



# Industrial Manufacturing Revolution

H1-Report 2015



# Highlights

	Unit	H1 2015	H1 2014	Change (in % or % points)
Revenue	TEUR	<b>18,121</b>	10,830	+67.3
Total operating revenue	TEUR	<b>25,074</b>	13,504	+85.7
Cost of materials	TEUR	<b>14,142</b>	7,784	+81.7
Cost of materials ratio (as % of total operating revenue)	%	<b>56.4</b>	57.6	-1.2
Personnel costs, adjusted*	TEUR	<b>6,409</b>	3,415	+87.7
Personnel cost ratio, adjusted (as % of total operating revenue)	%	<b>25.6</b>	25.3	+0.3
Adjusted EBITDA	TEUR	<b>-440</b>	98	
Adjusted EBITDA margin (as % of revenue)	%	<b>-2.4</b>	0.9	-3.3
Consolidated net result	TEUR	<b>-2,214</b>	-7,244	
Earnings per share (basic)**	EUR	<b>-0.12</b>	-0.40	
Earnings per share (diluted)***	EUR	<b>-0.12</b>	-0.43	
New order intake	Number of machines	<b>40</b>	20	+100.0
New order intake	TEUR	<b>28,104</b>	9,777	+187.5
Machines sold	Number of machines	<b>27</b>	15	+80.0
		<b>30/06/2015</b>	<b>30/06/2014</b>	<b>Change (in % or % points)</b>
Non-current assets	TEUR	<b>24,641</b>	20,945	+17.6
Current assets	TEUR	<b>88,845</b>	86,863	+2.3
Equity ratio	%	<b>83.1</b>	88.6	-5.5
Total assets	TEUR	<b>113,486</b>	107,808	+5.3

\* In H1/2015 adjusted for retention bonus of TEUR 1,283, in H1/2014 adjusted for IPO bonus of TEUR 5,650

\*\* calculated in H1 2015 with 17,980,867 shares (previous year: 17,980,867 shares), see note 9 "Equity" for explanation

\*\*\* calculated in H1 2015 with 17,980,867 shares (previous year: 16,050,345 shares), see note 9 Equity for explanation

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## Letter from the CEO

Dear shareholders, customers, business partners and colleagues,

I am pleased to report to you on a successful first half of 2015. The second quarter continued on from our strong start to the year. We report Group revenue growth of 67 percent year-on-year during the first six months. Our new order intake as of the quarter-end has doubled compared with the previous year, from 20 to 40 machines. Due to a better product mix, we have even almost trebled new order intake in value terms to EUR 28.1 million (previous year: EUR 9.7 million). This growth is all the more pleasing insofar as the first half of the year tends to be weaker, and we anticipate most of our business in 2015 to be realised towards the year-end.

The focus on our core business with selective laser melting technology is paying off: we generated 84% of revenues with the marketing and sale of our machines during the first half of 2015. Key sales revenue drivers in this context include the high number of new orders from existing customers, many multi-machine orders from industrial customers and contract manufacturers, as well as numerous high-quality multilaser machines. The after-sales business, which also includes metallic powders, comprises a further strategic focus. Here, we plan to take a further step forward in the medium term through a strategic partnership or acquisition.

The market for consumables is highly attractive, growing last year by 49%, according to sector experts Wohlers Associates. The global market for additive manufacturing has expanded by an average of 34% over the past years, and from its 2014 level of USD 4 billion is set to grow fivefold to USD 22 billion by 2020. Given these market prospects and the positive trend in our key management metrics, we do not think it exaggerated to speak of a new industrial revolution – and one which we are helping to shape in a critical manner. According to strategy consultants at Roland Berger, European companies are currently the leaders in powder bed-based manufacturing processes, which also include our technology. It is important in this context to further sound out the related application potentials in aerospace, turbine construction, the automotive industry, in medical implants, and tool engineering. Our customers are increasingly integrating our technology into their production processes, and are focusing increasingly on metal-based 3D printing in the context of industrial manufacturing to produce complex components with outstanding properties.

SLM Solutions has its ear to the market, and during the first half-year has continued to participate at important sector trade fairs such as the AMUG Conference in Florida and the RAPID Conference in California. In addition, we continue to gain greater proximity to our customers through expanding our global sales and service network. This is also reflected in a doubling of our staff numbers to 184 (June 30, 2014: 94) – an investment that will pay off for us.

Our growth reflects joint success: our successes would be inconceivable without our employees' expertise, creativity and passion. SLM Solutions stands for "German Engineering" in one of the future technologies of the 21st century. And we have a strong team that combines its forces with our strong products.

I would like to thank our shareholders, customers, business partners and colleagues, and I look forward to continuing to write a further chapter in our growth story together with you.

Lübeck, August 7, 2015



Dr. Markus Rechlin (CEO)

# The SLM Solutions Group AG share

## Share price performance (as of: June 30, 2015)

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

The share has traded down slightly over the past twelve months, with the closing price on June 30, 2015 of EUR 19.66, which is 1.7% below the June 30, 2014 closing price of EUR 20.00. The market capitalisation stood at EUR 353.4 million as of June 30, 2015 based on 17,980,867 traded shares (June 30, 2014: EUR 359.6 million). Overall, the company's share exhibits considerably less volatility than comparable listed 3D printing technology companies. Especially during the second half of 2014, SLM Solutions outperformed the TecDAX share price index, which was up by 23.8% during the June 30, 2014 to June 30, 2015 period. The average number of SLM Solutions Group AG shares traded daily on Xetra amounted to 23,047 during the past twelve months.

## Analysts

Seven analysts currently cover the SLM Solutions share, most of them recommending it as a "Buy" as of the date when this annual report was published. No "Sell" recommendations were issued.

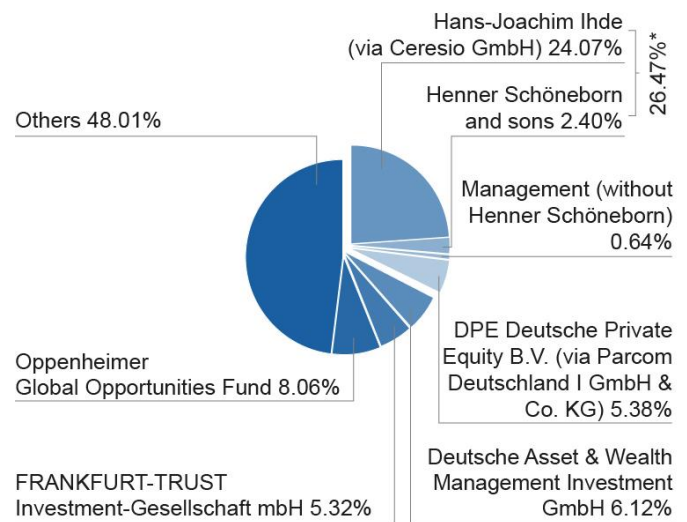
## Investor relations

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.

The Management Board of SLM Solutions Group AG also participates frequently at capital market conferences, and presents the business model and strategy of SLM Solutions at roadshows in Europe and North America.

Interested capital-providers, investors and analysts can find more information, which is updated constantly, on our website [www.slm-solutions.com](http://www.slm-solutions.com) within the Investor Relations area. Along with financial reports, mandatory announcements and corporate news articles, visitors to our website can also access roadshow and analyst presentations there. Telephone conferences with webcasts are held when we publish our quarterly results, and the recordings are subsequently available as downloads from our website. Interested parties can enjoy timely and direct access to our corporate news through registering on an e-mailing list on our website.

## Shareholder structure (as of: July 31, 2015)



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

## Financial calendar

Date	Event
November 12, 2015	9M Report 2015
November 23-25, 2015	German Equity Capital Forum, Frankfurt

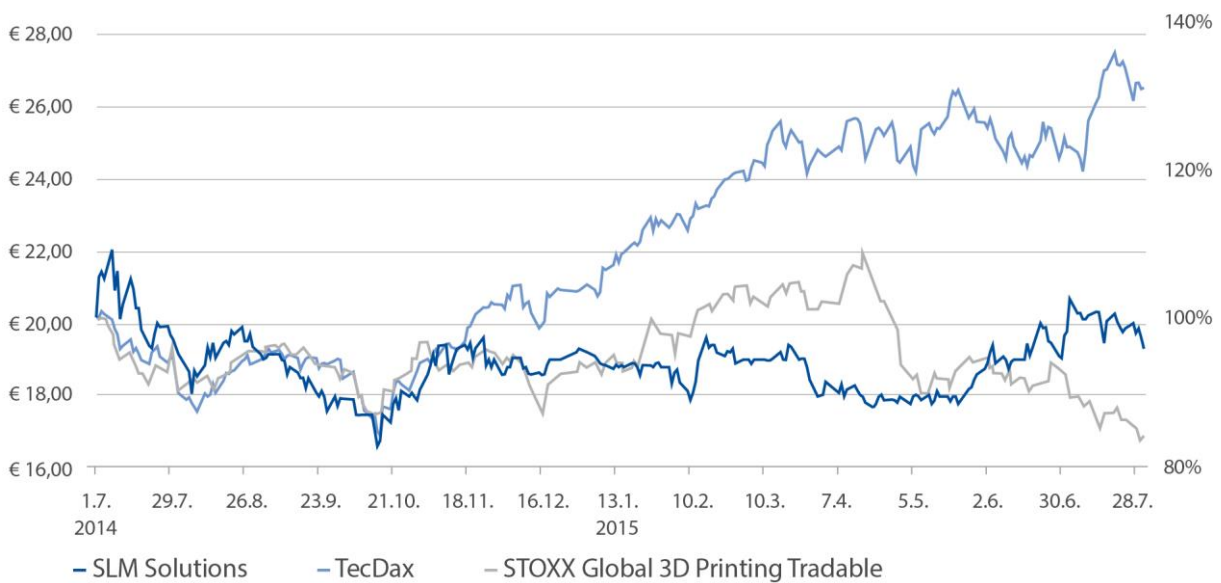
## Investor relations contact

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**Key data (as of: July 31, 2015)**

ISIN	DE000A111338
German Securities Identification Code (WKN)	A11133
Ticker symbol	AM3D
Sector	Industry
Trading segment	Regulated Market (Prime Standard)
Stock exchange	Frankfurt Stock Exchange
Initial listing	May 9, 2014
Placing price in EUR	18.00
Closing price in EUR on July 31, 2015	19.87
Number of shares	17,980,867 ordinary no par value bearer shares

**Share price performance (as of: July 31, 2015)**



# Group interim management report

## Basis of the Group

### Group structure

The Group parent company, SLM Solutions Group AG, which is headquartered in Lübeck, Germany, has three wholly-owned subsidiaries: Along with the operating subsidiary SLM Solutions GmbH, which also has its headquarters in Lübeck, two further subsidiaries for sales and service, as well as research and development, were founded in the growth regions of relevance to the company, North America and Southeast Asia. The formation of further companies is planned in the future as part of expanding the global sales and service network.

### Employees

(FTE)	30/06/2015	30/06/2014
Research and development	39	13
Sales	37	23
After Sales	18	10
Production	66	37
Administration	24	11
<b>Total</b>	<b>184</b>	<b>94</b>
of whom Europe	164	84
of whom USA	12	9
of whom Asia	8	1

### Business model

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

SLM operates in the segments of "**Machine Sales**" and "**After Sales**". The Machine Sales segment comprises the development and production, as well as marketing and sales, of machines for selective laser melting. The machines are distributed through a global distribution network. This segment currently comprises the focus of business. The

After Sales segment comprises a strategic focus for the company, and is becoming increasingly important. It includes the business with machine-related services, the sale of spare parts and accessories, and the sale of merchandise. The business with consumables (metallic powders) that is to be tapped further is also allocated to this segment.

The **product range** currently comprises three systems – the SLM 125<sup>HL</sup>, the SLM 280<sup>HL</sup> and the SLM 500<sup>HL</sup> – which are differentiated according to size of construction chamber and number of lasers with which they are equipped. These systems enable direct production of highly complex metal components from a large number of source materials such as aluminium, titanium, cobalt-chrome, Inconel, tool steel or stainless steel, as well as super alloys. Our systems are capable of processing any type of weldable alloy into a finished product.

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

A significant **benefit of additive manufacturing** is its lower level of material consumption compared with conventional manufacturing methods. This approach also creates new latitudes of freedom in product design, which focuses on, and benefits, the component's desired functionalities. As a consequence, additive manufacturing is suitable to produce complex components required as prototypes or in small series. By contrast with conventional manufacturing processes, complexity does not comprise a cost factor in this context ("complexity comes for free"). In addition, the additive manufacturing of metal components offers enormous speed advantages as no forms are required. The quality leadership of SLM Solutions products is being augmented to an increasing extent by time gains in production thanks to the deployment of multilaser technology. This allows industrial manufacturing processes such as precision cutting to be increasingly supplemented by laser melting.

SLM Solutions' **customers** are active in widely diverging industrial areas, including aerospace, medical technology, the energy sector, as well as mechanical engineering and the automotive industry. Customers for SLM machines can be distinguished between contract manufacturers and end-customers. Besides Germany, SLM Solutions' **target markets** include Europe, North America and Southeast Asia.

SLM Solutions' business is subject to **seasonal fluctuations that are typical of its sector**: a significant proportion of new order intake is usually generated during the fourth quarter of the year, while the first quarter is traditionally the weakest of the year. This is connected not only with customers' budget planning, but also with the fact that important sector trade fairs are generally staged toward the end of the year.

### Targets and strategy

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

- SLM Solutions focuses on research and development in order to secure and extend its technology leadership in the metal-based additive manufacturing area. The intellectual property rights portfolio is optimised continuously, and the number of R&D staff has grown significantly during the period under review. 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 on SLM Solutions' selective laser melting systems. As the 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 plans to further step up the **consumables business**. A strategic partnership with a metallic powder producer is planned in the medium term. Acquisitions will also be considered, in principle.
- Given the complexity of selective laser melting, proximity to customers comprises a critical competitive

advantage for SLM Solutions. In order to loyalise existing customers long-term, generate recurring service revenues, and acquire new customers, SLM Solutions is gradually expanding its **international sales and service network**, and boosting its presence through presentation centres, demo machines, customer training sessions, and presence at important sector trade fairs.

The funds that we raised from the capital increase as part of the IPO are applied to these three strategic areas, and also serve to strengthen 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 personal costs in relation to total operating revenue)
- the **cost of materials ratio** (defined as cost of materials in relation to total operating revenue)
- **supply quality** (defined according to an internal scoring model), and
- **hiring** by functional areas, and
- **product mix in number of machines sold**.

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

- The company's **sales revenue trend** is the key performance indicator to assess exploitation of the company's growth potential during a past reporting period.
- For SLM Solutions, as a young growth company, earnings before interest, tax, depreciation and amortisation, adjusted to reflect one-off effects (**adjusted EBITDA**), provides us with our best indicator of profitability. This key indicator excludes national particularities relating to tax legislation and our selected financing structure, facilitating the comparison of the company with the international peer group.
- Moreover, two aspects need to be taken into account when assessing our revenue and earnings figures: firstly, shipments can be postponed beyond reporting dates – frequently in accordance with customers' wishes. For this reason, the **new order intake** that is achieved (number of machines, or value of new order intake in EUR) is an appropriate leading indicator of the



company's growth, as both the number of machines sold and the revenue realised within the reporting period are retrospective. Secondly, SLM Solutions' business is subject to seasonal fluctuations that are typical of its sector: a significant proportion of new order intake is generally generated during the fourth quarter of the year, while the first quarter is traditionally the weakest.

### Research and development

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

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

SLM Solutions' research and development department comprises 39 full time equivalents (FTE) on June 30, 2015 (previous year: 13 FTE). Research and development spending amounted to TEUR 2,382 in the period under review (previous year: TEUR 1,434). The company is working on a total of 43 projects.

## Economic and business report

### Macroeconomic situation in target markets

In the important domestic market of **Germany**, gross domestic product (GDP) grew by 1.1% year-on-year in the first quarter 2015, according to final figures from the German Federal Statistical Office.<sup>1</sup> Over the full course of 2014, GDP growth in Germany amounted to 1.6%, according to data from the International Monetary Fund (IMF).

The **global economy** reported comparatively moderate growth of 3.4% in 2014. The **Eurozone** economy saw a slow recovery at best, with growth amounting to only 0.8 % as a result of the euro and sovereign debt crises. Growth nevertheless received new impulses at the start of the year due to low raw materials prices and the low interest-rate environment in Europe.

On the other hand, the **US economy** reported gains, with GDP up by 2.4 %, reflecting improved economic policy conditions. In the IMF's aggregated "**Emerging and Developing Asia**" region, which not only includes China, but also India and the high-growth economies of the Southeast Asian ASEAN (Association of Southeast Asian Nations) economic zone, growth amounted to 6.8 %. Here, too, low energy prices provided a boost to consumer sentiment.<sup>2</sup>

### 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 global market volumes for additive manufacturing of USD 4.1 billion in 2014, following on from annual average growth of 33.8% between 2012 and 2014. Market volumes are forecast to amount to USD 12.7 billion in 2018, and to USD 21.2 billion by 2020. SLM Solutions identifies attractive growth opportunities especially in the area of metal-based printing processes: The number of metal-based additive manufacturing machines sold worldwide grew by 54.7% in 2014, according to Wohlers Associates. The global market volume in the

<sup>1</sup> German Federal Statistical Office, Detailed Results of Economic Performance in the First Quarter of 2015, May 2015, [https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2015/05/PD15\\_187\\_811.pdf.pdf;jsessionid=C1A944C87477BA0337634C7508A77D52.cae4?\\_\\_blob=publicationFile](https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2015/05/PD15_187_811.pdf.pdf;jsessionid=C1A944C87477BA0337634C7508A77D52.cae4?__blob=publicationFile)

<sup>2</sup> International Monetary Fund, World Economic Outlook Update, July 9, 2015, <http://www.imf.org/external/pubs/ft/weo/2015/update/02/pdf/0715.pdf>

metallic consumables area increased by 49.4% to USD 48.7 million in 2014.<sup>3</sup>

The selective laser melting technology that SLM Solutions applies ranks among the so-called "**powder bed fusion**" **processes** that offer greater precision, surface quality and design freedom compared with other 3D printing processes, according to strategy consultants at Roland Berger.<sup>4</sup> SLM Solutions is of the view 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 is gaining dynamism from changes in the ordering patterns of major customers. Roland Berger currently sees the European industry in a lead position in powder bed fusion processes, and identifies major potentials especially in the aerospace and automotive areas.<sup>5</sup>

### Business progress

SLM Solutions can look back on a successful first half of 2015. **New order intake** – a significant leading indicator of operating business trends – reflects a continuation of growth: SLM Solutions had received 40 orders for machines as of June 30, 2015 – reflecting growth of around 100 % compared with the previous year's first half (20 machines). This included 8 editions of the SLM 500<sup>HL</sup> flagship product (previous year: 2), 25 editions of the SLM 280<sup>HL</sup> (previous year: 13) and 7 editions of the SLM 125<sup>HL</sup> (previous year: 5).

In the first half of 2015, the **value of machines ordered** increased by 188% year-on-year to TEUR 28,104 (previous year: TEUR 9,777).

**Consolidated revenue** grew by 67 % to TEUR 18,121 (H1 previous year: TEUR 10,830). The first quarter of 2015 was very strong compared to the previous year. During the first half of 2015 TEUR 15,209 (TEUR 7,868), or around 84% (previous year: 73 %), of consolidated revenue was attributable to the machines business and TEUR 2,912 (previous year: TEUR 2,962), or around 16% (previous year: 27%), was attributable to after sales business. As already during the first quarter of 2015, the Machine Sales segment continued to grow significantly faster during the first half year, while the After Sales segment lagged slightly. As of

June 30, 2015, the composition of reportable segments has changed compared with the previous year.

An **Application and Demonstration Centre** for SLM technology was opened at the parent company headquarters in Lübeck at the end of March 2015 in order to present and demonstrate the range of products and services. All available system types, with both manual and automatic sieving stations, can be viewed there in real operation on a space of 500 m<sup>2</sup>.

On June 10, 2015, in other words, before the respective contracts expire, the **contracts of Management Board members** Dr. Markus Rechlin and Uwe Bögershausen were extended until June 30, 2018, thereby tying both managers into the company for longer periods.

The **first Annual General Meeting** of SLM Solutions Group AG was held on June 16, 2015, at which large majorities of shareholders discharged both the Managing and Supervisory boards of the company for the 2014 fiscal year, and elected the independent auditor for the 2015 fiscal year. The SLM management confirmed the 2015 fiscal year outlook that it had issued at the start of the year, on the basis of the key management metrics.

### Results of operations

During the first half of its 2015 fiscal year, SLM Solutions Group AG grew **consolidated revenue** by 67 % to TEUR 18,121 (H1 previous year: TEUR 10,830). Given the strong new order intake and the significantly higher level of **finished goods and work in progress** (increase of TEUR 6,122; previous year: TEUR 2,069), **total operating revenue** (sum of sales revenue, increase in inventories of finished goods and work in progress, and other work performed by the enterprise and capitalised) was up by 86 % to TEUR 25,074 (previous year: TEUR 13,504). **Other operating income** of TEUR 763 (previous year: TEUR 287) mainly includes income relating to other accounting periods that derives from the restructuring of the Retention Bonus.

Given the higher business volume, the **cost of materials** rose to TEUR 14,142 (previous year: TEUR 7,784), reflecting an 82 % increase. The **cost of materials ratio** (in % of total operating revenue) stood at 56.4 % as a consequence (previous year: 57.6 %).

<sup>3</sup> Wohlers Associates, Annual Worldwide Progress Report 2015, July 2015

<sup>4</sup> Roland Berger, Additive Manufacturing – a game changer for the manufacturing industry?, November 2013

<sup>5</sup> Roland Berger, Additive Manufacturing (AM) – Opportunities in a digitalized production, Additive Manufacturing European Conference presentation, Brussels, June 23, 2015

Due to the higher number of employees of 184 full-time equivalents (FTE) as of June 30, 2015 (previous year: 94 FTE), adjusted **personnel costs** reported a marked increase to TEUR 6,409 (previous year: TEUR 3,415). The adjustments include an expense of TEUR 1,283 for the Retention Bonus Program, which is set up for three years and serves to secure long-term employee loyalty. In the previous year, personnel costs were adjusted for an amount of TEUR 5,650 for the IPO bonus. The **adjusted personnel cost ratio in % of total operating revenue** stood at 25.6 % (previous year: 25.3 %).

**Other operating expenses** of TEUR 5,727 remained approximately at the previous year's level (previous year: TEUR 5,620). Adjusted for the IPO-related costs of the previous year totalling TEUR 2,800, other operating expenses grew accordingly to the increase in business volume. Mentionable items include: travel expenses (increase of TEUR 315), commissions (increase of TEUR 376), trade fair and marketing expenses (increase of TEUR 291), outgoing freight (increase of TEUR 241) and the rent and other leases (increase of TEUR 326). **After adjusting** for one-off expenses for the Retention Bonus, **EBITDA** (earnings before interest, tax, depreciation and amortisation) amounted to TEUR -440 in the period under review (previous year: TEUR 98). In the previous year, EBITDA was adjusted to reflect costs carried through profit or loss for the IPO bonus (TEUR 5,650), the Retention Bonus (TEUR 282), and one-off expenses that were not allocable to the operating business (TEUR 2,843). The adjusted **EBITDA margin** (in % of revenue) deteriorated by 3.3 percentage points to -2.4% (previous year: 0.9%). On an unadjusted basis, EBIT amounted to TEUR -1,723 (previous year: TEUR -8,677).

**Depreciation, amortisation and impairment losses** totalled TEUR 1,303 (previous year: TEUR 1,040). These include TEUR 641 of amortisation as part of the purchase price allocation (PPA) for the acquisition of SLM Solutions GmbH by SLM Solutions Group AG in 2013 (previous year: TEUR 641).

The **result from operations (EBIT)**, adjusted for the Retention Bonus and PPA-related amortisation, amounted to TEUR -1,102. In the previous year, adjusted EBIT amounted to TEUR -301, having been adjusted to reflect costs recognised through profit or loss for the IPO bonus as well as the Retention Bonus in amounts of TEUR 5,650 and TEUR 282 respectively, TEUR 2,843 of one-off costs not allocable to the operating business, and PPA-related amortisation of TEUR 641. The adjusted EBITDA margin (in % of revenue) stood at -6.1 % (previous year: -2.8 %). On an unadjusted basis, EBIT amounted to TEUR -3,026 (previous year: TEUR -9,717). Given the almost complete repayment of

borrowings, interest and similar expenses of TEUR -109 were significantly below the level for the prior-year period (TEUR -241).

**Tax income** amounted to TEUR 899 in the period under review (previous year: tax income of TEUR 2,714). The consolidated net result after tax amounted to TEUR -2,214 in the first half of 2015 (previous year: TEUR -7,244). This corresponds to basic (undiluted) earnings per share of EUR -0.12 (previous year: EUR -0.40), and diluted earnings per share of EUR -0.12 (previous year: EUR -0.43).

### *Financial position*

In the first half of 2015, SLM Solutions Group AG generated TEUR -8,926 of **cash flow from operating activities** at Group level (previous year: TEUR -13,300). Compared with the previous year, working capital as of June 30, 2015 has almost doubled. It should be mentioned in this context that a total of 11 so-called demo machines are included in current assets which principally are for sale. Funds tied up in working capital amounted to TEUR 10,332 for the (rolling) 12-month period elapsed, and to TEUR 6,981 for the January 1 to June 30, 2015 period.

**Cash flow from investing activities** amount of TEUR -3,470 was significantly above the previous year's TEUR -1,233. Investments during the reporting year were primarily attributable to the development of new application-oriented technologies for the SLM segment, some of which were reported under work performed by the company and capitalised, as well as the company's own development machines.

**Cash flow from financing activities** lay at a negligible level of TEUR -37 (previous year: TEUR 77,652), primarily comprising the repayment of loans. The previous year's figure included the TEUR 72,024 of cash inflows from the successful IPO, as well as an additional cash injection of TEUR 5,650 (reimbursement of the IPO bonus by the previous shareholders).

**Cash and cash equivalents** (less TEUR 32 of time deposits at banks with a term of more than three months) stood at TEUR 51,144 as of June 30, 2015 (December 31, 2014: TEUR 63,531).

### *Net assets*

The equity of SLM Solutions was essentially unchanged at TEUR 113,486 as of June 30, 2015 compared with December 31, 2014 (December 31, 2014: TEUR 112,175).

**Non-current assets** of TEUR 24,641 as of June 30, 2015 were 10% above their level as of December 31, 2014 (TEUR 22,456). This item mainly includes **intangible assets**, including chiefly laser technology and capitalised development expenses. Given an addition of TEUR 2,807, **property, plant and equipment** grew to TEUR 5,311 (December 31, 2014: TEUR 2,504). This also includes the Application and Demonstration Centre in Lübeck, which was opened on April 8, 2015.

At TEUR 88,845 (December 31, 2014: TEUR 89,719), or 78.3 % of total assets, **current assets** continued to comprise the predominant proportion of assets as of the balance sheet date. Due to the good order book position during the first half of 2015, **inventories** increased by 86% to TEUR 22,272 (December 31, 2014: TEUR 11,964). **Trade receivables** of TEUR 12,787 were at their level as of December 31, 2014 (TEUR 12,147).

The **equity** of SLM Solutions remained at a high level of TEUR 94,329 as of June 30, 2015 (December 31, 2014: TEUR 97,045). The **equity ratio** amounted to 83.1 % as a consequence (December 31, 2014: 86.5%). Given its strong equity backing, the SLM Solutions Group carries only a minor level of debt. **Non-current liabilities** amounted to an almost unchanged level of TEUR 5,508 as of June 30, 2015 (December 31, 2014: TEUR 5,950), the predominant portion of which was attributable to **pension provisions** of TEUR 4,693 (December 31, 2014: TEUR 4,544). **Deferred tax liabilities** stood at TEUR 189 as of the reporting date (December 31, 2014: TEUR 1,166), and derived mainly from a difference in the recognition of laser technology as part of the purchase price allocation between the IFRS accounts on the one hand and the tax accounts on the other.

**Current assets** stood at TEUR 13,649 as of the reporting date (December 31, 2014: TEUR 9,180). Of this amount, TEUR 4,799 was attributable to **trade payables** (December 31, 2014: TEUR 3,749). Current **provisions** of TEUR 986 (December 31, 2014: TEUR 1,288) relate primarily to anticipated warranty and maintenance services. **Other liabilities** of TEUR 7,843 comprise chiefly TEUR 4,279 of prepayments for orders, and TEUR 2,740 of provisions for subsequent invoices.

## Events after the balance sheet date

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

## Opportunities and risks

The opportunities and risks pertaining to SLM Solutions are unchanged compared to those presented on pages 46 to 50 of the 2014 annual report. Overall, risks remain limited and calculable. Based on currently available information, the Management Board is of the opinion that no significant individual risks that would be classified as going concern risks exist currently or in the foreseeable future.

## Forecast

The SLM Solutions Group bases its forecast for 2015 on the following underlying **economic and sector-related assumptions**:

- The International Monetary Fund (IMF) forecasts that the **global economy** will report slightly weaker growth year-on-year of 3.3% compared with 2014. In the company's target markets, weaker growth of just 1.6 % is anticipated in **Germany**, while growth of 1.5 % is forecast for the **Eurozone** (previous year: 0.8%). In the company's defined growth regions in which it is driving ahead with its international expansion, the IMF assumes continued strong growth of 2.5 % in the **USA** (previous year: 2.4%), and slightly weaker growth in the **"Emerging and Developing Asia"** region of 6.6 % (previous year: 6.8%). The IMF assumes that the economic forecasts (especially those for advanced economies) could receive further positive impacts from the continued low level of commodity prices. It nevertheless also identifies potentially negative factors affecting its forecasts in higher volatility on financial markets, and a potentially slight downtrend in asset prices.<sup>6</sup>

<sup>6</sup> International Monetary Fund, World Economic Outlook Update, July 9, 2015, <http://www.imf.org/external/pubs/ft/weo/2015/update/02/pdf/0715.pdf>

- The annual Wohlers Report, which reports on the global 3D printing sector and publishes market estimates, identifies major growth potential especially in the area of additive manufacturing processes that are applied in industry: it forecasts global market volumes growing fivefold from USD 4.1 billion in 2014 to USD 21.2 billion by 2020. This forecast assumes that 5% or more of global manufacturing will be additive in the future, and that no global recession occurs.<sup>7</sup>

As of August 7, 2015, new order intake stood at 47 machines – compared with 29 machines during the prior-year comparable period, reflecting marked growth of 96 %. The value of orders grew by 156 % to TEUR 31.755 (previous year: TEUR 12.425). The high order book position at the end of the first half of 2015 can also be regarded as an indicator of further growth during the usually stronger second half of the year.

The RP segment was almost fully relinquished toward the end of the 2014 fiscal year, and only the business with consumables is being continued. In view of this further focusing of the business model on selective laser melting, the Management Board of SLM Solutions Group AG is assuming a continuation of the growth course for the 2015 fiscal year:

- The Management Board still anticipates **consolidated revenue** increasing to between EUR 55 million and EUR 60 million in 2015. Key sales revenue drivers in this context include the high number of new orders from existing customers, many multi-machine orders from industrial customers and contract manufacturers, as well as numerous high-quality multilaser machines.
- New order intake, as the most important indicator of the company's operating growth, should stand in excess of 100 machines over the full course of 2015 given the trends in customer ordering patterns to date.
- In addition, the Management Board anticipates an adjusted EBITDA margin (adjusted for one-off effects and in relation to consolidated revenue) of between 12 and 13 % in 2015.

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<sup>7</sup> Wohlers Associates, Annual Worldwide Progress Report 2015, July 2015

## Consolidated interim financial statements (IFRS) for the period from January 1, 2015 to June 30, 2015

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## Consolidated income statement (January 1 to June 30, 2015)

(in TEUR)	<b>Jan. 1 - June 30, 2015</b>	<b>Jan. 1 - June 30, 2014</b>	<b>Jan. 1 - Dec. 31, 2014</b>
Revenue	18,121	10,830	33,559
Increase in inventories of finished goods and work in progress	6,122	2,069	3,268
Other work performed by the company and capitalised	831	606	2,430
<b>Total operating revenue</b>	<b>25,074</b>	<b>13,504</b>	<b>39,257</b>
Cost of materials	-14,142	-7,784	-21,040
<b>Gross profit</b>	<b>10,932</b>	<b>5,721</b>	<b>18,217</b>
Personnel costs	-7,691	-9,065	-14,328
Other operating income	763	287	1,443
Other operating expenses	-5,727	-5,620	-10,507
<b>EBITDA</b>	<b>-1,723</b>	<b>-8,677</b>	<b>-5,175</b>
Depreciation, amortisation and impairment losses	-1,303	-1,040	-2,147
<b>Operating profit or loss (EBIT)</b>	<b>-3,026</b>	<b>-9,717</b>	<b>-7,322</b>
Interest and similar expenses	-109	-241	-240
Other interest and similar income	22	0	0
<b>Earnings before tax (EBT)</b>	<b>-3,114</b>	<b>-9,958</b>	<b>-7,562</b>
Income taxes	899	2,714	2,463
<b>Net profit or loss for the period</b>	<b>-2,214</b>	<b>-7,244</b>	<b>-5,099</b>
Net profit or loss for the period attributable to parent company shareholders	-2,214	-7,244	-5,099
Number of shares in millions*	18.0	18.0	18.0
Basic earnings per share in EUR	-0.12	-0.40	-0.30
Diluted earnings per share in EUR**	-0.12	-0.43	-0.23

\* calculated with 17,980,867 shares in each case

\*\* see note 9 Equity for explanation

## Consolidated statement of comprehensive income (January 1 to June 30, 2015)

(in TEUR)	<b>Jan. 1 - June 30, 2015</b>	<b>Jan. 1 - June 30, 2014</b>	<b>Jan. 1 - Dec. 31, 2014</b>
Net profit or loss for the period	-2,214	-7,244	-5,099
<b>Items not to be reclassified to profit or loss:</b>			
Actuarial gains and losses	0	0	-928
<b>Income/expenses that are recycled to the income statement in the future:</b>			
Income/expenses from currency translation	8	1	14
<b>Other comprehensive income</b>			
<b>Total comprehensive income</b>	<b>-2,206</b>	<b>-7,243</b>	<b>-6,013</b>
Attribution of total comprehensive income:			
Shareholders of SLM Solutions Group AG	-2,206	-7,243	-6,013



## Consolidated income statement (April 1 to June 30, 2015)

(in TEUR)	Apr. 1 - Jun. 30, 2015	Apr. 1 - Jun. 30, 2014	Jan. 1 - Dec. 31, 2014
Revenue	9,645	7,141	33,559
Increase in inventories of finished goods and work in progress	3,004	651	3,268
Other work performed by the company and capitalised	742	186	2,430
<b>Total operating revenue</b>	<b>13,391</b>	<b>7,977</b>	<b>39,257</b>
Cost of materials	-7,442	-4,780	-21,040
<b>Gross profit</b>	<b>5,949</b>	<b>3,198</b>	<b>18,217</b>
Personnel costs	-4,375	-7,696	-14,328
Other operating income	249	191	1,443
Other operating expenses	-3,423	-3,266	-10,507
<b>EBITDA</b>	<b>-1,600</b>	<b>-7,573</b>	<b>-5,175</b>
Depreciation, amortisation and impairment losses	-710	-534	-2,147
<b>Operating profit or loss (EBIT)</b>	<b>-2,310</b>	<b>-8,107</b>	<b>-7,322</b>
Interest and similar expenses	-56	-78	-240
Other interest and similar income	10	0	0
<b>Earnings before tax (EBT)</b>	<b>-2,356</b>	<b>-8,185</b>	<b>-7,562</b>
Income taxes	952	2,342	2,463
<b>Net profit or loss for the period</b>	<b>-1,403</b>	<b>-5,843</b>	<b>-5,099</b>
Net profit or loss for the period attributable to parent company shareholders	-1,403	-5,843	-5,099

\* see note 9 Equity for explanation

## Consolidated statement of comprehensive income (April 1 to June 30, 2015)

(in TEUR)	Apr. 1 - June 30, 2015	Apr. 1 - June 30, 2014	Jan. 1 - Dec. 31, 2014
Consolidated net profit or loss for the period	-1,403	-5,843	-5,099
<b>Items not to be reclassified to profit or loss:</b>			
Actuarial gains and losses	0	0	-928
<b>Income/expenses that are recycled to the income statement in the future:</b>			
Income/expenses from currency translation	-4	-6	14
<b>Other comprehensive income</b>	<b>-4</b>	<b>-6</b>	<b>-914</b>
<b>Total comprehensive income</b>	<b>-1,407</b>	<b>-5,849</b>	<b>-6,013</b>
Attribution of total comprehensive income:			
Shareholders of SLM Solutions Group AG	-1,407	-5,849	-6,013

## Consolidated balance sheet

(in TEUR)	June 30, 2015	June 30, 2014	Dec. 31, 2014
<b>Assets</b>			
Cash and cash equivalents	51,176	65,537	63,563
Trade receivables	12,787	8,487	12,147
Inventories	22,272	9,710	11,964
Current tax receivables	204	0	163
Other assets	2,406	3,130	1,882
<b>Total current assets</b>	<b>88,845</b>	<b>86,863</b>	<b>89,719</b>
Intangible assets	19,288	18,747	19,892
Property, plant and equipment	5,311	2,194	2,504
Other assets and deferred tax assets	42	4	60
<b>Total non-current assets</b>	<b>24,641</b>	<b>20,945</b>	<b>22,456</b>
<b>Total assets</b>	<b>113,486</b>	<b>107,808</b>	<b>112,175</b>

(in TEUR)	June 30, 2015	June 30, 2014	Dec. 31, 2014
<b>Equity and liabilities</b>			
Trade payables	4,799	3,481	3,749
Other financial liabilities	21	69	38
Provisions	986	506	1,288
Other liabilities	7,843	3,839	4,105
<b>Total current liabilities</b>	<b>13,649</b>	<b>7,895</b>	<b>9,180</b>
Financial liabilities	0	38	0
Pension and similar obligations	4,693	3,176	4,544
Deferred tax liabilities	189	1,173	1,166
Provisions	625	52	240
<b>Total non-current liabilities</b>	<b>5,508</b>	<b>4,439</b>	<b>5,950</b>
Subscribed share capital	17,981	17,981	17,981
Additional paid-in capital	85,041	85,210	85,551
Retained earnings	-8,714	-7,716	-5,835
Other reserves	21	-1	-652
<b>Equity attributable to parent company shareholders</b>	<b>94,329</b>	<b>95,474</b>	<b>97,045</b>
<b>Total equity</b>	<b>94,329</b>	<b>95,474</b>	<b>97,045</b>
<b>Total equity and liabilities</b>	<b>113,486</b>	<b>107,808</b>	<b>112,175</b>

## Consolidated cash flow statement

(in TEUR)	<b>Jan. 1 - June 30, 2015</b>	<b>Jan. 1 – June 30, 2014</b>	<b>Jan. 1 - Dec. 31, 2014</b>
Net profit or loss for the period	-2,214	-7,244	-5,099
Depreciation, amortisation and impairment losses	1,303	1,040	2,147
Interest expenses	109	241	240
Interest income	-22	0	0
Tax result as per income statement	-899	-2,714	0
Non-cash income	-597	-141	0
Non-cash expenses	343	442	1,055
Change in assets and liabilities	-6,908	-4,986	-8,831
Inventories	-10,308	-3,382	-5,484
Trade receivables	-640	-2,684	-6,344
Pension liabilities	150	115	447
Trade payables	1,050	1,517	1,841
Provisions	-297	115	541
Other assets and liabilities	3,137	-667	168
Changes in tax receivables, deferred tax assets and tax provisions	-41	62	-2,836
<b>Net cash provided by (used in) operating activities</b>	<b>-8,926</b>	<b>-13,300</b>	<b>-13,324</b>
Purchases of property, plant and equipment and intangible assets	-2,639	-626	-1,998
Work performed by the enterprise and capitalised	-831	-606	-2,430
Cash inflows and (cash outflows) from the sale of participating interests, intangible assets, and property, plant and equipment	0	0	356
<b>Net cash provided by (used in) investing activities</b>	<b>-3,470</b>	<b>-1,232</b>	<b>-4,072</b>

(in TEUR)	<b>Jan. 1 - June 30, 2015</b>	<b>Jan. 1 - June 30, 2014</b>	<b>Jan. 1 - Dec. 31, 2014</b>
Other proceeds from shareholders	0	5,650	7,462
Capital injection from IPO	0	72,024	71,189
Repayment of debt	-29	0	-18
Interest paid	-9	-22	-132
<b>Net cash provided by (used in) financing activities</b>	<b>-37</b>	<b>77,652</b>	<b>78,501</b>
Net increase (decrease) in cash and cash equivalents	-12,433	63,120	61,105
Currency-related change in cash and cash equivalents	46	0	54
Liquid assets at start of reporting period	63,563	2,372	2,404
Liquid assets at end of reporting period*	51,176	65,537	63,563
Fixed term deposits	-32	-32	-32
<b>Cash and cash equivalents at end of reporting period</b>	<b>51,144</b>	<b>65,492</b>	<b>63,531</b>

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

## Consolidated statement of changes in equity

(in TEUR)	Subscribed Share capital	Additional paid-in capital	Retained earnings	Other reserves	Total	Non- controlling share- holders	Total equity
<b>As of January 1, 2014</b>	<b>81</b>	<b>15,085</b>	<b>-472</b>	<b>-1</b>	<b>14,693</b>	<b>-</b>	<b>14,693</b>
Consolidated net result			-7,243		-7,243	-	-7,243
Other equity changes	17,900	62,097			79,996	-	79,996
Non-cash capital contribution		8,028			8,028	-	8,028
<b>As of June 30, 2014</b>	<b>17,981</b>	<b>85,210</b>	<b>-7,715</b>	<b>-1</b>	<b>95,474</b>	<b>-</b>	<b>95,474</b>
<b>As of January 1, 2015</b>	<b>17,981</b>	<b>85,551</b>	<b>-5,835</b>	<b>-652</b>	<b>97,045</b>	<b>-</b>	<b>97,045</b>
Consolidated net result			-2,214	-	-2,214	-	-2,214
Other changes in equity		-510		8	-502	-	-502
<b>As of June 30, 2015</b>	<b>17,981</b>	<b>85,041</b>	<b>-8,049</b>	<b>-644</b>	<b>94,329</b>	<b>-</b>	<b>94,329</b>

## Notes to the consolidated financial statements (IFRS) for the period from January 1, 2015 to June 30, 2015

### SLM Solutions Group AG, Lübeck

#### *Note 1) General information*

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

Since May 9, 2014, the shares of SLM Solutions Group AG (German Securities Code/WKN: A11133) have been traded on the Frankfurt Stock Exchange, in the exchange's Prime Standard.

SLM operates in the segments of "Machine Sales" and "After Sales". The Machine Sales segment comprises the development of production, as well as marketing and sales, of machines for selective laser melting. The machines are distributed through a global distribution network. This segment currently comprises the focus of business.

The After Sales segment comprises a strategic focus for the company, and will become increasingly important as a consequence. It includes the business with machine-related services, the sale of spare parts and accessories, and the sale of merchandise. This area also includes the business with consumables (metallic powders) that is to be tapped further.

These abbreviated consolidated interim financial statements of the SLM Solutions Group AG as of June 30, 2015 were prepared in euros. Unless stated otherwise, all amounts are stated on rounded basis in thousands of euros (TEUR). Differences of up to one unit (TEUR, %) relate to arithmetic rounding differences.

#### *Note 2) Accounting principles*

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

These consolidated financial statements are not comparable with a set of consolidated financial statements in scope and level of detail, but they include all disclosures required pursuant to IAS 34 and Section 37x (3) of WpHG in connection with Section 37w WpHG to convey a true and fair view of the financial position and performance relating to the interim financial statements.

The accounting methods applied in the abbreviated interim consolidated financial statements essentially correspond to those applied in the last set of consolidated financial statements as of the end of the 2014 fiscal year. The notes to the audited consolidated financial statements as of December 31, 2014 include a detailed description of the accounting principles (please also refer to the company's securities listing prospectus). The first-time application of new standards and interpretations (e.g. IFRS 10, IFRS 11 and IFRS 12) resulted in no significant effects.



**Note 3) Scope of consolidation**

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

Name	Interest in %
SLM Solutions GmbH, Lübeck	100
SLM Solutions NA, Inc., Novi, Michigan/USA*	100
SLM Solutions Singapore Pte Ltd**	100

\* The shares in SLM Solutions NA are held by SLM Solutions GmbH, Lübeck.

\*\* The shares in SLM Solutions Singapore Pte Ltd are held by SLM Solutions Group AG.

**Note 4) Seasonal effects on business activities**

The company's revenue and operating earnings fluctuate from quarter to quarter, which is mainly due to the fact that shipments are frequently postponed beyond the last day of the quarter – often by customer request. For this reason, we believe that comparing revenue and operating earnings on a quarterly basis is of only limited relevance. Consequently, we find that the new order intake that is achieved provides a more suitable indicator of operating business trends. We are assuming that the impact of these effects will tend to wane with rising production volumes over the coming years.

Secondly, our business is subject to seasonal fluctuations. A significant proportion of our annual order intake is typically generated during the fourth quarter of the year, with shipments consequently being concentrated towards the end of the year. The first quarter, by contrast, is traditionally the weakest quarter of the year. This occurs mainly due to customer budget restrictions or other requirements on the customer side. In addition, the most important sector trade fair, Euromold (new: Formnext), is usually held in November or December.

As a result, revenue and operating earnings for a particular quarter can diverge from our expectations and internal planning, being delayed to subsequent quarters accordingly. This should be taken into account when interpreting quarterly reporting.

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

The IPO that was concluded successfully on May 9, 2014 resulted in one-off expenses in the 2014 fiscal year that are not attributable to the operating activities. These one-off expenses significantly affected the company's net financial position and performance, as presented in detail in the 2014 annual report.

With the successful conclusion of the IPO, SLM Group employees are participating in the so-called "retention bonus" program. This bonus program runs over three fiscal years (in each case due in the May of the respective fiscal year) and required initially that the annual tranche of the net bonus payment that is due annually in May is rendered to the company's equity as a non-cash capital contribution.

(As of June 30, 2015, personnel expenses of TEUR 1,283 were reported in the interim consolidated financial statements for the retention bonus. In 2014, the retention bonus program was to be classified partially as equity settled in the meaning of IFRS 2. With the Supervisory Board resolution in May 2015, the Retention Bonus Program was reclassified as a cash-settled programme, and the bonus amount that was calculated was recognised in its entirety as a provision.)

### Note 6) Segment reporting

Pursuant to IFRS 8, SLM Solutions Group AG is required to include segment reporting in the notes to its consolidated financial statements.

The composition of reportable segments has changed compared with the previous year. While a differentiation was made in the previous year between the SLM and the RP segments due to differing technologies, from January 1, 2015 the company has identified the segments of "Machine Sales" and "After Sales" as the main decision-makers for internal reporting to the Management and Supervisory boards. The "Machine Sales" segment comprises purely machine sales deriving from the selective laser melting area, along with accessories, on the basis of new order intake. The "After Sales" segment consists of service revenues, spare parts sales and merchandise sales.

June 30, 2015 (in TEUR)	Machine sales	After Sales	Total
<b>Revenue</b>	<b>15,209</b>	<b>2,912</b>	<b>18,121</b>
Deployment of merchandise	-6,592	-2,162	-8,754
<b>Gross profit</b>	<b>8,617</b>	<b>750</b>	<b>9,367</b>
Expenses	-8,694	-2,396	-11,090
<b>EBITDA</b>	<b>-77</b>	<b>-1,646</b>	<b>-1,723</b>
Depreciation, amortisation and impairment losses			-1,303
Interest and similar expenses			-87
Income taxes			899
<b>Net profit or loss for the period</b>			<b>-2,214</b>

June 30, 2014 (in TEUR)	Machine sales	After Sales	Total
<b>Revenue</b>	<b>7,868</b>	<b>2,962</b>	<b>10,830</b>
Deployment of merchandise	-3,811	-1,633	-5,444
<b>Gross profit</b>	<b>4,057</b>	<b>1,329</b>	<b>5,386</b>
Expenses	-9,490	-4,573	-14,063
<b>EBITDA</b>	<b>-5,433</b>	<b>-3,244</b>	<b>-8,677</b>
Depreciation, amortisation and impairment losses			-1,040
Interest and similar expenses			-241
Income taxes			2,714
<b>Net profit or loss for the period</b>			<b>-7,244</b>

Along with depreciation, amortisation and impairment losses, significant expenses of TEUR 1,283 were incurred in the year under review in connection with the Retention Bonus (previous year: TEUR 282).

The above-presented segment revenue relates to revenue generated from business with external customers.

No significant transactions occurred between the segments.

### **Note 7) Non-current assets**

Non-current assets remain significantly affected by the hidden reserves in the technology area which were disclosed parting the context of the purchase price allocation that was performed in 2013. This purchase price allocation occurred as part of the acquisition by SLM Solutions Group AG of the majority of the shares in SLM Solutions GmbH.

Investments in non-current assets relate to intangible assets, and are attributable mainly to development expenses to be capitalised pursuant to IAS 38.

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

### **Note 8) Liquidity and financial liabilities**

Both in the previous year and as of June 30, 2015, liquidity was secured at all times.

The seasonal distribution of sales revenues that is typical of the sector results in a marked increase in capital tied up as working capital. Together with higher legal and advisory expenses in connection with the IPO that was successfully concluded on May 9, 2014, this business model-related pre-financing fed through to markedly negative cash flow from operating activities.

<b>Working capital</b>	<b>June 30, 2015</b>	<b>Dec. 31, 2014</b>	<b>June 30, 2014</b>	<b>Difference</b>	
				<b>6-month period</b>	<b>12-month period</b>
Trade receivables	12,787	12,147	8,487	640	4,300
Inventories	22,272	11,964	9,710	10,308	12,562
Other assets	2,406	1,882	3,130	525	-724
Trade payables	-4,799	-3,749	-3,481	-1,050	-1,318
Provisions	-992	-1,288	-506	297	-486
Other liabilities and accrued expenses	-7,843	-4,104	-3,839	-3,739	-4,004
<b>Total</b>	<b>23,832</b>	<b>16,851</b>	<b>13,500</b>	<b>6,981</b>	<b>10,332</b>

Funds tied up in working capital amounted to TEUR 10,332 for the (rolling) 12-month period elapsed, and to TEUR 6,981 for the January 1 to June 30, 2015 period.

Investments during the current period under review are attributable mainly to the development of new application-oriented technologies. Operating and investing cash flows were financed from cash inflows from the successful IPO in 2014.

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

(in TEUR)	Jun. 30, 2015	Jun. 30, 2014	Dec. 31, 2014
Cash and cash equivalents position	51,176	65,537	63,563
Fixed term bank deposits (more than three-month term)	-32	-32	-32
Cash and cash equivalents position in cash flow statement	51,144	65,492	63,531

#### Note 9) Equity

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

Number of shares before IPO	13,814,200	76.83 %
Capital increase	4,166,667	23.17 %
Number of shares after IPO	17,980,867	100.00 %

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

As of June 30, 2015, the equity ratio amounts to 83.12 % (June 30, 2014 balance sheet date: 88.56 %; December 31, 2014: 86.51 %).

#### Earnings per share (undiluted)

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.

	June 30, 2015	June 30, 2014
Number of shares in issue as of January 1	17,980,867	-
Number of shares in issue during the fiscal year	-	17,980,867
<b>Weighted average number of shares in issue</b>	<b>17,980,867</b>	<b>17,980,867</b>
Consolidated net result attributable to parent company shareholders (in EUR)	-2,214,222.85	-7,243,732.32
Weighted average number of shares in issue	17,980,867	17,980,867
Undiluted earnings per share in EUR	-0.12	-0.40

## Earnings per share (diluted)

The effects explained under note 5) about the retention bonus program were taken into account when calculating diluted earnings per share. 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 in the meaning of IAS 33 were taken into account to calculate diluted earnings:

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Gross bonus payment in EUR	-	3,013,310.3
Beneficiaries' reference price in EUR	-	19.69
Assumed share price on share issue reference date in EUR	-	20.18
Flat rate tax charge	-	40%
Calculated tax payment in EUR	-	1,223,323.63
Net bonus level in EUR	-	1,789,986.68
Number of shares to be purchased	-	90,931
Number of shares, diluted	17,980,867	18,071,798
Consolidated net result attributable to parent company shareholders (in EUR) (undiluted earnings)	-2,214,222.85	-7,243,732.32
Personnel costs for retention bonus in EUR	-	282,374.23
Consolidated net result attributable to	-2,214,222.85	-6,961,358.09
Consolidated net result in EUR (for diluted earnings)		
Weighted average number of shares in issue	17,980,867	15,959,414
Adjustments to share-based compensation as part of retention bonus	-	90,931
<b>Weighted average number of shares in issue for diluted earnings per share</b>	<b>17,980,867</b>	<b>16,050,345</b>
Consolidated net result attributable to parent company shareholders for diluted earnings per share (in EUR)	-2,214,222.85	-6,961,358.09
Weighted average number of shares in issue for diluted earnings per share	17,980,867	16,050,345
<b>Diluted earnings per share in EUR</b>	<b>-0.12</b>	<b>-0.43</b>

**Note 10) Significant business transactions with related parties**

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

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

Management Board members and their related individuals as of June 30, 2015:

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

Supervisory Board members and their related individuals as of June 30, 2015:

Hans-Joachim Ihde and family

Peter Grosch and family

Bernd Hackmann and family

Klaus-J. Grimberg and family

Volker Hichert and family

Lars Becker and family

Related party to the SLM Group comprise the following:

SLM Solutions GmbH

SLM Solutions NA, Inc. Michigan, USA

SLM Solutions Singapore Pte. Ltd.

Parcom Deutschland I GmbH&Co.KG

Ceresio GmbH

Since the successful admission to stock market listing of the company, no shareholder exerts direct control.

### ***Note 11) Other financial obligations and contingent claims***

#### ***11.1) Other financial obligations***

Other financial obligations arise from leasing and rental agreements.

#### ***11.2) Contingent claims***

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

### ***Note 12) Events after the balance sheet date***

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

**Note 13) Other information**

Financial assets and liabilities are recognized at amortised cost. Fair value accounting is affected neither for financial instruments nor for other assets (e.g. property, plant and equipment). The carrying amounts of financial instruments are identical with their fair values due to their short residual terms.

<b>Financial instruments (June 30, 2015)</b>	<b>Measurement category</b>	<b>Carrying amount</b>	<b>Fair value</b>
Receivables and other assets	LaR*	14,048	14,048
Financial liabilities	FLAC**	4,820	4,820

<b>Financial instruments (June 30, 2014)</b>	<b>Measurement category</b>	<b>Carrying amount</b>	<b>Fair value</b>
Receivables and other assets	LaR*	10,534	10,534
Financial liabilities	FLAC**	3,588	3,588

\* Loans and Receivables

\*\* Financial Liabilities measured at Amortised Cost

Lübeck, August 7, 2015



Dr. Markus Rechlin  
SLM Solutions Group AG



Uwe Bögershausen



Henner Schöneborn

## REVIEW REPORT

To SLM Solutions Group AG, Lübeck

We have reviewed the condensed consolidated interim financial statements - comprising the condensed statement of financial position, the condensed income statement, the condensed statement of cash flows, the condensed statement of changes in equity, and selected explanatory notes - and the interim group management report of SLM Solutions Group AG, Lübeck, for the period from January 1, 2015 to June 30, 2015, which are part of the half-year financial report pursuant to § 37w of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Lübeck, August 12, 2015

BDO AG  
Wirtschaftsprüfungsgesellschaft

Dr Wißmann [signed]  
German Public Auditor

Wiesing-Weißbarth [signed]  
German Public Auditor