Growth on a broad basis

Annual Report 2015

HIGHLIGHTS

	Unit	2015	Change (in %)	2014	2013
Revenue	TEUR	66,137	+97.1	33,559	21,575
Total operating revenue	TEUR	78,654	+100.4	39,256	22,352
Cost of materials	TEUR	– 42,265	+100.9	– 21,040	– 11,438
Cost of materials ratio (as % of total operating revenue)	%	53.7		53.6	51.2
Personnel costs, adjusted*	TEUR	– 15,511	+103.5	– 7,623	– 4,705
Personnel cost ratio (as % of total operating revenue)	%	19.7		19.4	21.1
Adjusted EBITDA**	TEUR	8,050	+79.3	4,490	2,491
Adjusted EBITDA margin (as % of revenue)	%	12.2		13.4	11.5
Net result for the period	TEUR	2,160		– 5.099	– 430
Earnings per share, basic***	EUR	0.12		– 0.30	–
Earnings per share, diluted****	EUR	0.12		– 0.23	–
New order intake	Anzahl Maschinen	102	+64.5	62	26
New order intake	TEUR	61,132	+67.2	36,557	15,925
Machines sold	Number of machines	93	+89.8	49	28

	Unit	31/12/15	Change (in %)	31/12/14	31/12/13
Langfristige Vermögenswerte	TEUR	34,708	+54.6	22,456	21,026
Kurzfristige Vermögenswerte	TEUR	95,212	+6.1	89,719	14,569
Eigenkapitalquote	%	76.2		86.5	41.3
Bilanzsumme	TEUR	129,920	+15.8	112,175	35,595

* Adjusted in the 2015 fiscal year for retention bonus expenses of TEUR 1,277. Adjusted in the 2014 fiscal year for IPO bonus expenses of TEUR 5,650 and retention bonus expenses of TEUR 1,055.

** Adjusted in the 2015 fiscal year for retention bonus expenses and income of TEUR 1,190. Adjusted in the 2014 fiscal year for IPO bonus expenses of TEUR 5,650 and retention bonus expenses of TEUR 1,055, as well as for one-off expenses which could not be classified under operating activities of TEUR 2,960.

*** Calculated with 17,980,867 shares in the 2015 fiscal year (previous year: 17,980,867 shares); see Note 25 (Equity) for explanatory notes.

**** Calculated with 17,980,867 shares in the 2015 fiscal year (previous year: 17,324,825 shares); see Note 25 (Equity) for explanatory notes.

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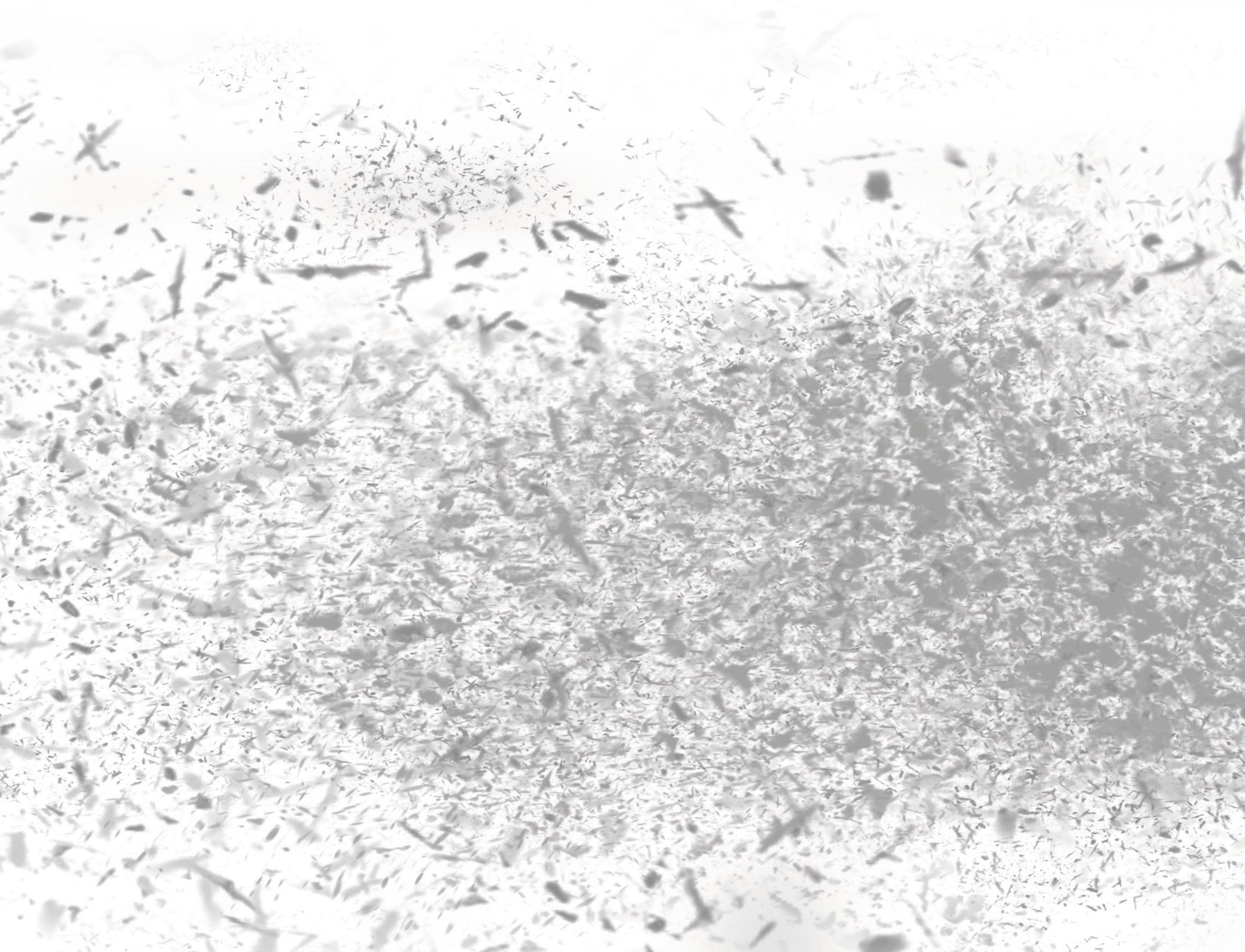
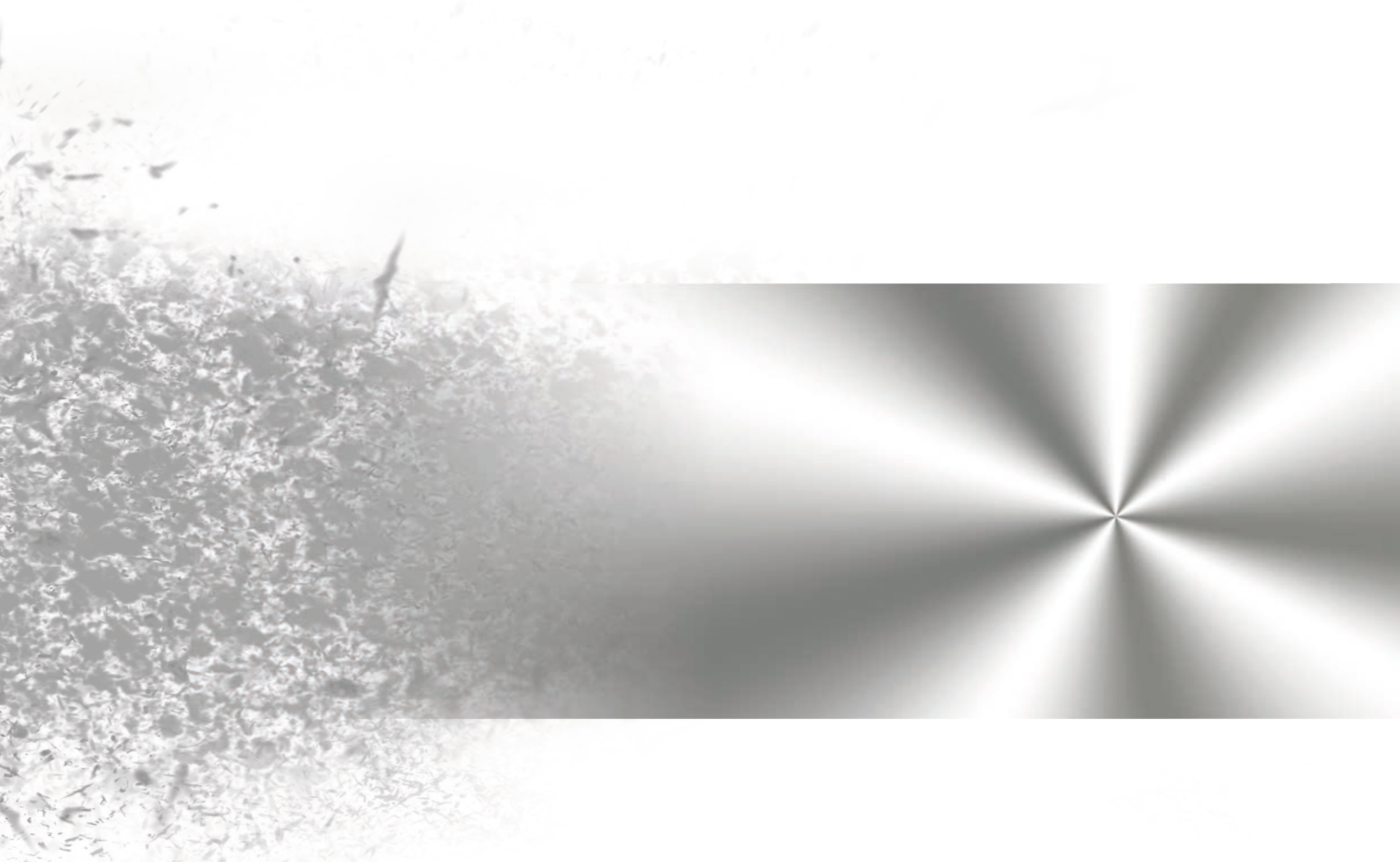
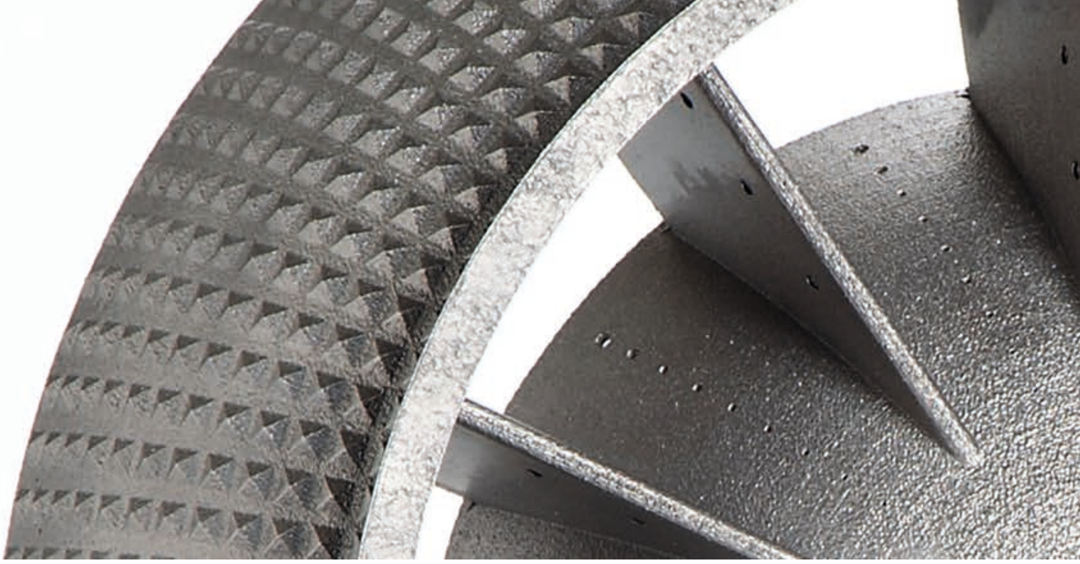




GROWTH ON A BROAD BASIS



TECHNOLOGY LEADER

»Our growth is a joint success shared by our customers, employees and many other partners.«

Dr. Markus Rechlin, CEO

Progress

SLM Solutions ranks as a technology leader in the development and production of high-performance metal 3D printers for industrial applications.

The machines harness a metal-based additive manufacturing process known as selective laser melting which melts objects in layers in a metallic powder bed with the aid of up to four laser beams. This technology enables high-quality and highly complex components to be manufactured for industry in increasingly larger series on a commercially viable basis. Any type of meltable alloy can be used as input material. SLM Solutions is spearheading the industrial revolution that experts are predicting for 3D printing.

Advantages of SLM technology

3D printing is superior compared with conventional manufacturing, particularly in the production of small batches of complex components since, in many cases, the additive manufacturing is

- **faster:** build time reduced by up to 90%
- **more efficient:** "bionic geometry", weight reduction by up to 60%, up to 90% less components, more efficient cooling
- **more cost effective:** reduction of component costs by up to 70%
- **more flexible:** "complexity comes for free", new geometry, decentralised "on demand" production
- **in higher quality:** superior materials properties such as density, stability, temperature and corrosion resistance, surface structure and biocompatibility

THANKS TO MULTI-LASER TECHNOLOGY

SLM 500^{HL} – the flagship:

SLM 500^{HL} continues to feature as the premium product in our product range. Since its launching in 2013, we have continuously worked on developing the system. Equipped with up to four lasers, the build rate of this unit is more than 250 % compared with a single-laser machine, positioning the SLM 500^{HL} the most productive laser melting system currently on the market. It accounted for 18 % of our order intake (orders placed for 18 machines) in 2015.

PIONEER IN POLE POSITION

GERMAN ENGINEERING

The three pillars of the growth strategy

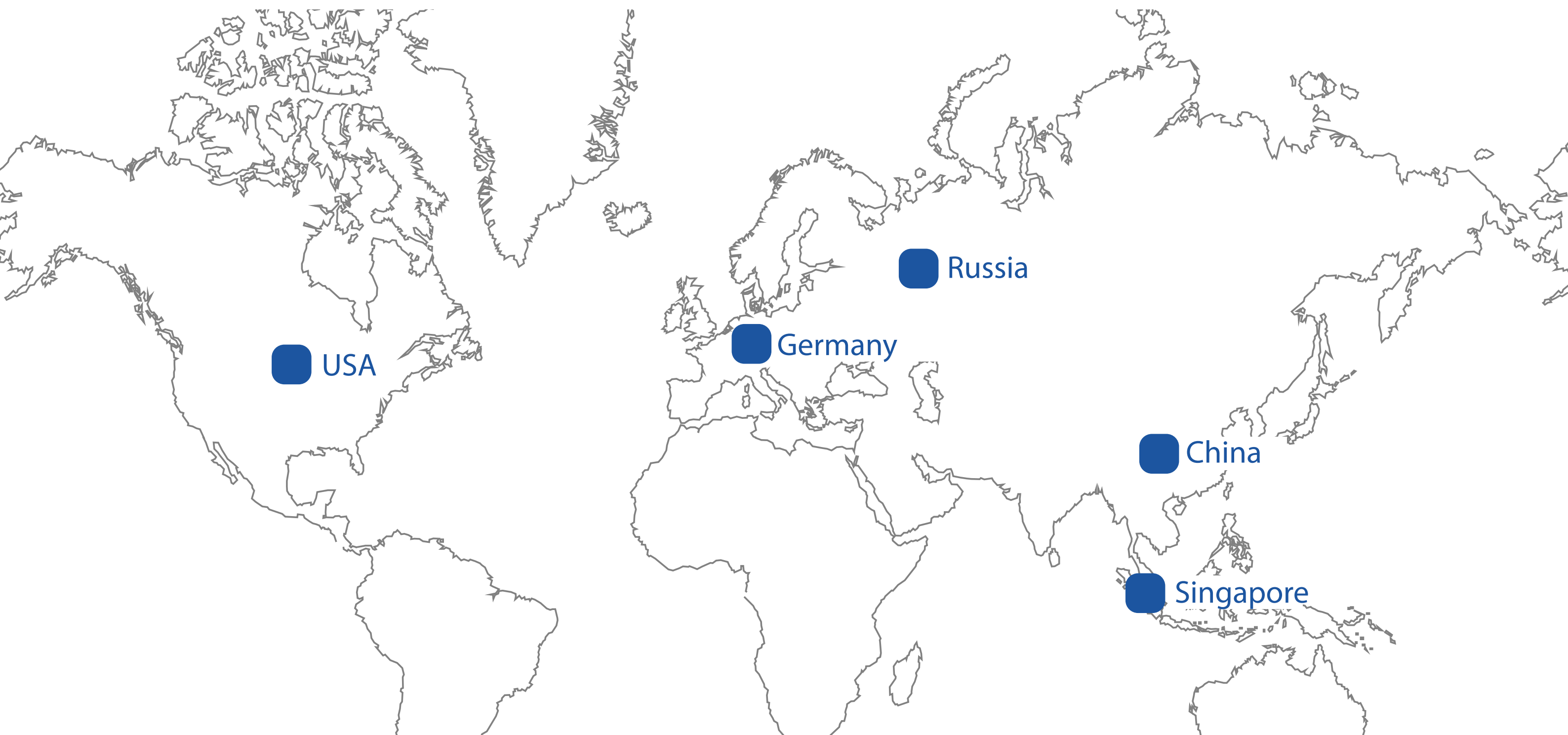
SLM Solutions continued to chart its growth course in the financial year 2015, underpinned by the three distinct pillars of its growth strategy: Sales & Service, R&D and Consumables.

Owing to the pronounced complexity of selective laser melting technology, it is essential for SLM Solutions to be close to its customers. In 2015, we opened new sales and service subsidiaries in China (Shanghai) and in Russia (Moscow). We have also been represented in Asia through our own subsidiary in Singapore since 2014.

We invest in research and development in order to strengthen our technology leadership. As a pioneer in laser melting technology, we command more than 15 years of experience in the laser melting of metals. The ongoing, innovative development of our systems is a key source of our further growth. At our Singapore site, we have also been conducting fundamental research into our technology in a cooperation venture with Nanyang Technical University (NTU).

Our aim is to build up the development, production and sale of consumables for laser melting systems to form a second mainstay and, with this in mind, we signed a joint venture agreement with a metal powder manufacturer at the start of 2016. A further joint venture with a special software developer concerns development of our own design software for developing our customers' components.

These measures are aimed at enabling SLM to evolve into a holistic solutions provider for additive manufacturing.



WITH GLOBAL FOOTPRINT

Shanghai

Singapore

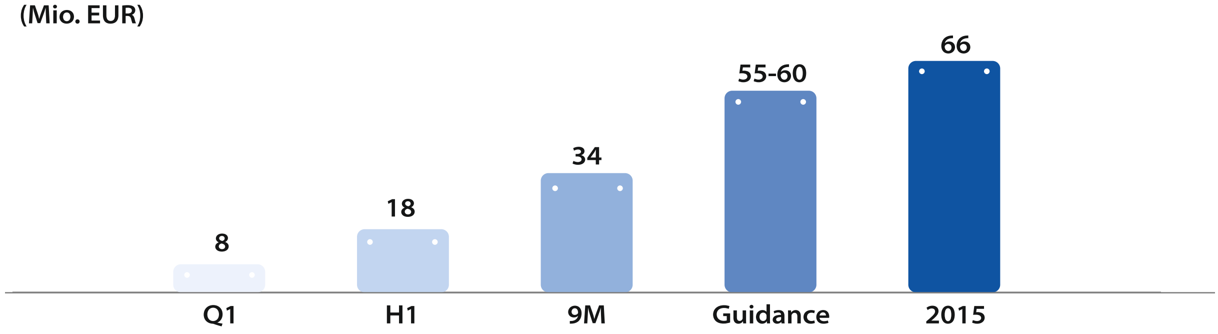
Moscow

USA

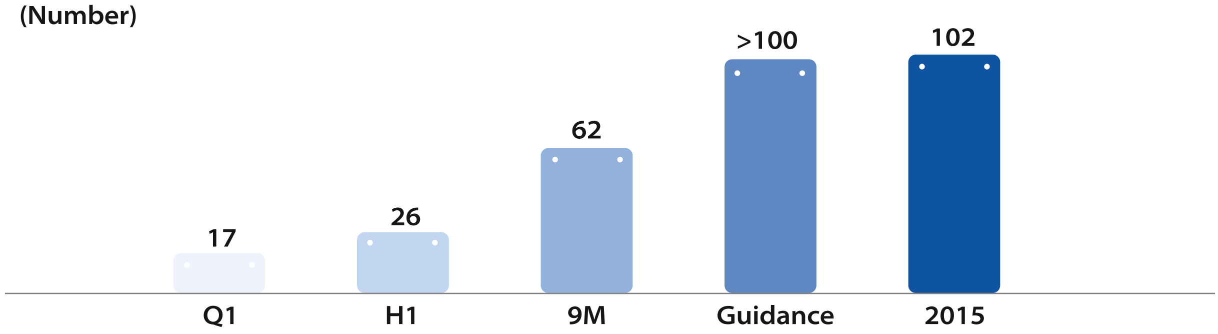
THE EXPANSION PROGRESSES

TARGETS ACHIEVED

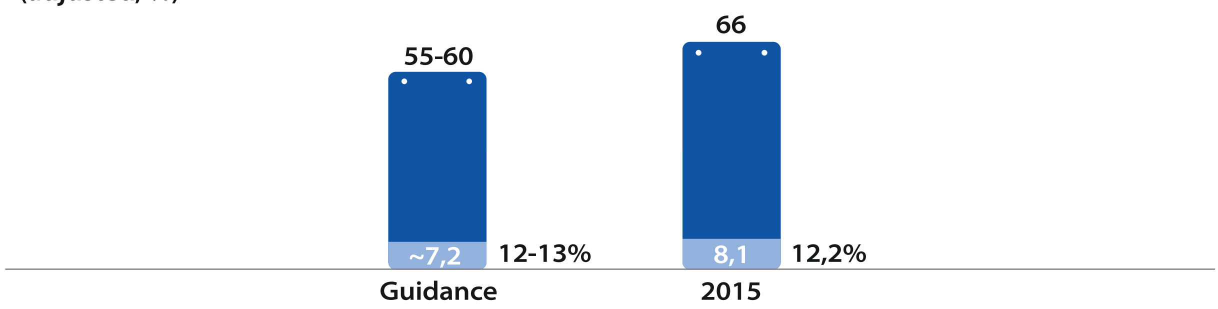
Revenue Development
(Mio. EUR)



Order intake
(Number)



EBITDA margin
(adjusted, %)



THANKS TO STRONG GROWTH MOMENTUM

Growth story continued

Since our IPO in 2014 we have engaged in intensive dialogue with the capital market. We have always communicated our ambitious growth targets transparently and promptly. Given the pronounced seasonality of our business, we are particularly proud of having reached our targets or even exceeded them. Order intake and revenues are typically concentrated on the fourth quarter (37% or 49%), which is attributable to the budget planning of our customers and important trade fairs.

SLM Solutions' strong growth is supported by four driving factors which contributed a high proportion of our business in 2015 as well:

- Repeat purchasing: 28%
- Multi machine orders: 24%
- Multi laser machines: 50%
- Industrial customers: 36%

These figures demonstrate that SLM Solutions' laser melting machines are greatly valued by our customers. Metal-based 3D printing is set to steadily gain customer acceptance – customers are increasingly integrating our technology into their component production. In other words: SLM Solutions is not only reliable in delivering in the capital market, but is also perceived as a strong partner by its customers.

Fair booth at formnext 2015

MARKET IS AT INFLECTION POINT

SHAPING THE FUTURE

28 % (2014: 42 %)
REPEAT PURCHASES

24 % (2014: 37 %)
MULTI-MACHINE ORDERS

SLM Solutions
Company growth (97 ordered machines*)

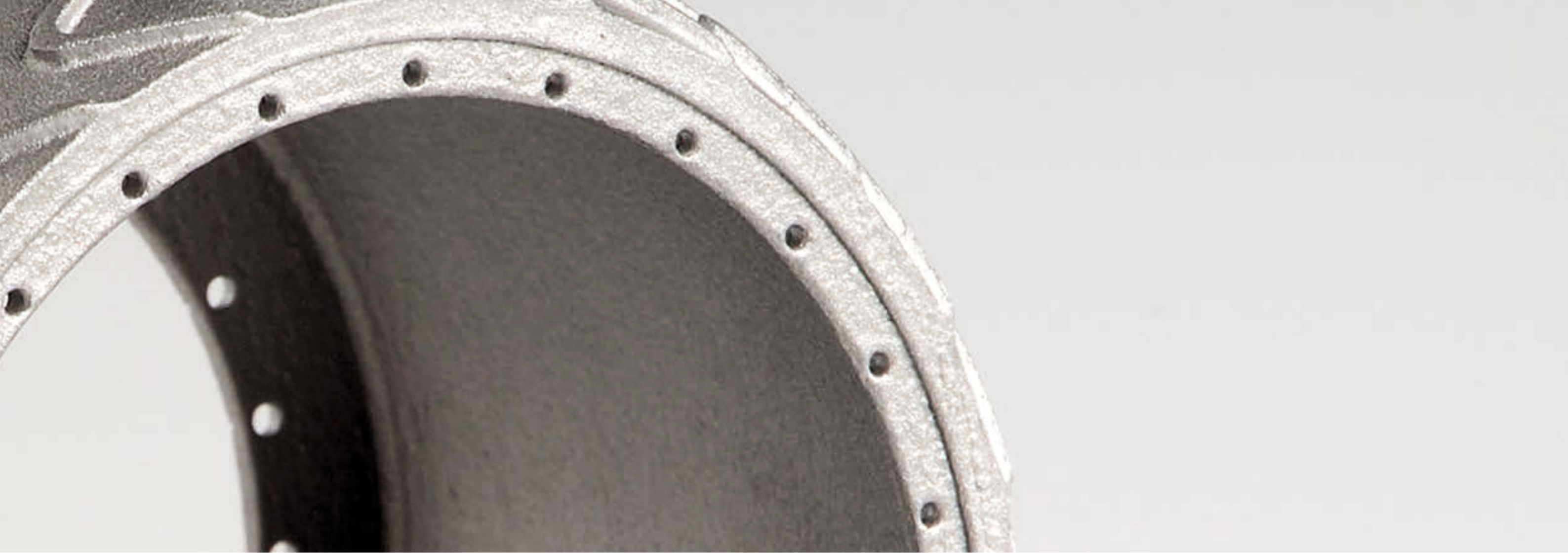
50 % (2014: 60 %)
MULTI-LASER MACHINES

36 % (2014: 45 %)
INDUSTRIAL CUSTOMERS

Market growth

According to Wohlers Report, the global overall market for 3D printing is likely to grow from USD 4.1 billion in 2014 to USD 12.7 billion in 2018, and even to USD 21.2 billion in 2020. SLM Solutions succeeded in even outperforming these strong average growth figures, thereby winning market shares.

* plus 4 leased machines and 1 R&D-machines

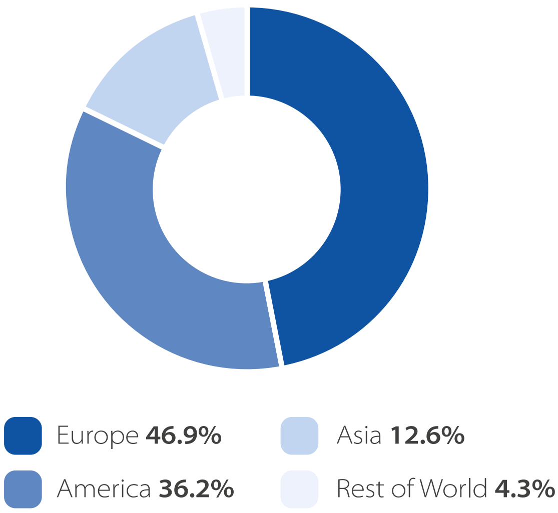


IN A GROWING MARKET

SLM Solutions is excellently positioned in this very dynamic market environment to assume a leading position in the future as well. With our metal 3D printers customised to accommodate a wide range of customer requirements, we serve both industrial customers as well as contract manufacturers. Our industrial customers operate in particular in the aerospace, automotive and energy industries.

Our drive to position ourselves on a broader international basis is also reflected by the fact that the region of North America is generating growth impetus for our business. This region contributed 36 % to our consolidated revenue (2014: 24 %). Our core business continues to focus mainly on Europe (47 %, 2014: 57 %).

Consolidated Revenue 2015 by region



Reference Customers

Aerospace	Sintavia, Airbus, NASA
Automotive	Audi, Toyota, FIT Fruth, Pierburg
Energy	Siemens
Medicine and Dental	SLS France, BEGO
Tool and Mould Making	Linear Mold

GROWTH ON A BROAD BASIS

TO THE SHAREHOLDERS

LETTER FROM THE CEO

Dr. Markus Rechlin, CEO

Dear Shareholders, Customers, Business Partners and Colleagues,

Our Company grew on a broad basis in 2015, and we were once again able to attract many new customers for our products and services. New order intake rose by 65 % to 102 machines in 2015, with multi-laser machines accounting for 50 % of new order intake (previous year: 58 %). Our customers stemmed from the aerospace industry, automobile sector, energy sector, medical technology field as well as other areas. Clients included large international groups from the energy sector, both of the largest airplane manufacturers from Europe and the USA, global automobile giants and their suppliers, as well as a variety of SMEs.

The trend is moving towards industrial production, and 36 % of orders were placed by globally operating industrial companies. A recent study by Bain & Company confirmed that the experimentation phase in 3D printing is now over from the Company's point of view. Our customers are now focusing on integrating this future technology into existing value creation chains and tapping competitive advantages.

With revenue totalling EUR 66 million, we significantly exceeded our growth target of EUR 55 to 60 million in 2015 and almost doubled revenue compared to the previous year (EUR 34 million). After the targeted expansion of our activities in North America, this region comprised just over a third of our revenue in 2015.

EBITDA adjusted for one-off effects came in at 12.2 % in relation to consolidated revenue in the past fiscal year – within the previously announced corridor of 12 to 13 %.

We are currently the most productive provider on the market with our multi-laser technology, which, for one part, currently allows the parallel use of up to four lasers. We are also aiming to maintain our technology leadership in future and will therefore continue to invest heavily in R&D.

The overall global market for 3D printing applications will grow by over 30% a year on average up to 2020 according to the latest figures from Wohlers Associates. In 2015, we were able to grow significantly more strongly than the market and in doing so gain market shares.

We were also able to continue to push forwards with our international expansion by founding two further subsidiaries in Shanghai and Moscow in 2015. As a result, SLM Solutions is increasing its proximity to customers on three continents and is able to advise them about machine sales in an increasingly comprehensive way in the After Sales field. Since December 2015, we have been advising customers in design and construction matters together with the Blankenburg-based engineering office JUREC (Jürgen Reinemann Consulting).

Within the last year, we were able to relocate the production of our flagship machine SLM 500^{HL} to a new hall and also continued our development work on the model from a technical point of view.

Laser melting systems for the additive manufacturing of metal parts represents our core business. Over and above this, we aim to develop into an integrated solution provider for additive manufacturing. To help achieve this goal, we concluded a legally-binding basic agreement for the foundation of a company with the main shareholder of the metal powder manufacturer TLS Technik GmbH & Co. Spezialpulver KG at the start of February 2016. In doing so, we are implementing an important part of our growth strategy. We are aiming to offer our customers tailored solutions in the consumables field in future and as part of this tap into an additional business field. Another already founded company with the Austrian company CADS GmbH focuses on the development of software with the aim of breaking down further barriers in the design and construction work of our customers.

These operating and strategic moves are bolstering our business for 2016. We are currently anticipating revenue at least within the corridor of EUR 85 to 90 million, as well as a higher EBITDA margin. We are expecting new order intake to record similar development to revenue.

Finally, it should be noted that the dynamic growth of SLM Solutions is our joint success, in which our customers, employees and many other partners have all played a part. I'd like to thank all shareholders, customers, business partners and employees for your continuing trust and commitment, and I look forward to achieving further successes with you going forward.

Lübeck, 29 March 2016

Dr. Markus Rechlin
CEO

Uwe Bögershausen, CFO, Henner Schöneborn, Management Board member, Dr. Markus Rechlin, CEO, fltr.

Management Board members

Dr. Markus Rechlin, CEO

Dr. Markus Rechlin is CEO of SLM Solutions Group AG. Markus Rechlin was previously active as Executive Vice President on Bain Capital's European Team. Prior to this post, Dr. Rechlin held a management consultant post at Boston Consulting Group and was active as Senior Executive at Dräger Medical, where he was responsible for various business units, including intensive medicine, patient monitoring and hospital information systems. Dr. Rechlin is a mechanical engineer and gained his doctorate at RWTH Aachen University.

Uwe Bögershausen, CFO

Uwe Bögershausen is CFO of SLM Solutions Group AG. After graduating, Mr. Bögershausen was active as a management consultant, most recently until 2006 as project manager at Roland Berger. From 2006 until 2010, Mr. Bögershausen held the position of CFO at aleo Solar AG, Prenzlau, where he assisted the company's IPO, among other tasks. From 2010, he was active as Managing Director at Derby Cycle Beteiligungs GmbH, becoming CFO at Derby Cycle AG following its IPO, a position which he held until 2012. Bögershausen graduated in economics and gained his degree at the University of Oldenburg.

Henner Schöneborn, Management Board member

Henner Schöneborn has been a Management Board member at SLM Solutions Group AG with responsibility for the Corporate Development and Innovation area since July 2014. Henner Schöneborn has worked for SLM Solutions and its predecessor companies since 1993. Mr. Schöneborn draws on almost three decades of sector experience in the field of metal-based additive and subtractive manufacturing technologies. After graduating from Cologne College of Applied Sciences in mechanical engineering, Henner Schöneborn went on to qualify in technical operating management at the Cologne European Academy.

REPORT BY THE SUPERVISORY BOARD

Hans J. Ihde, Chairman of the Supervisory Board

Ladies and Gentlemen,

SLM Solutions AG is establishing 3D printing as a fixed component of industrial production and continuing its growth track. As founder and long-term CEO of the company, I am pleased with this development. The past fiscal year also proved to be a very successful one both in strategic and operational terms. During all phases, the Supervisory Board Chairman closely accompanied and supported the Company and the Management Board.

Continuous dialogue

During the past 2015 fiscal year, the Supervisory Board of SLM Solutions Group AG conscientiously performed the tasks that are incumbent upon it according to the law and the Company's bylaws. It consulted continuously with the Management Board in the operational management of the Company, and supervised its managerial activities. The Management Board informed the Supervisory Board regularly, promptly and extensively about all significant topics for SLM Solutions Group AG, especially about the corporate strategy, the status of the implementation of all strategic initiatives, and current business progress.

Our share price performance, as well as topics of relevance to the capital market and compliance, also formed part of the regular information provided by the Management Board.

The Supervisory Board was included at an early stage in all fundamentally important decisions. As a consequence, we had sufficient opportunity to engage with topics, and to prepare for resolutions.

All matters that the Management Board submitted to the Supervisory Board for approval in accordance with the bylaws and the rules of business procedure were approved by the Supervisory Board after in-depth review and discussion with the Management Board.

The Supervisory Board Chairman and the Management Board were also in close contact for the purposes of continuous information outside the scope of Supervisory Board meetings.

The quorum required by the bylaws of SLM Solutions Group AG was always complied with when the Supervisory Board passed resolutions.

Overview of topics covered by the Supervisory Board

In total, the Supervisory Board convened six times for regular meetings during the reporting period, and the accounts meeting took place on 24 March 2016. Further resolutions were also passed by the plenary Supervisory Board and its elected committees in accordance with bylaw provisions.

In the Supervisory Board meeting on 24 February 2015, the preliminary figures were reported on and the budget for 2015 was presented. Moreover, the results of the management closed-door meetings in November 2014 and January 2015 were reported on. In addition, the Supervisory Board resolved on the foundation of the subsidiary in China.

At the Supervisory Board meeting on 7 April 2015, the separate financial statements of SLM Solutions AG for the 2014 fiscal year were approved. In addition, the work organisation of the Supervisory Board was discussed as part of an efficiency assessment.

The object of the Supervisory Board meeting on 6 May 2015 was the current course of business and the current developments in investor relations. In addition, the expansion of the global sales and service activities was addressed and the activities of SLM Solutions North America were discussed. A resolution was made on the foundation of a representation in Moscow and the rental of additional space in Lübeck.

In the meeting of the Supervisory Board on 16 June 2015, the current business development was first presented. Following on from this, the Supervisory Board looked back on the AGM and the expansion of sales activities in Russia was also discussed.

The meeting of the Supervisory Board on 21 July largely focused on activities in research & development. Discussions surrounded the product roadmap and the development capacities of the Company. The strategic relevance of the powder business and the development of software were also addressed.

In the meeting of the Supervisory Board on 20 October 2015, the Supervisory Board heard a report on licence agreements. Moreover, progress surrounding two strategically important joint ventures was also addressed at the meeting. Important progress is intended to be achieved in these strategically relevant areas of software and powder business on the back of this.

In the Supervisory Board meeting on 15 December 2015, the outlook for the 2016 fiscal year was addressed in addition to the current business development, the budget planning was presented and an overview of activities in procurement and logistics provided. M&A activities were also discussed at this meeting.

At the Supervisory Board meeting on 24 March 2016 (accounts meeting), the Supervisory Board concerned itself mainly with the review of the separate and consolidated financial statements for the 2015 fiscal year and with the results of the audit conducted by auditors BDO. Moreover, the whole body was informed about the audit activities of the audit committee in connection with the supervision of the internal control and risk management system.

Audit committee meetings

The audit committee convened for a total of four meetings during the period under review. The audit committee meeting on 6 May 2015 focused on the cost of materials ratio, the Company's quarterly financial statements, as well as the reporting of two development machines in the statement of financial position. Besides consulting on the 2015 half-year financial report, the audit committee meeting on 7 August 2015 focussed on the anticipated changes stemming from market abuse regulations in 2016, as well as a discussion about selected statement of financial position and income statement data.

The audit committee meeting on 6 November 2015 concerned itself with the Q3 report, as well as with the cost of materials ratio, receivables as well as other reporting issues relating to the statement of financial position.

At the audit committee meeting on 23 March 2016, the auditor's audit report and documents relating to financial statements were subjected to in-depth preliminary examination. In addition, the audit committee addressed the supervision of the internal control and risk management system in this meeting. The auditor participated in this meeting in order to explain its audit activities.

Corporate governance

On 7 April 2015, the Management and Supervisory boards of SLM Solutions Group AG issued a declaration of conformity that is required pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the recommendations of the "German Corporate Governance Code" government commission in the version dated 24 June 2014. Although no significant adaptations were made to the Corporate Governance Code during the period under review, the Management and Supervisory boards concerned themselves intensively with compliance with the German Corporate Governance Code.

Audit of the separate and consolidated financial statements

The AGM elected BDO AG Wirtschaftsprüfungsgesellschaft as the Company's auditor on 16 June 2015. BDO audited the separate annual financial statements of SLM Solutions Group AG and the consolidated financial statements as of 31 December 2015, as well as the separate and Group management report, furnishing them with unqualified audit opinions. The Supervisory Board was convinced of the auditor's independence and of the individuals acting for the auditor.

Subsequent to in-depth preliminary examination by the audit committee and explanations of the audit actions by the auditor, the Supervisory Board, following its own review, raised no objections against either the separate financial statements or the consolidated financial statements.

The audit report prepared by the auditor, as well as the financial statements documents, were submitted to all Supervisory Board members in good time. The auditor responsible for the audit was present at the consultations about the separate and consolidated financial statements and reported on the significant audit results, and was available to provide additional information. The auditor also determined that a risk management system that complies with statutory regulations exists, having audited it and found it to be effective. Equally, no weaknesses that require reporting were ascertained in relation to the accounting-related internal controlling system.

At the accounts meeting on 24 March 2016, the Supervisory Board approved the separate and consolidated financial statements, along with the separate and Group management reports for the 2015 fiscal year, including disclosures pursuant to Section 315 (4) of the German Commercial Code (HGB). The separate annual financial statements for the 2015 fiscal year have been adopted as a consequence, pursuant to Section 172 of the German Stock Corporation Act (AktG).

The Supervisory Board concurred with the Management Board's proposal relating to the application of the net loss included in retained earnings. The net loss included in retained earnings is to be carried forward to a new account.

On behalf of the Supervisory Board, I would like to thank the Management Board members, as well as all SLM Solutions Group staff for their continuing commitment and outstanding work during the past fiscal year. Thanks are also due to our shareholders, who invested their confidence and trust in us as part of our IPO and over the further course of the year. With regard to the challenges of the new fiscal year, the Supervisory Board continues to wish the Company every success.

Lübeck, 24 March 2016

Hans J. Ihde
Chairman of the SLM Supervisory Board

Supervisory Board members

Member	Profession	Mandates outside the SLM Group
Hans-Joachim Ihde, Lübeck (Supervisory Board Chairman)	Business executive, Managing Director of Ceresio GmbH	Ceresio GmbH, Managing Director
Peter Grosch, Kressbronn (Deputy Supervisory Board Chairman)	Supervisory Board member	Kelvion Holding GmbH Supervisory Board Chairman Faster SPA, Supervisory Board member 3i Group plc London, Supervisory Board member EURO-DIESEL S.A. Belgium, Supervisory Board member Henkelhausen Holding GmbH, Supervisory Board member VORWERK&SOHN GmbH&Co. KG, Advisory Board member
Lars Becker, Munich	Investment Manager	Expertum Holding GmbH, Advisory Board member Webtrekk Group GmbH, Advisory Board member Sercoo Group GmbH, Advisory Board member
Klaus J. Grimberg, Bremen	Business administration graduate, public certified auditor	Financial Experts Association e.V., Advisory Board Chairman
Bernd Hackmann, Barsinghausen	Engineering graduate, independent consultant to technology companies	Viscom AG, Supervisory Board Chairman LPKF Laser & Electronics AG, Deputy Supervisory Board Chairman
Volker Hichert, Schäftlarn	Business administration graduate, Managing Director of DPE Deutsche Private Equity GmbH	Availon Holding GmbH, Member of the Advisory Board – resigned (provisionally ineffective) as of 29/02/2016 Barbarossa Investment GmbH, Managing Director DPE Deutsche Private Equity Gesellschaft mbH, Managing Director Deutsche Private Equity Administration GmbH, Managing Director proFagus GmbH, Advisory Board member SEDAN Beteiligungen GmbH, Managing Director WESTFALIA-Automotive GmbH, Advisory Board member Elatec GmbH, Advisory Board member

Share

Share price performance

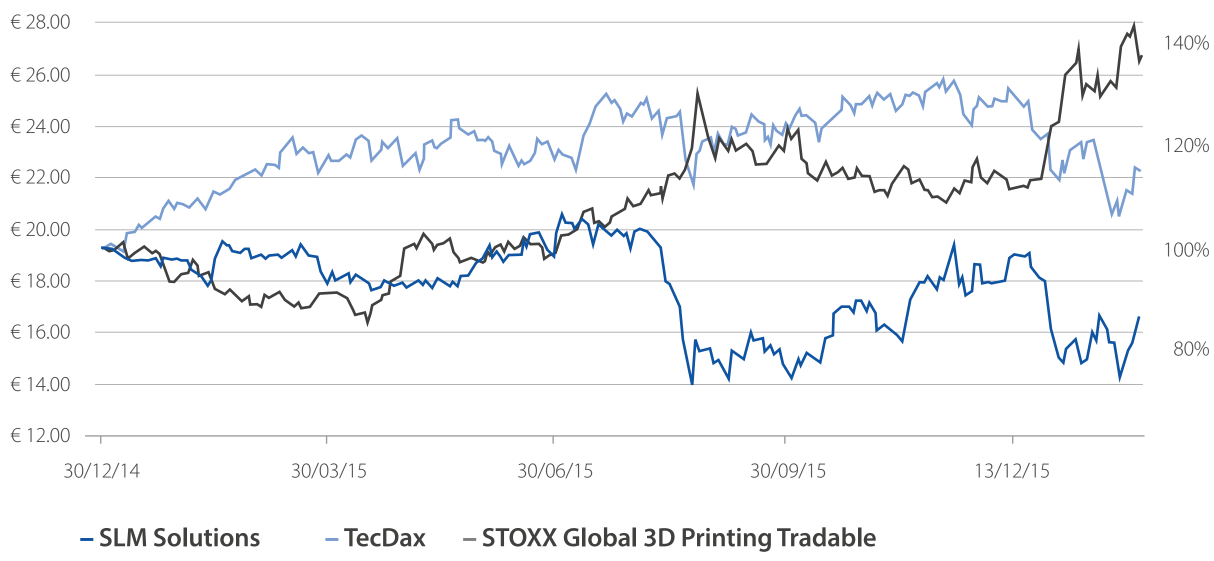
The share of SLM Solutions Group AG has been traded on the Prime Standard segment of the Frankfurt Stock Exchange since 9 May 2014.

In the twelve months until the balance sheet date 31 December 2015, the share price recorded only slightly negative development overall. The closing price for the year 2015 was EUR 19.00, 1.6 % down on the closing price in the previous year of EUR 19.30. As of 30 December 2015, market capitalisation totalled EUR 339.9 million based on 17,980,867 traded shares (30 December 2014: EUR 345.3 million).

Overall, the Company share has recorded more volatile development since the start of 2016 and a weaker performance than the comparable industry index STOXX Global 3D Printing Tradable and the TecDAX price index, which grew 11.8 % and 31.1 % respectively in the 2015 reporting year.

The average number of SLM Solutions Group AG shares traded daily on Xetra was 28,627 over the last twelve months.

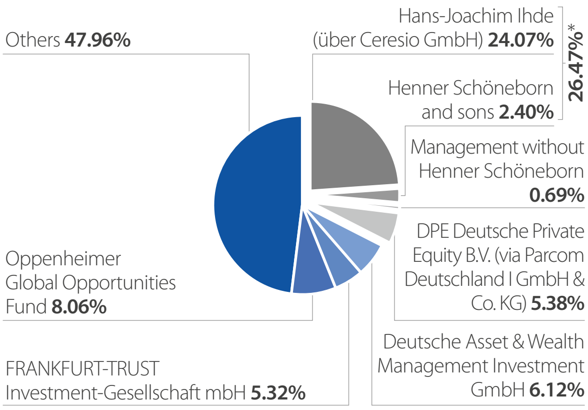
Share price chart (as of: 19 February 2016)



Key data (as of: 19 February 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
Designated sponsors	BHF-BANK AG Deutsche Bank AG
Initial listing	9 May 2014
Placing price (EUR)	18.00
Number of shares	17,980,867 ordinary no par value bearer shares
Year-end closing price (EUR) on 30 December 2015	19.00
Year-end market capitalisation (EUR million)	339.9
High for the year (EUR) on 2 July 2015	20.60
Low for the year (EUR) on 24 August 2015	16.65

Shareholder structure (as of: 19 February 2016, based on all voting rights notifications submitted to the Company pursuant to the German Securities Act [WpHG])



* Pooling agreement: joint pursuit of interests pursuant to Section 22 (2) WpHG

As part of the IPO and the successful **placement** of additional shares in the 2015 fiscal year, **free float** amounted to 47.96% according to Deutsche Börse AG's definition (shares lower than 5.00% without related persons and former shareholders). This ensures a broadly diversified shareholder structure for the Company that, in turn, comprises an important precondition for liquid trading in the stock, and boosts its attractiveness to investors.

At the same time, important key individuals at SLM Solutions Group AG are **committed anchor shareholders** in our Company: Company founder Hans-Joachim Ihde, Chairman of the Company's Supervisory Board and majority shareholder of SLM shareholder Ceresio GmbH, Management Board member Henner Schöneborn, who has worked for SLM Solutions and its predecessor companies since 1993, and Mr. Schöneborn's sons, together hold a voting rights interest of 26.47% through a pooling agreement, and pursue their interests jointly.

The interest held by former majority owner, Parcom Deutschland I GmbH & Co. KG, a fund advised by DPE Deutsche Private Equity GmbH in Munich, amounts to 5.38% after the placement in the 2015 fiscal year. The share belonging to the Oppenheimer Global Opportunities Fund increased to 8.06%.

Analysts

Seven **analysts** currently cover the development of the SLM Solutions share after Berenberg started coverage in the 2015 fiscal year, most of them recommending it as a "Buy" as of the date when this annual report was published. No "Sell" recommendations were issued.

Institute	Analyst	Date	Rating	Share price target (EUR)
Berenberg	Gunnar Cohrs	03/09/15	Buy	28.00
BHF-BANK	Thomas Effler	15/02/16	Overweight	25.00
CANACCORD Genuity	Bobby Burleson	21/04/15	Buy	25.00
Commerzbank	tba. (previously Florian Treisch)	13/05/15	Hold	18.50
Credit Suisse	Jonathan Hurn	23/04/15	Outperform	23.00
Deutsche Bank	Uwe Schupp	14/08/15	Buy	27.00
equinet Bank	Adrian Pehl	13/08/15	Buy	27.50

Based on analyst ratings available on the 19 February 2016 cut-off 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), detailed financial reporting, and continuous personal contact with investors, analysts, journalists and the interested public. 9 corporate news publications were published in the 2015 fiscal year.

The Management Board of SLM Solutions Group AG also participates frequently in capital market conferences. CFO Uwe Bögershausen presented the Company in January 2015 at the dbAccess Small & Mid Cap Best Ideas Day organised by Deutsche Bank in London, in September 2015 at the Credit Suisse European Industrial Conference in London as well as at the Munich Berenberg/Goldman Sachs Conference, and in November 2015 at the Deutsche Börse AG German Equity Forum in Frankfurt am Main. The world's largest trade fair for our sector formnext (previously: EuroMold) also took place in November in Frankfurt, where SLM Solutions was represented with its own stand, and where three of the Company's Management Board members held numerous one-on-one and group discussions with interested investors.

The Management Board also presented SLM Solutions' business model and strategy at a number of roadshows with BHF Bank, Deutsche Bank and Berenberg in Europe and North America during the course of the year.

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. Interested parties can enjoy timely and direct access to important corporate news by registering for an e-mailing list on our website.

Annual General Meeting

At the first Annual General Meeting of the Company in the media docks Lübeck on 16 June 2015, SLM Solutions Group AG shareholders resolved on the discharge of the Management and Supervisory boards for the 2014 fiscal year and elected the auditor for the 2015 fiscal year. The management of the Company confirmed the outlook for the current year at the Annual General Meeting. The detailed voting results and the presentation of the Management Board can be viewed on the Company's website.

Financial calendar

29 March 2016	Annual Report 2015
12 May 2016	Q1 Report 2016
14 June 2016	Annual General Meeting (Lübeck)
11 August 2016	H1 Report 2016
10 November 2016	9M Report 2016

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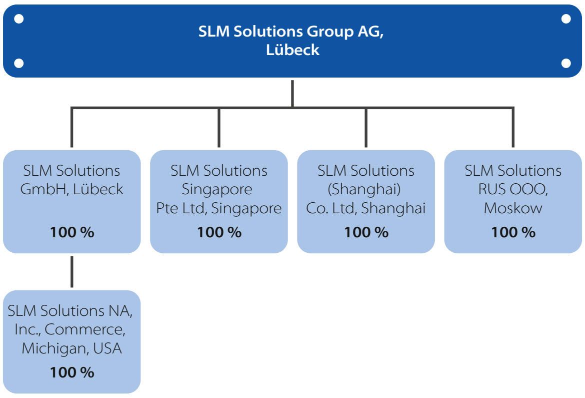
GROUP MANAGEMENT REPORT

Group management report
for the fiscal year 2015

Basis of the Group

Group structure

SLM Solutions Group AG ("SLM AG"), headquartered in Lübeck, Germany, had five wholly-owned subsidiaries as of 31 December 2015. In addition to the operating subsidiary SLM Solutions GmbH, which is also based in Lübeck, further subsidiaries for sales and service also exist in the growth regions of relevance to the Company, in the USA and Singapore. As part of the continued expansion of the global sales and service network, SLM Solutions (Shanghai) Co. Ltd. was founded in China in July 2015. This was followed by SLM Solutions RUS OOO in Russia in October.



SLM Solutions Group AG operates as the financial and management holding company within the Group. SLM Solutions GmbH is the Group's only production site and it pools the major proportion of all operating and administrative-related tasks as well as product development. Moreover, it also coordinates the global sales activities. The subsidiaries based in Singapore, the USA, China and Russia promote local sales activities in their allocated geographical regions. In addition, they also provide services for customers.

On 8 February 2016, the company SLM Solutions Software GmbH was also founded in Austria, in which SLM Solutions Group AG holds 51 % of the share capital. This company focuses on the development of special construction software which facilitates the optimal design of parts for additive manufacturing. In addition, the management has announced the foundation of a further company for the development, production and sale of aluminium powder. A legally-binding term sheet was already signed on 2 February 2016.

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 year 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 sold via a global distribution network. This segment currently represents the focal point of the business.
- The **"After Sales" segment** is of strategic interest for the Company and is increasingly gaining importance. It encompasses business with machine-related services, the sales of replacement parts and accessories, as well as the sales of merchandise. The business with consumables (metal powders), training and other services not connected to machines, which the Company aims to tap further, is allocated to this segment.

While the internal reporting in the previous year reported on the segments SLM ("Selective Laser Melting") and RP ("Rapid Prototyping"), a type of reporting based on the functional areas of the

Group was used for the first time in the 2015 fiscal year, taking into account that the business with vacuum casting and metal casting previously pooled in the RP segment is becoming less important.

The product range currently comprises three systems – the SLM 125^{HL}, the SLM 280^{HL} and the SLM 500^{HL} – which are differentiated according to the size of the build chamber and 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 virtually any type of weldable alloy into a finished product. The systems are constantly being developed further and equipped with new functions.

SLM Solutions systems deploy selective laser melting technology: The additive manufacturing process starts with a computer-generated 3D 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. Parts manufactured in this way meet the highest standards in terms of stability, surface structure and biocompatibility – different requirements are prioritised depending on the intended application.

One of the significant benefits 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 part's desired functionalities. Additive manufacturing is therefore well suited to complex parts to be used as prototypes or in series production, as complexity in this context no longer represents a cost factor compared with conventional production methods ("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. The multi-laser technology exclusively introduced by SLM Solutions underlines the Company's technology leadership. This allows industrial manufacturing processes such as precision cutting to be increasingly supplemented by laser melting.

According to a recent study by Bain & Company, 3D printing has left the experimentation phase. Large industrial companies with long-standing experience in additive manufacturing have increasingly integrated the new technologies into the value creation chain in order to tap competitive advantages. In terms of organisational structure, the use of 3D printing technologies moves the focus away from operating production systems and supply chain management towards engineering and production planning, according to the study.[1]

SLM Solutions' customers are active in widely diverging industrial areas, including the energy sector, aerospace, mechanical engineering and the automotive industry, as well as medical technology. A differentiation can be made among SLM machine customers between contract manufacturers and end customers. SLM Solutions' target markets include the growth regions North America and South-East Asia, in addition to Europe (including the still largest individual market Germany).

SLM Solutions' machine business is subject to seasonal fluctuations typical for the sector: A significant proportion of revenues and new order intake is generally generated during the fourth quarter of the year, while the first quarter is traditionally the weakest quarter of the year.

1 Bain & Company: Five questions to shape a winning 3-D printing strategy, 13. November 2015, http://www.bain.de/press/press-archive/3d-druck-an-der-schwelle-der-massenanfertigung.aspx

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 intellectual property rights portfolio is continuously optimised. The strong growth in the number of R&D employees since the IPO 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.
- Metallic powders comprise the starting material to manufacture with SLM Solutions' selective laser melting systems. 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. Consequently, SLM Solutions is further stepping up the **consumables business**. To achieve this, a joint venture for the development, production and sale of aluminium powder has been founded together with an established metal powder producer. A legally-binding term sheet to this end was already signed on 2 February 2016. The expansion in the powder business also serves as a second pillar of business in addition to machine sales, and contributes to a lessening of the typical industry seasonality of the Group on a revenue and earnings level.
- Given the complexity of selective laser melting, proximity to customers represents a critical competitive advantage for SLM Solutions. In order to retain existing customers in the long term, generate recurring service revenues and acquire new customers, SLM Solutions is gradually expanding its **international sales and service network** by founding subsidiaries and sales cooperations based in different regions. The Company is increasing its presence with presentation centres, demonstration machines, customer training sessions and participation at important trade fairs. The joint venture founded with CADS GmbH from Austria serves the development of special design and construction software. As a result, SLM Solutions is increasingly positioning itself as an integrated solution provider for additive manufacturing. The design and construction software will facilitate the optimal design of parts for additive manufacturing. Together with the cooperation with the engineering office JUREC from Blankenburg, software development represents a major opportunity to better deliver on the requirements of customers' construction work.

The funds that we raised from the capital increase as part of the IPO in 2014 have since been invested in these three strategic areas and have also strengthened the Company's working capital.

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 personnel costs in relation to total operating revenue, adjusted for one-off expenses)
- **Cost of materials ratio** (defined as cost of materials in relation to total operating revenue)

- **Hiring** by functional areas and the
- **Product mix in the 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 **revenue trend** is the key performance indicator to assess exploitation of the Company's growth potential within a completed 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)** is regarded as the 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

SLM Solutions produces and sells machines it has developed itself. As a result, research and development are significant components of the business success of SLM Solutions. Further market potential in the industrial manufacturing area is being increasingly tapped by progress made with multi-laser technology. The Company has 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 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. The joint venture with the Austrian company CADS founded on 8 February 2016 was specifically set up for developing design and construction software for SLM Solutions customers. A further focus for SLM Solutions is also the growing role of value chain organisation in industrial manufacturing processes ("Industry 4.0").

The research and development department of SLM Solutions consisted of 57 FTEs (full-time equivalents) as of 31 December 2015 (previous year: 29 FTEs). Research and development spending amounted to TEUR 5,380 in the year under review (previous year: TEUR 3,603), of which TEUR 2,692 (previous year: TEUR 2,430) was capitalised as intangible assets.

Employees

Due to the international Company growth, the number of employees as of 31 December 2015 rose considerably by 89.8% to 260 full-time equivalents (FTEs), up from 137 FTEs in the previous year. In this context, staff additions were made across all of the Company's functional areas, with the strategic areas After Sales (growth of 146.2%) and Research and Development (growth of 96.6%) recording the strongest rise in FTE. The number of employees in the growth regions outside of Europe rose slightly by 11.2% at the end of the year under review (31 December 2014: 10.9%). A total of 9 employees completed apprenticeships at SLM Solutions Group AG as of 31 December 2015. The following table shows the number of employees (excluding temporary help staff) as of 31 December:

Employees by fields of activity

FTEs	31/12/15	31/12/14
Research and development	57	29
Sales	48	28
After-sales	32	13
Production	93	51
Administration	30	16
Total	**260**	**137**
of which Europe	231	122
of which USA	17	10
of which Asia	12	5

Economic and business report

Macroeconomic situation in the target markets

GDP growth in percent

in %	Actual 2014	Forecast 2015	Actual 2015
Germany	1.5	1.3	1.7
Eurozone	0.9	1.2	1.5
USA	2.4	3.6	2.5
"Emerging and Developing Asia"	6.8	6.4	6.6
Global economy	3.4	3.5	3.1

The gross domestic product (GDP) in the largest target market **Germany** advanced by 1.7% in the past calendar year 2015 according to information from the Federal Statistical Office, and therefore stronger than the previous year (1.5%). Private consumption was the main growth driver. Investment in equipment was up by 4.0% following 4.7% in 2014. [2] The International Monetary Fund (IMF) had anticipated growth of just 1.3% at the time the 2014 annual report was released. [3]

The economic recovery in the **Eurozone** continued in 2015. Industrialised countries gained new growth momentum due of the low-interest European environment and the low prices for raw materials. GDP growth in the Eurozone totalled 1.5% following 0.9% in 2014. In the annual report 2014 the forecast was about a growth rate of 1.2%.

The **US economy** was able to record GDP growth of 2.5% (2014: 2.4%). Therefore, the growth rate was weaker than the forecast of 3.6% in the last annual report, which stood under the impression of the high growth rate of the US economy in the begin of 2015.

2 Federal Statistical Office, "Deutsche Wirtschaft im Jahr 2015 weiter im Aufschwung", Press release no. 014 from 14/01/2016, https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2016/01/PD16_014_811.html;jsessionid=276117829DF5FF758824FCBA7B34F5C0.cae3

3 International Monetary Fund, World Economic Outlook (WEO) Update, Cross Currents, January 2015, http://www.imf.org/external/pubs/ft/weo/2015/update/01/pdf/0115.pdf

In the IMF's aggregated **"Emerging and Developing Asia"** region, which not only includes China, but the economies of the ASEAN (Association of Southeast Asian Nations) economic zone, growth in 2015 amounted to 6.6% following 6.8% in 2014. At the time the annual report 2014 was published, growth of 6.4% was anticipated. Here, growth in many countries was also better than initially expected as a result of low energy prices. ASEAN includes a range of important target markets for SLM Solutions, such as Singapore, Indonesia, Thailand and Vietnam.

According to the IMF update from January 2016, the **global economy** expanded by 3.1% in 2015 and therefore somewhat weaker than in the previous year (3.4%). In the annual report 2014 the forecast was about a growth rate of 3.5. The reason for the amendment to the IMF forecast was the increasing uncertainty with regard to the Chinese growth model, as well as that of other emerging nations and the generally increased volatility on the global financial markets.[4]

Market for metal-based 3D printing

SLM Solutions operates in a very attractive global **growth market for additive manufacturing processes** ("3D printing"). In their 2015 sector report experts at Wohlers Associates forecast considerable growth for the global 3D printing market. They estimate that the global market volume for additive manufacturing totalled USD 4.1 billion in 2014 after an average annual growth of 33.8% in the years from 2012 to 2014. The market volume is forecast to be USD 12.7 billion in 2018, and USD 21.2 billion by 2020. SLM Solutions sees attractive growth opportunities, particularly in the field of metal-based printing processes: The number of machines sold globally in metal-based additive manufacturing rose by 54.7% in 2014 according to Wohlers Associates, while the global market volume in the field of metallic consumables grew by 49.4% to USD 48.7 million in 2014.[5]

The selective laser melting that SLM Solutions applies ranks among the so-called **"powder bed fusion" processes** that offer greater precision, surface quality and design possibilities compared with other 3D printing processes, according to the Roland Berger strategy consultants.[6] SLM Solutions is of the opinion that the market for metal-based 3D printing is at a turning point, as international industrial companies are increasingly transitioning to utilising selective laser melting and other additive manufacturing technologies, not only for prototype production, but also increasingly for direct component manufacturing. The market has gained momentum thanks to the changed order behaviour of major customers. Roland Berger believes that European industry is currently in a pioneering position in the "powder bed fusion" process and believes there is major potential, particularly in aerospace and the automobile sector.[7] The marketing institute Gartner assumes, based on a recent industry survey, that the number of supplied 3D printing machines in the "powder bed fusion" field will grow by 47.2% a year until 2019.[8] Overall, the development of SLM Solutions can be viewed as robust. However, the company would also be unable to escape the impacts of an overall economic slowdown in the long term.

Business progress

The 2015 fiscal year was very positive overall. **New order intake** showed very upbeat development over the course of the year as an early indicator for the development of operating business: In the 2015 fiscal year, SLM Solutions received orders for 102 machines. One of the sold laser melting systems is a special design with a substantially larger build chamber of 280 x 500 x 800 mm for a leading company from the oil and gas sector. As a result, the target set in the 2014 forecast of at least 100 machine orders was achieved and even slightly exceeded in the 2015 fiscal year.

4 International Monetary Fund, World Economic Outlook (WEO) Update, Subdued Demand, Diminished Prospects, January 2016, https://www.imf.org/external/pubs/ft/weo/2016/update/01/index.htm

5 Wohlers Associates, Annual Worldwide Progress Report 2015, July 2015

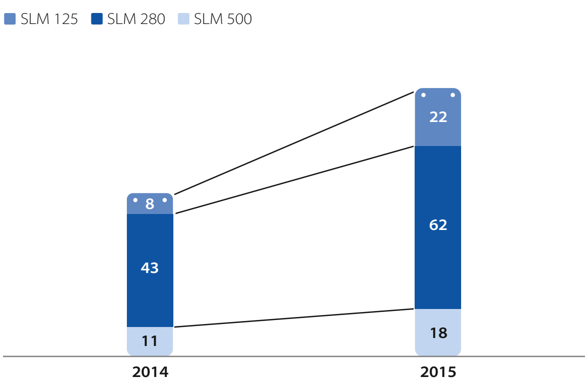
6 Roland Berger, Additive Manufacturing – a game changer for the manufacturing industry?, November 2013

7 Roland Berger, Additive Manufacturing (AM) – Opportunities in a digitalized production, Additive Manufacturing European Conference presentation, Brussels, June 23, 2015

8 Gartner Forecast: 3D Printers, Worldwide, 2015

This represents an increase of around 64.5% compared to the previous year (62 machines). The orders included 18 machines of the flagship product SLM 500^{HL} (previous year: 11), 62 SLM 280^{HL} machines (previous year: 43), as well as 22 of our smallest machine, the SLM 125^{HL} (previous year: 8). The Company growth particularly came from the South East Asia and North America regions.

Orders (machines)

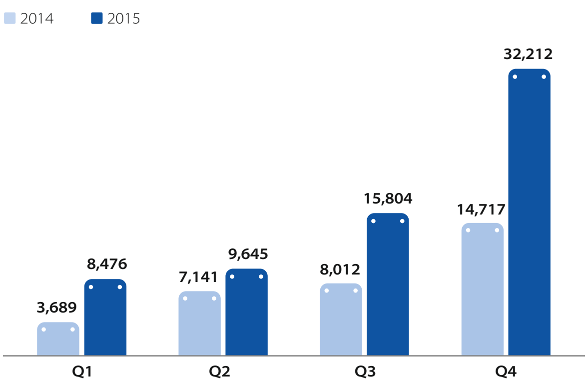


The **order book position** consisted of 19 machines (previous year: 15 machines) as of December 31, 2015 with an order value of TEUR 13,064 (previous year: TEUR 10,420).

The **value of the ordered machines** rose in 2015 by 67.2% to TEUR 61,132 (previous year: TEUR 36,557), although the proportion of orders for multi-laser machines was at around 51%. This proportion was at 78% in the previous year. 36% of the orders came from industrial customers, with 36% from contract manufacturers – in other words, the majority of the machines ordered are to be used in production environments.

Consolidated revenue grew by 97.1% to TEUR 66,137 during the year under review (previous year: TEUR 33,559), with above-average revenue growth recorded in the first quarter 2015 in particular. A total of 89.5%, or TEUR 59,165 of consolidated revenue was attributable to the core business Machine Sales (previous year: 80.8% or TEUR 27,132), an increase of 118.1%. In the first quarter, revenue was substantially increased compared to the same period in the previous year, up 130% on the first quarter of 2014. Growth slowed somewhat in the second and third quarters. The reason for this included the construction of a new production hall and the corresponding relocation of the production plant for the machine type SLM 500^{HL}, which meant the postponement of manufacturing and delivery of some systems into the fourth quarter. In the expected strong closing quarter, revenue was increased by 117% over the previous year period and totalled TEUR 32,212, representing 49% of annual revenue (previous year: TEUR 14,717, 44% of annual revenue).

Revenue (in TEUR)



After the completion of the **extension of the production capacities in Lübeck**, the SLM 500^{HL} has been produced in a separate hall since July 2015.

The **internationalisation of the company** was also pushed forward by the foundation of both subsidiaries in Shanghai and Moscow (founded in July and October 2015 respectively). The Chinese subsidiary of the SLM Group was included in the financial statements for the first time in the third quarter 2015.

SLM Solutions was represented at numerous **conferences and specialist trade fairs** during the year under review. SLM Solutions utilises these opportunities to enter into intensive dialogue with sector representatives, customers and interested parties:

- In November 2015, SLM Solutions presented its machines to a specialist international audience at the world's largest 3D printing trade fair **formnext** in Frankfurt am Main. We received several orders during the trade fair itself, particularly for the SLM 500^{HL}. Customers that ordered the flagship product once again included FIT AG, the company Pierburg from Neuss, an Israel-based aerospace company and its suppliers, as well as a Scottish service office. At the SLM Solutions booth, visitors were able to follow the live operation of the additive manufacturing systems on offer in the respective latest version. Moreover, further functions for quality enhancement were showcased, such as meltpool monitoring and laserpower monitoring of the systems.
- The German Equity Forum was also held in November in Frankfurt am Main. Here, SLM Solutions was able to present the developments and future prospects of the Company to international investors and analysts in many one-on-one discussions and as part of a presentation.

Thanks to the **cooperation with the engineering office JUREC** (Jürgen Reinemann Consulting) based in Blankenburg, which was concluded in December 2015, SLM Solutions customers are offered integrated support in design and construction matters. The consulting focuses on the combination of application-oriented construction, lightweight construction and cost efficiency with the realisation of completely new design and construction approaches.

Results of operations

The **consolidated revenue** of SLM Solutions Group AG was up by 97.1 % to TEUR 66,137 in the 2015 fiscal year (previous year: TEUR 33,559). Most of this revenue (89.5 %, previous year: 80.8 %) derived from the company's core business selling laser melting systems. This segment's revenue rose by 99.7 % to TEUR 59,165 (previous year: TEUR 29,632). This even significantly exceeded the revenue corridor of EUR 55 to 60 million announced in the forecast 2014.

Total operating revenue (the sum of sales revenue, inventory changes and other own work capitalised) of TEUR 78,654 was up by 100.4 % compared with the previous year's level (previous year: TEUR 39,257). This reflects a strong increase in new order intake and a higher level of finished goods and work in progress of TEUR 8,434 (previous year: TEUR 3,268). Own work capitalised came in at TEUR 4,082, also up on the previous year mark of TEUR 2,430.

Other operating income was slightly higher than the previous year at TEUR 1,557 (previous year: TEUR 1,443). This largely contains currency gains.

The higher total operating revenue was also connected with the 100.9 % increase in the **cost of materials** to TEUR 42,265 (previous year: TEUR 21,040). The cost of materials ratio (in % of total operating revenue) of 53.7 % was at previous year's level (previous year: 53.6 %).

Personnel costs were up to TEUR 16,788 in the year under review (previous year: TEUR 14,328). The SLM Group employees participated in the successful IPO via the so-called retention bonus program. This comprises a three-year bonus program geared to attract long-term employee loyalty to the Company. For this program, additional personnel costs of TEUR 1,277 were recognised in the reporting year (previous year: TEUR 1,055). Adjusted for the retention bonus, personnel costs amounted to TEUR 15,511, and were therefore up 103.5 % year-on-year (previous year: TEUR 7,623). The previous year figure was additionally adjusted for a one-off IPO bonus totalling TEUR 5,650, which was reimbursed in full by the previous shareholders. The adjusted personnel cost ratio (in% of total operating revenue) stood at 19.7% (previous year: 19.4%).

Other operating expenses totalled TEUR 14,313 and were therefore 36.2% up on the previous year (TEUR 10,507). The previous year figure contains IPO-related one-off expenses which could not be classified under operating activities of TEUR 2,960. In the 2015 fiscal year, the most important items were travel expenses, commissions, trade fair and marketing expenses, outward freight and other leasing costs (see Note 12).

Adjusted **EBITDA** (earnings before interest, tax, depreciation and amortisation) – "adjusted" for retention bonus effects (and the IPO bonus in the previous year) – amounted to TEUR 8,050 in the year under review (previous year: TEUR 4,490). In the fiscal year, EBITDA was adjusted for the retention bonus of TEUR 1,190, and in the previous year for the retention bonus (TEUR 1,055), the IPO bonus (TEUR 5,650) as well as other one-off expenses, which could not be classified under operating activities (TEUR 2,960). The adjusted EBITDA margin (expressed as a percentage of revenue) came in at 12.2% in 2015 (previous year: 13.4%) and was therefore within the corridor of 12 to 13% announced in the 2014 forecast. On an unadjusted basis, EBITDA stood at TEUR 6,860 (previous year: TEUR – 5,175).

Depreciation and amortisation amounted to TEUR 1,968 in the reporting year (previous year: TEUR 865). At TEUR 1,282, amortisation of intangible assets as part of purchase price allocation (PPA) in connection with the acquisition of SLM Solutions GmbH by SLM Solutions Group AG in the previous year was at the same level as the previous year (previous year: TEUR 1,282).

The adjusted operating result (adjusted **EBIT**) stood at TEUR 4,799 (previous year: TEUR 2,343), with the adjusted EBIT margin (expressed as a percentage of revenue) at a stable 7.3% (previous year: 7.0%). In the fiscal year, EBIT was adjusted for the retention bonus of TEUR 1,190, and in the previous year for the retention bonus (TEUR 1,055), the IPO bonus (TEUR 5,650) as well as other one-off expenses which could not be classified under operating activities (TEUR 2,960). On an unadjusted basis, EBIT amounted to TEUR 3,610 (previous year: TEUR – 7,322).

Interest expenses reduced by TEUR 129 to TEUR – 111. In the fiscal year 2015, the interest expenses were offset by interest income of TEUR 97 (previous year: TEUR 0), resulting in a **net financial result** of TEUR – 14 (previous year: TEUR – 240).

Tax expense in the fiscal year totalled TEUR 1,435 (previous year: TEUR- 2,463).

Therefore, the **consolidated net profit** after taxes amounted to TEUR 2,160 (previous year: TEUR – 5,099). This corresponds with undiluted and diluted **earnings per share** of EUR 0.12 per share (previous year: basic EUR – 0.30; diluted EUR – 0.23). The retention bonus was transformed into a cash payment program in the 2015 fiscal year.

Financial position

Financial risk management at SLM AG comprises an important element in the planning and implementation of business strategies. The Management Board of SLM AG sets the financial risk management principles.

Rising market fluctuation levels can result in considerable volatility risks to cash flows and income for SLM AG. The company's operating business as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates and commodity prices. In order to optimise the allocation of the financial resources across SLM's operating segments and companies, as well as to secure an optimal return for its shareholders, SLM identifies, analyses and proactively manages related financial market risks.

SLM AG monitors its liquidity on a regular basis. The objective of SLM AG is to maintain a balance between continuity of funding and sustainable liquidity through the use of bank overdrafts, bank loans, debentures, finance and operating leases, as well as shareholder loans.

Cash flow from operating activities remained negative at TEUR –7,364 during the year under review despite the substantially improved consolidated net result (previous year: TEUR –13,324). The order book position increased and led to a higher level of funds tied up in working capital. However, working capital increased disproportionately. Inventories increased by TEUR 9,700 to TEUR 21,663 (previous year: TEUR 11,964), and trade receivables rose disproportionately by TEUR 14,194 to TEUR 26,341 (previous year: TEUR 12,147). A key reason is that customers did not fully pay their receivables in case of incomplete delivery.

Cash flow from investing activities of TEUR –11,300 was substantially up on the previous year figure (TEUR –4,072). Investments during the reporting year were primarily attributable to the development of new application-oriented technologies for the SLM segment, TEUR 4,082 of which was reported under work performed by the Company and capitalised, as well as to the Company's own demonstration and development machines totalling TEUR 3,822. Up to 31 December 2015, TEUR 353 was invested in the new production hall in Lübeck.

The considerable reduction in **cash flow from financing activities** to TEUR –5,060 (previous year: TEUR 78,501) is attributable to the high cash inflows from the IPO in 2014. TEUR 5,002 was saved as a fixed deposit with a maturity of 3 months.

Cash and cash equivalents (less time deposits at banks with a term of more than three months totalling TEUR 32) stood at TEUR 39,888 as of 31 December 2015 (previous year: TEUR 63,531).

SLM AG was always in a position to deliver on its payment obligations during the 2015 fiscal year.

Net assets

The **total assets** of SLM Solutions AG totalled TEUR 129,920 as of 31 December 2015 (previous year: TEUR 112,175).

Non-current assets of TEUR 34,708 as of 31 December 2015 were up on the previous year's balance sheet date (TEUR 22,456). As in the previous year, intangible assets of TEUR 21,638 (previous year: TEUR 19,892) comprised the most significant share of non-current assets. These mainly related to laser technology and capitalised development expenses. Property, plant and equipment of TEUR 13,032 (previous year TEUR 2,504) chiefly reflected office and business equipment, company demonstration and development machines as well as technical plant and machinery in the new production hall. The higher property, plant and equipment are the reason for the increase in the non-current assets figure. An obligation to establish an administration and production building until 2019 at the latest exists in connection with the acquisition of the land.

Current assets amounted to TEUR 95,212 as of the reporting date (previous year: TEUR 89,719), with their share of total assets consequently falling to 73.3 % (previous year: 80.0 %). This slight fall mainly resulted from the cash outflow generated as part of the IPO (level as of the reporting date: TEUR 39,920; previous year: TEUR 63,563). Working capital increased as a result of the good order book position and the increase of overdue receivables. Inventories amounted to TEUR 21,663 as of the balance sheet date (previous year: TEUR 11,964), while trade receivables stood at TEUR 26,341 (previous year: TEUR 12,147). Here, too, the seasonality that is typical for the sector should be noted, which resulted in most orders being delivered in the fourth quarter.

The Company's **equity** increased slightly as of 31 December 2015 to TEUR 99,004 (previous year: TEUR 97,045), while the equity ratio fell due to increased total assets. The latter is however still at the high level of 76.2 % (previous year: 86.5 %). The subscribed capital remained constant at TEUR 17,981 (previous year: TEUR 17,981), with additional paid-in capital standing at TEUR 85,041 on the reporting date (previous year: TEUR 85,551).

Non-current liabilities rose as of the reporting date to TEUR 7,394 (previous year: TEUR 5,950), which is attributable to deferred tax liabilities totalling TEUR 2,497 (previous year: TEUR 1,166). For pension obligations, provisions of TEUR 4,375 were recognised (previous year: TEUR 4,544).

Current liabilities stood at TEUR 23,521 as of the reporting date (previous year: TEUR 9,180), with trade payables rising to TEUR 11,121 (previous year: TEUR 6,124) due to the higher volume of business. Current provisions of TEUR 2,551 (previous year: TEUR 1,288) related primarily to anticipated warranty and maintenance services totalling TEUR 1,751 (previous year: TEUR 972) as well as to the retention bonus totalling TEUR 783 (previous year: TEUR 304). In relation to total assets, current liabilities comprised an 18.1 % share as of the end of the year (previous year: 8.2 %).

Events after the balance sheet date

After the conclusion of the reporting period, SLM Solutions was able to achieve a strategically important development in the business with consumables for laser melting systems (metal powder). On 2 February 2016, the Company concluded a legally binding basic agreement with PKM Future Holding GmbH, Niedernberg (main shareholder of TLS Technik GmbH & Co. Spezialpulver KG, Bitterfeld) with a view to working together on the development, evolution, production and sale of aluminium alloys. To this end, SLM will invest a mid-range single-digit million amount together with the main shareholder. SLM Solutions intends to pool the powder business together with further services for additive manufacturing of metal parts such as training, consulting or financing in a separate organisational unit in order to account for the characteristics of the business. The expansion of the powder business is intended to help us to counter the strong seasonality of the system business with continuous revenue throughout the year.

Moreover, SLM Solutions Group AG founded a company with the Austrian company CADS GmbH, Perg, on 8 February 2016 for developing special software for the construction requirements of selective laser melting technology. SLM Solutions will invest a low seven-digit euro amount in SLM Solutions Software GmbH founded on 23 February 2016. The software to be developed will be sold by SLM Solutions for its own products, but can generally be used independently of specific machines.

The shares of the SLM Solutions Group AG will be trade in the TecDax of the German stock exchange with effect from 21 March 2016.

With effect from March 21, 2016 the shares of SLM Solutions Group AG will be included in the TecDAX index of the German Stock Exchange..

Opportunities and risks

Management system for opportunities and risks

SLM Solutions Group AG operates in a technologically sophisticated and demanding market of the future that entails both opportunities and risks. SLM Solutions has instituted a number of measures to secure the Company as a going concern, and foster its positive growth and development. The **management system for opportunities and risks**, which is integrated into all significant corporate processes continuously, forms an important part of these measures. This system helps the SLM Solutions Group identify opportunities and risks at an early stage, and respond proactively to them. As a consequence, the risk management system comprises not only an important safeguarding instrument, but also helps the Company achieve its objectives.

The risk management system is being continuously further developed, and is based essentially on the recognised **scenario analysis method**. This utilises a **matrix consisting of nine cells** in which both the **event risk** and the **risk effect** are divided into three categories of low, medium and high. This ranking method (risk ranking sequence) is readily comprehensible, creates a high degree of risk transparency, and provides an easy visual overview. The risk policy principles are set out in a **risk manual** that defines and describes the risk management process. This manual is reviewed frequently and revised when required, and is binding for SLM Solutions Group AG and its subsidiaries. All relevant risks are identified, quantified, communicated and managed systematically as part of a regular **risk inventory**. This allows disadvantageous developments of particular significance for the Company's financial position and performance to be countered in good time.

SLM Solutions acknowledges that handling business risks forms the core of all business activity. In accordance with German Accounting Standard (DRS) 20, the term **"risk"** is understood to refer to the possibility of negative future changes to a company's financial position, and the term **"opportunity"** is understood to refer to the possibility of positive future changes to a company's financial position. In relation to the Company, risk is defined as the risk that events or actions prevent SLM Solutions Group AG from attaining its objectives, and/or from successfully implementing its strategy. All decisions that can influence the Company's current and future position are subjected to the weighing up of related opportunities and risks. The Company's current business position and its resultant risks are discussed at regular management meetings. Appropriate countermeasures are launched if risks are identified.

Central risk responsibility lies with the Management Board. The Company is not aware of any current going concern risks to SLM Solutions Group AG.

SLM Solutions Group AG works continuously on the further development and improvement of the management system for opportunities and risks. Established structures ensure that opportunities and risks of relevance to business operations are identified in good time.

Internal controlling and risk management system in relation to the Group financial accounting process (report pursuant to Section 315 (2) No. 5 of the German Commercial Code [HGB])

SLM Solutions Group AG has an internal controlling and risk management system relating to the Group financial accounting process in which appropriate structures and processes are defined, and which is implemented within the organisation. The system is designed to ensure that all business processes and transactions are accounted for quickly and correctly, and on a standardised basis.

It ensures compliance with statutory standards, accounting regulations and internal accounting instructions that are binding for all of the companies included in the consolidated financial statements. Amendments to laws and financial accounting standards, as well as other promulgations, are analysed continuously in relation to their relevance and effects for the consolidated financial statements, and the resultant changes are integrated into the Group's internal systems and procedures.

Along with defined controlling mechanisms, the internal controlling system is also based on system-technical and manual coordination processes, separation between executive and controlling functions, and compliance with working instructions. The foreign Group companies prepare their financial statements locally, and transfer them using a standard defined Group data model. The Group companies are responsible for compliance with Group-wide guidelines and procedures that are set out in a manual, as well as for the proper and timely running of their accounting-related processes and systems. Central contacts at SLM Solutions Group AG support the local companies in the entire financial accounting process. The financial accounting process entails implementing measures that ensure that the consolidated financial statements conform to regulations. In this context, the measures serve to identify and measure risk, as well as to limit identified risks, and review them.

The consolidated accounts are prepared centrally based on the data from the subsidiaries included in the scope of consolidation. Specially trained staff who make recourse to recognised consolidation software solutions perform the consolidation measures, carry out certain coordination work, and monitor regulations relating to timing and processes. The staff supervise the system-technical controls, supplementing them with manual audits. The "two sets of eyes" principle, which minimises risk of fraudulent activity, is generally applied. Certain approval processes must be run through during the entire financial accounting process. The managers of the local companies bear responsibility for local implementation and supervision of the internal controlling system.

The internal controlling system is continuously developed further and adapted to the Company's strong growth. A backlog of documentation and entering of updates into the technical system cannot be excluded this context, and is addressed through manual controls. It should be noted that, in general, the internal controlling system, irrespective of its structure, does not provide absolute security that significant misstatements in the financial accounting are avoided or uncovered. It nevertheless prevents, with sufficient certainty, corporate risks from having significant impacts.

Specific risks

The following risk areas have been defined for the SLM Solutions Group:

Market and sector risks

SLM Solutions' product portfolio could be too limited to be competitive against companies with broader product portfolios, new competitors entering the market or new machine concepts like hybrid machines, especially as SLM Solutions' systems utilise only one technology.

SLM Solutions is strongly dependent on sales to particular sectors.

The occurrence of market and sector risks could exert pressure on the sales prices that can be achieved in the future, limit sales possibilities for our products and result in declining revenues.

Corporate risks

A sharp increase in production volumes could negatively affect SLM Solutions' products and services. SLM Solutions' production capacities might prove insufficient given a strong rise in demand, even though these capacities are being permanently expanded.

SLM Solutions is to a certain extent dependent on a limited number of suppliers for specific components and consumables.

SLM Solutions depends on third-party software.

The risks from the IT infrastructure (capacity bottlenecks, network segmentation, disaster preparedness) have been identified and necessary improvement measures have been introduced by the Management Board and since completed.

Under applicable employment law, SLM Solutions might be unable to enforce non-competition obligations, thereby potentially being unable to prevent competitors benefiting from some employees' expertise after the termination of their employment relationships.

SLM Solutions might be unable to develop sufficient structures for organisational, information, risk monitoring and risk management purposes.

The occurrence of corporate risks could result in production and supply problems, and consequently related losses of customers and falling revenues.

Intellectual property risks

SLM Solutions might be unable to receive patent protection for the Company's products, or to protect the Company's intellectual property rights in another manner. Intellectual property rights that are significant for the business will expire in the future. Risks might exist in connection with the purchase of intellectual property rights, or related co-ownership rights.

The inefficacy or termination of license rights to certain patents/utility models might prevent SLM Solutions utilising the licensed technology. An expiry or termination of license rights, or the granting of license rights to competitors, might result in the entry of new competitors into the additive manufacturing market. Regulations contained in agreements relating to intellectual property rights might prove disadvantageous, or infringe laws, especially anti-trust law. Utilisation rights for copyrights might be granted on a basis that is ineffective.

SLM Solutions could be exposed to claims arising from alleged infringements of patents or other intellectual property rights.

The materialisation of risks relating to intellectual property might limit future sales possibilities for our products, increase the cost base, and result in additional licence fees.

Legal, regulatory and tax risks

SLM Solutions' compliance system and the Company's monitoring capacities might prove insufficient to prevent infringements of the law, to uncover infringements that have already occurred, or to prevent damage as a result of fraud or similar criminal acts. This might result in legal disputes and subsequently result in significant fines.

Financial risks

SLM Solutions is exposed to risks deriving from financial instruments. Default risks also arise from receivables due from customers, as payment targets that are typical of the sector are agreed. We operate active receivables management, and apply valuation allowances where required that take into account up-to-date credit information about individual customers and receivables term structures.

Bank deposits are held exclusively at banks with good credit ratings. However, default risks cannot be completely ruled out.

Due to its good liquidity position, SLM Solutions is currently subject to no liquidity risks, or only to liquidity risks that are to be classified as low.

SLM Solutions is exposed to currency risks due to the international nature of its business. The manufacturing and sale of our products result in cash flows in different currencies and in different amounts. The significant cash flows are processed in euros. Revenue is also partly invoiced in US dollars or Singapore dollars. Exchange rate changes can have a significant effect on the consolidated net result. The deployment of hedging instruments as part of hedging is decided upon on a case-by-case basis, however no such instruments were deployed in the 2015 fiscal year.

SLM Solutions currently bears no interest-rate risk as no interest-bearing liabilities exist.

Action-relevant risks

A total of six risks were categorised as action-relevant as part of the most recent risk inventories. Event risk and risk effect comprise the criteria for establishing relevance for action. According to the risk management manual, risks are regarded as action-relevant which exhibit either a high event risk (high probability that the risk will materialise) or a high risk effect (potential effect of the risk), and which are classified as at least medium in relation to the respective remaining criterion. The Management Board actively handles action-relevant risks, launching corresponding countermeasures in each case.

Seasonal fluctuation

SLM Solutions' business is subject to seasonal fluctuations, with the consequence that the Company's revenues and operating results may 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 aim 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. In addition, SLM Solutions is extending its product range to include products less subject to fluctuations like consumables and software which are intended to play a role in offsetting seasonal fluctuations.

More intense competition

More intense competition or the entry of new competitors onto the market could lead to SLM Solutions losing market shares, as well as to a marked increase in pricing pressure and corresponding margin reduction. The Company carefully monitors the market entry of new competitors, like that of Trumpf. The Company regards itself as well positioned for rising competition, as it invests permanently in developing its products further and on improving its cost position. Currently SLM Solutions is not aware of an additional new competitor that could endanger the technology leadership position of the Company in our view in the short term.

Personnel recruitment, development and retention

SLM Solutions operates in a technologically sophisticated and demanding market. Consequently, SLM Solutions depends on the recruitment, development and retention of qualified managers and staff. Business trends in 2015 show that SLM Solutions is an attractive employer and was able to recruit successfully. The Company is also aware of the general discussions on the shortage of specialist and technical staff, and offers its employees attractive promotion and further training opportunities.

Product defects

Defects in SLM Solutions' products or enhancements to its existing products that give rise to product returns or warranty claims, personal injury, property damage, product liability or other claims could result in material expenses, diversion of management time and attention, and damage to our reputation. The Company's quality management is certified using recognised methods. Machine quality is continuously monitored, with various QM tools used to do so.

Disruption to production operations

Certain risks and restrictions exist for SLM Solutions in connection with possible production disruptions. If our production operations are disrupted, this could also possibly impact the sales of our products, which could lead to loss of revenue and unforeseen costs and impacts for future business. The relocation of the SLM 500[HL] production showed that the occurrence of such risks cannot be ruled out. By the same token, the successful move also demonstrated that the Company knows how to handle these risks.

Failure or slow-down of the growth strategy

Our growth strategy could turn out to be difficult to implement. We may not be in the position to continue to grow organically or we may grow more slowly than planned. The probability of this risk occurring is medium, however the impacts would be high as the cost structure would only be adjusted with a time delay. If a slowdown in growth occurs, the Company would be impacted by the follow-up effects in its costs, which could negatively impact the earnings situation.

Overall statement on the risk situation

The Management Board regards the Company's overall risk position as appropriate and as not comprising any going concern risk. The market for metal-based 3D printing machinery is generally intact, and still enjoys strong growth due to the industry opportunities that it offers. The SLM Solutions Group is well positioned technologically, its production systems are sufficient and state-of-the-art, capital backing enables further growth, and its staff form a highly qualified and successfully performing team. As a consequence, the Management Board regards the Company as well positioned for future market growth and development.

Despite the greatest care, it cannot be excluded entirely that significant risks that have not been identified to date exert a negative effect on our business development and trends. No going concern risks were identifiable, neither during the 2015 fiscal year, nor as of the date when this business report was prepared. After the close of the reporting period, no significant changes to the risks reported and their importance for SLM Solutions occurred.

Opportunities

Opportunities also arise for SLM Solutions in the defined risk areas insofar as the Company's future financial and business development enables targets to be exceeded in these areas.

- **Opportunities related to the capital market** arise for the Company in the context of the TecDAX inclusion from March 21, 2016, which improves the Company's visibility for international investors. Due to the capital increase as part of the IPO in May 2014, SLM Solutions also has sufficient free funds to gradually implement its own growth strategy.
- **Market and sector opportunities:** SLM Solutions benefits from technology leadership in selective laser melting when competing with other additive manufacturing system producers. The deployment of multiple laser technology and constant unit cost reduction allow major productivity enhancements to be achieved, which makes utilisation of the machines especially attractive for industrial series manufacturing. SLM Solutions has continuously increased production capacities and can therefore react quickly to the requirements of the market.
- **Customer and sales opportunities:** Proximity to customers in connection with the monitoring and addressing of problems generates trust-based relationships over the course of years, as well as additional sales potential. By investing the proceeds from the IPO in 2014 in the expansion of international sales as well as in research and development, SLM Solutions can constantly further improve its own products' safety, and set standards within its own sector.

- **Opportunities related to intellectual property** arise for SLM Solutions as a result of its many years of experience with the selective laser melting technology that the Company applies, which creates high market entry barriers for competitors. Some of these technology's pioneers are employed at SLM Solutions, and their expertise helps SLM Solutions to retain this advantage, and also expand it to some extent.
- **Corporate opportunities:** By recruiting qualified and motivated staff in the areas of research and development, as well as service and sales, growth opportunities arise for SLM Solutions in the sale of machines as well as in after-sales business. The cooperation in the powder field allows SLM Solutions to expand its business with consumables and extend its own value creation chain.

Forecast

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

- According to the latest figures from January 2016, the International Monetary Fund (IMF) is currently forecasting that the **global economy** will return to stronger growth compared to 2015. It is forecasting growth of 3.4% after 3.1% in the previous year. In the largest individual market **Germany**, the IMF is anticipating GDP growth on a par with the existing level of 1.7%. In the Eurozone, a further improvement in growth to 1.7% is expected (previous year: 1.5%). In the Company's defined growth regions where it is driving ahead with its international expansion, the IMF assumes continued strong growth of 2.6% in the **USA** (previous year: 2.5%), and continued slower growth in the **"Emerging and Developing Asia"** region amounting to 6.3% (previous year: 6.6%).[9] The IMF anticipates that the economic forecasts (especially for the industrialised nations) could also be positively influenced by the low raw materials prices in 2016. It also views the increased volatility of the financial markets (particularly in China) and a possible slightly negative development of assets as potentially negative influences for the forecasts.[10]
- The annual Wohlers Report, which reports on the **global 3D printing sector** and provides market estimates, sees major growth potential especially in the area of additive manufacturing processes that are applied in industry: the report states a more than fivefold rise in global market volumes to USD 21.2 billion by 2020 compared to 2014 (USD 4.1 billion).[11]
- The marketing institute Gartner assumes, based on a recent industry survey, that the number of supplied 3D printing machines in the "powder bed fusion" field will grow by 47.2% a year until 2019.[12] SLM Solutions as well assesses the

9 International Monetary Fund, World Economic Outlook (WEO) Update, Subdued Demand, Diminished Prospects, January 2016, https://www.imf.org/external/pubs/ft/weo/2016/update/01/index.htm

10 International Monetary Fund, World Economic Outlook. Adjusting to Lower Commodity Prices, October 2015, S. 7, 32-34, http://www.imf.org/external/pubs/ft/weo/2015/02/pdf/text.pdf

11 Wohlers Associates, Annual Worldwide Progress Report 2015, July 2015

12 Gartner Forecast: 3D Printers, Worldwide, 2015

potential of the market very confidently and aims to exceed the forecasted **market growth** if possible in future, as in the 2015 fiscal year, and further extend its position as technology leader.

For the 2016 fiscal year, the management anticipates a continuation of the growth track and therefore a further improved operating result with the publication of the 2015 annual report:

- On the back of the anticipated industry growth, consolidated revenue in the region of TEUR 85,000 to TEUR 90,000 is expected. The Management Board expects product mix to develop in the direction of production machines (that is more expensive systems).
- In addition, the Management Board is expecting an increasing EBITDA margin (adjusted for one-off effects and in relation to consolidated revenue) for the forecast revenue corridor in the full year 2016 compared to the 2015 fiscal year. If revenue comes in higher than expected and inventory build-up is lower, the Management Board expects an improved cost of materials ratio. The personnel cost ratio will remain roughly on a par with the previous year level thanks to the continuous increase in headcount.

Corporate Governance

The German Corporate Governance Code (DCGK) comprises nationally and internationally recognised guidelines for good and responsible corporate management, steering and controlling. The Management and Supervisory boards of SLM Solutions Group AG are expressly committed to these standards, and endeavour to implement them within the company. The aim is to establish transparency and expand trust among capital market participants, employees, customers and the public. The following corporate governance report that has been prepared by the Management and Supervisory boards (as per section 3.10) describes the company's significant corporate governance structures. It also includes a report on the compensation scheme for the Management and Supervisory boards.

Corporate governance declaration pursuant to Section 289a of the German Commercial Code (HGB)

The corporate governance declaration pursuant to Section 289a of the German Commercial Code (HGB) has been published on the company's website at www.slm-solutions.com, under "Investor Relations" and "Corporate Governance".

Declaration pursuant to Section 161 of the German Stock Corporation Act (AktG)

The corporate governance declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) has been published on the company's website at www.slm-solutions.com, under "Investor Relations" and "Corporate Governance".

Management and Supervisory board working methodology

Pursuant to the statutory regulations stipulated by German stock corporation law, SLM Solutions Group AG operates a dual executive and supervisory structure. While the Management Board manages the company's business, the Supervisory Board consults with the Management Board about the management of the company, and supervises such management. The areas of responsibility of the Management and Supervisory boards are set out in the German Stock Corporation Act (AktG) and the company's bylaws. The Management and Supervisory boards of SLM Solutions Group AG work together closely for the company's benefit.

- The **Management Board** manages SLM Solutions Group AG under its own responsibility, and is its legal representative. The Management Board is obligated to pursue the company's interests as well as enhance the company's sustainable value. To this end, it develops the company's strategic orientation, coordinates it with the Supervisory Board, and ensures that it is implemented. The Management Board discusses the status of strategy implementation with the Supervisory Board at regular intervals. Moreover, it ensures compliance with statutory provisions and the company's internal guidelines, including by Group companies (compliance). The Management Board's reporting duties are set out comprehensively according to their type and content in the Management Board's rules of business procedure. The Supervisory Board appoints the Management Board and sets its compensation. The Management Board of SLM Solutions Group AG currently consists of three members: Dr. Markus Rechlin (CEO), Uwe Bögershausen (CFO) and Henner Schöneborn (Corporate Development and Innovation).

- The **Supervisory Board** of SLM Solutions Group AG consults with and supervises the Management Board in its managerial activities according to statutory provisions and the company's bylaws. It appoints the Management Board, and is entitled to recall its members from office for justified reasons. The Management Board provides frequent, up-to-date and comprehensive information to the Supervisory Board, especially relating to basic corporate planning questions, as well as about the company's financial position and performance, profitability, and business trends and development. The Supervisory Board of SLM Solutions Group AG currently comprises six members: Hans-Joachim Ihde (Chairman), Peter Grosch (Deputy Chairman), Lars Becker, Klaus J. Grimberg, Bernd Hackmann and Volker Hichert. At its meeting on 24 March 2014, the Supervisory Board of SLM Solutions elected an **audit committee** and a **chairman's committee**. The **chairman's committee** consists of the Supervisory Board chair, the deputy chair and a further member elected by the Supervisory Board. It particularly focuses on the appointment and recall from office of Management Board members, and the CEO's appointment, with the conclusion, amendment and termination of employment contracts with Management Board members, as well as with the Management Board compensation scheme's structure, including significant contractual elements and total compensation of individual Management Board members. On the date when it was appointed, the chairman's committee was also authorised to take the Supervisory Board's place in making all decisions connected with the IPO and the capital increase, to pass resolutions, to implement actions, and to issue and receive statements in order to be able to act with greater flexibility within a tight timeframe ahead of the IPO. The **audit committee** supervises the financial accounting process, including the efficacy of both the internal controlling system and the risk management system. The audit committee discusses quarterly reports, and handles questions relating to compliance and reporting to the Supervisory Board. The committee also prepares for the Supervisory Board review of the separate annual financial statements, the management report and the proposal for the application of unappropriated retained earnings, as well as the consolidated financial statements and Group management report. In this context, the audit committee has the auditor provide it with an in-depth view of the company's financial position and performance. It concerns itself with questions relating to the auditor's required independence, the issuing of the audit mandate to the auditor, the setting of audit focal points and agreeing the auditor's fee.

Shareholders and AGM

The shareholders of SLM Solutions Group AG exercise their rights at shareholders' general meetings. Each ordinary share embodies the same voting right. Shareholders' general meetings make decisions on the tasks that are allocated to them pursuant to the law, including the application of unappropriated retained earnings, the discharge of the Management and Supervisory boards, the auditor's appointment, the election of Supervisory Board members, bylaw amendments and capital measures. As a matter of principle, the Supervisory Board chair presides over the shareholders' general meetings. In order to assist shareholders in exercising their rights personally, the requisite documents are published online once the convening invitations to the meeting have been dispatched. Shareholders can authorise a proxy to exercise their voting rights in line with their instructions.

Financial accounting and auditing

The financial accounting of the consolidated financial statements for the 2015 fiscal year is based on the principles of the International Financial Reporting Standards (IFRS), as applicable in the European Union, as well as on additional provisions pursuant to Section 315a (1) of the German Commercial Code (HGB). The separate financial statements are prepared according to the regulations of the German Commercial Code (HGB) and the regulations of the German Stock Corporation Act (AktG). The AGM on 16 June 2015 elected BDO AG Wirtschaftsprüfungsgesellschaft as the auditor of the separate and consolidated financial statements for the 2015 fiscal year. The Supervisory Board issued the audit mandate. Before the proposed election, the Supervisory Board obtained a declaration of independence from the auditor.

Transparent communication

The Management Board is of the opinion that responsible and value-creating corporate management is not only distinguished by setting up efficient structures, but especially also by open communication and a high degree of transparency on the part of the company. For this reason, SLM Solutions Group AG sets itself the objective of informing investors, analysts and other interested parties openly, quickly and correctly. Extensive information that is continuously updated is available for this purpose on the website of SLM Solutions Group AG within the Investor Relations area. This is supplemented by an investor relations electronic mailing list through which interested parties receive the latest corporate news via email. Frequent roadshows in Europe and North America, as well as conference calls to accompany publication of quarterly and annual report, are also conducted.

Directors' dealings and shareholdings

Pursuant to Section 15 of the German Securities Trading Act (WpHG), directors (and their related parties) of a company that is listed on the Regulated Market must inform the respective issuer and the German Federal Financial Supervisory Authority (BaFin) if they buy or sell shares or related financial instruments worth more than EUR 5,000 over the course of a calendar year.

During the year under review, the following **transactions requiring mandatory reporting** in the share of SLM Solutions Group AG (ISIN: DE000A111338, WKN: A11133) were recorded, which can also be accessed from the Investor Relations area of the company's website:

Date	Party	Transaction type	Number of shares	Price per share (in EUR)	Total volume (in EUR)
12/06/15	Uwe Bögershausen	Purchase	1,000	18.97823	18,978.23
22/06/15	Henner Schöneborn	Sale	150,000	19.0766	2,861,490.00
19/11/15	Marevest Beteiligungs GmbH	Purchase	8,900	16.889	150,312.10

	Directly held shares	Indirectly held shares	Total interest
Party Management Board			
Dr. Markus Rechlin (including via Marevest Beteiligungs GmbH)	0.52 %	0.05 %	0.57 %
Uwe Bögershausen	0.13 %	-	0.13 %
Henner Schöneborn and family	2.40 %	-	2.40 %*
Supervisory Board			
Hans-Joachim Ihde (via Ceresio GmbH)**	-	24.07 %	24.07 %

* Pursuant to a pooling agreement with Mr. Hans-Joachim Ihde (via Ceresio GmbH) as well as with Mr. Fabian and Mr. Roman Schöneborn, the joint voting rights interest in SLM Solutions Group AG amounts to 26.47 %

** Attribution via Ceresio GmbH, Lübeck, Germany, pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG)

*** Partial attribution via Marevest Beteiligungs GmbH

Takeover law disclosures pursuant to Section 315 (4) of the German Commercial Code (HGB)

1. Share capital composition: The share capital of SLM Solutions Group AG is divided into 17,980,867 no par value ordinary bearer shares (no par shares). Differing share classes do not exist. Each share is fully entitled to a vote and to dividends. Each share grants one vote at shareholders' general meetings in this context. Shareholders' rights and obligations otherwise derive from the regulations of the German Stock Corporation Act, especially from Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act (AktG).

2. Restrictions affecting share voting rights or transfers of shares: In the underwriting agreement, the Company has committed to an obligation vis-à-vis the underwriters that, during the period commencing on the date of the underwriting agreement and ending six months after the introduction of the shares to trading on the Frankfurt Stock Exchange, it will not, without the prior written consent of the joint bookrunners

(i) announce or effect an increase in the share capital of the Company using authorized capital;

(ii) submit a proposal for a capital increase to any meeting of the shareholders for resolution; or

(iii) announce to issue, effect or submit a proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; or

(iv) enter into a transaction or perform any action economically similar to those described in (i) to (iii) above.

The existing shareholders have, each separately and not jointly, committed to an obligation vis-à-vis each underwriter that, during the period commencing on the date of the underwriting agreement and ending twelve months after the introduction of the shares to trading on the Frankfurt Stock Exchange, they will not, without the prior written consent of the joint bookrunners

(i) offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the Company or any other securities of the Company, including securities convertible into or exercisable or exchangeable for shares of the Company;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction described in clause (i) above or this clause (ii) is to be settled by delivery of shares of the Company or such other securities, in cash or otherwise;

(iii) make any demand for, or exercise any right with respect to, the registration under US securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company or any derivatives thereon;

(iv) propose any increase in the share capital of the Company, vote in favour of such a proposed increase or otherwise support any proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; or

(v) enter into a transaction or perform any action economically similar to those described in (i) through (iv) above. This neither applies to the offer shares nor to shares to be sold by existing shareholders to members of the management and further employees of the companies of the SLM Group in connection with the IPO bonus. With regard to shares to be acquired in connection with the IPO bonus, each beneficiary undertook or is supposed to undertake that he/she will

(i) not sell, pledge or otherwise dispose of any of the acquired shares within a period of twelve months after the listing of the Company's shares on the Frankfurt Stock Exchange, and

(ii) sign any lock-up agreement that the underwriters require the beneficiaries to sign. With regard to shares to be acquired in connection with the bonus program, each participant undertook or is supposed to undertake vis-à-vis the existing shareholders that he/she will not sell, pledge or otherwise dispose of any of the shares allotted in connection with the non-cash capital increase within a period of twelve months after the receipt of these shares.

3. Direct or indirect interest in the share capital exceeding 10% of the voting rights as of 31 December 2015: Based on notifications that it has received about significant voting rights interests pursuant to Section 21 of the German Securities Trading Act (WpHG) and about directors' dealings pursuant to Section 15a of the German Securities Trading Act (WpHG), the Management Board is aware of the following direct or indirect interest in the share capital that exceed 10% of the voting rights:

	Number of voting rights	Share of voting rights
Hans-Joachim Ihde (via Ceresio GmbH, Lübeck, Germany)*	4,327,241	24.07%

* Pursuant to a pooling agreement with Mr. Henner Schöneborn, as well as with Mr. Fabian and Mr. Roman Schöneborn, the joint voting rights interest in SLM Solutions Group AG amounts to 26.47%.

4. Shares with special rights conveying controlling powers do not exist.

5. A voting rights control of the share capital by participating employees does not exist.

6. Statutory regulations and bylaw provisions concerning the appointment and recall from office of Management Board members and concerning bylaw amendments:

- The **appointment and recall from office of Management Board members** is regulated in **Sections 84 and 85** of the German Stock Corporation Act (AktG). Accordingly, the Supervisory Board appoints Management Board members for a maximum of five years. Reappointment or extension of period of office, in each case for a maximum of five years, is permitted. Pursuant to Section 5 of the company's bylaws, the Management Board can consist of one or several individuals. The Supervisory Board appoints Management Board members according to the provisions of the German Stock Corporation Act (AktG), and determines the number of Management Board members. The Supervisory Board can appoint one member to be the Management Board Chair (CEO). Pursuant to Section 84 (3) of the German Stock Corporation Act (AktG), the Supervisory Board can revoke both Management Board appointments and the Management Board Chair (CEO) appointment if good justification exists.
- **Sections 133 et seq.,** 179 et seq. of the German Stock Corporation Act (AktG) set out statutory regulations for bylaw amendments. These require AGM approval, as a matter of principle. AGM resolutions require a majority comprising at least three quarters of the share capital represented when resolutions are passed. The bylaws can determine another share capital majority, although only a larger share capital majority applies for an amendment to the company's business purpose.

7. Management Board authorisations, especially relating to the ability to issue or repurchase shares: The Management Board can issue new shares only on the basis of AGM resolutions relating to increasing the share capital, or issuing approved and contingent share capitals.

8. Significant agreements do not exist on the part of the company that are subject to a change of control as a consequence of a takeover offer.

9. Compensation agreements exist on the part of the company that have been entered into with Management Board members or employees for the instance of a change of control. For the instance that the interest of the shares held or controlled either directly or indirectly by Mr. Ihde were to fall below a total of 25% of the share capital, one Managing Director of SLM Solutions GmbH has been granted a special right of termination. If this Managing Director were to utilise this special right of termination, the Managing Director would be entitled to the compensation that would have been paid without the exercising of the special termination right until the regular end of his employment agreement, albeit for no longer than nine months. A 100% target attainment rate is imputed in relation to variable compensation in this context.

Compensation

The compensation scheme for the Management and Supervisory boards of SLM Solutions Group AG is based on the respective individuals' responsibilities and tasks, and in the existing variable components for the Management Board takes into account the company's financial and business position. The Supervisory Board consults about and approves the Management Board's compensation. The current compensation structure was set in the service agreements that were extended in 2015. The existing employment contracts were supplemented with a long-term incentive program (LTI) during the year under review. Compensation for individual members of the Management Board comprises both fixed and variable components, in compliance with the German Corporate Governance Code. In the previous year, the so-called "Retention Bonus Program" was granted as a component with long-term incentive effect. In line with a resolution from the Management and Supervisory boards, the Bonus Program was changed into a cash payment program with regard to the type of fulfilment for all employees in 2015 and is shown as fixed compensation in financial year 2015. In the previous year, specific members of the Management Board were granted IPO bonuses in connection with the IPO. The IPO bonuses were fully repaid by the existing shareholders of the company and were fully used to buy shares with a holding period of at least 12 months. It is shown as share-based compensation in 2014. For one member of the Management Board a defined benefit plan exists from his long experience in a leading role at SLM Solutions GmbH. The pension plan generally corresponds to commitments granted to other employees and provides for retirement, disability and widow's pension. The amount of old-age or disability pension amounts to 15 % of pensionable remuneration (less gross salary without fringe benefits) and increases after the waiting period of 10 years of service by 1 % per additional year of service up to max. 35 %. The widow's pension amounts to 50 % of the pension to which the spouse was entitled or eligible.

Management Board compensation for the 2015 fiscal year amounted to TEUR 1,116 and breaks down as follows:

Management Board compensation

in TEUR	Herr Dr. Rechlin	Herr Bögershausen	Herr Schöneborn	Total
Fixed compensation 2015	225	476*	212	913
Fixed compensation 2014	201	191	102	494
Performance-based compensation 2015	75	75	20	170
Performance-based compensation 2014	50	50	0	100
Share-based compensation 2015	0	0	0	0
Share-based compensation 2014	3,165	1,082	0	4,247
Additional benefits 2015	9	8	16	33
Additional benefits 2014	0	0	0	0
Retirement benefits 2015	0	0	40	40
Retirement benefits 2014	0	0	42	42
Total remuneration 2015	309	559	288	1,156
Total remuneration 2014	3,416	1,323	144	4,883

* Thereof TEUR 261 (previous year: TEUR 0) for retention bonus

Both of the following tables present the allocations granted for the 2015 fiscal year, including the achievable maximum and minimum compensation in the case of variable components as well as the payments received by the Management Board members, in line with the requirements of the German Corporate Governance Code.

Granted allocations

in TEUR	Fixed compen-sation	Share-based compen-sation	Retirement benefits	Sum	Performance-based compen-sation	Total compen-sation
Herr Dr. Rechlin						
Target amount 2014	201	3,165	0	3,366	50	3,416
Target amount 2015	225	0	0	225	75	300
Minimum amount 2015	225	0	0	225	0	225
Maximum amount 2015	225	0	0	225	90	315
Herr Bögershausen						
Target amount 2014	191	1,082	0	1,273	50	1,323
Target amount 2015	476*	0	0	476	75	551
Minimum amount 2015	476	0	0	476	0	476
Maximum amount 2015	476	0	0	476	90	566
Herr Schöneborn						
Target amount 2014	102	0	42	144	0	144
Target amount 2015	212	0	40	252	20	272
Minimum amount 2015	212	0	40	252	0	252
Maximum amount 2015	212	0	40	252	20	272

* Thereof TEUR 261 (previous year: TEUR 0) for retention bonus

Payments

in TEUR	Fixed compen-sation	Share-based compen-sation	Sum	Performance-based compen-sation	Total compen-sation
Dr. Rechlin					
2014	201	3,165	3,366	21	3,387
2015	225	0	225	50	275
Mr. Bögershausen					
2014	191	791	982	17	999
2015	476*	0	476	50	526
Mr. Schöneborn					
2014	102	0	102	0	102
2015	212	0	212	0	212

* Thereof TEUR 261 (previous year: TEUR 0) for retention bonus

In addition to the Management Board employment contract, the Management Board members receive another compensation component with a long-term incentive, which applies for the duration of their work on the Management Board. The LTI program is designed in such a way that stock appreciation rights (SAR) are allocated to Management Board members under certain conditions. Based on the percentage of appreciation in the share price of SLM Solutions Group AG and in accordance with a sliding scale, the maximum value of the annually payable SAR is TEUR 150 per Management Board member.

The rights are allocated on an annual basis and for the first time on 10 July 2016 based on the development of the share price during the previous year period. As part of this, the respective reference prices are set by the Supervisory Board based on the share prices from May/June respectively. The entitlement to a pay-out for the issued SAR exists two years later, providing no extraordinary events occur, i.e. the payment entitlement for the year 2015/2016 becomes valid on 20 July 2018. The amount of the pay-out is then determined by multiplying the total number of SARs issued with the Company's share price on the day their payment entitlement becomes valid. Payment can be made in shares or in the form of a cash payment. The decision on this is made by the Supervisory Board. If the share price on this day is 200% above the starting price used of EUR 18.00, then this is capped at a share price of EUR 54.00.

In line with a resolution from the AGM on 17 April 2014, the members of the Supervisory Board receive a fixed compensation of EUR 18,000.00 per member payable after the conclusion of the fiscal year in addition to the reimbursement of their expenses. The Chairman of the Supervisory Board receives an additional EUR 36,000.00, while the Deputy Chairman of the Supervisory Board receives an additional EUR 18,000.00.

Supervisory Board compensation

in TEUR	**2015**	**2014**
Compensation for Supervisory Board activities	162	124
Total	**162**	**124**

Lübeck, March 21, 2016

The Management Board

CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

Consolidated statement of financial position
as of 31 December 2015

in TEUR	Note	31/12/15	31/12/14	01/01/14
Assets		**129,920**	**112,175**	**35,595**
Current assets		**95,212**	**89,719**	**14,569**
Cash and cash equivalents	15	39,920	63,563	2,404
Trade receivables	16	26,341	12,147	5,803
Other financial assets	16	5,179	0	0
Inventories	17	21,663	11,964	5,928
Current tax receivables		120	163	172
Other assets	18	1,989	1,882	262
Non-current assets		**34,708**	**22,456**	**21,026**
Intangible assets	19	21,638	19,892	18,971
Property, plant and equipment	20	13,032	2,504	2,051
Other assets		37	39	4
Deferred tax assets	14	0	21	0
Equity and liabilities		**129,920**	**112,175**	**35,595**
Current liabilities		**23,521**	**9,180**	**4,706**
Trade payables and other liabilities*		11,121	6,124	3,097
Other financial liabilities*	24	9,849	1,768	1,167
Provisions	22	2,551	1,288	442
Non-current liabilities		**7,394**	**5,950**	**16,169**
Financial liabilities	21	0	0	7,968
Pensions and similar obligations	23	4,375	4,544	3,061
Deferred tax liabilities	14	2,497	1,166	5,167
Provisions	7; 24	522	240	0
Equity	**25**	**99,004**	**97,045**	**14,693**
Subscribed share capital		17,981	17,981	81
Additional paid-in capital		85,041	85,551	15,085
Retained earnings		–3,675	–5,835	–736
Other reserves		–343	–652	263

* To improve the clarity and in closely following IAS 1.54, the classifications in the statement of financial position have been modified for the 2015 fiscal year. For a more detailed description pursuant to IAS 1.41, please see Notes 21 and 22.

Consolidated income statement
for the fiscal year from 1 January 2015 to 31 December 2015

in TEUR	Note	2015	2014
Revenue	10	66,137	33,559
Changes in inventories of finished goods and work-in-progress		8,434	3,268
Other work performed by the company and capitalised	19	4,082	2,430
Total operating revenue		**78,654**	**39,257**
Cost of materials	8	–42,265	–21,040
Gross profit		**36,388**	**18,217**
Personnel costs	9	–16,788	–14,328
Other operating income	11	1,557	1,443
Other operating expenses	12	–14,298	–10,507
EBITDA		**6,860**	**–5,175**
Depreciation, amortisation and impairment losses	19; 20	–3,250	–2,147
Operating profit or loss (EBIT)		**3,610**	**–7,322**
Interest income		97	0
Interest and similar expenses	13	–111	–240
Earnings before tax (EBT)		**3,595**	**–7,562**
Income taxes	14	–1,435	2,463
Consolidated net profit/loss for the period		**2,160**	**–5,099**
of which attributable to parent company owners		2,160	–5,099
Basic (undiluted) earnings per share in EUR	25	0.12	–0.30
Diluted earnings per share in EUR	25	0.12	–0.23

Consolidated statement of comprehensive income

for the fiscal year from 1 January 2015 to 31 December 2015

in TEUR	Note	2015	2014
Consolidated net profit/loss for the period		**2,160**	**– 5,099**
Other income, items not to be reclassified to profit or loss			
Actuarial gains and losses	25	226	– 928
Items to be reclassified to profit or loss:			
Exchange rate translation differences	25	83	14
Consolidated total comprehensive income		**2,469**	**– 6,013**
of which attributable to parent company owners		2,469	– 6,013

Consolidated statement of cash flows
for the fiscal year from 1 January 2015 to 31 December 2015

in EUR	Note	2015	2014
Cash flows from operating activities			
Consolidated net profit or loss		2,160	– 5,099
Depreciation, amortisation and impairment losses		3,250	2,147
Tax result according to income statement		1,435	– 2,836
Interest expense		111	240
Interest income		– 97	
Other non-cash expenses		1,277	1,055
Change in assets and liabilities:		– 15,500	– 8,831
Inventories		– 9,700	– 5,484
Receivables		– 14,151	– 6,344
Pension liabilities		– 160	447
Liabilities		4,997	1,841
Provisions		– 240	541
Other payables		3,856	168
Other assets and liabilities		– 103	– 2,836
Cash flows from operating activities		**– 7,364**	**– 13,324**
Cash flows from investing activities			
Purchases of property, plant and equipment, and intangible assets	20	– 7,218	– 1,998
Work performed by the enterprise and capitalised	19	– 4,082	– 2,430
Proceeds from the sale of property, plant and equipment, and intangible assets		0	356
Cash flows from investing activities		**– 11,300**	**– 4,072**
Cash flows from financing activities			
Other payments (reimbursements) from shareholders	7	0	7,462
Capital injection from IPO*		0	71,189
Repayment of loans		– 38	– 18
Interest paid		– 20	– 132
Capital contribution		– 5,002	0
Cash flows from financing activities		**– 5,060**	**78,501**
Net increase (decrease) in cash and cash equivalents		**– 23,724**	**61,105**
Change in financing funds due to exchange rate changes		81	54
Financing funds at start of period		63,563	2,404
Financing funds at end of period (as recognised in consolidated statement of financial position)	15	39,920	63,563
Fixed term deposits	15	– 32	– 32
Financing funds at the end of the period		**39,888**	**63,531**

* In 2014 gross inflow of TEUR 75,000 less transaction costs of TEUR 3,811 (see explanatory notes under Note 7)

Consolidated statement of changes in equity

for the fiscal year from 1 January 2015 to 31 December 2015

in TEUR	Note	Subscribed capital	Capital reserve	Consolidated retained earnings	Other reserves	Total	Minority holding	Total equity
Balance as at 1 January 2014		**81**	**15,085**	**–736**	**263**	**14,693**	**0**	**14,693**
Total comprehensive income		0	0	–5,099	–914	6,013	0	–6,013
Capital increase from company funds		13,733	–13,733	0	0	0	0	0
Capital increase from IPO	7	4,167	68,199	0	0	72,366		72,366
Reimbursements by shareholders*	25	0	7,462	0	0	7,462	0	7,462
Non-cash capital contribution**	25	0	8,028	0	0	8,028	0	8,028
Net bonus amount for the purchase of shares		0	510	0	0	510	0	510
Balance as at 31 December 2014		**17,981**	**85,551**	**–5,835**	**–652**	**97,045**	**0**	**97,045**
Total comprehensive income		0	0	2,160	309	2,469	0	2,469
Release of the net bonus amount***	7	0	–510	0	0	–510	0	–510
Balance as at 31 December 2015		**17,981**	**85,041**	**–3,675**	**–343**	**99,004**	**0**	**99,004**

* Reimbursement of IPO transaction costs of TEUR 1,812 and of the IPO bonus of TEUR 5,650 by previous shareholders.

** Capital contribution of loans plus interest by previous shareholders Parcom Deutschland I GmbH & Co. KG

*** Reversal of the amount entered in equity in the 2014 fiscal year in relation to the planned acquisition of shares from the retention bonus program (explained in Note 7)

SLM Solutions Group AG, Lübeck

Notes to the consolidated financial statements as of 31 December 2015

Note 1) Information about the company

The accompanying consolidated financial statements present the operations of SLM Solutions Group AG ("the Company" or "SLM AG") with its registered office in Lübeck, Germany, and its subsidiaries (collectively "the Group"). SLM AG is the ultimate parent company within the Group.

SLM AG is a company based in Germany and headquartered at Roggenhorster Strasse 9c, 23556 Lübeck, being registered under commercial register sheet number 13827 at Lübeck District Court.

The Group is active in the field of metal-based additive manufacturing technology ("3D printing"). Note 3 presents information about ultimate parent entities.

The preparation of the consolidated financial statements was completed on 21 March 2016 and will likely be approved by the Supervisory Board for publication on 24 March 2016. After its publication, there is no opportunity to amend the consolidated financial statements.

Note 2) Basis of preparation

The consolidated financial statements were prepared in line with the principles of International Financial Reporting Standards (IFRS), as applicable in the European Union, as well as with additional applicable provisions pursuant to Section 315a (1) of the German Commercial Code (HGB).

The consolidated financial statements have been prepared on a historical acquisition and production cost basis and are presented in thousands of euros (TEUR). Minor differences in figures can occur as the result of commercial rounding.

Note 3) Consolidation

Subsidiaries

The consolidated financial statements are comprised of the financial statements of SLM Solutions Group AG and its controlled subsidiaries.

Subsidiaries are consolidated from the point in time at which the Company gains control over the subsidiaries and until the point in time at which the Company's control ends. As part of this, the results from the subsidiaries acquired or sold during the course of the year are recorded accordingly from the actual date of acquisition until the actual disposal date in the consolidated income statement and the Group's other comprehensive income. SLM AG controls an investee when it is exposed or has rights to variable financial returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, applying consistent accounting and measurement methods. To the extent required, the annual financial statements of the subsidiaries are adjusted to align the accounting and measurement methods with the methods used within the Group. All internal Group assets, liabilities and equity, expenses and income, unrealised gains and losses resulting from intragroup transactions, and dividends, are eliminated in the context of consolidation.

The consolidated financial statements comprise the separate annual financial statements of the parent company SLM Solutions Group AG, Lübeck, and the separate annual financial statements of the following companies in which SLM AG directly or indirectly holds the majority of the voting rights:

Name	**Interest in %**
SLM Solutions GmbH, Lübeck	100
SLM Solutions NA, Inc., Michigan / USA	100
SLM Solutions Singapore Pte, Ltd	100
SLM Solutions Shanghai Co. Ltd. (founded in the 2015 fiscal year)	100
SLM Solutions RUS OOO (founded in the 2015 fiscal year)	100

Compared to the 2014 fiscal year, the only changes relate to the foundation of SLM Solutions Shanghai Co. Ltd. and SLM Solutions RUS OOO. The changes of the scope of consolidation have no influence on the comparability of the previous year.

Joint arrangements

Joint arrangements comprise contractual arrangements through which two or more persons jointly conduct business activities, and which have agreed joint control in relation to such activities. A distinction is to be made in this context between jointly controlled operations and joint ventures. The rights and obligations of the parties involved comprise the decisive characteristic in this context. If such rights and obligations exist in relation to the individual assets and liabilities of the joint arrangement, a jointly controlled operation exists. If such rights and obligations exist in relation to the net assets, a joint venture exists.

On 26 May 2014, SLM concluded a cooperation agreement with Singapore-based Nanyang Technological University (NTU), which runs until 18 August 2019. This entailed agreeing close cooperation in research and development activities in additive manufacturing technologies. Both parties are to contribute their respective expertise in this context. The cooperation agreement comprises joint activity relating to research, and the development of intellectual property. Both parties provide staff who jointly conduct the operating activities. The main business headquarters is located in Singapore.

Due to a lack of existing interests in net assets, this cooperation venture comprises a joint operation. The assets and liabilities of the joint operation are included proportionately in the consolidated financial statements of SLM AG to the extent that the contractual partners possess rights and obligations in relation to them.

Note 4) Summary of significant accounting policies

The accounting policies listed below have been applied on a uniform basis to all periods presented in these consolidated financial statements.

Foreign currency translation

USA-based subsidiary SLM Solutions NA (SLM US) has defined the US dollar as its functional currency. Singapore-based subsidiary SLM Solutions Singapore Pte Ltd (SLM SG) has defined the Singapore dollar, Shanghai-based subsidiary SLM Solutions Shanghai Co. Ltd. (SLM CN) defined the Chinese RMB and Moscow-based subsidiary SLM Solutions RUS OOO set the Russian RUB as its functional currency. The assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated applying the spot exchange rate at the end of the reporting period. The consolidated income statement is translated applying the average exchange rates for the period. Differences as a result of such translation are recorded directly in other comprehensive income and recognised directly in equity. Currency translation differences are reclassified in the income statement when foreign subsidiaries are sold.

The following exchange rates for the US dollar – SLM's most important currency outside the Eurozone – and for the Singapore dollar are applied in the consolidated financial statements:

	31 December		Fiscal year	
Currency	**2015**	**2014**	**2015**	**2014**
U.S. Dollar	1.089	1.210	1.110	1.340
SG Dollar	1.542	1.604	1.527	1.684
CNY	7.061	-	6.973	-
RUB*	80.674	-	72.366	-

* The average value RUB 72.366 was calculated based on a three-month period..

Transactions that are not denominated in an entity's functional currency are recognised applying the spot exchange rate on the date when the underlying transactions are initially recognised. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are translated to the functional currency applying the spot exchange rate prevailing at that date. Gains and losses from these foreign currency translations are recognised in profit or loss. On-monetary transactions denominated in foreign currencies are measured applying the historical spot exchange rate.

Revenue recognition

Revenue is recognised to the extent that the economic benefits will accrue to the Group, and such revenue can be reliably measured, irrespective of when the payment is rendered. Revenue is measured at the fair value of the consideration received or to be received, taking into account contractually defined payment terms, and excluding taxes. The following specific recognition criteria must also be met before revenue is recognised:

SLM generates revenue in the normal course of its business: revenue from the sale of goods is recognised when the significant risks and rewards entailed in ownership of the goods have transferred to the buyer, usually on delivery of the goods.

SLM renders services such as after-sales services. Revenues from service transactions are recognised when the services are rendered. Revenues from long-term service contracts are recognised straight-line over the contract term.

Government grants

In the normal course of its business, the Group receives government grants for its development activities. Government grants are recognised when it is reasonably certain that the conditions attached to the grants are met, and that the grants will be received. Grants awarded for the purchase or the production of property, plant and equipment (grants related to assets) are generally offset against the cost of the respective assets as soon as the development is finished, thereby reducing future depreciation and amortisation charges accordingly. Grants obtained for purposes other than property, plant and equipment (income-related grants) are reported in the consolidated income statement as other income in the period when such grants are received.

Product-related provisions

Provisions for estimated costs relating to product warranties are recognised under "raw materials and consumables used" on the date when the underlying sale is recognised. The estimates are based on historical empirical data for warranty costs. In the case of new products, expert opinions and industry data are also taken into consideration in estimating product warranty provisions.

Research and development costs

SLM is a highly innovative group, and consequently focuses on research and development. Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge are expensed as incurred.

Costs for development activities where findings are applied to a plan or design for the production of new or substantially improved products and processes are capitalised if

(1) development costs can be measured reliably, the product or process is
(2) technically and
(3) commercially feasible,
(4) future economic benefits are probable and
(5) SLM intends to complete development and to use or sell the assets, and
(6) has sufficient resources.

The capitalised costs comprise directly attributable expenditure that serves to prepare the asset for use, such as cost of materials, and direct and indirect labour costs. Such capitalised costs are reported under "intangible assets". Other development costs are expensed as incurred.

Intangible assets

The development costs for new technologies and products are capitalised as intangible assets, provided the recognition criteria of IAS 38 are met. Acquired intangible assets with an ascertainable useful life are recorded at cost less accumulated amortisation and impairment losses. Intangible assets acquired as part of a business combination are recorded separately from goodwill and measured at fair value on the date of acquisition. In the following periods, just like the individual acquired intangible assets, they are recorded at cost less accumulated amortization and impairment losses. Capitalised development costs, as well as all other intangible assets, are amortised straight-line from the commencement of utilisation over the expected product life-cycle, which normally amounts to four years. Amortisation charges applied to intangible assets are recognised under amortisation expenses in the consolidated income statement. The Group has no intangible assets with indefinite useful lives. The intangible assets' useful lives are as follows:

Fundamental technology assets	15 years
Customer base	10 years
Order book position	1 year
Other intangible assets	4–5 years

Property, plant and equipment

Property, plant and equipment which underlie wear and tear, and that are utilised within the company for longer than one year are measured at cost less depreciation and impairment losses. Property, plant and equipment are depreciated straight-line over their economic useful lives. To the extent that they comprise qualifying assets, borrowing costs are included in cost pursuant to IAS 23.Maintenance and repair costs are recognised as expenses as incurred. Gains and losses from the disposal of assets are reported under other operating income or expenses in the consolidated income statement. Depreciation is based principally on the following useful lives:

Technical machinery and equipment	4 to 15 years
Furniture and office equipment	5 to 15 years

Where indications of impairment exist, and where the recoverable amount is less than cost, the assets are written down to the recoverable amount.

Impairment of property, plant and equipment, and non-monetary assets

The company reviews property, plant and equipment, and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount has become impaired. Intangible assets that cannot yet be utilised are also tested annually for impairment. Recoverability of assets is measured by comparing the carrying amount of the asset to its recoverable amount, which comprises the higher of the asset's value-in-use and its fair value less costs of disposal. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, impairment testing is performed at the level of the cash-generating unit to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets or cash-generating unit exceeds their recoverable amount. If fair value cannot be determined, the assets' value-in-use is applied as their recoverable amount. The assets' value-in-use corresponds to the present value of their estimated future cash flows. If indications exist that the reasons for the impairment no longer exist, an examination is conducted as to whether full or partial reversal of an impairment loss is required (exception: goodwill).

Income taxes

The income tax expense for the period consists of current and deferred taxes. Taxes are recorded in the income statement, unless they relate to items which are directly recognised in equity or in other comprehensive income. In this case, the taxes are also recognised in equity or in other comprehensive income.

Current taxes are measured on the basis of the profit or loss during the fiscal year as calculated applying local tax regulations. This also takes into account expected and rendered additional tax payments or tax refunds for previous years.

Under the liability method, deferred tax assets and liabilities are recognised for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities as recognised in the financial statements, and their taxable base value (tax base). The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the income statement (unless related to items directly recognised in equity) in the period when the new laws are enacted or substantively enacted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unutilised tax losses, and unutilised tax credits, can be utilised. Deferred taxes relating to items recognised directly in equity are also recognised directly in equity. One special rule applies here for the capitalisation of deferred tax assets on loss carryforwards. These are only to be capitalised if it is highly likely that sufficient taxable profit will be available to offset losses in future.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities, and if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities, if the balance is to be settled on a net basis.

Inventories

Inventories are measured at cost or net realisable value, whichever is lower on the balance sheet date. Purchase costs are measured, as a matter of principle, on the basis of average value or applying the first-in, first-out method. Production costs comprise direct costs of materials, labour costs and applicable manufacturing overheads, including depreciation charges.Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated selling costs.

Defined benefit plans

SLM only grants plans that are not covered by capital, and measures claims deriving from defined benefit plans by applying the projected unit credit method. In determining the net present value of the future benefit entitlement for services already rendered (defined benefit obligation – DBO), SLM takes into account future compensation and benefit increases if the employee's final benefit entitlement at regular retirement age depends on future compensation or benefit increases.

SLM recognises actuarial gains and losses (resulting from an adjustment to the discount rate, for example) in full, and net of tax, in other comprehensive income in the year in which they occur.

Provisions

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Additions to provisions and reversals are generally recognised in the consolidated income statement.

Financial instruments

Financial instruments are contracts that result in the origination of a financial asset at one contractual party, and in the origination of a financial liability or an equity instrument at the other contractual party. The company's financial instruments primarily comprise cash and cash equivalents, and trade receivables, as well as other financial assets. SLM holds no financial instruments that classify as "held to maturity", "fair value through profit and loss" or "available-for-sale". The company's financial liabilities chiefly comprise trade payables, other liabilities as well as other financial liabilities. SLM does not exercise the option to designate financial assets or financial liabilities as at fair value through profit or loss on initial recognition (fair value option).

Financial instruments are recognised when SLM becomes a contractual party to the instrument.

Financial instruments are measured at fair value on initial recognition. If the financial instruments are not measured at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition or issue of financial instruments are recognised. Subsequent measurement depends on their categorisation.

An impairment loss is recognised if objective indications exist that impairment has already occurred as a consequence of an event occurring after first-time recognition of the asset, and such a loss-incurring event has effects on its estimated future cash flows.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and other highly liquid assets with terms of a maximum of three months on acquisition. These are measured at cost.

Loans and receivables

Financial assets categorised as loans and receivables are initially measured at fair value and then at amortised cost applying the effective interest method, less any impairment losses. The company examines whether substantial evidence exists of impairment following initial recognition (in other words, it is highly probable that the borrower will become insolvent or the obligor is in considerable financial difficulties). The company determines the extent of the impairment on the basis of expected future cash flows. Impairment losses on trade and other receivables are generally recorded in separate allowance accounts. Loans and receivables with a term of more than one year are discounted.

Financial liabilities

Financial liabilities are measured at cost applying the effective interest method.

Financial assets are derecognised if the rights to payments from the financial assets have expired or been transferred, and the Group has essentially transferred all risks and opportunities connected with the ownership.

SLM does not deploy any derivative financial instruments.

Leasing

A leasing relationship refers to an agreement in which the lessor transfers the right to use an asset to a lessee for an agreed period in return for a payment or a series of payments. The issue of allocating the rental property depends on whether the relationship is finance leasing or operating leasing. In the case of finance leasing, all risks and opportunities connected with the ownership of the rental property are essentially transferred. The right of ownership can be transferred in this case. Operating leasing is a leasing relationship that does not represent a finance leasing agreement. SLM is both a lessor and a lessee as part of its business activities.

Note 5) New financial reporting regulations

Compared with the consolidated financial statements of SLM Solutions Group AG as of 31 December 2014, the following standards and interpretations required mandatory application in the fiscal year under review:

IFRIC 21 Levies

This standard was published on 20 May 2013, and must be applied for fiscal years commencing on or after 17 June 2014. IFRIC 21 contains guidelines for when a liability is recognised for a government-imposed levy. The interpretation applies both for levies which are accounted as provisions, contingent liabilities and contingent assets in line with IAS 37, and levies for which the date and amount is known. IFRIC 6 remains valid and in harmony with IFRIC 21.

The IFRIC 21 regulations are not relevant for the SLM Solutions Group.

Compared with the consolidated financial statements of SLM Solutions Group AG as of 31 December 2014, the following changes to standards and interpretations required mandatory application for the first time in the fiscal year under review:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment was published on 12 December 2013, and must be applied for fiscal years commencing on or after 1 January 2015.

The change clarifies the choice that a company has in its first IFRS financial statements between applying currently effective IFRS and the early adoption of new or revised IFRS that is not yet mandatorily effective.

The changes to IFRS 1 are not relevant for the SLM Solutions Group.

IFRS 3 Business Combinations

This amendment was published on 12 December 2013, and must be applied for fiscal years commencing on or after 1 January 2015.

The change clarifies the scope of application of IFRS 3. According to this, the formation of all types of joint arrangements is excluded from the scope of application of IFRS 3. The exclusion from the scope of application is only applicable for the conclusion of the joint arrangement itself and not for the financial statements of the companies involved in the joint arrangement.

The change is generally relevant as in 2014 a cooperation agreement was concluded with the Singapore-based Nanyang Technological University (NTU) which is to be classified as a joint operation (see Note 3). However, significant effects did not arise in the year under review.

IFRS 13 Fair Value Measurement

This amendment was published on 12 December 2013, and must be applied for fiscal years commencing on or after 1 January 2015. The changes clarify the scope of the portfolio exceptions in IFRS 13.52.

The IFRS 13 regulations are generally relevant for the SLM Solutions Group. Significant effects did not arise as a result of the change in the year under review.

IAS 40 Investment Property

This amendment was published on 12 December 2013, and must be applied for fiscal years commencing on or after 1 January 2015. The changes clarify the limitations of IFRS 3 and IAS 40. If a transaction fulfils the prerequisites of a business combination pursuant to IFRS 3 and is part of an investment property transaction, both IFRS 3 and IAS 40 are to be applied (independently of one another) (IAS 40.14A). According to this, the acquisition of investment property can fulfil the prerequisite for the acquisition of an individual asset (or group) but also that of a business combination within the meaning of IFRS 3.

The IAS 40 regulations are generally relevant for the SLM Solutions Group. Significant effects did not arise as a result of the change in the year under review.

New standards and interpretations not yet mandatorily applicable

The IASB and IFRS IC have also issued the following standards, interpretations and amendments to existing standards, whose application is not yet mandatory for SLM Solutions Group AG.

The standards have not been applied voluntarily, to the extent that such voluntary application is permissible:

Issue date	Standard / interpretation	Amendment / new regulation	EU adoption date	Adopted by the EU
24 July 2014	IFRS 9 "Financial Instruments"	Guidelines on the accounting treatment of financial instruments	Fiscal years commencing on or after 1 January 2018	no
30 January 2014	IFRS 14 "Regulatory Deferral Accounts"	Accounting treatment of regulatory deferral accounts	Fiscal years commencing on or after 1 January 2016	no
28 May 2014	IFRS 15 "Revenue from Contracts with Customers"	Accounting regulations relating to the timing and level of revenue recognition	Fiscal years commencing on or after 1 January 2018	no
11 September 2014	Amendment to IFRS 10 and IAS 28	Sale or transfer of assets between an investor and an associate or joint venture	Fiscal years commencing on or after 1 January 2016	no
18 December 2014	Amendment to IFRS 10, IFRS 12 and IAS 28	Application of investment entities' exemption from consolidation requirement	Fiscal years commencing on or after 1 January 2016	no
21 November 2013	Amendment to IAS 19	Defined benefit plans: Employee Contributions	Fiscal years commencing on or after 1 February 2015	yes
12 December 2013	Improvements to IFRS (2010-2012)	Amendments to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 7, IAS 16 / 38 and IAS 24	Fiscal years commencing on or after 1 February 2015	yes
30 June 2014	Amendment to IAS 16 and IAS 41	Accounting treatment of bearer plants	Fiscal years commencing on or after 1 January 2016	yes
6 May 2014	Amendment to IFRS 11	Guidelines for the accounting treatment of acquisitions of interests in a joint venture	Fiscal years commencing on or after 1 January 2016	yes
12 May 2014	Amendment to IAS 16 and IAS 38	Application of the revenue-based depreciation method	Fiscal years commencing on or after 1 January 2016	yes
25 September 2014	Improvements to IFRS (2012-2014)	Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	Fiscal years commencing on or after 1 January 2016	yes
18 December 2014	Amendment to IAS 1	Clarification of specific disclosures in the notes to financial statements	Fiscal years commencing on or after 1 January 2016	yes
12 August 2014	Amendment to IAS 27	Reintroduction of the option to apply the equity method in an investor's separate financial statements for interests in subsidiaries, joint ventures and associates	Fiscal years commencing on or after 1 January 2016	yes

To the extent that their content is of relevance, SLM Solutions Group AG will prospectively not apply any of the above-listed standards until the respective mandatory first-time application date. The impacts of the future application of IFRS 9 and IFRS 15 on the consolidated financial statements are not currently known and are being examined. On the basis of current knowledge, it is not expected that future application of any amendments that extend above and beyond these will result in any significant effects on the consolidated financial statements.

Note 6) Estimates and assumptions

To prepare the consolidated financial statements, estimates and assumptions are required to a certain degree that affect the measurement and presentation of assets, liabilities, and of income and expenses. In doing so, all available information is taken into account. Basic assumptions and estimates relate to the capitalisation of development costs, the measurement of intangible assets, the determination of useful economic lives, the calculation of deferred tax claims, the extent to which receivables have retained their value, the recognition and measurement of provisions, as well as sensitivity analyses performed in accordance with IFRS 7. Particularly important are also estimation uncertainties resulting from the current tense interest situation, which relate to the amount of the reported pension provisions. As a result, the values that actually result may differ from the estimates. New information is taken into account as soon as it is available. As of the date when these consolidated financial statements were prepared, it was assumed that no significant changes had arisen compared with the assumptions and estimates.

Note 7) Effects of the successful IPO on the financial position and performance of SLM Solutions Group AG

On 9 May 2014, the IPO was successfully implemented. This led to one-off expenses for the 2014 fiscal year which were not allocated to operating business. In contrast, no such one-off expenses were incurred in the 2015 fiscal year. In an effort to provide a better understanding of the operating business development, the one-off expenses in the 2014 fiscal year are listed separately as follows:

		Until December 2014	
Expenses*	**Level**	**Reimbursement****	**Net charge for the company**
Preliminary costs	264	140	124
Advisory costs	1,313	547	766
Auditing costs	822	433	389
Bank fees	3,147	130	3,017
Insurance	1,065	562	503
IPO bonus	5,650	5,650	0
	12,261	7,462	4,799

* Some of these expenses are reported directly in equity, and some of them are recognised as expenses in the income statement (see below).

** The reimbursement is shown as a deposit by shareholders outside the scope of the statement of comprehensive income.

These one-off expenses significantly affected the company's net financial position and performance in the 2014 fiscal year. Of the total IPO costs of TEUR 12,261, expenses of TEUR 3,811 are to be offset directly with additional paid-in capital, without impact on profit or loss, in accordance with IAS 32. Of the difference of TEUR 8,450, an amount of TEUR 5,650 is reported in personnel costs, and an amount of TEUR 2,800 in other operating expenses.

The previous shareholders obligated themselves to proportional compensation of the expenses connected with the successfully implemented IPO, as the previous shareholders' existing shares were placed alongside newly issued shares. The level of the reimbursement was calculated after taking all costs into account, and amounts to TEUR 1,812 (net). The reimbursement is presented as an additional contribution to equity in the IFRS consolidated financial statements 2014.

SLM AG staff were granted a bonus (retention bonus) for the period following the IPO. In addition, staff who were significantly involved in the IPO were granted a further bonus (IPO bonus). Both bonus payments are tied to the share's initial listing price, although only the retention bonus resulted in impacts on the 2015 fiscal year. In an effort to provide a better understanding of the overall transaction, information is also provided on the IPO bonus in the following.

IPO bonus

The staff are obligated to utilise their payment entitlements (less statutory social security contributions and taxes) to purchase the previous shareholders' shares. The basis value for determining the bonus payment is derived from the value of all old shares after the company was converted into a German public stock corporation ("Aktiengesellschaft") in accordance with the issue proceeds achieved, deducting the previous shareholders' investment (less IPO costs). The entitlement is derived by multiplying the basis value by a specific percentage rate. The granting of the IPO bonus is to be treated as a cash-settled share-based payment transaction.

The shareholders have committed themselves to fully reimburse the IPO bonus. This reimbursement of TEUR 5,650 is shown as an additional contribution to equity. The reimbursement of the IPO bonus occurs according to the interest held in the share capital by the previous shareholders before the IPO. The reimbursement of the other transaction costs occurs according to the shares in the issue proceeds of the previous shareholders and of the company.

Retention bonus

The bonus agreement concluded in 2014 stipulated that starting with the IPO, for each year of employment over a period of three years an entitlement exists for selected employees and one member of the management board to a retention bonus that relates at least to the average share price during the 3-month period following initial issue, although it can also correspond to the current share price on the respective bonus exercise date. For the first commitment, a determination of the entitlement based on this is made for the next three years after successful initial listing. An identical entitlement exists for twelve months respectively. The individual entitlement is based on the respective work performance pro rata temporis with expiry of every contractual year. The pay-out entitlement when a tranche falls due is in each case one third of the originally committed amount (i.e. TEUR 943 per tranche). Outstanding entitlements lapse if an employee leaves the company during the related duration.

An entitled employee receives three commitments that provide for service period conditions of one, two and three years. Expense offsetting then takes place for every individual commitment depending on the fulfilment of service period conditions. As a result the following system applies for expense offsetting in relation to time:

in EUR	12 months	24 months	36 months
Tranche 1	100 % (of tranche 1)		
Tranche 2	50 % (of tranche 2)	50 % (tranche 2)	
Tranche 3	33 % (of tranche 3)	33 % (of tranche 3)	33 % (of tranche 3)

According to the bonus agreement, the beneficiaries were obligated in 2014 to contribute the bonus entitlement as part of a non-cash capital increase against the granting of shares in SLM AG, and to hold them for a period of at least twelve months. A commitment with agreed equity settlement existed. With the resolution of the Supervisory Board from May 2015, the obligation to make a contribution in exchange for the granting of shares was cancelled and the program was reclassified in terms of its fulfilment type into a pure cash payment program. As a result, the determined and as yet unpaid portion of the bonus amount totalling TEUR 1,305 (previous year: TEUR 545). As a result, there was an increase in the provision in the 2015 fiscal year on the back of the reduction in equity of TEUR 510.

Deviating from this, in the interim report as of 30 June 2015 the reversal of the capital reserve was recorded in other operating income and the addition to the provision in personnel costs. As a result, in the interim report as of 30 June 2015 the other operating income and personnel costs items were each presented TEUR 510 too high. This does not have any impact on the EBITDA, EBIT, earnings before taxes and the consolidated six-month net profit / loss or the basic / diluted earnings per share. Equally, this does not have any retroactive effect on previous fiscal years.

As of 31 December 2015, personnel costs of TEUR 1,277 (previous year: TEUR 1,055) for the retention bonus were recognised in the consolidated financial statements.

Measurement of the payment obligation as of 31 December 2015:

TEUR	First tranche	Second tranche	Third tranche
Fair value	0	943	940
Expense in the 2015 fiscal year	482	783	522

Measurement of the payment obligation as of 31 December 2014 (wage tax proportion):

TEUR	First tranche	Second tranche	Third tranche
Fair value	457	439	422
Expense in the 2014 fiscal year	305	146	94

Note 8) Cost of materials

in TEUR	2015	2014
Raw materials and consumables used	38,468	18,883
Costs of purchased services	3,796	2,157
	42,265	**21,040**

Note 9) Personnel costs

The average number of employees in fiscal year 2015 was 165 salary earners, 35 wage earners and 9 interns.

Payments to governmental defined contribution plans amount to TEUR 849 in 2015.

in TEUR	2015	2014
Wages and salaries	14,806	13,344
Statutory social welfare contributions and expenses for optional support payments	1,913	953
Expenses relating to pension plans and employee benefits	69	31
	16,788	**14,328**

Note 10) Revenue

Revenue is categorised as follows:

in TEUR	2015	2014
Sale of machines and replacement parts	61,677	29,038
Sale of merchandise	3,259	3,844
Rendering of services	1,201	677
	66,137	**33,559**

Note 11) Other operating income

Other operating income is categorised as follows:

in TEUR	2015	2014
Currency gains	1,016	1,093
Government grants	44	15
Payments in kind to employees	136	100
Release of provisions	56	44
Reimbursements from insurance	26	4
Gain on disposal of property, plant and equipment	9	1
Release of the retention bonus	87	0
Other	183	186
	1,557	**1,443**

SLM has received government grants for various development projects. Where such subsidies relate to capitalised and completed development projects, they are deducted under the "other work performed by the enterprise and capitalised" item. Where capitalised development projects have not been completed, the government grants that have been received are reported under liabilities.

All subsidies are granted conditional on corresponding cost documentation. No unfulfilled conditions or contingencies relate to these grants.

Note 12) Other operating expenses

in TEUR	2015	2014
Sales expenses	4,141	2,135
Operating expenses	4,248	4,914
Administrative expenses	2,074	997
Office premises costs	908	533
Travel expenses	2,009	962
Vehicle costs	308	226
Receivables management	330	392
Expenses relating to other periods	163	128
Other	117	220
	14,298	**10,507**

Note 13) Interest and similar expenses

in TEUR	2015	2014
Pension-related interest expense	91	109
Borrowing costs	0	2
Interest charges on shareholder loans	0	98
Interest expenses on bank loans	0	22
Other	20	9
Interest expenses	**111**	**240**

Note 14) Income taxes

The major components of income tax expense for the fiscal years ended 31 December 2015 and 2014 are as follows:

in TEUR	2015	2014
Current income tax		
Current income tax expenses	172	0
Expenses of prior period taxes	7	0
Deferred tax		
Recognition and release of temporary differences	781	116
Recognition of tax loss carryforwards	475	– 2,579
Income taxes as per income statement	**1,435**	**– 2,463**
Total comprehensive income		
Income taxes recognised directly in other comprehensive income:		
Actuarial losses / gains on pension provisions	104	– 415
Income taxes recognised in total comprehensive income	**104**	**– 415**

Deferred taxes recorded directly to equity amount to TEUR 0 (previous year: TEUR 1,144), and derive from the costs connected with the IPO in the previous year that were offset directly with equity.

Income taxes paid amount to TEUR 140 in 2015 (previous year: TEUR 0).

In Germany, the calculation of current tax is based on a corporate tax rate of 15 % and a Solidarity Surcharge thereon of 5.5 %, for all distributed and retained earnings. In addition to corporate taxation, trade tax is levied on profits earned in Germany. As the German trade tax is a non-deductible expense, the average trade tax rate amounts to 15.75 % and the combined tax rate totals 31.575 %. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

For foreign subsidiaries, current taxes are calculated based on local tax laws and applicable tax rates in individual foreign countries. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

A reconciliation between tax expense and the product of profit before tax multiplied by the domestic tax rate for the fiscal years ended 31 December 2015 and 2014 is as follows:

in TEUR	**2015**	**2014**
Profit / loss before taxes	3,580	– 7,562
Expected income tax calculated at 31.575 % (2014: 30.88 %).	– 1,130	2,335
Tax effects deriving from:		
Non-tax-deductible expenses	29	– 7
Differing tax rates	102	39
Tax-free income	14	62
Adjustments to tax loss carryforwards	– 475	21
Previous years' income taxes	– 7	0
Other	32	13
Income taxes	**– 1,435**	**2,463**

The following overview reconciles deferred taxes with the underlying positions in the statement of financial position:

in TEUR	2015	2014
Intangible assets	– 6,127	– 5,915
Tangible assets	– 92	82
Other non-current assets	0	– 34
Loss carryforwards	3,454	3,929
Pension liabilities	499	689
Provisions	26	4
Liabilities	– 166	– 84
Elimination of results of intragroup transactions	– 91	184
Total deferred tax assets (liabilities)	**– 2,497**	**– 1,145**
Presentation in the statement of financial position:		
Deferred tax assets	4,089	4,888
Offsetting with deferred tax liabilities	– 4,089	– 4,867
Deferred tax assets as per the consolidated statement of financial position	0	21
Deferred tax liabilities	6,586	– 6,033
Offsetting with deferred tax assets	– 4,089	4,867
Deferred tax liabilities as per the consolidated statement of financial position	**2,497**	**– 1,166**

	in TEUR
Deferred tax liabilities (net) as of 31 December 2014	**1,166**
Deferred taxes recognised in profit or loss	1,435
Deferred taxes recognised directly in equity	0
Deferred taxes recognised in total comprehensive income	– 104
Deferred tax liabilities (net) as of 31 December 2015	**2,497**

	in TEUR
Deferred tax assets (net) as of 31 December 2014	**21**
Deferred taxes recognised in profit or loss	– 21
Deferred tax assets (net) as of 31 December 2015	**0**

Note 15) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise cash at banks, cash on hand and fixed-term deposits. Together, these are reported on an aggregated basis as "cash and cash equivalents" in the statement of financial position.

in TEUR	31/12/15	31/12/14
Cash at banks	39,887	63,529
Cash on hand	1	2
Fixed-term deposits	32	32
	39,920	**63,563**

In order to derive cash and cash equivalents as disclosed in the statement of cash flows, fixed-term deposits amounting to TEUR 32 were excluded. The fixed-term deposits are of limited availability, as they serve as a security for rental contracts.

Note 16) Trade receivables

in TEUR	31/12/15	31/12/14
Trade receivables	26,737	12,322
Valuation allowances	– 396	– 175
	26,341	**12,147**

Changes in valuation allowances are as follows:

in TEUR	Individually impaired	Collectively impaired	Total
01/01/14	**105**	**88**	**193**
Addition	69	7	76
Utilisation	– 94	0	– 94
31/12/14	**80**	**95**	**175**
Expense in the current fiscal year	140	136	276
Utilisation	– 55	0	– 55
31/12/15	**165**	**231**	**396**

For major clients, the requirement for an impairment is analysed at each reporting date on an individual basis. Valuation allowances are applied if a business partner encounters unanticipated financial difficulties, for example. The impaired receivables' term structure is as follows:

	2015	**2014**
Up to 3 months	0	0
3 – 6 months	165	80

In addition, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual historical data.

The due date analysis of trade receivables is as follows as of 31 December:

				überfällig, aber nicht wertgemindert		
in TEUR	**Total**	**Impaired receivables**	**Neither overdue nor impaired**	**< 31 Days**	**31 – 60 Days**	**> 60 Days**
2015	**26,737**	596	6,429	7,486	4,710	7,516
2014	**12,322**	690	5,602	1,847	3,749	433

As of 31 December 2015, no indications of credit risk existed relating to receivables, whether overdue or impaired.

Note 17) Inventories

in TEUR	**31 / 12 / 15**	**31 / 12 / 14**
Raw materials and supplies	5,197	4,040
Work in process	2,999	2,286
Finished goods and merchandise	12,972	5,251
Prepayments rendered	496	388
	21,663	**11,964**

Raw materials and supplies, work in process, and finished goods and merchandise held for resale are valued at the lower of cost and net realisable value. In the 2015 fiscal year, a total of TEUR 659 was expensed for inventories that are recognised at net realisable value (previous year: TEUR 381). The carrying amounts of the individual impaired inventories amounts to TEUR 1,207 as of 31 December 2015 (31 December 2014: TEUR 100).

Note 18) Other current assets and other current financial assets

Other current assets comprised the following:

in TEUR	31/12/15	31/12/14
VAT receivables	538	576
Receivables from the cooperation agreement with NTU (see Note 3)	1,250	1,189
Other	201	117
	1,989	**1,882**

Other current financial assets totalling TEUR 5,002 (previous year: TEUR 0) affected fixed-term deposits with a term of more than three months and less than 12 months, including receivables from employees in the amount of TEUR 88 (previous year: TEUR: 0) and other financial receivables of TEUR 113 (previous year: TEUR 0).

Note 19) Intangible assets

in TEUR	Cost of acquisition or production costs as of 1 January 2015	Additions	Other	Purchase or production costs as of 31 December 2015	Accumulated amortisation, depreciation and impairment losses as of 31 December 2015	Carrying amount as of 31 December 2015	Amortisation, depreciation and impairment losses in the 2015 fiscal year
Capitalised development costs	4,018	3,163	0	7,181	– 838	6,343	– 271
Patents, licences and similar rights	169	256	0	425	– 144	281	– 120
Acquired in connection with a business combination							
Laser technology	18,123	0	0	18,123	– 3,624	14,499	– 1,208
Customer base	737	0	0	737	– 222	515	– 74
Order book position	249	0	0	249	– 249	0	– 0
Intangible assets	**23,296**	**3,419**	**0**	**26,715**	**– 5,077**	**21,638**	**– 1,673**

in TEUR	Cost of acquisition or production costs as of 1 January 2014	Additions	Other	Cost of acquisition or production costs as of 31 December 2014	Accumulated amortisation, depreciation and impairment losses as of 31 December 2014	Carrying amount as of 31 December 2014	Amortisation, depreciation and impairment losses in the 2014 fiscal year
Capitalised development costs	1,588	2,430	0	4,018	– 567	3,451	– 372
Patents, licences and similar rights	7	162	0	169	– 24	145	– 17
Acquired in connection with a business combination							
Laser technology	18,123	0	0	18,123	– 2,416	15,707	– 1,208
Customer base	737	0	0	737	– 148	589	– 74
Order book position	249	0	0	249	– 249	0	– 0
Intangible assets	**20,704**	**2,592**	**0**	**23,296**	**– 3,404**	**19,892**	**– 1,671**

The expense arising from amortisation charges applied to intangible assets is included under the amortisation item in the consolidated income statement.

The remaining amortisation period for the largely in-house produced intangible assets is as follows:

- Laser technology 13 years

In the context of the impairment test for the 2015 fiscal year no indications of impairment existed. No impairment losses were recognised.

Government grants related to amortised Research & Development amounted to TEUR 213 in 2015 (previous year: TEUR 240). They are reported under current liabilities if the capitalised development projects have not been concluded.

The overall amount of development spending which was recognised as expense in the 2015 fiscal year totalled TEUR 2,086. A corresponding expense of TEUR 812 was recognised in the 2014 fiscal year.

SLM has no open purchase orders as of 31 December 2015.

Note 20) Property, plant and equipment

in TEUR	Purchase or produc-tion costs as of 1 January 2015	Additions	Disposals	Reclassi-fications	Cost of acquisition or produc-tion costs as of 31 December 2015	Accumulated amortisation, depreciation and impair-ment losses as of 31 December 2015	Carrying amount as of 31 December 2014	Amorti-sation, depre-ciation and impair-ment losses in the 2015 fiscal year
Property	0	4,225	– 0	0	4,225	– 0	4,225	– 0
Technical machinery and equipment	1,099	6,313	– 0	180	7,412	– 1,316	6,276	– 859
Furniture and office equipment	1,881	1,054	– 0	566	3,065	– 1,045	2,456	– 718
Prepayments rendered for property, plant and equipment	308	513	– 0	– 746	691	– 0	75	– 0
Property, plant and equipment	**3,288**	**12,105**	**0**	**0**	**15,393**	**– 2,361**	**13,032**	**– 1,577**

in TEUR	Cost of acquisition or production costs as of 1 January 2014	Additions	Disposals	Reclassifications	Cost of acquisition or production costs as of 31 December 2014	Accumulated amortisation, depreciation and impairment losses as of 31 December 2014	Carrying amount as of 31 December 2014	Amortisation, depreciation and impairment losses in the 2014 fiscal year
Technical machinery and equipment	1,334	608	– 843	– 0	1,099	– 457	642	– 249
Furniture and office equipment	740	925	– 30	– 246	1,881	– 327	1,554	– 227
Prepayments rendered for property, plant and equipment	285	303	– 34	– 246	308	– 0	308	– 0
Property, plant and equipment	**2,359**	**1,836**	**– 907**	**0**	**3,288**	**– 784**	**2,504**	**– 476**

Similar to the 2014 fiscal year, no impairment losses or reversals of impairments were made.

Note 21) Other financial liabilities

The items stated below (exception: "Other" item) were previously reported under other current liabilities. In an effort to improve the clarity and closely following IAS 1.54, these items (incl. the previous year comparison figures) were reported under the position other financial liabilities in the 2015 fiscal year.

Other financial liabilities all have a remaining term of no more than a year and break down as follows:

in TEUR	31/12/15	31/12/14
Commission/bonus payments*	1,079	221
Licence payments*	1,883	728
Legal and consulting costs*	388	220
Other personnel costs*	2,034	517
Debtors with credit balances*	204	44
Property purchase price*	4,225	0
Other	36	38
	9,849	**1,768**

* The disclosure is taking place in other financial liabilities for the first time in the 2015 fiscal year (previous year: disclosure under other current liabilities).

Note 22) Trade payables and other liabilities

in TEUR	31/12/15	31/12/14
Trade payables	7,489	3,749
Other liabilities	3,632	2,375
	11,121	**6,124**

Other liabilities were previously reported under "other current liabilities". In an effort to improve the clarity and closely following IAS 1.54, these items (incl. the previous year comparison figures) were reported under the positions trade payables and other liabilities in the 2015 fiscal year.

Other liabilities are non-financial in their nature and all have a remaining term of no more than a year. They break down as follows:

in TEUR	31/12/15	31/12/14
Prepayments received	2,454	1,633
Government grants*	292	225
Other personnel costs	313	203
Wage tax liabilities	331	99
Social security contributions	30	11
Other	212	204
	3,632	**2,375**

* Government grants for development projects that have not yet been completed are deferred as of 31 December 2015.

Note 23) Pensions and similar obligations

SLM AG has granted pension commitments to some staff members based on their individual contracts. These relate to a defined benefit plan where amounts are determined that the beneficiaries receive on the commencement of their pensions, and which generally depend on one or several factors such as age, period of service and salary. Accordingly, the employees receive pension benefits according to the bylaws and guidelines of the employee benefit scheme of the company HEK GmbH e. V. (founded on 29 September 1969), whose members they have been to date.

According to the guidelines dated 10 May 1971, retirement, invalidity and widows' pensions are paid. The pensions are paid on retirement ages of 60 for women and 65 for men. Invalidity pensions are paid where beneficiaries become unable to work before retirement age due to invalidity.

The level of retirement and invalidity pensions amounts to 15 % of pensionable compensation (last gross salary excluding incidental compensation), and, after the expiry of a waiting period of 10 years of service, increases by 1 % for every further year of service to a maximum of 35 %.

The widow/widower pension amounts to 50 % of the pension to which the spouse was entitled.

These commitments comprise commitments that are financed by provisions. No pension funds exist. The company pays the due obligations directly to the beneficiaries.

31 December 2015 was selected as the valuation date.

The provision for defined benefit plans recognised in the statement of financial position corresponds to the present value of the defined benefit obligation (DBO) on the balance sheet date. An independent actuary revalues the DBO every year applying the projected unit credit method. The present value of the DBO is calculated by discounting the expected future cash outflows by the yield on top grade corporate bonds. These corporate bonds are denominated in the currency of the amounts to be disbursed, and carry maturities that are congruent with the pension obligations. Government bonds are applied as the basis in countries with insufficiently developed markets for such corporate bonds.

The level of pension obligations arising from defined benefit plans is measured on the basis of actuarial assumptions that necessitate estimates. Assumptions relating to life expectancy, the discounting factor, and expected salary and pension trends, comprise the significant parameters affecting the level of the pension obligation. Actuarial gains and losses arise if the actual values of the parameters for a year differ from the actuarial assumptions that have been made for the year.

Current service cost reflects the growth in the benefit obligation that has accrued to employees during the reporting period. Current service cost is recognised under personnel costs in the consolidated income statement.

The net interest cost is recognised under interest expenses in the consolidated income statement.

Actuarial gains and losses based on experiential adjustments and modifications to actuarial assumptions are recognised in other comprehensive income in the period in which they arise and are pooled in equity under other reserves.

The pension obligations are reported as follows in the consolidated statement of financial position:

in TEUR	**2015**	**2014**
Present value as of 1 January	**4,544**	**3,061**
Length of service expenses	117	73
Interest expense	91	109
Pension payments	– 48	– 42
Actuarial gains and losses	– 330	1,343
Amount carried forward due to acquisition	0	0
Present value as of 31 December	**4,375**	**4,544**
Plan assets	0	0
Pension provisions as per the consolidated statement of financial position	**4,375**	**4,544**

The actuarial gains and losses in 2015 and 2014 arise from changes to the financial assumptions.

A contribution to the plan of TEUR 100 is determined for the 2016 fiscal year. The financing of the future contributions to the plan is due to take place using the excess cash from ongoing business activities.

The following valuation bases were applied to measure the pension obligations:

	2015	2014
Interest rate	2.42 %	2.02 %
Income increases	2.50 %	2.50 %
Pension adjustments	1.70 %	1.70 %
Employee turnover rate	1.00 %	1.00 %

A one basis point change to the imputed interest rate would affect the valuation as follows:

	Interest rate		Income trend		Pension adjustments	
	Increase of 1,0 %	**Decrease of 1,0 %**	**Increase of 1,0 %**	**Decrease of 1,0 %**	**Increase of 1,0 %**	**Decrease of 1,0 %**
Effect on DBO (2015)	– 790	1.046	647	– 533	239	– 217
Effect on DBO (2014)	– 864	1.160	676	– 555	276	– 248

The sensitivity analysis is based on modifying all assumptions by + / -1 basis point, and should present the respective effect on the DBO. When measuring the sensitivity of the defined benefit obligation to actuarial assumptions, the same methods are applied with which the pension provisions in the statement of financial position are measured (the present value of the defined benefit obligation was measured applying the projected unit credit method at the end of the reporting period). The methods and assumptions applied for the sensitivity analysis were unchanged compared with the previous year.

The company is exposed to the following particular risks deriving from the defined benefit pension plan:

- The plan guarantees the beneficiaries lifelong pension payments, so that an increase in life expectancy results in a rise in plan liabilities.
- The pension payments depend on inflation, so that high inflation will feed through to higher liabilities (although the plan is protected from extreme inflation by statutory thresholds).

According to the analysis of the expected due dates of the outstanding pension payments, the following amounts will prospectively be paid out during the next ten years:

in TEUR	2015	2014
up to one year	64	64
between 2 and 5 years	300	303
between 5 and 10 years	458	463
Prospective payments in the next 10 years	**822**	**830**

Note 24) Provisions

Provisions developed as follows:

in TEUR	2015	2014
As of 1 January	**1,288**	442
Addition in the fiscal year	2,257	1,288
Consumption / liquidation	– 994	– 442
As of 31 December	**2,551**	**1,288**

in TEUR	01.01.2015	Utilisation	Release	Addition	31.12.2015
Non-current provisions					
Retention bonus	240	0	0	282	522
	240	**0**	**0**	**282**	**522**
Current provisions					
Warranty provisions	972	678	0	1,457	1,751
Retention bonus	304	217	87	783	783
Other	12	12	0	17	17
	1,288	**907**	**87**	**2,257**	**2,551**

A provision has been formed for expected claims relating to warranties and maintenance for products totalling TEUR 1,751 that have been sold during the last one to one and a half years. It is based on past empirical data relating to the number of repairs and product returns. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the one-year warranty period for all products sold.

It is expected that most of these warranty and maintenance claims will be incurred in the next fiscal year, and that all will have been demanded within one year after the reporting date.

The retention bonus provision totalling TEUR 1,305 relates to the obligations in connection with the retention bonus. This obligation still exists up to 2017 and is therefore split into current and non-current provisions. For more on this, please refer to our explanatory notes in Note 7.

Note 25) Equity

Subscribed Capital
All shares have been fully paid in. All shares comprise ordinary shares.

By AGM resolution of 17 April 2014, the Management Board is authorised, with Supervisory Board assent, to increase the share capital by 16 April 2019 by up to a total of 6,907,100 new ordinary bearer shares against cash or non-cash capital contributions.

The share capital is conditionally increased by a resolution passed by the AGM of 17 April 2014, by up to EUR 6,907,100 through issuing up to 6,907,100 new ordinary bearer shares.

By way of resolution of the Shareholders' General Meeting of 20 March 2014, the Company's share capital was increased from Company funds by EUR 13,732,940.00, from EUR 81,260.00 to EUR 13,814,200.00. After converting into a public stock corporation and issuing shares as part of the IPO, the subscribed capital as of 31 December 2014 was divided into 17,980,867 fully paid ordinary registered no par bearer shares each with a notional value of EUR 1.00 in the share capital. They carry one voting right each and are entitled to dividends. In the 2015 fiscal year, no shares were issued, meaning that 17,980,867 shares were still in circulation as of 31 December 2015.

The Group's aims with regard to capital management lie in securing the company as a going concern in order to continue to provide its owners with income, and other stakeholders with the payments or services to which they are entitled. A further objective is to optimise the capital structure in order to minimise capital costs. Although the capital structure is currently dominated by equity given the recent occurrence of the IPO, the targeted deployment of debt funding in the future cannot be excluded, including in the context of an acquisition, for example.

The Group can also adapt the capital structure through other instruments where required. These include dividend payments to owners, capital repayments to owners, the issuing of new shares, or the sale of interests in assets.

Given the IPO's recent occurrence, the Group monitors its capital on the basis of its equity ratio, which comprises the relationship between equity and total assets. Both figures are derived from the figures as recognised in the consolidated statement of financial position.

The Group's strategy consists of normalising its relatively high equity ratio over the course of the coming years, and of raising an appropriate level of debt funding, including for acquisitions, for example.

The equity ratio as of 31 December 2015 and 31 December 2014 was measured as follows:

in TEUR	**31.12.2015**	**31.12.2014**
Equity	99,004	97,045
Total assets	129,920	112,175
Equity ratio	**76.20 %**	**86.51 %**

The high equity ratio in 2014 is attributable to the IPO and the concurrent capital increase.

Earnings per share (basic)

Basic (undiluted) 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.

Please note in relation to the disclosure of the earnings per share for the 2014 fiscal year that as the Company was converted into a public stock corporation during the course the year, earnings per share are calculated assuming that the company had been a public stock corporation for the full year. As a consequence, the numerator consists of the entire earnings for the year, and the denominator consists of the average number of shares in issue since the company's conversion.

	2015	2014
Number of shares in issue as of 1 January	17,980,867	
Number of shares in issue during the fiscal year	0	17,980,867
Weighted average number of shares in issue	**17,980,867**	**17,254,295**

	2015	2014
Consolidated net profit/loss attributable to parent company shareholders (in EUR)	2,160,000	–5,099,000
Weighted average number of shares in issue	17,980,867	17,254,295
Basic (undiluted) earnings per share in EUR	**0.12**	**–0.30**

Earnings per share (diluted)

The effects explained under Note 7) on the retention bonus program were taken into account when calculating diluted earnings per share in relation to the 2014 fiscal year. The number of shares to be issued lies at the discretion of neither the company nor the employee as the number of shares to be issued depends on wage tax charges. For this reason, the following potential shares within the meaning of IAS 33 were taken into account to calculate diluted earnings:

	31/12/15	31/12/14
Gross bonus payment in EUR	–	2,831,674
Beneficiaries' reference price in EUR	–	19.60
Assumed share price on share issue reference date in EUR	–	19.30
Flat rate tax charge	–	49.5%
Calculated tax payment in EUR	–	1,380,224
Net bonus level in EUR	–	1,451,450
Number of shares, undiluted	17,980,867	17,254,295
Number of shares to be purchased	–	74,054
Number of shares, diluted	17,980,867	17,328,349
Consolidated net profit/loss attributable to parent company shareholders (in EUR) (for undiluted earnings)	2,160,000	–5,099,000
Personnel costs for the retention bonus in EUR	–	1,055,000
Consolidated net profit/loss attributable to parent company shareholders (in EUR) (for diluted earnings)	**2,160,000**	**–4,044,000**

	2015	2014
Weighted average number of shares in issue	17,980,867	17,254,295
Adjustments to share-based compensation as part of the retention bonus	–	74,054
Weighted average number of shares for diluted earnings per share	**17,980,867**	**17,328,349**

	2014	2013
Consolidated net profit/loss attributable to parent company shareholders (in EUR) (for diluted earnings)	2,160,000	–4,044,000
Weighted average number of shares for diluted earnings per share	17,980,867	17,328,349
Diluted earnings per share in EUR	**0.12**	**–0.23**

Other comprehensive income

Other comprehensive income comprises actual gains and losses, and exchange rate translation differences.

in TEUR	2015	2014
Net gain	**2,160**	**–5,099**
Items not to be reclassified to profit or loss in the future:		
actuarial gains/losses on pensions	330	–1,343
deferred taxes on actuarial gains/losses	–104	415
Income/expenses to be reclassified to profit or loss in the future:		
Exchange rate translation differences from foreign businesses	83	14
Other comprehensive income, net of tax	**309**	**–914**
Total comprehensive income	**2,469**	**–6,013**

The exchange rate translation differences included in total comprehensive income were as follows:

in TEUR	Reconciliation of exchange rate translation differences
01/01/2015	13
Translation SLM Solutions NA, Inc.	83
Translation SLM Solutions Singapore Pte.	–2
Translation SLM Solutions Shanghai Co. Ltd.	5
Translation SLM Solutions RUS OOO	–3
31/12/2015	96

Capital reserve

The additional paid-in capital of TEUR 85,041 (previous year: TEUR 85,551) contains the proportionate non-cash capital contribution of shareholder loans, including the interest accrued of TEUR 16,048 as of 1 January. In 2013, the Company received TEUR 7,065 from the issuing of shares. Moreover, the net proceeds from the issuing of shares as part of the IPO of TEUR 68,199 less the increase in subscribed capital of TEUR 13,733 and the refund of the shareholders for the costs of the IPO totalling TEUR 7,462 were placed in the capital reserve in 2014. As of 31 December 2015, the capital reserve totalled TEUR 85,041. The change compared to the previous year resulted from the reversal of the capital reserve of TEUR 510 as part of the adjustment of the pay-out modalities of the retention bonus program. For further explanatory notes, please see Note 7).

Retained earnings

Retained earnings of TEUR -3,675 (previous year: TEUR 5,835) consist of the 2015 consolidated net result of TEUR 2,160 (previous year: TEUR -5,099) and TEUR -5,835 of loss carried forward (previous year: TEUR -736).

Note 26) Leasing

Operating lease commitments

The Group has entered into commercial leases on property, vehicles and IT infrastructure. These leases carry an average term of between one and five years. A renewal option is included in the property leasing contract. No restrictions are placed upon the Group when entering into these leases.

As of 31 December 2015 and 2014, future minimum payment obligations under non-cancellable operating leases are as follows:

in TEUR	**2015**	**2014**
Less than 1 year	1,668	1,227
More than 1 year and up to 5 years	2,977	2,054
More than 5 years	217	260

Total operating lease expenses for the fiscal years as of 31 December 2015 and 2014 amounted to TEUR 1,337 and TEUR 871 respectively. These relate exclusively to amounts for minimum lease payments, while no contingent lease payments and payments from subleases exist.

SLM has entered into no leases with variable lease payments.

Future rent payments from operating leasing relationships

In the 2015 fiscal year, the Group concluded four operating leasing agreements for one machine each contract from the selective laser melting field respectively. The Group will generate the following minimum leasing payments in TEUR from the existing operating leasing relationships:

Up to 1 year	**Between 1 and 5 years**	**Over 5 years**	**Total**
668	340	0	1,008

No operating leasing relationships existed in the 2014 fiscal year in which the Group was the lessor.

Receivables from finance leasing relationships

In the 2015 fiscal year, the Group signed one finance leasing agreement for a machine from the selective laser melting field, in which the ownership rights for the leasing object are automatically passed over to the lessee at the end of the contractual period. The residual value at the contract conclusion amounted to TEUR 475 and it reduces by instalments at the amount of the monthly rentals at an amount of TEUR 10. A right to return exists which expires after 12 or 24 months. Below is a breakdown of the receivables from the leasing business according to remaining term as well as the reconciliation to the gross leasing receivables:

Composition 2015 in TEUR:

Designation	Up to 1 year	Between 1 and 5 years	Over 5 years	**Total 2015**	**Total 2014**
Future instalments	125	346	0	471	0
+ non-guaranteed residual value	0	0	0	0	0
= Gross investment value	125	346	0	471	0
- outstanding interest	0	0	0	0	0
= Net investment value	125	346	0	471	0
Present value of non-guaranteed residual value	0	0	0	0	0
Minimum leasing payments	**125**	**346**	**0**	**471**	**0**

No impairments exist for uncollectable outstanding minimum leasing payments.

Sale and lease back

SLM has concluded two sale-and-lease-back agreements for one machine each respectively with a leasing company. These leasing relationships are classified as finance leasing. SLM loans the machines available in the lease-back to two research institutes without charge, although the machines can be taken back by SLM at the end of the year. From SLM's perspective, operating leasing relationships exist.

Note 27) Additional disclosures about financial instruments

SLM utilises the following classes of financial instruments:

- Loans and receivables
- Financial liabilities measured at amortised cost

Cash and cash equivalents, trade receivables and other financial assets are assigned to class of credits and receivables.

SLM does not deploy any financial instruments that are measured at fair value.

The following table presents the fair values and carrying amounts of financial assets and financial liabilities recognised at cost, or at amortised cost:

	Fair value		Carrying amount	
in TEUR	**2015**	**2014**	**2015**	**2014**
Loans and receivables	71,263	75,710	71,263	75,710
Financial liabilities measured at cost applying the effective interest method	17,338	5,517*	17,338	5,517*

* Previous year figures have been amended.

Except for a fixed term deposit of TEUR 32, SLM has complete discretionary power over its cash and cash equivalents. These fixed-term deposits serve as collateral for contractual obligations arising from leased buildings.

The fair values of cash and cash equivalents, receivables, and other current financial liabilities generally approximate their carrying amount.

The fair value that is stated here for information purposes is to be allocated to Level 3 of the fair value hierarchy. The inputs for the fair values of receivables and financial liabilities comprise the prices that were agreed between SLM and its contractual parties for the individual transactions.

Net gains (losses) on financial instruments are as follows:

	Net gain		Net loss	
in TEUR	**2015**	**2014**	**2015**	**2014**
Loans and receivables	1,027	1,118	76	76
Financial liabilities measured at cost applying the effective interest method	0	0	264	132

Net losses on loans and receivables include changes in valuation allowances, gains or losses on derecognition, currency translation, as well as recoveries of amounts previously depreciated. The net gains (losses) deriving from financial liabilities measured at amortised cost applying the effective interest method arise from interest payments.

Note 28) Financial risk management

Financial risk management at SLM AG comprises an important element in the planning and implementation of business strategies. The Management Board of SLM AG sets the financial risk management principles.

Rising market fluctuation levels can result in considerable volatility risks to cash flows and income for SLM AG. The company's operating business, as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates and commodity prices. In order to optimise the allocation of the financial resources across SLM's operating segments and companies, as well as to secure an optimal return for its shareholders, SLM identifies, analyses and proactively manages related financial market risks.

Due to its size, SLM has not implemented mathematical or comparable tools to manage financial risks. SLM AG has nevertheless introduced mandatory financial risk management measures that have been effectively installed for several years. The following principal financial risks have been identified:

- Risk of insufficient funds to finance ongoing expansion
- Risk that outstanding trade receivables and other trade receivables prove uncollectible
- Risk of rising exchange rates in Asia and other non-euro countries
- Risk of falling exchange rates in the USA and other non-euro countries
- Risk of interest rate increases
- Nonadherence to financial covenants

Risk concentration

Cluster risks do not exist at SLM AG in general, as its sales are to be characterised as very broadly diversified both regionally and in relation to customers and products. The identifiable trend towards multi-machine orders, where customers order several machines as part of a single order, could result in comparatively higher receivables positions with individual customers. The company counters this trend through further diversification of its customer base, and greater monitoring of related receivables positions. Normal instruments such as prepayments and other hedging instruments are also utilised for these types of orders.

Liquidity risk

SLM AG monitors its liquidity on a regular basis. The medium-term objective of SLM AG is to maintain a balance between continuity of funding and sustainable liquidity through the use of bank overdrafts, bank loans, debentures, finance and operating leases, as well as shareholder loans.

SLM AG has taken measures to ensure the financing of its continuing expansion. SLM AG has introduced working capital ratios into its internal reporting structure to allow the risk of an insufficiency of funds to be monitored on a regular basis.

The table below summarises the term profile of the Group's financial liabilities based on contractual undiscounted payments.

	31/12/15		**31/12/14**	
in TEUR	**Trade payables and other liabilities**	**Other financial liabilities**	**Trade payables and other liabilities**	**Other financial liabilities**
Within one year	7,489	9,367	3,749	1,768*
More than one year	0	0	0	0
	7,489	**9,367**	**3,749**	**1,768***

* The previous year figures have been amended due to the adjustment of the classification within current liabilities. For a more detailed description, please see Notes 21 and 22.

Credit and default risk

Credit default risk comprises the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from trade receivables), and from its financing activities, including deposits with banks. The maximum credit and default risk corresponds to the carrying amount of the financial assets.

Before every sale exceeding defined thresholds, the management of SLM AG checks the respective counterparty's creditworthiness. Moreover, legal title remains with SLM AG until full payment is received. Prepayments by customers and the deployment of commercial letters of credit comprise further risk-reducing measures.

The analysis of the extent to which financial assets that are neither overdue nor impaired have retained their value shows that no particular risks exist relating to the respective business partners (such as doubtful creditworthiness or empirical default rates).

Currency risk

SLM AG mostly acquires raw materials and supplies in euros. A significant proportion of sales transactions are also concluded in foreign currencies, particularly USD, which means that SLM AG is subject to exchange rate risks which could impact the profitability of the Company. However, hedges are not currently deemed to be required. In the 2015 fiscal year, SLM AG has not made recourse to any foreign currency swaps or comparable instruments to hedge variable exchange rates. The management of SLM AG reserves the right to implement alternative measures if exchange rates become sustainably disadvantageous, or if total risk exposure necessitates such measures.

The following tables show the sensitivity of consolidated pre-tax earnings and consolidated equity due to potential change in the exchange rate between US dollar and SGP dollar, given otherwise constant variables. The risk that the Group is exposed to through any changes in the exchange rates of all other currencies is immaterial.

in TEUR	Change in USD exchange rate	Effect on profit before tax	Effect on equity
2015	10%	1,479	1,012
	–10%	–1,555	–1,064
2014	10%	739	511
	–10%	–607	–419

	Change in SGD exchange rate	Effect on profit before tax	Effect on equity
2015	10%	57	39
	–10%	22	15
2014	10%	0	0
	–10%	0	0

As no revenue was generated in RUB or CNY in the 2015 fiscal year, changes to the exchange rates of these currencies would not have any impacts on the profit before taxes or equity.

Interest-rate risk

Due to its IPO in May 2014, SLM does not currently require any bank loans. No interest-rate risk exists as a consequence.

SLM deploys no derivative financial instruments or hedging instruments.

SLM's Management Board has identified no significant concentrations of risk.

Note 29) Presentation of segment reporting pursuant to IFRS 8

Presentation of reportable segments

Pursuant to IFRS 8, SLM Solutions Group AG is required to include segment reporting in the notes to its consolidated financial statements. The segmentation type is based on the management approach. Accordingly, operating segments are to be defined as corporate divisions for which separate financial information is available, and which the chief operating decision-maker regularly evaluates as part of the allocation of resources and appraisal of performance. The uppermost reporting level is decisive in this context. No summary of the operating segments was produced.

The composition of the reportable segments has changed compared with the previous year. While in the previous year differentiation was made between the SLM and RP segments based on the different technologies, the Company identified the segments "Machine Sales" and "After Sales" as main decision-makers for the internal reporting vis-à-vis the Management Board and Supervisory Board from 1 January 2015. In the "Machine Sales" segment, only 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 includes service revenue, replacement parts sales and merchandise sales.

These two segments formed the basis of segment reporting in the year under review.

The two aforementioned segments comprise all of SLM's activities in the 2015 fiscal year.

The composition of the reportable segments changed compared with the previous year as described above. The corresponding items for the segment information for earlier periods have been presented in adjusted form. Revenue and EBITDA comprise the central steering elements. Assets and liabilities are not disclosed separately.

Segment reporting for the 2015 fiscal year:

in TEUR	Machine Sales	After Sales	Bridge	Total
Revenue	**59,165**	**6,972**	**0**	**66,137**
Expense	47,130	10,957	0	58,087
EBITDA*	**12,035**	**–3,985**	**0**	**8,050**
Depreciation, amortisation and impairment losses				–3,250
Interest income				–14
Income taxes				–1,435
Adjusted costs*				–1,190
Net profit				**2,160**

Segment reporting for the 2014 fiscal year:

in TEUR	Machine Sales	After Sales	Bridge	Total
Revenue	**27,132**	**6,427**	**0**	**33,559**
Expense	22,789	6,280	0	29,069
EBITDA**	**4,343**	**147**	**0**	**4,490**
Depreciation, amortisation and impairment losses				– 2,147
Interest income				– 240
Income taxes				2,463
IPO costs and other one-off expenses**				– 9,665
Consolidated net loss for the period				**– 5,099**

* Adjusted for the retention bonus of TEUR 1,190 (personnel costs of TEUR -1,277 and reversal of provision TEUR 87)

** Adjusted for IPO bonus (TEUR 5,650); retention bonus (TEUR 1,055); expensed IPO transaction costs (TEUR 2,800) and investor relations costs (TEUR 160)

In addition to depreciation, amortisation and impairment losses, material non-cash expenses in the year under review existed in connection with the retention bonus of TEUR 1,305 (previous year: TEUR 1,055).

The segment revenue presented above relates to revenue from business with external customers. No significant transactions occurred between the different segments. The accounting and measurement methods of the reportable segments correspond with the accounting and measurement methods used within the Group.

Segment revenue distribution:

Geographic information:

in TEUR	2015	2014
Germany	17.772	12.752
Asia-Pacific	8.365	3.654
European countries (EU, excluding Germany)	13.404	6.462
United States of America	24.057	8.029
Other countries	2.893	2.900
	66.491	**33.797**
Bonuses / rebates / discounts	– 354	– 238
	66.137	**33.559**

The revenue information provided above relates to customers' locations.

All significant non-current assets are held solely in Germany.

Note 30) Related party disclosures

Balances and transactions between the Company and its subsidiaries and related parties were eliminated during the consolidation process and are not explained within these notes. Details of transactions between the Group and other related parties are listed below.

Management Board members and related parties:

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

Supervisory Board members and related parties:

- 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 parties to the SLM Group comprise the following:

- Ceresio GmbH
- Marevest Beteiligung GmbH

No shareholder exerts direct control. 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 continue to exert significant influence over the company, and exert notional control at shareholders' general meetings depending on the presence majority.

The deliveries, services and other business transactions rendered until 31 December 2015 correspond in their scope to the business relationships during the financial year 2014, and, with the exception of the shareholder financing existing until 28 February 2014 totalling TEUR 8,028 which was booked into the capital increase on 28 February 2014, exert no significant influence on SLM's financial position and performance. In addition, cost transfer statements were issued in 2014 to the company in anticipation of the IPO which have a significant effect on SLM's financial position and performance, and which are explained in Note 7).

The management consists of the Management and Supervisory boards. Management compensation is as follows:

Compensation of the Supervisory Board members of SLM AG:

The Supervisory Board of SLM AG was appointed effective as of 1 April 2014. For SLM Solutions Holding GmbH as the legal predecessor of SLM AG, an Advisory Board was established until 1 April 2014.

in TEUR	Supervisory Board compensation 2015	Supervisory Board compensation 2014
Mr. Ihde	54	41
Mr. Grosch	36	27
Mr. Hackmann	18	14
Mr. Grimberg	18	14
Mr. Hichert	18	14
Mr. Becker	18	14
	162	**124**

Besides compensation for his Supervisory Board work, Mr. Ihde received payment of TEUR 170 (previous year: TEUR 178) as part of a consultancy agreement with SLM AG. No other compensation for the Supervisory Board members was paid in the 2015 fiscal year.

Compensation of Management Board members in 2015:

in TEUR	**Salaries and other current payments (non-performance-based)**	**Performance-based compensation**	**Share-based compensation**	**Pension benefit**
Mr. Rechlin	234	75	0	0
Mr. Bögershausen	484*	75	0	0
Mr. Schöneborn	228	20	0	40

* TEUR 261 from Retention bonus

Compensation of Management Board members in 2014:

in TEUR	**Salaries and other current payments (non-performance-based)**	**Performance-based compensation**	**Share-based compensation**	**Pension benefit**
Mr. Rechlin	201	50	3,165	0
Mr. Bögershausen	191	50	1,082	0
Mr. Schöneborn	102	0	0	42

The Management Board receives a bonus for 2015 that is calculated and paid when the consolidated annual financial statements have been approved. 100% of the bonus amounts to TEUR 170, which was fully expensed as a provision in 2015. This expense is recognised under "performance-based compensation".

Note 31) Auditor's fee

The total fee invoiced by the auditor of the consolidated financial statements amounts to

in TEUR	2015	2014
Auditing of financial statements	220*	195
Other certification services	0	108
Tax advisory services	24	37
Other services	36	816
Total	280	1,156

* thereof TEUR 110 for previous years (previous year: TEUR 0)

Note 32) Declaration of conformity to the German Corporate Governance Code

SLM AG has issued the declaration required by Section 161 of the German Stock Corporation Act (AktG), and made it permanently available to the public on the Company's website (www.slm-solutions.com).

Note 33) Events after the balance sheet date

No events have occurred between the balance sheet date and the date of the preparation of these consolidated financial statements that have a significant effect on the Group's financial position and performance.

SLM Solutions Group AG founded a company in together with the Austrian company CADS GmbH, Perg, on 8 February 2016 for developing special software for the construction requirements of selective laser melting technology. SLM invested a seven-digit sum as part of this. No estimates on further financial implications were produced by the date the annual financial statements were prepared.

On 2 February 2016, the company concluded a legally binding basic agreement with PKM Future Holding GmbH, Niedernberg (main shareholder of TLS Technik GmbH & Co. Spezialpulver KG, Bitterfeld) with a view to working together on the development, evolution, production and sale of aluminium alloys.. To this end, SLM will invest a mid-range single-digit million amount together with the main shareholder. SLM Solutions intends to pool the powder business together with further services for the additive manufacturing of metal parts such as training, consulting or financing in a separate organisational unit in order to account for the characteristics of the business. The expansion of the powder business is intended to help us to counter the strong seasonality of the system business with continuous revenue throughout the year.

No further events have occurred between the balance sheet date and the date of the preparation of these consolidated financial statements that have a significant effect on the Group's financial position and performance.

Lübeck, 21 March 2016

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

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for annual financial reporting, the 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 2015 financial year.

Lübeck, 21 March 2016

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

Audit opinion

We have audited the consolidated financial statements prepared by SLM Solutions Group AG, Luebeck, comprising of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, together with the group management report for the financial year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the consolidated management report in accordance with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315a (1) HGB (Handelsgesetzbuch: German Commercial Code) are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). Those standards require that we plan and perform the audit such that misstatements, whether due to fraud or error, materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the accounting information of the subdivisions included in the consolidated financial statements, the definition of the scope of consolidation, the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the supplementary requirements of the German Commercial Law as stipulated by Section 315a (1) HGB, and give a true and fair view of the group's net assets, financial position and results of operations in accordance with these requirements. The group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Lübeck, 21 March 2016

BDO AG

Wirtschaftsprüfungsgesellschaft

signed Dr. Wißmann German Public Auditor	signed Prill German Public Auditor

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Pictures

SLM Solutions Group AG

Financial calendar

29 March 2016	Annual Report 2015
12 May 2016	Q1 Report 2016
14 June 2016	Annual General Meeting (Lübeck)
11 August 2016	H1 Report 2016
10 November 2016	9M Report 2016