



# PIONEERING TECHNOLOGY

9M Report 2020

**SLM**  
SOLUTIONS



## Briefing Note by the Management Board

Dear shareholders, customers, stakeholders and employees,

Despite the continuous challenges caused by the Covid-19 pandemic, we were able to deliver another solid performance. In the third quarter, revenues decreased by 13% to EUR 14.8 million compared to 3Q19, while revenues for the first three quarters of EUR 45.9 million are up 37% when compared to the same period in the previous year. We continue to experience cautious spending from many of our customers. While our order in-take has improved compared to the first half of the year, we are below prior year's levels as customers in end markets such as aviation and automotive significantly reduced capital expenditures. Despite this currently cautious business environment across our established customer base, we continue to receive increased interest from new customers as the pandemic has highlighted the shortcomings of supply chain models which can be effectively addressed by additive manufacturing. We expect this heightened focus to positively impact demand for our products in the coming years.

Our quarterly EBITDA result of EUR -6.2 million was negatively impacted by a one-off EUR 2.3 million inventory adjustment which marks the finalization of our inventory review which we started earlier this year. Most of this impact relates to inventory items purchased years ago. As we revamped our supply chain team and professionalized our processes over the last year, we are confident that we will not experience such issues in the future.

As we move into the final months of the year, we are looking forward to the most important event at SLM this year, the launch of our new next generation machine which will be revealed to the public on Nov 10th via a digital event. This new generation will push the limits of metal additive manufacturing to a whole new level. Our next generation machine will be the first powder bed fusion machine to enable price competitive large-scale serial production of metal additive parts. SLM's next generation machine will therefore significantly increase the addressable market for our products to areas of traditional, previously more cost competitive manufacturing methods such as castings and milling. On behalf of all of us at SLM, I would like to invite you to join us to the launch, which can be accessed through [www.slm-pushing-the-limits.com](http://www.slm-pushing-the-limits.com).

As we continue to reinvent SLM Solutions, we also launch a new company logo and website which we look forward to introducing to you soon. This rebrand goes deeper than colors and shapes - committed to its upward growth, the company is laser focused on the future and leading the industry in metal additive innovation.

Lübeck, November 5, 2020

A handwritten signature in black ink, appearing to read 'Meddah Hadjar'. The signature is stylized and fluid.

Meddah Hadjar

## Highlights

	Unit	Comparison to previous quarter			Comparison 9M/2020 vs. 9M/2019		
		Q3 / 2020	Q3 / 2019	Change	9M / 2020	9M / 2019	Change
Revenue	kEUR	14,756	17,058	(13)%	45,934	33,436	+37%
Total output	kEUR	14,335	15,673	(9)%	46,397	34,003	+36%
EBITDA	kEUR	(6,232)	(773)	+706%	(12,241)	(19,680)	(38)%
EBITDA margin (% of total output)		(43)%	(5)%	(38) pts.	(26)%	(58)%	+32 pts.
Period result	kEUR	(8,985)	(3,857)	+133%	(21,482)	(34,653)	(38)%
EPS*	EUR	(0.45)	(0.20)		(1,09)	(1,75)	
Order intake (in value)	kEUR	11,891	17,402	(32)%	25,570	38,169	(33)%
Order backlog	kEUR	19,467	18,380	+6%			

\* Undiluted and diluted calculated with 19,778,953 shares

## Business Performance

### Revenues

SLM generated total revenues of kEUR 14,756 in the third quarter of 2020 (Q3/2019: kEUR 17,058) of which kEUR 11,335 was generated by the segment "Machine Business" (prior year kEUR 13,363, representing 77% of total revenues (prior year: 78%). The segment "After Sales Business" generated revenues of kEUR 3,420 (previous year: 3,695), a 7% reduction compare to the previous year's level.

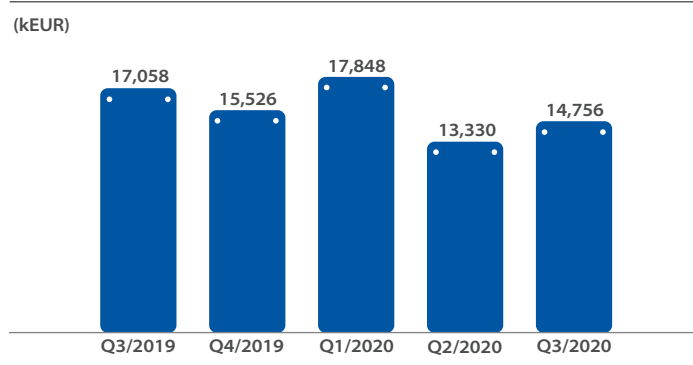
### Orders

During the third quarter of 2020 SLM Solutions secured orders with an order value of kEUR 11,891, compared to kEUR 17,402 in Q3/2019.

The order backlog as of September 30, 2020 comprised a total value of kEUR 19,467. This represented a 6% increase in backlog value compared to kEUR 18,380 as of September 30, 2019.

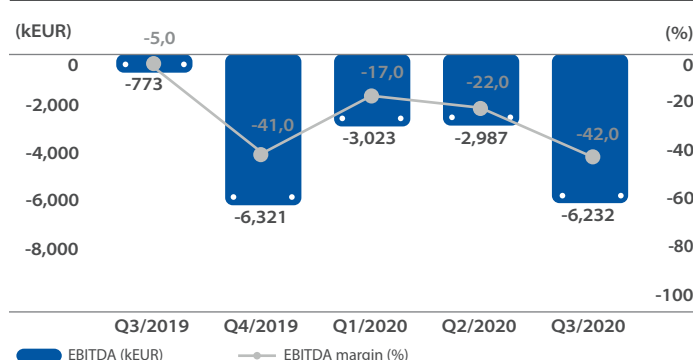
## Economic Report

### Development of Group Revenue



- Group Revenue of kEUR 14,756 for Q3/2020 represented an 13% decrease from Q3/2019 (kEUR 17,058).
- Total Output of kEUR 14,335 in Q3/2020 was 9% below Q3/2019 (kEUR 15,673).

### EBITDA (kEUR) and EBITDA Margin (%)



- In Q3/2020, EBITDA decreased significantly compared to the prior quarter from kEUR -6,232 in Q2/2020 to kEUR -2,987.
- The EBITDA was significantly impacted by inventory adjustments and higher expenses in personnel costs compare to Q2/2020. The personnel costs in Q2/2020 were positively driven by short-term work in the headquarter in Luebeck as well as government support for personnel costs in the subsidiaries due to COVID-19.
- Personnel Expenses increased by 19% from kEUR 7,625 in Q2/2020 to kEUR 9,052 in Q3/2020.
- The Material Cost Ratio (in relation to Total Output) of 57% in Q3/2020 was significantly higher than in Q2/2020 (45%). This was related to inventory adjustments due to aged inventory.
- The Depreciation decreased by 21% from kEUR 2,184 in Q2/2020 to kEUR 1,718 in Q3/2020. related to the change of the depreciation schedule of the machines in the application centres and testing machines in the R&D from five to seven years.
- In the third quarter 2020 the Net Financial Result of kEUR -8,985 is lower than in Q2/2020 (kEUR -6,399).

## Working Capital

- Based on an LTM (last 12 month) Group Revenue of kEUR 61,460 and a Working Capital of kEUR 28,737 the Capital Intensity as of the reporting date was 47%.
- Compared to June 30, 2020 inventories decreased significantly by 20% to kEUR 22,307 end of September 2020 (June 30, 2020: kEUR 27,994). The decrease is mainly driven by inventory adjustments as well as improved usage of existing inventory across our operations.
- Trade receivables decreased by 20% to kEUR 12,168 in Q3/2020 compared to June 30, 2020 (kEUR 15,194) due to the lower revenue performance compare to Q2/2020.
- Trade payables decreased by 2% to kEUR 5,738 in Q3/2020 compared to June 30, 2020 (kEUR 5,856) due to lower material purchases in Q3.

## Business Forecast

The Management Board confirms the guidance communicated on 12 August 2020, expecting a revenue increase of at least 20% compared to the previous year for the full year 2020 (revenue 2019: EUR 49.0 million). For Group EBITDA, SLM Solutions expects an improvement to a level between EUR -13 million and EUR -18 million (EBITDA 2019: EUR -26.0 million). This forecast is based on the assumption that there will be no significant deterioration of the COVID-19 situation with extensive lockdown measures in the Company's key sales markets during the remainder of 2020.

## Group Consolidated Profit and Loss Statement (January 1 to September 30, 2020)

in kEUR	01/01/– 09/30/2020	01/01/– 09/30/2019	01/01/– 12/31/2019
Revenue	45,934	33,436	48,962
Increase/decrease of finished and unfinished stock on hand	-3,306	-2,351	-7,524
Other activated contributions	3,768	2,918	3,368
<b>Total output</b>	<b>46,397</b>	<b>34,003</b>	<b>44,806</b>
Cost of material	-22,141	-16,796	-20,896
<b>Gross profit</b>	<b>24,255</b>	<b>17,207</b>	<b>23,910</b>
Payroll	-26,457	-25,249	-31,871
Other operating income	2,334	1,448	1,635
Other operating expenses	-12,368	-12,648	-19,234
Proceeds from associated companies	-5	-438	-442
<b>EBITDA</b>	<b>-12,241</b>	<b>-19,680</b>	<b>-26,001</b>
Depreciation	-6,086	-6,177	-8,659
<b>Operational result (EBIT)</b>	<b>-18,327</b>	<b>-25,857</b>	<b>-34,660</b>
Interest and similar expenses	-3,303	-3,146	-4,152
Interest received	16	113	176
<b>Earnings before tax (EBT)</b>	<b>-21,614</b>	<b>-28,890</b>	<b>-38,636</b>
Tax payable	131	-5,762	-8,419
<b>Result for the period</b>	<b>-21,482</b>	<b>-34,653</b>	<b>-47,055</b>
Shares on issue (Mio)	19,779	19,779	19,779
EPS*	-1.09	-1.75	-2.38

\* undiluted and diluted calculated with 19,778,953 shares



## Consolidated Group Result (January 1 to September 30, 2020)

in kEUR	01/01/– 09/30/2020	01/01/– 09/30/2019	01/01/– 12/31/2019
Result for the period	-21,482	-34,653	-47,055
<b>Income and expenditure in future not to be reclassified into P&amp;L Account</b>			
Actuarial Profit and Loss	0	0	-730
<b>Income and expenditure in future to be reclassified into P&amp;L Account</b>			
Income/Expenses from currency conversion	-479	79	130
<b>Other comprehensive income</b>			
<b>Group Overall Result</b>	<b>-479</b>	<b>79</b>	<b>-600</b>
Allocation of Overall Result	-21,962	-34,573	-47,655
Shareholders of SLM Solutions Group AG	-21,962	-34,573	-47,655

## Group Consolidated Profit and Loss Statement (July 1 to September 30, 2020)

in kEUR	07/01/– 09/30/2020	07/01/– 09/30/2019
Revenue	14,756	17,058
Increase/decrease of finished and unfinished stock on hand	-1,948	-2,270
Other activated contributions	1,527	885
<b>Total output</b>	<b>14,335</b>	<b>15,673</b>
Cost of material	-8,130	-6,116
<b>Gross profit</b>	<b>6,204</b>	<b>9,557</b>
Payroll	-9,052	-7,625
Other operating income	779	621
Other operating expenses	-4,162	-3,094
Proceeds from associated companies	-2	-234
<b>EBITDA</b>	<b>-6,232</b>	<b>-773</b>
Depreciation	-1,718	-1,963
<b>Operational result (EBIT)</b>	<b>-7,949</b>	<b>-2,736</b>
Interest received	-1,206	-1,036
Interest and similar expenses	-8	26
<b>Earnings before tax (EBT)</b>	<b>-9,163</b>	<b>-3,746</b>
Taxes payable	179	-112
<b>Result for the period</b>	<b>-8,985</b>	<b>-3,857</b>
Shares on issue (Mio)	19,779	19,779
EPS (EUR)*	-0,45	-0,20

\* undiluted and diluted calculated with 19,778,953 shares



## Consolidated Group Result (July 1 to September 30, 2020)

in kEUR	07/01/ 09/30/2020	07/01/ 09/30/2019
Period Result	-8,985	-3,857
<b>Income/expenditure in future not to be reclassified into P&amp;L Account</b>		
Actuarial Profit and Loss	0	0
<b>Income/Expenditure in future to be reclassified into P&amp;L Account</b>		
Income/Expenses from currency conversion	52	-469
<b>Other comprehensive income</b>		
<b>Group Overall Result</b>	<b>52</b>	<b>-469</b>
Allocation of Overall Result:	<b>-8,933</b>	-4,326
Shareholders of SLM Solutions Group AG	-8,933	-4,326

## Consolidated Balance Sheet

in kEUR	09 / 30 / 2020	09 / 30 / 2019	12 / 31 / 2019
<b>Assets</b>			
Cash on hand	25,872	28,114	25,523
Accounts receivable	12,168	19,280	15,488
Other financial assets	258	0	345
Inventories	22,307	35,067	28,281
Other non-financial assets	7,362	2,959	1,817
Current tax receivables	333	0	475
<b>Total Current Assets</b>	<b>68,301</b>	<b>85,421</b>	<b>71,929</b>
Intangible assets	27,173	26,085	24,288
Tangible assets	38,176	37,611	39,136
Companies accounted for by equity method	0	262	0
Other financial assets	193	207	525
Other non financial assets	196	678	717
Deferred tax assets	13	0	43
<b>Total Non Current Assets</b>	<b>65,751</b>	<b>64,843</b>	<b>64,708</b>
<b>Total Assets</b>	<b>134,051</b>	<b>150,264</b>	<b>136,637</b>

in kEUR	09 / 30 / 2020	09 / 30 / 2019	12 / 31 / 2019
<b>Equity and liabilities</b>			
Trade payables	5,738	7,442	5,341
Financial liabilities	2,591	3,162	2,591*
Other non-financial liabilities	6,274	4,848	4,054
Provisions	6,638	4,765	5,293
Tax provisions	0	4	23
Deferred Revenue	833	0	0
<b>Total current liabilities</b>	<b>22,076</b>	<b>20,222</b>	<b>17,246</b>
Financial liabilities	75,132	65,538	64,098
Pensions and similar obligations	7,231	6,715	6,719
Other financial liabilities	1,009	0	1,256
Other non-financial liabilities	41	204	425
Provisions	0	70	139
Deferred tax liabilities	3,646	0	2,24
<b>Total non-current liabilities</b>	<b>87,059</b>	<b>72,528</b>	<b>74,877</b>
Subscribed share capital	19,779	19,779	19,779
Additional paid-in capital	100,589	98,255	98,225
Consolidated loss for the period included in retained earnings	-92,819	-58,934	-71,337
Reserves	-2,633	-1,556	-2,153
<b>Total equity</b>	<b>24,916</b>	<b>57,514</b>	<b>44,514</b>
<b>Equity and liabilities (total)</b>	<b>134,051</b>	<b>150,264</b>	<b>136,637</b>

\*Annual report Financial liabilities (kEUR 2,085) and Other financial liabilities (kEUR 451)

## Group Cash Flow Statement

in kEUR	01/01/- 09/30/2020	01/01/- 09/30/2019	01/01/- 12/31/2019
Net profit/loss for the period	-21,482	-34,653	-47,055
Depreciation, amortisation and impairment losses	6,086	6,177	8,659
Interest expenses	3,303	3,146	4,152
Interest income	-16	-113	-176
Income tax	-131	5,762	8,419
Non-cash expenses	5	438	442
Changes in assets and liabilities	10,264	19,724	28,440
Inventories	5,974	1,695	8,482
Accounts receivable	3,320	15,644	19,268
Pensions and similar obligations	512	1,161	1,165
Liabilities	398	-2,398	-4,500
Provisions	1,072	275	872
Other liabilities	-2,192	2,119	3,144
Other assets and liabilities	1,181	1,227	7
Income taxes paid	0	899	833
Other changes in current assets	0	0	-260
<b>Net cash inflow/outflow from operational activities</b>	<b>-1,972</b>	<b>1,381</b>	<b>3,453</b>
Cash outflows for investments in intangible assets and property, plant and equipment	-4,119	-7,267	-9,482
Investments in development costs	-3,768	-2,918	-3,368
Cash outflow for investments in Joint Ventures	0	-200	-200
Cash outflow for investments in financial assets	0	-4	0
Interest received	21	26	36
<b>Net cash inflow/outflow from Investment activities</b>	<b>-7,867</b>	<b>-10,363</b>	<b>-13,015</b>
Capital injection by shareholders	0	13,000	13,000
Cash injection by Convertible Bond	15,000	0	0
Cash outflows for loans	-975	-667	-963
Repayment of lease liabilities	-334	-346	-850
Interest payments	-3,148	-2,922	-3,985
<b>Net cash inflow/outflow by financing activities</b>	<b>10,543</b>	<b>9,065</b>	<b>7,202</b>
Net increase/reduction in cash and cash equivalents	704	83	-2,360
Change in financing funds due to exchange rate changes	-356	245	97
<b>Cash and cash equivalents at the start of reporting period</b>	<b>25,523</b>	<b>27,786</b>	<b>27,786</b>
<b>Cash and cash equivalents at the end of reporting period</b>	<b>25,872</b>	<b>28,114</b>	<b>25,523</b>

## Statement of changes in Group Equity

in kEUR	Subscribed share capital	Capital reserves	Consolidated loss for the period included in retained earnings	First time appli- cation reserve	Foreign exchange equali- zation reserve	Other Reserves	<b>Equity</b>
<b>Balance as of 01/01/2019</b>	<b>17,981</b>	<b>87,023</b>	<b>-24,281</b>	<b>-632</b>	<b>-51</b>	<b>-953</b>	<b>79,087</b>
Consolidated group result			-34,653				-34,653
Changes in equity from foreign currency						79	79
Change of equity from capital increase	1,798	11,202					13,000
<b>Balance as of 09/30/2019</b>	<b>19,779</b>	<b>98,225</b>	<b>-58,934</b>	<b>-632</b>	<b>-51</b>	<b>-874</b>	<b>57,514</b>
<b>Balance as of 01/01/2020</b>	<b>19,779</b>	<b>98,225</b>	<b>-71,337</b>	<b>-549</b>	<b>79</b>	<b>-1,683</b>	<b>44,514</b>
Consolidated group result			-21,482				-21,482
Equity of Convertible Bond		2,364					2,364
Change in equity from foreign currency					-479		-479
<b>Balance as of 09/30/2020</b>	<b>19,779</b>	<b>100,589</b>	<b>-92,819</b>	<b>-549</b>	<b>-400</b>	<b>-1,684</b>	<b>24,916</b>

## Segment Reporting

The structure of the reportable segments has not changed compared with the previous year. The Board has identified the segments "Machine Business" and "After Sales Business" as the core business activities for the internal reporting system. In the segment "Machine Business" machines from the sector Selective Laser Melting, including options such as powder

screening plant and other peripheral equipment are being considered. In the segment "After Sales Business" Service, spare parts, commodities together with powder, training and the installation of machines are taken into account.

01 / 01 / - 09 / 30 / 2020 in kEUR	Machine Sales Business	After Sales Business	Total
<b>Revenue</b>	<b>35,093</b>	<b>10,841</b>	<b>45,934</b>
Expenses	-41,482	-16,107	-57,589
<b>EBITDA</b>	<b>-6,388</b>	<b>-5,266</b>	<b>-11,654</b>
Depreciation, amortisation and impairment losses			-6,086
Interest result			-3,286
Taxes on income			131
<b>Net profit/loss for the period</b>			<b>-20,895</b>

01 / 01 / - 09 / 30 / 2019 in kEUR	Machine Sales Business	After Sales Business	Total
<b>Revenue</b>	<b>22,737</b>	<b>10,699</b>	<b>33,436</b>
Expenses	-35,023	-18,093	-53,116
<b>EBITDA</b>	<b>-12,285</b>	<b>-7,395</b>	<b>-19,630</b>
Depreciation			-6,177
Interest result			-3,033
Tax payables			-5,763
<b>Result of the period</b>			<b>-34,653</b>

Apart from depreciation and tax payables there was no other significant non-operative expenditure. The revenue of the segments as shown represents the revenue generated through sales to external customers.

There are no significant business activities between the segments.



Meddah Hadjar



Sam O'Leary

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