Growth on a broad basis

H1 Report 2016

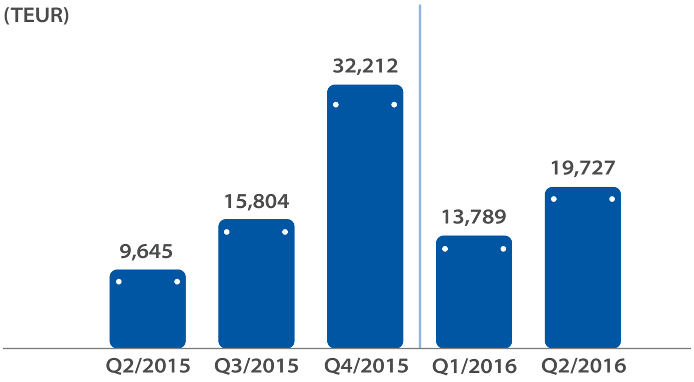
Highlights

	Unit	H1/2016	H1/2015	Change (in %)
Revenue	TEUR	33,516	18,121	+85.0
Total operating revenue	TEUR	41,701	25,074	+66.3
Cost of materials	TEUR	24,580	14,142	+73.8
Cost of materials ratio (as % of total operating revenue)	%	58.9	56.4	
Personnel costs, adjusted*	TEUR	11,497	5,898	+94.9
Personnel cost ratio, adjusted*(as % of total operating revenue)	%	27.6	23.5	
Adjusted EBITDA*	TEUR	-982	-440	
Adjusted EBITDA margin* (as % of revenue)	%	-2.9	-2.4	
Consolidated net profit/loss	TEUR	-2,278	-2,214	
Earnings per share**	EUR	-0.13	-0.12	
New order intake	Machines	56	40	+40.0
New order intake	TEUR	29,956	28,104	+6.6
Machines sold	Machines	52	27	+92.6

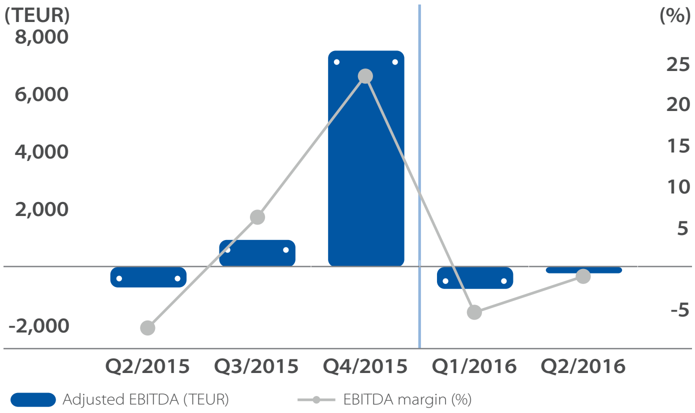
	Einheit	June 30, 2016	June 30, 2015	Change (in %)
Non-current assets	TEUR	36,607	24,641	+48.6
Current assets	TEUR	78,255	88,845	-11.9
Equity ratio	%	83.6	83.1	
Total assets	TEUR	114,863	113,486	+1.2

* In H1/2016 adjusted for retention bonus of TEUR 308, in H1/2015 adjusted for retention bonus of TEUR 1,283
** Basic and diluted, calculated with 17,980,867 shares (previous year: 17,980,867 shares)

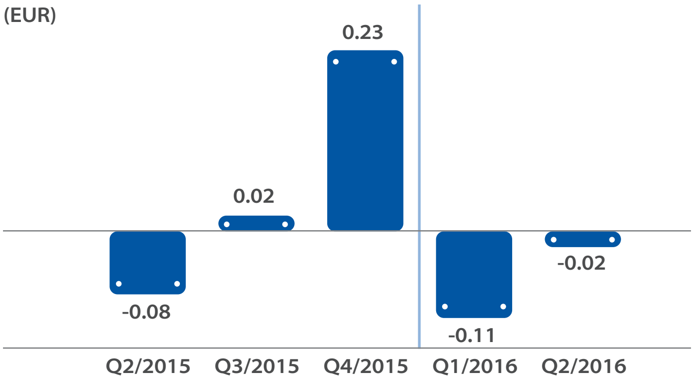
Development consolidated revenue



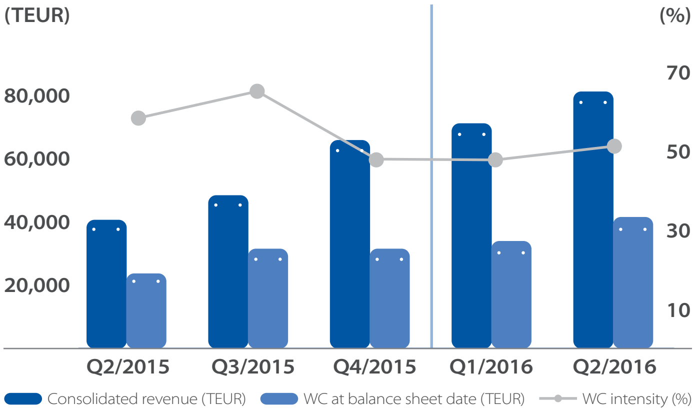
Adjusted EBITDA and EBITDA margin



Earnings per share (basic)



Working capital intensity



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Dr. Markus Rechlin, CEO

Letter from the CEO

Dear shareholders, customers, business partners and colleagues,

We look back on an exciting first half of the year during which we continued our success story. With EUR 33.5 million of revenue, after six months we have already reached a business volume on which we reported in the entire year 2014, and in 2015 not before the end of nine months. Our revenue was up by 85 % compared with the first half of 2015, with the largest proportion of this growth continuing to derive from the sale of machines. Especially during the second quarter, we further boosted our rate of growth in consolidated revenue compared with the first three months of 2016, landing many orders from new customers.

But the systems business is not everything to us: we are on our way to becoming an integrated systems supplier in the area of producing high-quality metal components, and we aim to make our contribution to dismantling barriers to the end-to-end application of additive manufacturing. We are taking our next steps in this context with our two cooperation ventures in the consumables and design and construction software areas. We founded the 3D Metal Powder GmbH joint venture on July 14, 2016 together with the main shareholder of TLS Spezialpulver. We have defined the development, production and refining steps of metallic special powders as the essential core tasks of the collaboration. We initially plan to create production capacity to produce 100 tonnes of aluminium powder per year.

Market observers appear to be in agreement that the metal-based additive manufacturing area that we address offers the best future opportunities over the coming years. Experts at Wohlers Associates regularly ascribe even stronger growth to this market segment than the overall 3D printing market, which grew by more than 30 % per year between 2013 and 2015, and is set to increase fivefold by 2021 compared with 2015 to reach a volume of USD 26.5 billion. It was also evident from a recent survey conducted by Ernst & Young among 900 companies worldwide about introducing additive processes in production that metals garner far more mention in this context than polymers or ceramics.

In view of the dynamics of our market segment and our continuously strong growth, at the end of the first half-year we can reconfirm our full-year target of between EUR 85 million and EUR 90 million of revenue and a slightly improved adjusted EBITDA margin. Further profitability improvements depend significantly on us continuing on our growth track. We assume that the investments in our new staff in production and sales will pay off for us medium- to long-term.

A further milestone for us – as a company that has now been listed on the stockmarket for two years – is the inclusion of our share in the TecDAX stock index in March, where it enjoys greater visibility among investors and media.

I would like to thank all our shareholders, customers, business partners and employees for their trust and confidence.

Lübeck, August 10, 2016

Dr. Markus Rechlin
(CEO)

The SLM Solutions Group AG share

Share price performance (as of: June 30, 2016)

The share of SLM Solutions Group AG has been 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 12 month period until the June 30, 2016 reporting date, the share price has performed very well overall. The closing price of EUR 23.40 on June 30, 2016 reflects a 17.8 % appreciation compared with its closing price on June 30, 2015 (EUR 19.87). The market capitalisation stood at EUR 420.8 million as of June 30, 2016 based on 17,980,867 shares in issue (June 30, 2015: EUR 357.2 million) .

Overall, during this period the company's share outperformed the comparable sector indices, the STOXX Global 3D Printing Tradable (-11.6 %) and TecDAX (-4.1 %).

The average number of SLM Solutions Group AG shares traded daily on Xetra amounted to 41,364 during the past twelve months until June 30, 2016.

Key data (as of: August 5, 2016)

The performance of the SLM Solutions share is currently covered by eight analysts. HSBC recently assumed coverage. As of the date when this report was published, all of these analysts were recommending the share as a Buy.

Institution	Analyst	Date	Rating	Share price target (EUR)
Berenberg	Gunnar Cohrs	29/03/2016	Buy	28.00
BHF-BANK	Thomas Effler	12/05/2016	Overweight	26.00
CANACCORD Genuity	Bobby Burleson	12/05/2016	Buy	28.00
Commerzbank	Adrian Pehl	tba	tba	tba
Credit Suisse	Tiantian Li	29/06/2016	Buy	27.00
Deutsche Bank	Uwe Schupp	12/05/2016	Buy	27.00
equinet Bank	Cengiz Sen	11/05/2016	Buy	27.50
HSBC	Philip Saliba	05/08/2016	Buy	32.00

Based on analyst ratings available on the reporting date

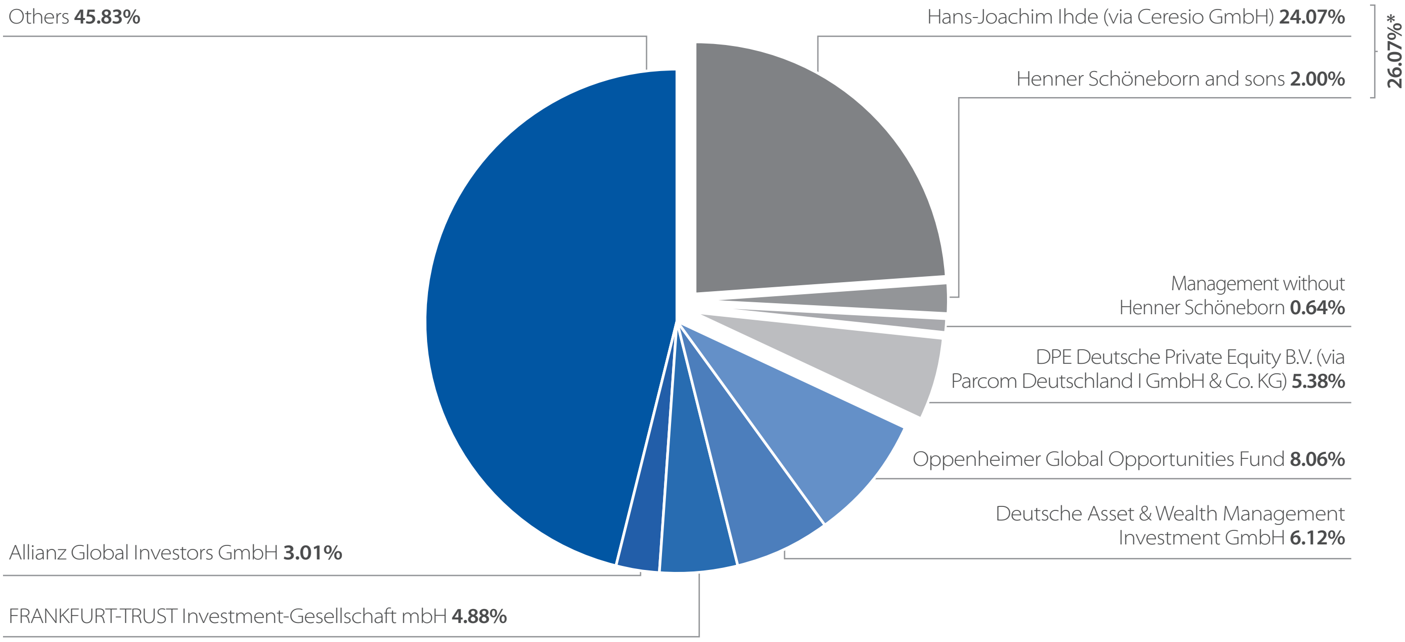
Investor relations

Since the IPO, SLM Solutions has cultivated intensive dialogue 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 of SLM Solutions Group AG also participates frequently at capital market conferences, and presents the business model and strategy of SLM Solutions at roadshows in Europe and North America. On May 2 and 3, 2016, discussions were held with investors as part of roadshow hosted by Deutsche Bank in Munich and Paris. The Management Board was available for one-on-one discussions at the RAPID sector trade fair held at the end of May in Orlando, Florida. Further discussions with investors were held in Frankfurt as part of a roadshow day organised by HSBC on June 2, 2016. In November 2016, SLM Solutions will be represented on the German Equity Forum in Frankfurt.

Interested capital-providers, investors and analysts will 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. Interested parties can enjoy timely and direct access to our corporate news through registering on an e-mailing list on our website.

Shareholder structure (as of: June 30, 2016)



* Pooling agreement: joint pursuit of interests pursuant to Section 22 (2) of the German Securities Trading Act (WpHG)

Financial calendar

10/11/2016	9M Report 2016
21/11/2016 – 23/11/2016	German Equity Forum, Sheraton Frankfurt Airport Hotel and Conference Center

Investor relations contact

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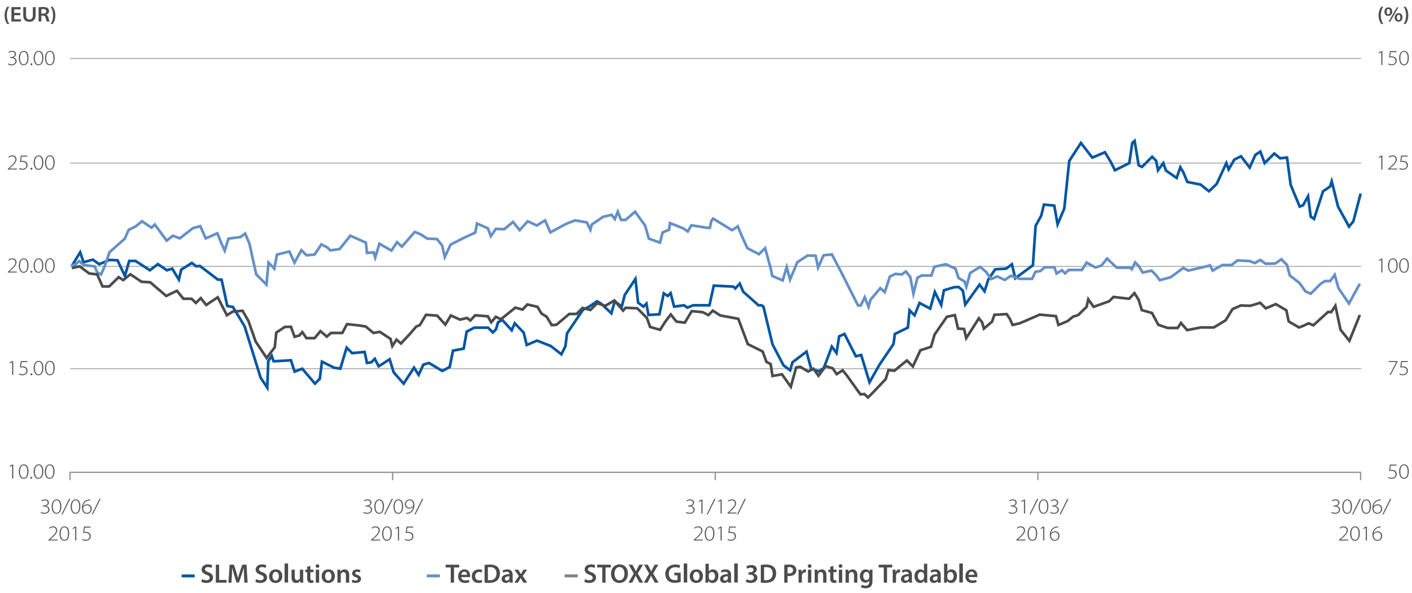
Email: breuer@cometis.de

Key data (as of: June 30, 2016)

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	May 9, 2014
Placing price in EUR	18.00
Closing price in EUR on June 30, 2016	23.40
Number of shares	17,980,867 ordinary no par value bearer shares

Share price performance (as of: June 30, 2016)



Group interim management report

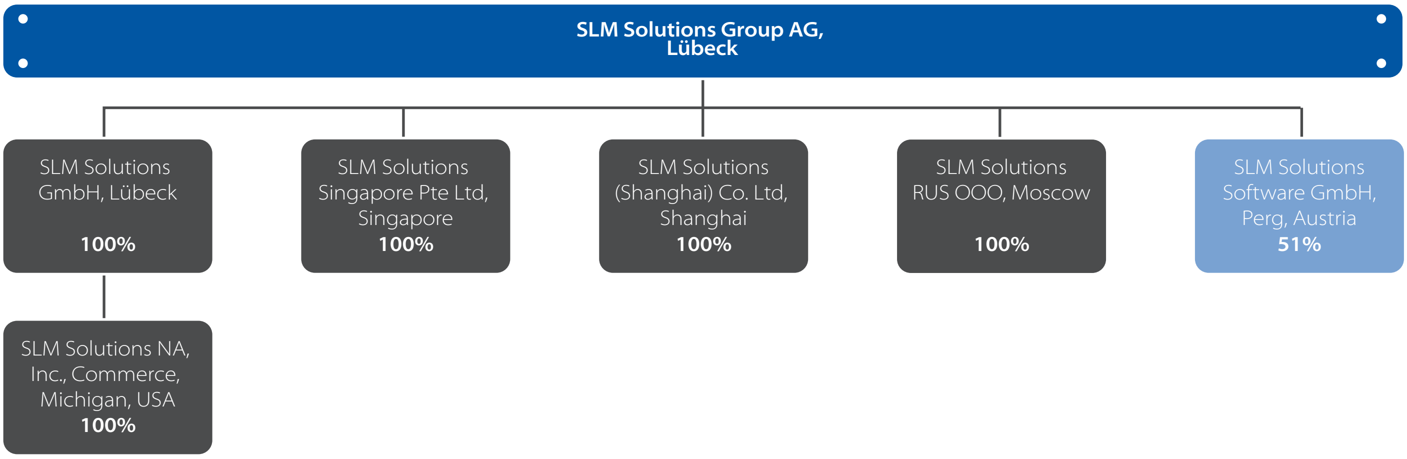
Basis of the Group

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 June 30, 2016. SLM Solutions Group AG functions as a financial and management holding company within the Group. SLM Solutions GmbH 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 and Russia are progressing local sales activities in the geographic regions allocated to them. They also provide servicing for customers.

On February 8, 2016, the company SLM Solutions Software GmbH was also founded in Austria, in which SLM Solutions Group AG holds a 51 % interest. The company concerns itself with the development of special design and construction software that facilitates the optimal design of components for additive manufacturing.

The management's announcement to found a further joint venture to develop, produce and sell metal powders together with the main shareholder of TLS Technik GmbH & Co. Spezialpulver KG in Bitterfeld ("TLS Spezialpulver") was implemented after the June 30, 2016 reporting date: Lübeck-based 3D Metal Powder GmbH was entered in the commercial register on July 14, 2016.



Employees

Full-time equivalents (FTEs)	June 30, 2016	June 30, 2015
Research and development	56	39
Sales	54	37
After Sales	43	18
Production	103	66
Administration	31	24
Total	**287**	**184**
of whom Europe	252	164
of whom USA	24	12
of whom Asia	11	8

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** comprises the development and production, as well as marketing and sales, of machines for selective laser melting. The machines are sold and 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 consumables (metallic powders), training and other machine-related services, which is to be tapped further, is also allocated to this segment.

The **product range** currently comprises three systems – the SLM 125^{HL}, the SLM 280^{HL} and the SLM500^{HL} – which are differentiated according to size of construction chamber and number of lasers with which they are equipped. 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 continuously further developed and equipped with new functionalities. 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 single or multiple simultaneously operating laser beams 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 consequence, additive manufacturing is suitable for complex components utilised as prototypes or in series. By contrast with conventional manufacturing processes, complexity does not comprise a cost factor in this context ("complexity comes for free"). In addition, the additive manufacturing of metal components offers enormous speed advantages as no forms or tools are required. The multilaser technology that SLM solutions has launched exclusively underscores its technology leadership. Industrial manufacturing processes such as precision cutting are being augmented increasingly to include laser melting.

In the opinion of consulting firm Bain & Company, 3D printing has left the experimental phase. Large industrial companies with many years of experience in additive manufacturing are increasingly integrating the new technologies into their value chains, in order to thereby tap competitive advantages. On the organisational structure side, the deployment of 3D technologies is shifting the focus away from operating production systems and supply chain management and more towards engineering and production planning.[1] Boston Consulting Group already identifies opportunities to utilise additive manufacturing processes in a commercially advantageous manner. These consist, for instance, of the area of individual preparation of medical products or in the production of high-quality complex aerospace components[2].

SLM Solutions' **customers** are active in widely diverging industrial areas, including aerospace, automotive and mechanical engineering, medical technology and the energy sector. SLM machine customers are either contract manufacturers or end-customers. Besides Europe (including the still largest individual market, Germany), SLM Solutions' **target markets** include the regions of North America and Southeast Asia.

[1] Bain & Company: Five questions to shape a winning 3D printing strategy, November 13, 2015, http://www.bain.de/press/press-archive/3d-druck-an-der-schwelle-der-massenanfertigung.aspx
[2] Boston Consulting Group: Is It Time to Take the 3D Plunge? Hope Versus Hype in Additive Manufacturing, December 4, 2015, https://www.bcgperspectives.com/content/articles/engineered-products-project-business-time-to-take-3-d-plunge/

SLM Solutions' machine business is subject to **seasonal fluctuations** that are typical of its sector: a significant proportion of new order intake is generally generated during the fourth quarter of the year, while the first quarter is traditionally the weakest of the year. The SLM Solutions' Management Board intends to mitigate seasonality in the future through expanding the After Sales business, especially through extending the product range to include products that are less prone to fluctuation such as consumables and software.

Targets and strategy

SLM Solutions pursues the objective of maintaining the position of the **technologically leading provider in the metal-based additive manufacturing area over the long term**, playing a decisive role in shaping the 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 growing number of R&D staff is helping to expand the company's technology leadership in highly varied 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 intends to further develop into an **end-to-end solutions supplier** in the additive manufacturing area and to grow into neighbouring business areas. The joint venture founded with CADS GmbH from Austria serves the propriety development of special design and construction software. This should facilitate the production of optimal designs of components for additive manufacturing, indirectly contributing to further disseminating additive production processes through dismantling entry barriers. In connection with the cooperation venture with Blankenburg-based engineering company JUREC, proprietary software development offers the opportunity to better meet customers' practical design and construction requirements. SLM Solutions is also entering the metallic powders business to a greater extent. Metallic powders form the starting material for production deploying SLM Solutions' laser melting systems: Lübeck-based 3D Metal Powder GmbH was entered in the commercial register on July 14, 2016. Along with the machine sales business, expanding the powder business serves as a second pillar, contributing to mitigating at Group revenue and earnings level the seasonality that is typical of its sector. As materials can be tailored extremely precisely to the respective application or machine, above-average margins can be achieved with the development and sale of metallic powders.
- 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 cooperation ventures locally in order to retain customers long-term, generate recurring service revenues, and acquire new customers. The company is boosting its presence through presentation centres with demo machines, customer training sessions, and participation at important sector trade fairs.

Management system

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

SLM Solutions also identifies the following key indicators as central value and growth drivers for the business, and publishes them at regular intervals:

- The company's **sales revenue trend** is the key performance indicator to assess exploitation of the company's growth potential during a past reporting period.
- For SLM Solutions, as a young growth company, earnings before interest, tax, depreciation and amortisation, adjusted to reflect one-off effects (**adjusted EBITDA**), provide us with our best indicator of profitability. This key indicator excludes national particularities relating to tax legislation and our selected financing structure, facilitating the comparison of the company with the international peer group.

Research and development

Research and development form significant components of the business success of SLM Solutions. Further market potentials in the industrial manufacturing area are being increasingly developed by progress made with multilaser 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.

As a selective laser melting pioneer, SLM Solutions 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 basic research into selective laser melting technology in cooperation with Nanyang Technical University (NTU) since September 1, 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. A further focus is on the growing role of value chain organisation in industrial manufacturing processes ("Industry 4.0").

SLM Solutions' research and development department comprises 56 full-time equivalents (FTEs) on June 30, 2016 (previous year: 39 FTEs). Research and development spending amounted to TEUR 3,805 in the period under review (previous year: TEUR 2,382).

Economic and business report

Macroeconomic situation in target markets

In the important domestic market of **Germany**, gross domestic product (GDP) grew by a price-adjusted 1.3 % year-on-year in the first quarter 2016, according to final figures from the German Federal Statistical Office.[3] Capital goods expenditures were up by 2.4 % in real terms compared with the first quarter of 2015.[4]

According to the latest forecast from the International Monetary Fund, the **world economy** will grow prospectively by 3.1 % in 2016, thereby remaining at its 2015 expansion rate.

Despite the significant increase in economic and political uncertainty due to the United Kingdom's vote to leave the EU, the IMF has upgraded its **Eurozone** growth forecast to 1.6 % in 2016 (previous year: 1.7 %). This represents a 0.1 percentage point increase compared with the IMF's April forecast, an upgrade that it justifies by pointing to the strong domestic demand that resulted in higher-than-expected growth in the first quarter of 2016.

Compared with its April forecast, the IMF downgraded its US economic growth forecast for 2016 by 0.2 percentage points to 2.2 % (previous year: 2.4 %). This is due to lower than expected economic growth in the first quarter of 2016.

With regard to **Russia**, although the IMF continues to expect the economy to contract by -1.2 % in 2016 (previous year: -3.7 %), this nevertheless represents a 0.6 percentage point improvement in its forecast compared with April, reflecting the favourable impact of the stabilisation in oil prices.

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 continues to forecast 6.4 % economic growth in 2016 (previous year: 6.6 %). ASEAN member states such as Singapore, Indonesia, Thailand and Vietnam represent important target markets for SLM Solutions.[5]

Additive manufacturing market

SLM Solutions operates in a very attractive global **growth market for additive manufacturing processes**. In their 2016 sector report, experts at Wohlers Associates forecast considerable growth for the global market. They estimate global market volumes for additive manufacturing (machine sales and services for all additive processes) of USD 5.2 billion in 2015, following on from annual average growth of 31.5 % between 2013 and 2015. Market volumes are forecast to amount to USD 8.8 billion in 2017, USD 15.8 billion in 2019, and to USD 26.5 billion by 2021.

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 advanced by 46.9 % in 2015, according to Wohlers Associates. The global market volume in the **metallic consumables** area increased by 80.9 % to USD 88.1 million in 2015.[6] In a sales data analysis for the first quarter of 2016 relating to the number of metal-based 3D printing machines shipped, Context shows 29 % growth compared with the first quarter of 2015.[7] According to a global survey conducted by auditing and consulting firm Ernst & Young among 900 companies from 12 countries, 52 % of the companies surveyed specify metal as the most important working material in the introduction of additive production plants, far ahead of polymers (31 %) or ceramics (6 %).[8]

[3] German Federal Statistical Office, National accounts, domestic pruduct calculations, Q1 2016, May 2016,
https://www.destatis.de/DE/Publikationen/Thematisch/VolkswirtschaftlicheGesamtrechnungen/Inlandsprodukt/InlandsproduktsberechnungVjPDF_2180120.pdf?__blob=publicationFile
[4] German Federal Statistical Office, Detailed gross domestic product results for the 1st quarter of 2016, press release of May 24, 2016,
https://www.destatis.de/EN/PressServices/Press/pr/2016/05/PE16_171_811.html
[5] International Monetary Fund, World Economic Outlook Update, July 2016
[6] Wohlers Associates, Annual Worldwide Progress Report 2016, April 2016
[7] Context, 3D Printing Research Update, Global 3D Printer Market Up 9% in Q1 2016 but Industrial Segment Sees Decline,
https://www.contextworld.com/documents/20182/367799/CONTEXTQ1_16+total+Market+Findings3DJuly2016.pdf/ec8bd03a-43ea-48da-be1e-145b10dac54a
[8] EY, EY's Global 3D printing Report 2016, press conference (presentation), July 19, 2016, http://www.ey.com/Publication/vwLUAssets/ey-praesentation-3d-druck/USD FILE/ey-praesentation-3d-druck.pdf

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 freedom compared with other 3D printing processes, according to strategy consultants at Roland Berger.[9] Additive manufacturing processes are meanwhile held to be sufficiently mature to be deployed in series production. From a technical point of view, such maturity reflects the capability to utilise up to four lasers simultaneously to produce a component, among other aspects. Approval by the US Federal Aviation Administration in 2015 of an aircraft engine component produced additively by General Electric also makes apparent the maturity that additive manufacturing processes have now attained.[10]

Business progress

SLM Solutions received **new orders** for 56 machines during the first half of 2016 (previous year: 40 machines), reflecting 40.0% growth compared with the first half of 2015, and with 38 of these machines being ordered by new customers. The 56 machines also include used machines, some of which were previously utilised as demo systems.

The **value of machines ordered** in the first of half of 2016 stood at TEUR 29,956, representing 6.6% year-on-year growth (previous year: TEUR 28,104), although the value of machines ordered in the previous year's period was higher than expected due to a different product mix.

The **"Machine Sales" operating segment**, which comprises not only sales of machines but also accessories, accounted for the TEUR 30,091 of revenue in the first half of 2016 (previous year: TEUR 15,209), representing 89.8% of total consolidated revenue (previous year: 83.9%). In the **"After Sales" operating segment**, which reports service revenue, replacement parts sales and merchandise sales, the company generated TEUR 3,425 of revenue in the first half of the year (previous year: TEUR 2,912), equivalent to 10.2% of total consolidated revenue (previous year: 16.1%).

Important **strategic partnerships** were established in the period under review. In the application software area, SLM Solutions Software GmbH was founded together with CADS GmbH, an Austrian company based in Perg, in February 2016. The joint aim is to develop propriety design and construction software to make it easier for buyers of SLM Solutions systems to develop additive components. The company also pressed ahead with its entry into the powders business, to be able to deliver precisely customised consumables for respective customer applications: based on an agreement in principle concluded in February 2016 with PKM Future Holdings (majority shareholder of TLS Spezialpulver), 3D Metal Powder GmbH was entered in the commercial register shortly after the end of the reporting period on July 14, 2016. We have defined the development, production and refining steps of metallic special powders as the essential core tasks of the collaboration. In the case of the material aluminium, production capacity of 100 tonnes of powder per year is to be built up initially.

SLM Solutions further advanced its **international expansion** with the opening of a representative office in Moscow in February 2016. This branch operation strengthens sales and service in a further foreign growth market.

Due to **expanding production in Germany** by 2018, SLM Solutions plans a move within its home city of Lübeck from the Roggenhorst business park to the Genin Süd business park. Here, the company bought a seven hectare plot of land in 2015, although it was not paid for until the start of 2016.

The **second Annual General Meeting** of SLM Solutions Group AG was held on June 14, 2016, at which shareholders discharged both the Managing and Supervisory boards of the company for the 2015 fiscal year, and elected the independent auditor for the 2016 fiscal year. The voting results were subsequently published on the company's website.

Results of operations

In the first half of 2016, the **consolidated revenue** of SLM Solutions Group AG was up by 85.0% compared with the first half of 2015 to reach TEUR 33,516 (previous year: TEUR 18,121). A total of 89.8% of this revenue derives from the company's core business entailing the sale of laser melting systems (previous year: 83.9%). This segment's revenue rose by 97.8% to TEUR 30,091 (previous year: TEUR 15,209). 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 12 months (LTM) as of the June 30, 2016 reporting date amounted to TEUR 81,532, an increase of 23.3% on fiscal 2015 revenue (TEUR 66,137).

Total operating revenue (the sum of sales revenue, inventory changes and other own work capitalised) of TEUR 41,701 was up by 66.3% compared with the previous year's level (previous year: TEUR 25,074). This reflects an increase of 40.0% (16 machines) in **new order intake** compared with the first half of 2015. The increase in finished goods and work in progress of TEUR 5,941 was below the level for the comparable period (previous year: TEUR 6,122). Own work capitalised of TEUR 2,244 was above the previous year's level (previous year: TEUR 831).

Other operating income of TEUR 500 was up compared with the previous year (TEUR 253), and mainly includes releases of provisions and income from project participations.

In line with the growth in total operating revenue, the **cost of materials** rose by 73.8% to TEUR 24,580 (previous year: TEUR 14,142). The cost of materials ratio (as% of total operating revenue) of 58.9% was above the previous year's level (previous year: 56.4%).

Hiring to a level of 287 full-time equivalents (FTEs) as of the June 30, 2016 reporting date (June 30, 2015: 184 FTEs) is the reason for the 94.9% increase in adjusted **personnel costs** to TEUR 11,497 (previous year: TEUR 5,898). The adjusted personnel cost ratio (in% of total output) stood at 27.6% (previous year: 23.5%). A TEUR 308 adjustment was made to personnel costs in the first half of 2016 for the retention bonus that was set up for three years at the time of the IPO in 2014 (previous year: TEUR 1,283). On an unadjusted basis, personnel costs amounted to TEUR 11,805 for the first half of 2016, an increase of 64.4% compared with the previous year's TEUR 7,181.

[9] Roland Berger, Additive Manufacturing – a game changer for the manufacturing industry?, November 2013
[10] Roland Berger, Additive Manufacturing – Next Generation, April 2016

Other operating expenses amounted to TEUR 7,106 for the first half of 2016, a rise of 24.1 % compared with the previous year's TEUR 5,727. Significant items included marketing expenses, leasing and travelling expenses.

EBITDA (earnings before interest, tax, depreciation and amortisation) adjusted for effects from the Retention Bonus amounted to TEUR -982 in the period under review (previous year: TEUR -440). The adjusted EBITDA margin (in % of revenue) amounts to -2.9 % for the first half of 2016 (previous year: -2.4 %). Adjusted EBITDA for the last 12 months (LTM) as of the June 30, 2016 reporting date stood at TEUR 7,508, equivalent to a 9.2 % adjusted EBITDA margin (on the basis of last 12 months' cumulative revenue of TEUR 81,532 as of the reporting date). On an unadjusted basis, EBITDA in the first half of 2016 amounted to TEUR -1,290 (previous year: TEUR -1,723).

Depreciation, amortisation and impairment losses rose to TEUR 2,340 for the first half of 2016, an 79.6 % increase compared with the prior-year period (previous year: TEUR 1,303). This amount includes TEUR 641 of amortisation related to PPA (previous year: TEUR 641). The level of depreciation was affected by investments realised in the 2015 fiscal year in property, plant and equipment, with a focus on technical equipment and machines. Among other items, these include proprietary demo and development plants and systems, as well as plant and machinery for the new production hall in Lübeck, which has been in use since 2015.

The **operating profit / loss** (EBIT) stood at TEUR -3,630 for the first half of 2016 (previous year: TEUR -3,026). The EBIT margin (as % of revenue) amounted to -10.8 % in the reporting period, reflecting a year-on-year improvement (previous year: -16.7 %).

The **net financial result** stood at TEUR -106 in the first half of 2016 (previous year: TEUR -87). It is composed of interest expenses of TEUR -57 (previous year: TEUR -109), interest income of TEUR 7 (previous year: TEUR 22), and the result from participating interests of TEUR -56 (previous year: TEUR 0). The result from participating interests derives from SLM Solutions Software GmbH, in which SLM Solutions Group AG holds 51 % of the share capital.

Tax income stood at TEUR 1,458 in the first half of 2016 (previous year: TEUR 899).

The **consolidated net result** for the period amounted to TEUR -2,278 in the first half of 2016 (previous year: TEUR -2,214). This corresponds to basic (undiluted) and undiluted earnings per share of EUR -0.13 (previous year: EUR -0.12). Cumulatively over the last 12 months (LTM) as of the June 30, 2016 reporting date, earnings per share amount to 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 -12,762 during the first half of 2016 was significantly below the level of the previous-year period (previous year: TEUR -8,926). Note should be taken here of the lower level of change in assets and liabilities to TEUR -11,397 (previous year: TEUR -6,908).

Cash flow from investing activities of TEUR -8,464 was below the previous year's TEUR -3,470. Here, especially TEUR 1,520 of investments in development costs reflect a sharp increase compared with the previous year (TEUR 831). The cash flow from Purchases of property, plant and equipment amounting to TEUR 6,135 (previous year: TEUR 2,639) includes the TEUR 4,225 payment for the plot of land that was purchased in Lübeck. As in the first half of 2015, capital expenditure in the reporting period was mainly attributable to application-oriented technologies for the "Machine Sales" segment, some of which was recognised under own work capitalised.

Cash flow from financing activities increased to TEUR 4,999 due to a disbursement from a longer-term time money market investment with a three-month duration that was made in the second half of 2015 (previous year: TEUR -37).

Cash and cash equivalents (less TEUR 32 of time deposits at banks with a term of more than three months) stood at TEUR 23,648 as of June 30, 2016 (June 30, 2015: TEUR 51,144).

Net assets

The **total assets** of SLM Solutions Group AG amounted to TEUR 114,863 as of June 30, 2016 (June 30, 2015: TEUR 113,486).

Non-current assets of TEUR 36,607 as of the reporting date reflect an increase compared with the previous year's level (June 30, 2015: TEUR 24,641). As in the previous year, intangible assets of TEUR 21,149 accounted for the most significant portion of non-current assets (June 30, 2015: TEUR 19,288). These include mainly laser technology and capitalised development work. The investments in technical equipment and machinery for the production hall that is newly utilised since 2015 and the purchase of the plot of land in Lübeck are the reason for the increase in property, plant and equipment to TEUR 15,345 (June 30, 2015: TEUR 5,311). Share property of TEUR 85 is accounted for under Equity accounted investments (previous year: TEUR 0).

Current assets stood at TEUR 78,255 as of the reporting date (June 30, 2015: TEUR 88,845). Their share of total assets amounted to 68.1 % (previous year: 78.3 %). The main reason for this was a reduction in the liquid assets position to TEUR 23,680 (June 30, 2015: TEUR 51,176). Trade receivables of TEUR 22,538 were up compared with the previous year's level (June 30, 2015: TEUR 12,787). This also related to inventories, which increased to TEUR 29,533 (June 30, 2015: TEUR 22,272). Note 8 in the notes to the consolidated financial statements presents more detailed information about working capital.

The company's **equity** was up year-on-year to reach TEUR 96,068 as of the balance sheet date (June 30, 2015: TEUR 94,329). The equity ratio rose by one half of a percentage point to 83.6 % (June 30, 2015: 83.1 %).

Non-current liabilities grew year-on-year to TEUR 6,018 (June 30, 2015: TEUR 5,508). This was mainly due to deferred tax liabilities of TEUR 689 (June 30, 2015: TEUR 189) as well as pensions and similar obligations of TEUR 5,307 (June 30, 2015: TEUR 4,693).

Current liabilities of TEUR 12,776 as of the reporting date were below the previous year's level of TEUR 13,649. Current provisions of TEUR 2,949 (June 30, 2015: TEUR 986) mainly comprised provisions for warranties and maintenance services, as in the previous year. Trade payables and other liabilities (financial and non-financial) of TEUR 9,827 on the reporting date were down year-on-year (June 30, 2015: TEUR 12,663). A modification to the balance sheet structure was implemented in the 2015 fiscal year in accordance with IAS 1.54.

Events after the balance sheet date

After the end of the reporting period, no events of particular significance occurred that have effects on the financial position and performance.

Opportunities and risks

The opportunities and risks pertaining to SLM Solutions are unchanged compared to those presented on pages 39 to 44 of the 2015 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.

Forecast

The SLM Solutions Group bases its forecast for 2016 on the following **underlying economic and sector-related assumptions**:

- In its latest set of data published in July 2016, the International Monetary Fund (IMF) assumes that the **world economy** will grow at its previous year's rate, and is again forecasting 3.1% growth. In the largest individual market, **Germany**, it forecasts a 0.1 percentage point increase in GDP growth compared with 2015 to 1.6%. Growth of 1.6% is expected for the **Eurozone** (previous year: 1.7%). In SLM's defined growth regions where its international expansion is being advanced, the IMF assumes 2.2% growth in the **USA** (previous year: 2.4%), a further weakening of growth in the **"Emerging and Developing Asia"** region of 6.4% (previous year: 6.6%), and a -1.2% shrinking of economic output in Russia (previous year: -3.7%).[11]
- The annual Wohlers Report, which reports on the **global 3D printing sector** and publishes market estimates, identifies major growth potential especially in the area of additive manufacturing processes that are applied in industry: it forecasts global market volumes growing fivefold from USD 5.2 billion in 2015 to USD 26.5 billion by 2021.[12]
- 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 grow by 47.2% per annum up to 2019.[13] 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.

For the 2016 fiscal year, the management assumes a continuation of the growth track, and consequently a further improvement in operating results:

- Given the backdrop of growth expected for the sector, for consolidated revenue a range of between TEUR 85,000 and TEUR 90,000 is expected. It is anticipated that the two reporting segments' percentage shares of total consolidated revenue in the 2016 fiscal year will be unchanged compared with the previous year. The Management Board assumes that the product mix will shift further toward production machines (in other words, higher-priced systems) on a full-year view. The fourth quarter, especially in the "Machine Sales" area, is critical to the attainment of the full-year revenue forecast.
- Moreover, the Management Board expects for the forecast revenue range for the full 2016 year a slight increase of EBITDA (adjusted for one-off effects) compared with the 2015 fiscal year. If revenue proves higher than anticipated and inventory accumulation lower, the Management Board anticipates a slight improvement in the cost of materials ratio. The personnel cost ratio should lie at approximately the previous year's level due to the continuous hiring policy.

[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

Consolidated interim financial statements (IFRS) for the period from January 1, 2016 to June 30, 2016

Consolidated income statement (January 1 to June 30, 2016)

in TEUR	H1 / 2016	H1 / 2015	2015
Revenue	33,516	18,121	66,137
Increase in inventories of finished goods and work in progress	5,941	6,122	8,434
Other work performed by the company and capitalised	2,244	831	4,082
Total operating revenue	**41,701**	**25,074**	**78,654**
Cost of materials	-24,580	-14,142	-42,265
Gross profit	**17,121**	**10,932**	**36,388**
Personnel costs*	-11,805	-7,181	-16,788
Other operating income*	500	253	1,557
Other operating expenses	-7,106	-5,727	-14,298
EBITDA	**-1,290**	**-1,723**	**6,860**
Depreciation, amortisation and impairment losses	-2,340	-1,303	-3,250
Operating profit or loss (EBIT)	**-3,630**	**-3,026**	**3,610**
Interest and similar expenses	-57	-109	-111
Other interest and similar income	7	22	97
Result from equity accounted investments	-56	0	0
Earnings before tax (EBT)	**-3,736**	**-3,114**	**3,595**
Income taxes	1,458	899	-1,435
Result for the period	**-2,278**	**-2,214**	**2,160**
Net profit or loss for the period attributable to parent company shareholders	-2,278	-2,214	2,160
Earnings per share in EUR**	-0.13	-0.12	0.12

* Adjustment of 2015 fiscal year figures in accordance with IAS 8.42(a). In connection with a reclassification of the retention bonus from Equity Settled to Cash Settled in 2015 an amount of TEUR 510 was recognised as Other operating income and at the same size as Personnel costs. The reclassification has no effect on profit or loss.
** basic (undiluted) and undiluted, calculated in all periods with 17,980,867 shares

Consolidated statement of comprehensive income (January 1 to June 30, 2016)

in TEUR	H1/2016	H1/2015	2015
Result for the period	-2,278	-2,214	2,160
Items not to be reclassified to profit or loss:			
Actuarial gains and losses*	-608	0	226
Income/expenses that are recycled to the income statement in the future:			
Income/expenses from currency translation	-51	8	83
Consolidated total comprehensive income	**-2,936**	**-2,206**	**2,469**
Attribution of total comprehensive income:			
Shareholders of SLM Solutions Group AG	-2,936	-2,206	2,469

* Actuarial loss reduced from TEUR 868 to TEUR 608 due to deferred tax assets of TEUR 260

Consolidated income statement (April 1 to June 30, 2016)

in TEUR	Q2/2016	Q2/2015	2015
Revenue	19,727	9,645	66,137
Increase in inventories of finished goods and work in progress	2,793	3,004	8,434
Other work performed by the company and capitalised	1,543	742	4,082
Total operating revenue	**24,063**	**13,391**	**78,654**
Cost of materials	-14,850	-7,442	-42,265
Gross profit	**9,212**	**5,949**	**36,388**
Personnel costs*	-6,402	-3,865	-16,788
Other operating income*	180	0	1,557
Other operating expenses	-3,323	-3,684	-14,298
EBITDA	**-333**	**-1,600**	**6,860**
Depreciation, amortisation and impairment losses	-1,237	-710	-3,250
Operating profit or loss (EBIT)	**-1,569**	**-2,310**	**3,610**
Interest and similar expenses	0	-56	-111
Other interest and similar income	65	10	97
Result from equity accounted investments	-39	0	0
Earnings before tax (EBT)	**-1,544**	**-2,356**	**3,595**
Income taxes	1,246	952	-1,435
Result for the period	**-297**	**-1,403**	**2,160**
Net profit or loss for the period attributable to parent company shareholders	-297	-1,403	2,160
Earnings per share in EUR**	-0.02	-0.08	0.12

* Adjustment of 2015 fiscal year figures in accordance with IAS 8.42(a). In connection with a reclassification of the retention bonus from Equity Settled to Cash Settled in 2015 an amount of TEUR 510 was recognised as Other operating income and at the same size as Personnel costs. The reclassification has no effect on profit or loss.
** basic (undiluted) and undiluted, calculated in all periods with 17,980,867 shares

Consolidated statement of comprehensive income (April 1 to June 30, 2016)

in TEUR	Q2/2016	Q2/2015	2015
Result for the period	-297	-1,403	2,160
Items not to be reclassified to profit or loss:			
Actuarial gains and losses*	-608	0	226
Income/expenses that are recycled to the income statement in the future:			
Income/expenses from currency translation	51	-4	83
Consolidated total comprehensive income	**-854**	**-1,407**	**2,469**
Attribution of total comprehensive income:			
Shareholders of SLM Solutions Group AG	-854	-1,407	2,469

* Actuarial loss reduced from TEUR 868 to TEUR 608 due to deferred tax assets of TEUR 260

Consolidated balance sheet

in TEUR	June 30, 2016	June 30, 2015	December 31, 2015
Assets			
Cash and cash equivalents	23,680	51,176	39,920
Trade receivables	22,538	12,787	26,341
Other financial assets*	263	32	5,179
Inventories	29,533	22,272	21,663
Current tax receivables	96	204	120
Other assets	2,146	2,374	1,989
Total current assets	**78,255**	**88,845**	**95,212**
Intangible assets	21,149	19,288	21,638
Property, plant and equipment	15,345	5,311	13,032
Equity accounted investments	85	0	0
Other assets and deferred tax assets	30	42	37
Total non-current assets	**36,607**	**24,641**	**34,708**
Total assets	**114,863**	**113,486**	**129,920**

in TEUR	June 30, 2016	June 30, 2015	December 31, 2015
Equity and liabilities			
Trade and other payables*	6,005	10,575	11,121
Other financial liabilities*	3,822	2,088	9,849
Provisions	2,949	986	2,551
Total current liabilities	**12,776**	**13,649**	**23,521**
Pension and similar obligations	5,307	4,693	4,375
Deferred tax liabilities	689	189	2,497
Provisions	22	625	522
Total non-current liabilities	**6,018**	**5,508**	**7,394**
Subscribed share capital	17,981	17,981	17,981
Additional paid-in capital	85,041	85,041	85,041
Retained earnings	-5,952	-8,714	-3,675
Other reserves	-1,001	21	-343
Equity attributable to parent company shareholders	**96,068**	**94,329**	**99,004**
Total equity	**96,068**	**94,329**	**99,004**
Total equity and liabilities	**114,863**	**113,486**	**129,920**

* A modification to the balance sheet structure was implemented in the 2015 fiscal year in accordance with IAS 1.54.

Consolidated cash flow statement (January 1 to June 30, 2016)

in TEUR	H1 / 2016	H1 / 2015	2015
Result for the period	-2,278	-2,214	2,160
Depreciation, amortisation and impairment losses	2,340	1,303	3,250
Interest expenses	57	109	111
Interest income	-7	-22	-97
Tax result as per income statement	-1,458	-899	1,435
Non-cash income	-247	-597	0
Non-cash expenses	308	343	1,277
Change in assets and liabilities	-11,397	-6,908	-15,500
Inventories	-7,870	-10,308	-9,700
Trade receivables	3,803	-640	-14,151
Pension liabilities	-32	150	-160
Trade payables	-3,507	1,050	4,997
Provisions	-100	-297	-240
Other liabilities	0	0	3,856
Other assets and liabilities	-3,691	3,137	-103
Changes in tax receivables, deferred tax assets and tax provisions	-80	-41	0
Net cash provided by (used in) operating activities	**-12,762**	**-8,926**	**-7,364**
Purchases of property, plant and equipment and intangible assets	-6,135	-2,639	-7,218
Investments in development costs	-2,244	-831	-4,082
Cash inflows and (cash outflows) from the sale of participating interests, intangible assets, and property, plant and equipment	-85	0	0
Net cash provided by (used in) investing activities	**-8,464**	**-3,470**	**-11,300**
Repayment of debt	0	-29	-38
Interest paid	-3	-9	-20
Cash flows for fixed term deposit	5,002	0	-5,002
Net cash provided by (used in) financing activities	**4,999**	**-37**	**-5,060**
Net increase (decrease) in cash and cash equivalents	-16,227	-12,433	-23,724
Currency-related change in cash and cash equivalents	-13	46	81
Liquid assets at start of reporting period	39,920	63,563	63,563
Liquid assets at end of reporting period*	23,680	51,176	39,920
Fixed term deposits	-32	-32	-32
Cash and cash equivalents at end of reporting period	**23,648**	**51,144**	**39,888**

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

Consolidated statement of changes in equity

in TEUR	Subscribed share capital	Additional paid-in capital	Retained earnings	Reserves from foreign currencies	Consolidated equity
Balance as of January 1, 2015	**17,981**	**85,551**	**-6,500**	**13**	**97,045**
Consolidated net profit/loss	–	–	-2,214	–	-2,214
Exchange rate effects	–	–	–	8	8
Actuarial gains/losses	–	–	–	–	–
Other changes in equity	–	-510	–	–	-510
Balance as of June 30, 2015	**17,981**	**85,041**	**-8,714**	**21**	**94,329**
Balance as of January 1, 2016	**17,981**	**85,041**	**-4,114**	**96**	**99,004**
Consolidated net profit/loss	–	–	-2,278	–	-2,278
Exchange rate effects	–	–	–	-51	-51
Actuarial gains/losses	–	–	-608	–	-608
Balance as of June 30, 2016	**17,981**	**85,041**	**-7,000**	**45**	**96,068**

Notes to the consolidated financial statements (IFRS) for the period from January 1, 2016 to June 30, 2016 SLM Solutions Group AG, Lübeck

Note 1) General information

SLM Solutions Group AG, headquartered in Lübeck, is a joint-stock company (Kapitalgesellschaft) and the ultimate parent company of SLM group. SLM Solutions Group AG is registered at the commercial register (Handelsregister) at local court (Amtsgericht) Lübeck (HRB 13827). The company's address is Roggenhorster Strasse 9c, 23556 Lübeck, Germany.

Since May 9, 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 March 21, 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 condensed consolidated interim financial statements of the SLM Solutions Group AG as of June 30, 2016 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

This interim Group report was 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 37x (3) of WpHG in connection with 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 abbreviated interim consolidated financial statements essentially correspond to those applied in the last set of consolidated financial statements as of the end of the 2015 fiscal year. The notes to the audited consolidated financial statements as of December 31, 2015 include a detailed description of the accounting policies.

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 GmbH, Lübeck	100
SLM Solutions NA, Inc., Novi, Michigan / USA*	100
SLM Solutions Singapore Pte Ltd	100
SLM Solutions Shanghai Co. Ltd.	100
SLM Solutions RUS OOO	100

* The shares in SLM Solutions NA are held by SLM Solutions Gmbh, Lübeck

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 order to mitigate the risk relating to seasonal fluctuations, SLM Solutions is broadening its customer base with the objective of becoming less dependent on individual customers or sectors. SLM Solutions is aiming for a healthy mix of clients consisting of manufacturing companies, service centres and research institutions. Moreover, SLM Solutions is expanding its product range to include products that are less susceptible to fluctuation such as consumables and software, which can help smooth seasonal fluctuations.

Note 5) Effect of the successfully concluded 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 programme, and the bonus amount that was calculated was recognised in its entirety as a provision.

As of June 30, 2016, personnel expenses of TEUR 308 were reported in the interim consolidated financial statements for the retention bonus.

Note 6) Segment reporting

Since January 1,2015, the company has reported on its operating segments of "Machine Sales" and "After Sales". The "Machine Sales" segment comprises purely machine sales deriving from the selective laser melting area, along with accessories, on the basis of new order intake. The "After Sales" segment consists of service revenues, spare parts sales and merchandise sales.

June 30, 2016 in TEUR	Machine Sales	After Sales	Total
Revenue	**30,091**	**3,425**	**33,516**
Deployment of merchandise	-17,402	-2,809	-20,211
Gross profit	**12,689**	**616**	**13,306**
Expenses	-9,411	-4,876	-14,287
Adjusted 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
parent company shareholders	–	–	**-2,278**

June 30, 2015 in TEUR	Machine Sales	After Sales	Total
Revenue	**15,209**	**2,912**	**18,121**
Deployment of merchandise	-6,592	-2,162	-8,754
Gross profit	**8,617**	**750**	**9,367**
Expenses	-7,796	-2,011	-9,807
Adjusted EBITDA	**821**	**-1,261**	**-440**
Depreciation, amortisation and impairment losses	–	–	-1,303
Net interest result	–	–	-87
Income taxes	–	–	899
Adjusted costs	–	–	-1,283
parent company shareholders	–	–	**-2,214**

Besides depreciation and amortisation, significant non-cash expenses arose in the reporting year in connection with the TEUR 308 retention bonus (previous year: TEUR 1,283).

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 to intangible assets and property, plant and equipment, and are attributable mainly to development expenses to be capitalised pursuant to IAS 38, as well as to the purchase of the plot of land.

SLM regularly reviews – at least at the end of each quarter – the need for impairment charges for development projects that have not yet been completed. The Management Board is of the opinion that no non-current assets were impaired as of the balance sheet date, as a consequence of which the write-downs exclusively comprise amortisation.

Note 8) Liquidity and financial liabilities

Both in the previous year and as of June 30, 2016, liquidity was secured at all times.

The seasonal distribution of revenue that is typical of the sector results in a markedly higher level of funds tied up in working capital, and continued negative cash flow from operating activities.

				Difference	
Working capital	**June 30, 2016**	**December 31, 2015**	**June 30, 2015**	**6-month period**	**12-month period**
Trade receivables	22,538	26,341	12,787	-3,803	9,751
Inventories	29,533	21,663	22,272	7,870	7,261
Other assets (financial and non-financial)	2,409	7,168	2,406	-4,759	3
Trade and other payables	-9,827	-20,970	-12,663	11,143	2,836
Provisions	-2,949	-2,551	-992	-398	-1,957
Total	**41,704**	**31,651**	**23,810**	**10,053**	**17,894**

Funds tied up in working capital amounted to TEUR 17,894 for the (rolling) 12-month period elapsed, and to TEUR 10,053 for the January 1 to June 30, 2016 period. Working capital as of June 30, 2016 reporting date in relation to rolling consolidated revenue for the last 12 months of TEUR 81,532 until the June 30, 2016 reporting date generates a working capital intensity of 51.2%.

Investments during the current period under review are attributable mainly to the development of new application-oriented technologies. Operating and investing cash flows were financed from cash inflows 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	**June 30, 2016**	**June 30, 2015**	**December 31, 2015**
Cash and cash equivalents position	23,680	51,176	39,920
Fixed term bank deposits (more than three-month term)	-32	-32	-32
Cash and cash equivalents position in cash flow statement	23,648	51,144	39,888

Note 9) Equity

By way of resolution of the Shareholders' General Meeting of March 20, 2014, the company's share capital was increased from company funds by EUR 13,732,940.00 to EUR 13,814,200.00. After converting into a public stock corporation and the issuing of shares as part of the IPO, the share capital is divided into 17,980,867 ordinary registered no par bearer shares each with a notional value of EUR 1.00 in the share capital.

Number of shares before IPO	13,814,200	76.8%
Capital increase	4,166,667	23.2%
Number of shares after IPO	17,980,867	100.0%

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

As of June 30, 2016, the equity ratio amounts to 83.6% (June 30, 2015 balance sheet date: 83.1%; December 31, 2015: 76.2%).

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.

	June 30, 2016	June 30, 2015
Number of shares in issue as of January 1	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)	-2.277.531,43	-2,214,222.85
Weighted average number of shares in issue	17.980.867	17,980,867
Basic (undiluted) and diluted earnings per share in EUR	-0,13	-0.12

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 as well as shareholders holding significant interests in the company share capital, and members of their families, are defined as related parties of the SLM Group.

Management Board members and their related individuals as of June 30, 2016:

- Dr. Markus Rechlin and family
- Uwe Bögershausen and family
- Henner Schöneborn and family

Supervisory Board members and their related individuals as of June 30, 2016:

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

Related party to the SLM Group comprise the following:

- Ceresio GmbH
- Marevest Beteiligung GmbH
- SLM Solutions GmbH
- 3 D Metal Powder GmbH i. G.

Since December 18, 2015, a contract with regard to a share-based compensation system is in place for the Management board members Dr. Markus Rechlin and Mr. Uwe Bögershausen. The program is designed as a virtual investment (Stock Appreciation Rights; SAR) with an emission based on the advancement of the share price in the previous year. Previous to the start of a fiscal year, the Supervisory board determines the number of SAR to be issued and share price increase at which the SAR will be issued. The maximum value of this investment amounts to EUR 150,000 per annum. The payment occurs two years after the emission of the SAR based on the effective share price at the time of conversion, but not exceeding EUR 54.00 per share (cap). The contract in principle includes the right to choose a settlement in the form of stocks but the Supervisory board stipulates a cash settlement. Therefore, this share-based compensation system is accounted for as cash-settled. The amount of expenses recognised in the reporting period is equivalent to the provision in the amount of EUR 106,739.00.

The fair-value valuation of the liability at the amount of EUR 506,326.00 was conducted using a Monte Carlo simulation.

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

The company is not aware of any significant events after the balance sheet date.

Note 13) Other information

Financial assets and liabilities are recognized 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 (June 30, 2016)	**Measurement category**	**Carrying amount**	**Fair value**
Receivables and other assets	LaR*	22,801	22,801
Financial liabilities	FLAC**	7,803	7,803

Financial instruments (December 31, 2015)	**Measurement category**	**Carrying amount**	**Fair value**
Receivables and other assets	LaR*	31,520	31,520
Financial liabilities	FLAC**	17,338	17,338

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

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the Group management report presents the progression of business including the business results and the Group's position so that a true and fair view is conveyed, and describes the significant opportunities and risks pertaining to the Group's prospective development in the remaining 2016 fiscal year.

Lübeck, August 10, 2016

Dr. Markus Rechlin	Uwe Bögershausen	Henner Schöneborn
SLM Solutions Group AG		

Review report

To SLM Solutions Group AG

We have reviewed the condensed consolidated interim financial statements - comprising the condensed statement of financial position, condensed income statement, condensed statement of comprehensive income, condensed statement of cash flows, condensed 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, 2016 to June 30, 2016 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed 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 condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed 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 condensed 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 condensed 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 10, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Imprint

Publisher

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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".