	18.00
Closing price in EUR on 30 June 2017	38.50
Number of shares	17,980,867 ordinary no par value bearer shares

Share price performance (as of: 30 June 2017)



Group interim management report

Basis of the Group

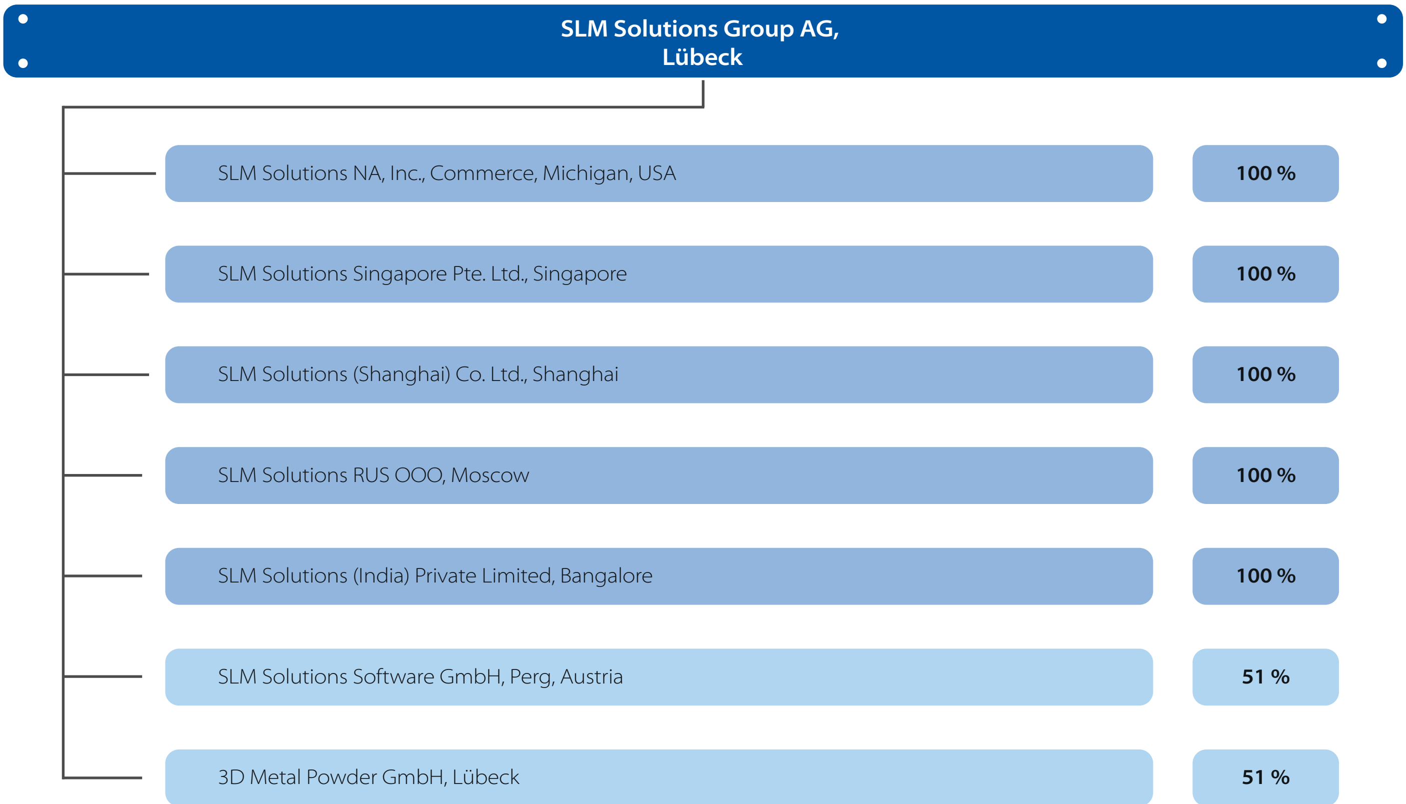
Group structure

The SLM Solutions Group AG Group (SLM AG), which is based in Lübeck, Germany, holds five wholly-owned subsidiaries and one joint venture as of 30 June 2017. SLM Solutions Group AG is the Group's sole production site, bundling the significant proportion of all operating and administration-related tasks and product development. It continues to coordinate sales activities worldwide. The subsidiaries based in Singapore, USA, China, Russia and India promote local sales activities in the geographic regions allocated to them. They also provide servicing for customers.

The wholly-owned subsidiary in India was newly founded in March 2017.

SLM Solutions Group AG holds a 51 % interest in the share capital of the company SLM Solutions Software GmbH in Austria. The company is active in the development of special design and construction software that facilitates the optimal design of components for additive manufacturing.

3D Metal Powder GmbH, a company based in Lübeck, is a further joint venture company that was founded for the development, production and sale of metal powders. SLM Solutions Group AG also holds a 51 % interest in the share capital of this company.



Employees

Full-time equivalents (FTE)	30 June 2017	30 June 2016
Research and development	74	56
Sales	72	54
After Sales	47	43
Production	114	103
Administration	40	31
Total	**346**	**287**
of which Europe	304	252
of which USA	24	24
of which Asia	18	11

Business model

SLM Solutions Group AG, headquartered in Lübeck, Germany, is a leading provider of metal-based additive manufacturing technology ("3D printing technology").

The business was divided into two operating segments in the period under review:

- The **"Machine Sales" segment** encompasses the development and production as well as the marketing and sale of machines for selective laser melting. The machines are distributed through a global distribution network. This segment currently comprises the focus of business.
- The **"After Sales" segment** comprises a strategic focus for the company, and is becoming increasingly important. It includes the business with machine-related services, the sale of spare parts and accessories, and the sale of merchandise. The business with software and consumables (metal powders), which is currently being established, as well as training and other services not connected to machines is allocated to this segment.

The **product range** currently comprises three systems – the SLM 125, the SLM 280 and the SLM 500 – which are differentiated according to the size of the build chamber and the number of lasers which can be fitted. These systems enable direct production of highly complex metal components from a large number of source materials such as aluminium, titanium, cobalt-chrome, Inconel, tool steel or stainless steel, as well as super alloys. Our systems are capable of processing almost any type of weldable alloy into a finished product. The systems are constantly being developed further and equipped with new functions. Customised versions (e.g. with enlarged construction spaces) also play a role in close relationships with customers.

SLM Solutions systems deploy **selective laser melting** technology: the additive manufacturing process starts with a 3D computer-produced model of the object to be manufactured. This object is melted in layers by applying one or multiple laser beams simultaneously in a metallic powder bed. Components manufactured in this way meet the highest quality standards in terms of stability, surface structure and biocompatibility – preference is given to different requirements depending on application area.

A significant **benefit of additive manufacturing** is its lower level of material consumption compared with conventional manufacturing methods. This approach also creates new latitudes of freedom in product design, which focuses on, and benefits, the component's desired functionalities. As a result, additive manufacturing is well suited to producing complex components which can be used as prototypes or in series production. In contrast to conventional production methods, complexity is not a cost factor in this type of manufacturing ("complexity comes for free"). The additive manufacturing of metal parts also offers enormous advantages in terms of speed, as no moulds or tools are required. SLM Solutions' patented multi-laser technology underlines the company's technology leadership. Industrial manufacturing processes such as precision cutting are being increasingly supplemented by laser melting.

According to an appraisal by market research company Gartner, 3D printing processes enjoy wide based acceptance today. They are meanwhile utilised not only in specialised industrial applications, but also across different sectors in applications ranging from prototype construction through to supplementing existing production processes and the manufacturing of end-products.[1] PricewaterhouseCoopers regards the fact that additive manufacturing machines are becoming increasingly fast, simpler to operate and enable a wider variety of materials to be processed as an important driving force for the growing adoption of this manufacturing technology. Specific areas to deploy additive manufacturing processes already exist in the areas of automotive industry, industrial manufacturing, aerospace, medical technology and sports articles.[2] Market research company IDC sees the growing dissemination of 3D printing processes being accompanied by rising demand for computer aided design (CAD) software.[3]

[1] Gartner (2016), Press Release "Gartner Says Worldwide Shipments of 3D Printers to Grow 108 Percent in 2016"
[2] PricewaterhouseCoopers (2016), The road ahead for 3-D printing
[3] IDC (2017), Press Release "Worldwide Spending on 3D Printing Forecast to Grow at a Compound Annual Growth Rate of 22.3 % to Nearly $29 Billion 2020, According to IDC's 3D Printing Spending Guide

SLM Solutions' **customers** are active in widely divergent industrial areas, including aerospace, mechanical engineering, tool construction and the automotive industry, medical technology and the energy sector. Among customers for SLM machines a differentiation can be made between contract manufacturers and end-customers. Along with Europe (including Germany, which continues to be the company's largest individual market), SLM Solutions' **target markets** include the regions of North America and Asia-Pacific.

SLM Solutions' machine business is subject to **seasonal fluctuations** that are typical of its sector: a significant proportion of sales revenue and of new order intake is generated in the fourth quarter of the year as a rule. The Management Board of SLM Solutions intends to counter such seasonality in the future through expanding the After Sales business, especially through extending the product range to include products that are less susceptible to fluctuations such as consumables and software.

Targets and strategy

SLM Solutions pursues the objective of remaining the **technologically leading provider in the metal-based additive manufacturing area over the long term**, playing a decisive role in shaping this technology and thereby growing significantly and profitably in the foreseeable future – and of growing faster than the market, if possible. To this end, SLM Solutions pursues a medium-term **growth strategy consisting of three pillars**, for which interim targets are frequently defined and evaluated:

- SLM Solutions focuses on **research and development (R&D)** in order to secure and extend its technology leadership in the metal-based additive manufacturing area. The company is continuously optimising its portfolio of intellectual property rights. The team of R&D employees built up over the past few years ensures the extension of the technology leadership in a range of different projects. SLM Solutions also cooperates with research institutes and universities in order to further develop its technology, and to enable it to be deployed for increasingly new applications from all sectors.
- SLM is aiming to evolve into a **full-service solutions provider** in the field of additive manufacturing and grow into related business areas. The joint venture formed with CADS GmbH from Austria enables the company to develop its own special construction software. This should facilitate the optimal design of components for additive manufacturing and contribute indirectly to the further dissemination of additive production processes through eliminating barriers to entry. Together with the partnership with the JUREC engineering office from Blankenburg, proprietary software development offers the opportunity to better meet customers' practical construction needs. SLM Solutions is also entering to a greater extent into the metallic powders business, which form the starting material for production utilising SLM solutions' selective laser melting systems: the expansion of the powder business should establish itself as a second pillar alongside the machine sales business, and help offset the typical sector seasonal effect at the level of the Group's revenues and results. As the materials must be precisely customised to the respective application or machine, appropriate margins can be achieved with the development and sale of metal powders. 3D Metal Powder GmbH was also founded for this purpose in 2016.
- Given the complexity of selective laser melting, customer proximity comprises a critical competitive advantage for SLM Solutions. SLM Solutions is expanding its **international sales and service network** step-by-step through founding subsidiaries and sales partnerships locally in order to retain customers long-term, generate recurring service revenues, and acquire new customers. The last newly established company was the wholly owned subsidiary in India, founded in March 2017. The company is constantly increasing its presence with presentation centres, demonstration machines, customer training sessions and participation at important trade fairs and keynote speeches.

Management system

SLM Solutions Group AG identifies the following key indicators as the most important financial performance indicators for its business, and publishes these frequently:

- The company's **revenue trend** is the key performance indicator to assess exploitation of the company's growth potential within a completed reporting period. This KPI is also regularly compared with the growth rate of the global market for additive manufacturing.
- For SLM Solutions, as a young growth company, the margin before interest, tax, depreciation and amortisation adjusted to reflect one-off effects **(adjusted EBITDA margin)** provides us with the best indicator of profitability. This key indicator excludes national particularities relating to tax legislation, the selected financing structure and the intensity of investment in operating business, facilitating the comparison of the company with the international peer group. In particular, the adjustments contain one-off effects which influence earnings in the current fiscal year.
- In addition, **adjusted absolute EBITDA** serves as the key figure disclosing the company's profit. The intention of this key figure is to present the actual operating business without extraordinary influences and in doing so make earnings more comparable between fiscal years and other companies.

As part of the internal steering system, the Management Board of SLM Solutions Group AG is informed at regular intervals about internal key performance indicators. These mainly comprise

- the **personnel cost ratio** (defined as personnel costs in relation to total operating revenue, adjusted for one-off expenses),
- the **cost of materials ratio** (defined as the cost of materials in relation to total operating revenue),
- the **product mix in number of machines sold and new order intake**.

Research and development

Research and development represent essential elements of business success and performance for SLM Solutions. Further market potentials in the industrial manufacturing area are being increasingly developed by progress made with multi-laser technology. The company commands an extensive portfolio of intellectual property rights, including patents and licenses for selective laser melting technology and the hull-core imaging process.

SLM Solutions wants to be a pioneer for the adoption of selective laser melting in diverse fields of application. Thereby the company benefits from worldwide cooperation ventures with universities and research institutions, some of which are subsidised by public-sector funding – in Germany, for example, by the Federal Ministry for Economic Affairs and Energy (BMWi) and the Federal Ministry of Education and Research (BMBF). In Singapore, SLM Solutions has been conducting development work into selective laser melting technology in cooperation with Nanyang Technical University (NTU) since 1 September 2014. Investments in research and development focus on the areas of build chamber expansion, process improvement, materials research, the endurance and reliability of our selective laser melting systems, further improvements to build rates, and software development. Moreover, a further focus is the increasing value chain organisation in industrial manufacturing processes ("Industry 4.0").

The research and development department of SLM Solutions consists of 74 FTEs (full-time equivalents) as of 30 June 2017 (previous year: 56 FTEs). Research and development expenses totalled TEUR 4,206 during the reporting period (previous year: TEUR 3,805).

Economic and business report

Macroeconomic situation in target markets

The German economy made a good start to the current 2017 year. Compared with the fourth quarter of 2016, gross domestic product in the first quarter of 2017 was up by 0.6 percent on a basis adjusted for inflation, calendar and seasonal effects, according to data from the German Federal Ministry for Economic Affairs and Energy (BMWi). The positive labour market trend remains an important driving force. Employment activity and registered labour continues to increase. [4] In June 2017 the unemployment rate was at 5.5 percent according to data from the Bundesanstalt für Arbeit.[5] A strong willingness to hire was noted especially in service sectors, in industry, the primary construction sector and in wholesaling and retailing. The unchanged high level of employment growth as well as rising wages continue to exert a positive effect on private consumption, according to the BMWi. Along with private and state consumption spending as well as construction investments, capital investments also reported strong growth during the first quarter of 2017. The BMWi expects the upswing in the German economy to continue at a solid rate over the coming months.[6]

According to the latest forecast from the International Monetary Fund (IMF), the **global economy** is set to grow by 3.5 % in 2017. On a short view, the IMF assumes a balanced opportunities and risk position for the development of the world economy. The fact that fiscal policy in the USA could prove less expansive than originally assumed might exert a slowing effect. A normalisation of monetary policy in some developed economies might also become evident as a dampening impact. This is offset by reduced political risks in Europe and better prospects for the expansion of the Chinese economy, which reported strong growth in the first quarter of 2017.

For the **Eurozone**, the IMF expects 1.9 % economic growth in 2017, compared with 1.8 % growth in 2016. This represents a 0.2 percentage point upgrade compared with its April 2017 forecast. The main reason for this upgrade is that significantly stronger economic expansion was observed in several Eurozone countries, including France, Germany, Italy and Spain, in the first quarter of 2017 than initially anticipated.

Compared with its April 2017 forecast, the IMF downgraded its **US economic growth forecast** for 2017 by 0.2 percentage points to 2.1 % (previous year: 1.6 %). This is justified by weaker economic growth in the first quarter of 2017 as well as the assumption that fiscal policy in the USA could prove less expansive than first assumed.

For **Russia**, the IMF continues to assume an economic recovery and forecasts economic output up by 1.4 % in 2017 (previous year: 0.2 %). The IMF sees higher oil prices, in particular, as supporting the positive trend in Russia.

In the aggregated **"Emerging and Developing Asia"** region – which includes both China and India and the ASEAN (Association of Southeast Asian Nations) economic region economies – the IMF forecasts 6.5 % economic growth in 2017 (previous year: 6.4 %). This represents a 0.1 percentage point upgrade compared with its April 2017 forecast.[7,8] The ASEAN member states include important target markets for SLM Solutions in Singapore, Indonesia, Thailand and Vietnam.

[4] German Federal Ministry for Economic Affairs and Energy (BMWi) (2017), "Schlaglichter der Wirtschaftspolitik". Monthly Report July 2017, page 11 et. seq., page 32
[5] German Federal Employment Agency (2017), Press information No. 15. "Der Arbeitsmarkt im Juni 2017"
[6] German Federal Ministry for Economic Affairs and Energy (BMWi) (2017), "Schlaglichter der Wirtschaftspolitik". Monthly Report June 2017, pages 56, 58, 60 et seq.
[7] International Monetary Fund (2017), World Economic Outlook Update July 2017. A Firming Recovery
[8] International Monetary Fund (2017), World Economic Outlook April 2017. Gaining Momentum?

Market for additive manufacturing

SLM Solutions operates in the very attractive global growth market for additive manufacturing processes. In their 2017 sector report, experts at Wohlers Associates forecast a favourable growth for the overall global market. They estimate global market volumes for additive manufacturing (machine sales and services for all additive processes) of USD 6.1 billion in 2016, following on from annual average growth of 31.5 % between 2014 and 2016. Market volumes are forecast to amount to USD 8.0 billion in 2017, USD 16.48 billion in 2019, and to USD 26.2 billion by 2022.

SLM Solutions identifies attractive growth opportunities especially in the area of metal-based additive manufacturing: the number of machines sold in this sub-market worldwide grew by 18.4 % in 2016, according to Wohlers Associates. The global market volume in the metallic consumables area increased by 43.9 % to USD 126.8 million in 2016.[9] According to a global survey of 900 companies from 12 countries by the auditing and consulting firm EY, 52 % of the companies surveyed named metal as the most important working material in relation to introducing additive production systems, well ahead of polymers (31 %) or ceramics (6 %).[10]

The selective laser melting technology that SLM Solutions applies ranks among the so-called "powder bed fusion" processes that offer greater precision, surface quality and design latitude compared with other 3D printing processes, according to Roland Berger strategy consultants.[11] Moreover, additive manufacturing processes are now said to be mature enough for use in series production. From a technical point of view, this degree of development is indicated by, among other qualities, the option of being able to use up to four lasers at the same time to produce a part.[12]

Business progress

During the first half of 2017, SLM Solutions received **new orders** for 47 machines (30 June 2016: 56 machines). This represents a reduction of 16.1 % compared with the first half of 2016. 20 of these machines were ordered by new customers. The 47 machines also include used machines, some of which were previously utilised as demo systems.

The **value of the machines ordered** during the first half of 2017 amounted to TEUR 35,309. This represents an increase of 17.9 % compared to the previous year period (30 June 2016: TEUR 29,956). The higher figure in the first half of 2017 reflects a changed product mix given the current trend to order the SLM 500.

The **"Machine Sales" operating segment**, which comprises not only sales of machines but also accessories, accounted for TEUR 23,645 of revenue in the first half of 2017 (30 June 2016: TEUR 30,091), representing 81.6 % of total consolidated revenue (30 June 2016: 89.8 %). In the **"After Sales" operating segment**, which reports mainly service revenue, replacement parts sales and merchandise sales, the company generated TEUR 5,342 of revenue in the first half of the year (30 June 2016: TEUR 3,425), equivalent to 18.4 % of total consolidated revenue (30 June 2016: 10.2 %).

SLM Solutions further advanced its **international expansion** with the opening of a representative office in Bangalore (India) in March 2017. This subsidiary bolsters sales and service in another foreign growth market.

Due to the renewed and ongoing **expansion of production in Germany**, SLM Solutions is planning to move within its home town of Lübeck from the Roggenhorst industrial estate to the Genin Süd industrial estate by 2018. A seven hectare land plot was purchased there in 2015, and construction work on the new company headquarters started at the end of 2016. The construction works are running to schedule and are on budget, and the building will be ready to move into in spring 2018.

The **third Ordinary Annual General Meeting** of SLM Solutions Group AG was held on 2 June 2017, at which the shareholders ratified the actions of the company's Management and Supervisory boards for the 2016 fiscal year and elected the auditor for the 2017 fiscal year. The voting results were subsequently published on the company's website.

Results of operations

In the first half of 2017, the **consolidated revenue** of SLM Solutions Group AG was down by 13.5 % compared with the first half of 2016 to a level of TEUR 28,987 (30 June 2016: TUR 33,516). A total of 81.6 % of this revenue derives from the company's core business entailing the sale of laser melting systems (30 June 2016: 89.8 %). This segment's revenue reduced by 21.4 % to TEUR 23,645 (30 June 2016: TEUR 30,091). As consolidated revenue is subject to seasonal fluctuation, the SLM Solutions Group management regards a rolling observation of a full year's period as more meaningful: the cumulative revenue for the last twelve months (LTM) as of the 30 June 2017 reporting date amounted to TEUR 76,178, an increase of 5.6 % on fiscal 2016 revenue (TEUR 80,707).

Total operating revenue (the sum of sales revenue, inventory changes and other own work capitalised) of TEUR 29,452 was down by 29.4 % compared with the previous year's level as of 30 June 2016 (TEUR 41,701). This mainly reflects a decrease of 16.1 % to 47 machines in **new order intake** compared with the first half of 2016. The order volume of TEUR 35,309 was up by 17.9 % compared with the previous year's level as of 30 June 2016 (TEUR 29,956), whereby the volume will be realized as revenue with a certain delay. The reduction in the position of finished goods and work in progress of TEUR -663 was far above the previous year's level (30 June 2016: TEUR 5,941), which is attributable to a targeted lower level of preproduction and to the sale of finished machines from stock. Own work produced by the company and capitalised in an amount of TEUR 1,129 was also below the previous year's level, especially for the research and development area (30 June 2016: TEUR 2,244).

Other operating income of TEUR 828 was above the previous year's level as of 30 June 2016 (TEUR 500), which is mainly attributable to higher level of releases of provisions.

[9] Wohlers Associates, Annual Worldwide Progress Report 2017, April 2017
[10] EY, EY's Global 3D printing Report 2016, Pressekonferenz (Präsentation), 19. Juli 2016, http://www.ey.com/Publication/vwLUAssets/ey-praesentation-3d-druck/$FILE/ey-praesentation-3d-druck.pdf
[11] Roland Berger, Additive Manufacturing – a game changer for the manufacturing industry?, November 2013
[12] Roland Berger, Additive Manufacturing – Next Generation, April 2016

Thanks to a low level of preproduction, the sale of finished machines from stock and demo machines as well as the stringent purchasing management, the **cost of materials** reduced significantly, and at a faster rate than the decrease in total operating revenue, to diminish by 48.9% to TEUR 12,680 (30 June 2016: TEUR 24,580). The cost of materials ratio (as% of total operating revenue) came in at 43.05%, considerably below the previous year (30 June 2016: 58.9%).

The hiring to a level of 346 full-time equivalents (FTEs) as of the 30 June 2017 reporting date (30 June 2016: 287 FTEs) and the follow-on effect from the personnel hired at the end of the 2016 fiscal year explain most of the 23.8% increase in adjusted **personnel costs** to TEUR 14,232 (30 June 2016: TEUR 11,497). The adjusted personnel cost ratio (as % of total operating revenue) stood at 48.3% (30 June 2016: 27.6%). In this context, a TEUR 94 adjustment was made in the first half of 2017 for the retention bonus that was set up for three years at the time of the IPO in 2014 (30 June 2016: TEUR 308). On an unadjusted basis, personnel costs amounted to TEUR 14,326 for the first half of 2017, an increase of 21.4% compared with the previous year's figure as of 30 June 2016 of TEUR 11,805.

Other operating expenses amounted to TEUR 7,885 for the first half of 2017, a rise of 11.0% compared with the previous year's TEUR 7,106 as of 30 June 2016. Significant items included rental expenses, which also reported the biggest cost increases, trade fair and marketing costs, commission expenses, legal and consulting costs, and travel expenses.

EBITDA (earnings before interest, tax, depreciation and amortisation) adjusted for effects from the Retention Bonus (TEUR 94; 30 June 2016: TEUR 308) amounted to TEUR -4,518 in the period under review (30 June 2016: TEUR -982). The adjusted EBITDA margin (as a percentage of revenue) amounts to -15.6% for the first half of 2017 (30 June 2016: -2.9%). Adjusted EBITDA for the last twelve months (LTM) as of the 30 June 2017 reporting date stood at TEUR -467, equivalent to a -0.6% adjusted EBITDA margin (on the basis of last twelve months' cumulative revenue of TEUR 76,178 as of the reporting date). On an unadjusted basis, EBITDA in the first half of 2017 amounted to TEUR -4,612 (30 June 2016: TEUR -1,290).

Depreciation, amortisation and impairment losses rose to TEUR 3,535 for the first half of 2017, an 51.1% increase compared with the prior-year period (30 June 2016: TEUR 2,340). This item continues to include PPA-related amortisation of TEUR 641 (30 June 2016: TEUR 641) and miscellaneous depreciation and amortisation, as well as, for the first time, TEUR 312 of impairment losses applied to development projects (30 June 2016: TEUR 0). To the extent that development projects capitalised in previous years have meanwhile become technologically obsolescent, a corresponding impairment loss was applied in 2017. The level of depreciation and amortisation was also increased by investments realised in the 2016 fiscal year in development projects as well as in property, plant and equipment with a focus on technical equipment and machinery. These include, among other items, machines for goods entry inspection and high-quality systems and measuring equipment for sensitive optics.

The **operating result (EBIT)** stood at TEUR -8,146 for the first half of 2017 (30 June 2016: TEUR -3,630). The EBIT margin (as a percentage of sales revenue) amounted to -28.1% in the reporting period (30 June 2016: -10.8%).

The **net financial result** amounted to TEUR -60 in the first half of 2017 (30 June 2016: TEUR -106). It is composed of interest expenses of TEUR 74 (30 June 2016: TEUR 57) and interest income of TEUR 14 (30 June 2016: TEUR 7). Income from investments amounts to TEUR 0 in the first half of the year (30 June 2016: TEUR -56), which derived from SLM Solutions Software GmbH and 3D Metal Powder GmbH, in which SLM Solutions Group AG holds 51% of the share capital respectively.

Tax income was reported at TEUR 2,260 in the first half of 2017 (30 June 2016: TEUR 1,458).

The **consolidated net result for the period** amounted to TEUR -5,946 in the first half of 2017 (30 June 2016: TEUR 2,278). This corresponds with basic and diluted earnings of EUR -0.33 per share (30 June 2016: EUR -0.13). Cumulatively over the last twelve months (LTM) as of the 30 June 2017 reporting date, earnings per share amount to EUR -0.40 (30 June 2016: EUR 0.12). All of the aforementioned calculations of earnings per share figures are based on 17,980,867 shares in issue.

Financial position

Cash flow from operating activities of TEUR 1,606 in the first half of 2017 was in the positive range for the first time since the IPO in 2014 and thereby considerably above the previous year's level (30 June 2016: TEUR -12,762). Crucial factors in this context include the high level of stock reduction in the reporting period of TEUR 12,798 (30 June 2016: TEUR 3,803) with an almost unchanged level of capital tied up in inventories (reduction of TEUR 233 compared with stock accumulation of TEUR 7,870 as of 30 June 2016).

Investing activities of TEUR -14,083 as of 30 June 2016 were up compared with the previous year (TEUR -3,462). Here, especially TEUR 12,346 of investments in property, plant and equipment were realised (30 June 2016: TEUR 8,409). This relates mainly to payments for the new construction in Lübeck-Genin. Cash flow from investing activities of TEUR 4,999 in the previous year as of 30 June 2016 primarily reflects the return cash flow from the longer-term money deposit realised in the second half of 2015, with a term of more than three months.

Cash flow from financing activities amounted to TEUR 9,980 in the first half of 2017 (30 June 2016: TEUR -3) and is mainly attributable to the disbursing of the loans for the new construction in Lübeck-Genin.

Cash and cash equivalents (less fixed rental deposits with a term of more than three months totalling TEUR 32) stood at TEUR 17,255 as of 30 June 2017 (30 June 2016: TEUR 23,648).

Net assets

The **total assets** of SLM Solutions AG amounted to TEUR 119,557 as of 30 June 2017 (30 June 2016: TEUR 114,863).

Non-current assets of TEUR 52,160 as of the reporting date were up on the previous year (30 June 2016: TEUR 36,607). Property, plant and equipment of TEUR 29,134 accounted for the most significant portion of non-current assets (30 June 2016: TEUR 15,345). It mainly includes the investments for the new construction in Lübeck-Genin. The sum of intangible assets such as laser technology and capitalised development work of TEUR 21,578 in the first half of 2017 lies at a similar level to the previous year as of 30 June 2016 (TEUR 21,149), as additions and amortisation were more or less at equivalent levels. Participating interests include the shares held in both companies in an amount of TEUR 343 (30 June 2016: TEUR 85). Other investments included a TEUR 254 final-interest loan to 3D Metal Powder GmbH (30 June 2016: TEUR 0). The increase in deferred tax assets to TEUR 808 (30 June 2016: TEUR 0) is mainly due to the high negative earnings before taxes of TEUR -8,206 (30 June 2016: TEUR -3,736).

Current assets amounted to TEUR 67,396 on the reporting date (30 June 2016: TEUR 78,255). They comprised 56.4 % of total assets as a consequence (30 June 2016: 68.1 %). The main reason for the reduction was, firstly, the decrease in cash and cash equivalents to TEUR 17,285 (30 June 2016: TEUR 23,680). Secondly, trade receivables of TEUR 16,260 were considerably below the previous year's level (30 June 2016: TEUR 22,538). Note 8 in the notes to the consolidated financial statements presents more detailed information about working capital.

The company's **equity** decreased year-on-year to TEUR 89,447 as of the reporting date (30 June 2016: TEUR 96,068). The equity ratio stood at 74.8 % as a consequence (30 June 2016: 83.6 %).

Non-current liabilities grew year-on-year to TEUR 15,900 (30 June 2016: TEUR 6,018). This increase chiefly reflected the drawing down of the loan for the new construction in Lübeck-Genin in an amount of TEUR 9,999 (30 June 2016: TEUR 0), and an increase in the non-current provisions to TEUR 1,189 (30 June 2016: TEUR 22). Pensions and similar obligations of TEUR 4,712 were slightly below the previous year (30 June 2016: TEUR 5,307).

Current liabilities of TEUR 14,210 as of the reporting date were above the previous year's level as of 30 June 2016 of TEUR 12,776. Current other provisions of TEUR 1,805 (30 June 2016: TEUR 2,949), as in the previous year, mainly consisted of provisions for warranty services. Trade payables and other liabilities (financial and non-financial) of TEUR 12,321 on the reporting date were above the previous year's level (30 June 2016: TEUR 9,827).

Opportunities and risks

The opportunities and risks pertaining to SLM Solutions are unchanged compared to those presented on pages 42 to 46 of the 2016 annual report. Overall, risks remain limited and calculable. Based on currently available information, the Management Board is of the opinion that no significant individual risks that would be classified as going concern risks exist currently or in the foreseeable future.

[11] International Monetary Fund, World Economic Outlook Update, July 2016
[12] Wohlers Associates, Annual Worldwide Progress Report 2016, April 2016
[13] Gartner Forecast: 3D Printers, Worldwide, 2015

Forecast

The SLM Solutions Group bases its forecast for the current 2017 year on the following underlying **economic and sector-related assumptions**:

- According to its latest figures from July 2017, the International Monetary Fund (IMF) is anticipating that the **global economy** will grow at a higher rate than the previous year: 3.5 % growth is forecast for 2017 (previous year: 3.2 %). In the largest individual market, **Germany**, it assumes +1.8 % economic growth, equivalent to the previous year's level. In the **Eurozone**, slightly higher growth of +1.9 % is forecast for 2017 (previous year: 1.8 %). In SLM's defined growth regions where its international expansion is being advanced, the IMF assumes significantly higher growth of 2.1 % in the USA (previous year: 1.6 %), a slight growth acceleration in the **"Emerging and Developing Asia"** region to 6.5 % (previous year: 6.4 %), and a 1.4 % expansion of economic output in Russia (previous year: -0.2 %).[13]
- The annual Wohlers report on the global **3D printing industry**, which provides a comprehensive market assessment, identified major growth potential in the field of additive manufacturing methods applied in industry: a global market volume of USD 26.2 billion is anticipated for 2022, four times the volume of 2016 (USD 6.1 billion).[14]
- Based on its recent sector survey, market research institute Gartner assumes that the number of 3D printing machines shipped in the powder bed fusion area will expand by 47.2 % per annum up to 2019.[15] SLM Solutions also assesses the market potential very confidently, and aims to both outpace the forecast market growth as far as possible and further extend its position as technology leader.

The management is anticipating a return to the strong growth track of previous years for the current 2017 fiscal year. The operating result will be substantially improved on the back of increasing revenue.

- Due to the good position of the technology in the market, consolidated revenue of between TEUR 110,000 and TEUR 120,000 is anticipated. The Management Board assumes that the product mix will shift further toward production machines on a full-year view. The achievement of the full-year revenue forecast is dependent on the fourth quarter of 2017 to a particularly high degree.
- Together with the stated revenue corridor for the 2017 fiscal year, the Management Board is expecting an adjusted EBITDA margin (in relation to consolidated revenue) of 10 %-13 %. This bandwidth reflects the remaining impacts of the takeover offer in the fourth quarter of 2016. The higher the actual revenue achieved, the higher the corresponding adjusted EBITDA margin will be.
- The adjusted EBITDA figure will reflect the published scope of the adjusted EBITDA margin between EUR 11 million and EUR 15 million. The higher the actual revenue generated, the higher the adjusted EBITDA figure will be accordingly.
- The materials and personnel cost ratio will fall due to the constant success in negotiations and economies of scale compared to the 2016 fiscal year: the higher the actual revenue generated, the greater the reduction in the cost ratios achieved.

[13] International Monetary Fund (2017), World Economic Outlook Update July 2017. A Firming Recovery
[14] Wohlers Associates, Annual Worldwide Progress Report 2017, April 2017
[15] Gartner Forecast: 3D Printers, Worldwide, 2015

Consolidated interim financial statements (IFRS) for the period from 1 January 2017 to 30 June 2017

Consolidated income statement (1 January to 30 June 2017)

in TEUR	H1 / 2017	H1 / 2016	2016
Revenues	28,987	33,516	80,707
Changes in inventories of finished goods and work-in-progress	-663	5,941	6,309
Other work performed by the company and capitalised	1,129	2,244	3,460
Total operating revenue	**29,452**	**41,701**	**90,476**
Cost of materials	-12,680	-24,580	-49,246
Gross profit	**16,773**	**17,121**	**41,230**
Personnel expenses	-14,326	-11,805	-23,793
Other operating income	828	500	1,539
Other operating expenses	-7,885	-7,106	-16,936
EBITDA	**-4,612**	**-1,290**	**2,040**
Depreciation, amortisation and impairment losses	-3,535	-2,340	-5,190
Operating profit or loss (EBIT)	**-8,146**	**-3,630**	**-3,150**
Interest and similar expenses	-74	-57	-194
Other interest and similar income	14	7	13
Profit or loss from equity-accounted companies	0	-56	-481
Earnings before tax (EBT)	**-8,206**	**-3,736**	**-3,812**
Income taxes	2,260	1,458	364
Other taxes	0	0	-36
Net profit / loss for the period	**-5,946**	**-2,278**	**-3,483**
Net profit / loss for the period attributable to the owners of the parent company	-5,946	-2,278	-3,483
Earnings per share in EUR*	-0.33	-0.13	-0.19

* basic (undiluted) and diluted, calculated in all periods with 17,980,867 shares

Consolidated statement of comprehensive income (1 January to 30 June 2017)

in TEUR	H1 / 2017	H1 / 2016	2016
Net profit / loss for the period	-5,946	-2,278	-3,483
Income / expenses not to be reclassified to profit or loss in the future:			
Actuarial gains and losses*	280	-608	-392
Income / expenses that are recycled to the income statement in the future:			
Income / expenses from currency translation	-89	-51	73
Consolidated total comprehensive income	**-5,755**	**-2,936**	**-3,803**
Attribution of total comprehensive income:			
Shareholders of SLM Solutions Group AG	-5,755	-2,936	-3,803

* the actuarial gain was reduced from TEUR 400 to TEUR 280 to reflect TEUR 120 of deferred tax assets
(30 June 2016: actuarial loss was reduced from TEUR 868 to TEUR 608 to reflect TEUR 260 of deferred tax assets)

Consolidated income statement (1 April to 30 June 2017)

in TEUR	Q2/2017	Q2/2016
Revenues	13,040	19,727
Changes in inventories of finished goods and work-in-progress	1,798	2,793
Other work performed by the company and capitalised	848	1,543
Total operating revenue	**15,686**	**24,063**
Cost of materials	-7,591	-14,850
Gross profit	**8,096**	**9,212**
Personnel expenses	-6,978	-6,402
Other operating income	658	180
Other operating expenses	-4,710	-3,323
EBITDA	**-2,934**	**-333**
Depreciation, amortisation and impairment losses	-1,362	-1,237
Operating profit or loss (EBIT)	**-4,297**	**-1,569**
Interest and similar expenses	0	0
Other interest and similar income	60	65
Profit or loss from equity-accounted companies	63	-39
Earnings before tax (EBT)	**-4,173**	**-1,544**
Income taxes	2,030	1,246
Net profit/loss for the period	**-2,143**	**-297**
Net profit/loss for the period attributable to the owners of the parent company	-2,143	-297
Earnings per share in EUR*	-0.12	-0.02

* basic (undiluted) and diluted, calculated in all periods with 17,980,867 shares

Consolidated statement of comprehensive income (1 April to 30 June 2017)

in TEUR	Q2/2017	Q2/2016
Net profit/loss for the period	-2,143	-297
Income/expenses not to be reclassified to profit or loss in the future:		
Actuarial gains and losses*	280	-608
Income/expenses that are recycled to the income statement in the future:		
Income/expenses from currency translation	-75	51
Consolidated total comprehensive income	**-1,938**	**-854**
Attribution of total comprehensive income:		
Shareholders of SLM Solutions Group AG	-1,938	-854

* the actuarial gain was reduced from TEUR 400 to TEUR 280 to reflect TEUR 120 of deferred tax assets
(30 June 2016: actuarial loss was reduced from TEUR 868 to TEUR 608 to reflect TEUR 260 of deferred tax assets)

Consolidated Balance Sheet as of 30 June 2017

in TEUR	30 June 2017	30 June 2016	31 Dec. 2016
Assets			
Cash and cash equivalents	17,285	23,680	20,028
Trade receivables	16,260	22,538	29,145
Other financial assets	53	263	92
Inventories	30,874	29,533	31,107
Current tax receivables	94	96	182
Other assets	2,830	2,146	2,489
Total current assets	**67,396**	**78,255**	**83,043**
Intangible assets	21,578	21,149	22,005
Property, plant and equipment	29,134	15,345	18,360
Equity-accounted investments	343	85	120
Other investments	254	0	251
Other assets	43	30	53
Deferred tax assets	808	0	0
Total non-current assets	**52,160**	**36,607**	**40,789**
Total assets	**119,557**	**114,863**	**123,833**

in TEUR	30 June 2017	30 June 2016	31 Dec. 2016
Equity and liabilities			
Trade and other payables	7,172	6,005	12,004
Other financial liabilities	5,149	3,822	6,071
Tax provisions	84	0	269
Provisions	1,805	2,949	2,494
Total current liabilities	**14,210**	**12,776**	**20,839**
Other financial liabilities	9,999	0	0
Pension and similar obligations	4,712	5,307	5,112
Deferred tax liabilities	0	689	1,566
Provisions	1,189	22	1,114
Total non-current liabilities	**15,900**	**6,018**	**7,793**
Subscribed share capital	17,981	17,981	17,981
Additional paid-in capital	85,041	85,041	85,041
Consolidated loss for the period included in retained earnings	-13,104	-5,952	-7,158
Other reserves	-471	-1,001	-662
Total equity	**89,447**	**96,068**	**95,202**
Total equity and liabilities	**119,557**	**114,863**	**123,833**

Consolidated cash flow statement (1 January to 30 June 2017)

in TEUR	H1/2017	H1/2016	2016
Net profit/loss for the period	-5,946	-2,278	-3,483
Depreciation, amortisation and impairment losses	3,535	2,340	5,190
Interest expenses	74	57	194
Interest income	-14	-7	-13
Income taxes	-2,260	-1,458	-364
Non-cash income	0	-247	0
Non-cash expenses	0	308	1,422
Change in assets and liabilities	6,577	-11,397	-11,213
Inventories	233	-7,870	-9,443
Trade receivables	12,798	3,803	-2,804
Pension and similar obligations	-400	-32	-48
Liabilities	-4,232	-3,507	2,149
Provisions	-478	-100	-1,966
Other assets and liabilities	-1,344	-3,691	901
Income taxes paid	-360	-80	-91
Net cash flows from operating activities	**1,606**	**-12,762**	**-6,283**
Cash outflows for investments in intangible assets and property, plant and equipment	-12,743	-6,135	-14,398
Investments in development costs	-1,129	-2,244	-3,460
Cash outflows for investments in equity-accounted companies	-223	-92	-601
Cash outflows for investments in financial assets	-2	0	-251
Interest received	14	8	13
Cash inflows from financial assets as part of short-term financial management	0	5,002*	5,002
Net cash flows from investing activities	**-14,083**	**-3,462**	**-13,696**
Interest payments	-20	-3	-33
Cash outflows for the repayment of loans	9,999	0	0
Net cash flows from financing activities	**9,980**	**-3**	**-33**
Net increase (decrease) in cash and cash equivalents	-2,497	-16,227	-20,012
Change in financing funds due to exchange rate changes	-245	-13	120
Financing funds at start of the reporting period	20,028	39,920	39,920
Financing funds at end of the reporting period**	17,285	23,680	20,028
Rental deposit	-31	-32	-31
Financing funds at the end of the period	**17,255**	**23,648**	**19,997**

* An adjustment of the previous year in accordance with IAS 8.42(a) was implemented. In the cash flow statement for the 2016 interim financial statements, the TEUR 5,002 cash inflow from the term deposit was reported as cash flow from financing activities. As this relates to cash flow from investing activities in the meaning of IAS 7.16, it is now reported under cash flow from investing activities in the comparable period.

** To reconcile cash and cash equivalents in the balance sheet, see Note 8.

Consolidated statement of changes in equity (1 January to 30 June 2017)

in TEUR	Subscribed capital	Capital reserve	Consolidated loss for the period included in retained earnings	Other reserves	Total consolidated equity
Balance as of 1 January 2016	**17,981**	**85,041**	**-4,114**	**96**	**99,004**
Consolidated net profit/loss	–	–	-2,278	–	-2,278
Changes in equity from foreign currencies	–	–	–	-51	-51
Equity changes arising from actuarial gains/losses	–	–	-608	–	-608
Balance as of 30 June 2016	**17,981**	**85,041**	**-7,000**	**45**	**96,068**
Balance as of 1 January 2017	**17,981**	**85,041**	**-7,158**	**-662**	**95,201**
Consolidated net profit/loss	–	–	-5,946	–	-5,946
Changes in equity from foreign currencies	–	–	–	-89	-89
Equity changes arising from actuarial gains/losses	–	–	280	–	280
Balance as of 30 June 2017	**17,981**	**85,041**	**-12,824**	**-751**	**89,447**

Notes to the consolidated financial statements (IFRS) for the period from 1 January 2017 to 30 June 2017 SLM Solutions Group AG, Lübeck

Note 1) General information

SLM Solutions Group AG, headquartered in Lübeck, is a stock company (Aktiengesellschaft) and the ultimate parent company of the SLM Group. SLM Solutions Group AG is registered at the commercial register at Lübeck District Court (commercial register sheet number 13827). The company's address is Roggenhorster Strasse 9c, 23556 Lübeck, Germany.

Since 9 May 2014, the shares of SLM Solutions Group AG (German Securities Code / WKN: A11133) have been traded on the Frankfurt Stock Exchange, in the exchange's Prime Standard. The shares were included in the TecDAX share index with effect as of 21 March 2016.

SLM operates in the segments of "Machine Sales" and "After Sales". The Machine Sales segment comprises the development of production, as well as marketing and sales, of machines for selective laser melting. The machines are distributed through a global distribution network. This segment currently comprises the focus of business. The After Sales segment comprises a strategic focus for the company, and will become increasingly important as a consequence. It includes the business with machine-related services, the sale of spare parts and accessories, and the sale of merchandise. This area also includes the business with consumables (metallic powders) that is to be tapped further.

These consolidated interim financial statements of the SLM Solutions Group AG as of 30 June 2017 were prepared in euros. Unless stated otherwise, all amounts are stated on rounded basis in thousands of euros (TEUR). Differences of up to one unit (TEUR, %) relate to arithmetic rounding differences.

Note 2) Accounting policies

These interim consolidated financial statements were prepared in compliance with International Financial Reporting Standards (IFRS) for interim reporting, as applicable in the EU. These interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The interim Group management report was compiled in compliance with the German Securities Trading Act (WpHG).

These consolidated financial statements are not comparable with a set of consolidated financial statements in scope and level of detail, but they include all disclosures required pursuant to IAS 34 and Section 37w WpHG to convey a true and fair view of the financial position and performance relating to the interim financial statements.

The accounting methods applied in the interim consolidated financial statements essentially correspond to those applied in the last set of consolidated financial statements as of the end of the 2016 fiscal year. The notes to the audited consolidated financial statements as of 31 December 2016 include a detailed description of the accounting policies.

In the consolidated interim financial statements income tax expenses are recognized based on the currently expected effective tax rate for SLM in the full year.

Note 3) Scope of consolidation

Besides the parent company, SLM Solutions Group AG, Lübeck, Germany, the interim consolidated financial statements comprise the following companies:

Name	Interest in %
SLM Solutions NA, Inc., Wixom, Michigan / USA	100
SLM Solutions Singapore Pte Ltd	100
SLM Solutions Shanghai Co. Ltd.	100
SLM Solutions RUS OOO	100
SLM Solutions (India) Private Limited	100

SLM Solutions Group AG holds a 51 % interest in the company it founded in 2016, SLM Solutions Software GmbH, which is active in the development of special software to optimally design components for additive manufacturing.

SLM Solutions Group AG also holds a 51 % interest in the company it founded in 2016, 3D Metal Powder GmbH, which is active in the development, production and sale of metal powders.

Although SLM AG holds an interest of 51 %, no control exists for these companies, as shareholders' resolutions require unanimity. For this reason, both companies are equity accounted at SLM Solutions Group AG.

Note 4) Seasonal effects on business activities

SLM Solutions' business is subject to seasonal fluctuations, with the consequence that the company's revenues and operating results can fluctuate from quarter to quarter. In particular, a weak fourth quarter would have a strong impact on full-year results. In an effort to reduce the risk of seasonal fluctuations, SLM Solutions is increasing its mix within the customer portfolio of production companies, service centres and research institutions. In addition, the company is continuing to expand its After Sales business which is less affected by such fluctuations.

Note 5) Effect of the successful IPO on the financial position and performance of SLM Solutions Group AG

With the successful conclusion of the IPO, SLM Group employees are participating in the so-called "Retention Bonus" program. The bonus program is set up for three fiscal years (each of which due in the May of the fiscal year). In the 2014 fiscal year, the retention bonus program was to be classified partially as equity settled in the meaning of IFRS 2. With the Supervisory Board resolution in May 2015, the Retention Bonus program was reclassified as a cash-settled program, and the bonus amount that was calculated was recognised in its entirety as a provision.

As of 30 June 2017, personnel expenses of TEUR 94 were reported in the interim consolidated financial statements for the retention bonus.

Note 6) Segment reporting

Since 1 January 2015, the company has reported on its operating segments of "Machine Sales" and "After Sales". In the "Machine Sales" segment, the machine sales from the selective laser melting field are taken into account in addition to accessories based on new order intake. The "After Sales" segment mainly includes service revenue, replacement parts sales and merchandise sales from secondary business.

30 June 2017 in TEUR	Machine Sales	After Sales	Total
Revenues	**23,645**	**5,342**	**28,987**
Expenses	-24,667	-8,838	-33,505
EBITDA*	**-1,021**	**-3,497**	**-4,518**
Depreciation, amortisation and impairment losses	–	–	-3,535
Net interest result	–	–	-60
Result from participating interests	–	–	0
Income taxes	–	–	2,260
Adjusted costs*	–	–	-94
Net profit/loss for the period	–	–	**-5,946**

* adjusted for the retention bonus of TEUR 94

30 June 2016 in TEUR	Machine Sales	After Sales	Total
Revenues	**30,091**	**3,425**	**33,516**
Expenses	-26,813	-7,685	-34,498
EBITDA*	**3,278**	**-4,260**	**-982**
Depreciation, amortisation and impairment losses	–	–	-2,340
Net interest result	–	–	-50
Result from participating interests	–	–	-56
Income taxes	–	–	1,458
Adjusted costs*	–	–	-308
Net profit/loss for the period	–	–	**-2,278**

*adjusted for the retention bonus of TEUR 308

Besides depreciation, amortisation and impairment losses, no further significant non-cash expenses were incurred in the reporting year (30 June 2016: TEUR 308 in connection with the Retention Bonus). The above-presented segment revenue relates to revenue generated from business with external customers.

No significant transactions occurred between the segments.

Note 7) Non-current assets

Investments in non-current assets relate mainly to property, plant and equipment and include the investments for the new construction in Lübeck-Genin. Investments in intangible assets are attributable mainly to development expenses to be capitalised pursuant to IAS 38.

SLM regularly tests – at least at the end of each quarter – its development projects for impairment. In 2017, impairment losses of TEUR 312 were applied to projects capitalised in previous years, which had become technologically obsolescent as a result of new developments. The Management Board is of the opinion that no further non-current assets were impaired as of the balance sheet date, as a consequence of which write-downs exclusively comprise depreciation and amortisation.

Note 8) Liquidity and financial liabilities

Both in the previous year and as of 30 June 2017, liquidity was secured at all times.

The targeted lower level of preproduction and the sale of finished machines from stock resulted in a markedly lower level of funds tied up in working capital, and the first positive cash flow from operating activities since the IPO.

				Difference	
Working Capital	**30 June 2017**	**31 Dec. 2016**	**30 June 2016**	**6-month period**	**12-month period**
Trade receivables	16,260	29,145	22,538	-12,885	-6,278
Inventories	30,874	31,107	29,533	-233	1,341
Trade payables	-5,405	-9,637	-3,981	4,232	-1,424
Total	**41,729**	**50,615**	**48,090**	**-8,886**	**-6,361**

Funds tied up in working capital amounted to TEUR -6,361 for the (rolling) 12-month period elapsed, and to TEUR -8,886 for the 1 January to 30 June 2017 period. Capital employed as of the 30 June 2017 reporting date in relation to rolling consolidated revenue for the last twelve months of TEUR 76,178 until the 30 June 2017 reporting date generates a working capital intensity of 54.8 %.

Investments during the current period under review are attributable mainly to the development of new application-oriented technologies and the new construction in Lübeck-Genin. Along with operating cash inflows, investment cash flows were financed mainly from drawing down the loan for the new construction, and to a minor extent from the successful IPO in 2014.

Reconciliation of cash and cash equivalents in cash flow statements to cash and cash equivalents on balance sheet

in TEUR	**30 June 2017**	**30 June 2016**	**31 Dec. 2016**
Cash and cash equivalents position	17,285	23,680	20,028
Rent deposit	-31	-32	-32
Cash and cash equivalents position in cash flow statement	17,254	23,648	19,996

Note 9) Equity

Unchanged compared with the previous year, the share capital is divided into 17,980,867 ordinary registered no par bearer shares each with a notional value of one euro in the share capital.

Please also refer to the consolidated statement of changes in equity for more information.

The equity ratio stands at 74.2 % as of 30 June 2017 (30 June 2016 reporting date: 83.6 %; 31 December 2016: 76.9 %), whereby total equity and liabilities increased by 4.4 % year-on-year.

Earnings per share (undiluted and diluted)

Basic (undiluted) and diluted earnings per share are calculated by dividing the earnings that are attributable to the parent company's shareholders by the average number of shares in issue during the fiscal year.

	30 June 2017	30 June 2016
Number of shares in issue as of 1 January	17,980,867	17,980,867
Number of shares in issue during the fiscal year	–	–
Weighted average number of shares in issue	**17,980,867**	**17,980,867**
Consolidated net result attributable to parent company shareholders (in EUR)	-5,946,089.84	-2,277,531.43
Weighted average number of shares in issue	17,980,867	17,980,867
Basic (undiluted) and diluted earnings per share in EUR	-0.33	-0.13

Note 10) Significant business transactions with related parties

Individuals companies which the reporting company can influence or which can influence the reporting company are regarded as related parties in the meaning of IAS 24.

The members of the Management and Supervisory boards are defined as related parties of the SLM Group.

Management Board members as of 30 June 2017:

- Uwe Bögershausen
- Henner Schöneborn
- Dr. Markus Rechlin (recalled from the Management Board by the Supervisory Board on 23 January 2017)

Supervisory Board members as of 30 June 2017:

- Hans-Joachim Ihde
- Peter Grosch
- Bernd Hackmann
- Klaus-J. Grimberg
- Volker Hichert
- Lars Becker

Since 18 December 2015, an agreement for a share-based compensation system has been in place for Management Board member Mr. Uwe Bögershausen. This program offers virtual stock (SAR), the basis for the issuance of which is the increase in the share price over the past year. At the start of the period, the Supervisory Board determines how many SARs are issued for which price increases. The maximum value of this interest is EUR 150,000 p.a. The pay-out is made 2 years after the issuance of the SAR respectively at the share price applicable for payment, capped at a maximum of EUR 54.00. The agreement provides the right to settle the interest in shares, although the Supervisory Board intends to settle only in cash. As a result, the amount is accounted as cash-settled.

The expenses recorded in the period correspond with the addition to the provision of EUR 100,608. The fair value of the liability totalling EUR 244,841 was measured applying a Monte Carlo method.

Since 18 December 2015, an agreement for a share-based compensation system has also been in place for Dr Markus Rechlin. This is the same system as applies to Mr. Bögershausen. As Dr Rechlin was recalled from the Management Board with effect as of 23 January 2017, the share-based compensation was calculated as of 30 June 2018, and a provision was formed for its full amount.

The expenses recorded in the period correspond with the addition to the provision of EUR 260,193. The provision as of 30 June 2017 amounts to EUR 404,426 as a consequence.

In the reporting period, payments resulting from the termination of the employment relationship with Dr Markus Rechlin of EUR 394,114.20 were recognized as expenses and correspond to the addition for the provision at the same amount.

No direct control through a shareholder exists. Due to their interests in the subscribed share capital, the previous shareholders (Parcom Deutschland I GmbH & Co. KG and its shareholder and managing director, Mr. Henner Schöneborn, as well as Ceresio GmbH and its shareholder and managing director), can exert significant influence over the company, and exert notional control at shareholders' general meetings depending on the presence majority.

Note 11) Other financial obligations and contingent claims

11.1) Other financial obligations

Other financial obligations arise from leasing and rental agreements.

11.2) Contingent claims

The company is not aware of any contingent claims as of the balance sheet date.

Note 12) Events after the balance sheet date

No events have occurred after the balance sheet date that have a significant effect on the Group's financial position and performance.

Note 13) Other information

Financial assets and liabilities are recognised at amortised cost. Fair value accounting is affected neither for financial instruments nor for other assets (e.g. property, plant and equipment). Due to the short remaining terms of the financial assets and liabilities, the fair value approximates the carrying amount of the financial instruments.

Financial instruments (30 June 2017)	**Measurement category**	**Carrying amount**	**Fair Value**
Receivables and other assets	LaR*	16,312	16,312
Financial liabilities	FLAC**	10,554	10,554

Financial instruments (31 December 2016)	**Measurement category**	**Carrying amount**	**Fair Value**
Receivables and other assets	LaR*	49,516	49,516
Financial liabilities	FLAC**	15,033	15,033

* Loans and Receivables
** Financial Liabilities measured at Amortized Cost

Responsibility statement

We assure that to the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the consolidated interim financial statements convey a true and fair view of the Group's financial position and performance, and that in the Group management report the business performance including the Group's business results and position are presented so as to convey a true and fair view, and that the significant opportunities and risks pertaining to the Group's prospective growth and development in the remainder of the fiscal year are described.

Lübeck, 9 August 2017

Uwe Bögershausen

Henner Schöneborn

Audit review certification

To SLM Solutions Group AG

We have reviewed the consolidated interim financial statements - comprising the statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and selected explanatory notes - and the interim group management report of SLM Solutions Group AG, Lübeck, for the period from January 1, 2017 to June 30, 2017 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hannover, August 9, 2017

PricewaterhouseCoopers
Wirtschaftsprüfungsgesellschaft

Helmuth Schäfer
German Public Auditor

Prof. Dr. Mathias Schellhorn
German Public Auditor

Imprint

Publisher

SLM Solutions Group AG
Roggenhorster Straße 9c
23556 Lübeck
Germany

Tel.: +49 (451) 16082 – 0
Fax: +49 (451) 16082 – 250

Email: info@slm-solutions.com
www.slm-solutions.de

IR-Contact

SLM Solutions Group AG
Dennis Schäfer
Tel.: +49 (0) 451 16082-1307

Layout, Editor & Design

cometis AG

The report of the first half-year 2016 is also available in English. In case of differences the German version prevails. The digital version of the Annual Report and the Interim Reports can be downloaded at www.slm-solutions.de in the category "Investor Relations / Reports and Publications".