

Industrial Manufacturing Revolution

Q1 Report 2015



Highlights

	Unit	Q1 2015	Q1 2014	Change (in % or % points)
Revenue	TEUR	8,476	3,689	+129.8
Total operating revenue	TEUR	11,683	5,527	+111.4
Cost of materials	TEUR	6,700	3,004	+123.0
Cost of materials ratio (as % of total operating revenue)	%	57.4	54.4	+3.0
Personnel costs, adjusted*	TEUR	2,920	1,369	+113.3
Personnel cost ratio, adjusted (as % of total operating revenue)	%	25.0	24.8	+0.2
Adjusted EBITDA	TEUR	273	-233	-
Adjusted EBITDA margin (as % of revenue)	%	3.2	-6.3	+9.5
Consolidated net result	TEUR	-811	-1,401	-42.1
Earnings per share (basic)**	EUR	-0.05	-0.10	-
Earnings per share (diluted)***	EUR	-0.02	-0.10	-
New order intake	Number of ma- chines	17	7	+142.9
New order intake	TEUR	14,432	3,603	+301.6
Machines sold	Number of machines	11	5	+120.0
		31/03/2015	31/03/2014	Change (in % or % points)
Non-current assets	TEUR	23,078	21,209	+8.8
Current assets	TEUR	90,767	16,347	+455.3
Equity ratio	%	84.7	58.0	+26.7
Total assets	TEUR	113,845	37,556	+203.1

* In Q1 2015 adjusted for retention bonus of TEUR 396

** For better comparability calculated in Q1 2015 with 17,980,867 shares (previous year: 13,814,200 shares relating to pre-IPO share capital) see note 9 Equity for explanation

*** For better comparability calculated in Q1 2015 with 18,053,826 shares (previous year: 13,814,200 shares relating on an unchanged to basis to undiluted earnings) see note 9 Equity for explanation

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Letter from the CEO

Dear shareholders, customers, business partners and colleagues,

SLM Solutions has made a strong start during the first three months of the 2015 fiscal year: we remain firmly on our growth path with a sharp increase in new order intake from 7 to 17 machines compared with the previous year's quarter, and a more than doubling of consolidated revenue to EUR 8.5 million (previous year: EUR 3.7 million).

The first quarter – which is usually the weakest quarter – consequently already gives us considerable following wind for the current fiscal year. In terms of value, new order intake leaped as much as fourfold to reach EUR 14.4 million (previous year: EUR 3.6 million). This reflects a change to the ordering patterns of our industrial customers, who are becoming increasingly familiar with the technology and integrating it into their production processes. In the context of industrial manufacturing, plant and machine builders are focusing increasingly on metal-based 3D printing to produce complex components with outstanding properties. Our customers across the entire globe are discovering ever-new application possibilities, including automotive engineering, for example.

The global market for additive manufacturing processes was worth USD 4.1 billion in 2014, following average annual growth 33.8% between 2012 and 2014, according to recent sector data from Wohlers Associates. Especially metal-based 3D printing enjoys the greatest growth potential in this context due to the possibilities to utilise it in direct component manufacturing. SLM Solutions is a technology leader in this area, having the most productive systems on the market with its multi-laser technology that is deployed in its SLM 280^{HL} and SLM 500^{HL} machines. SLM is working on continuously shortening manufacturing times in order to systematically reduce specific component costs. The benefits of additive manufacturing, such as greater flexibility and geometry freedom, as well as the high quality of the components, generates the potential for a new industrial revolution that we aim to play a significant role in shaping and designing.

SLM Solutions has continued this year to participate in important sector trade fairs, such as the Additive Manufacturing User Group (AMUG) Conference in Jacksonville, Florida. During the course of the year, we will have our ear

to the market and will be further expanding our existing network within the sector at events such as the RAPID Conference 2015 in Long Beach, California, between May 18 and 21, and formnext 2015 in the autumn.

We aim to implement further important future-oriented measures in our strategic areas of research and development, as well as in sales and service, in the 2015 fiscal year, and thereby play an important role in helping to shape and structure developments in 3D printing. We are also aiming to take a decisive step forwards with our consumables business: we are planning to expand the metal powders business in the medium-term as part of a strategic partnership or acquisition.

All of this is only possible because a strong team stands behind our strong products. Our employees' expertise, passion and creativity comprise our greatest capital. SLM Solutions stands for "German Engineering" in one of the future technologies of the 21st century.

I would like to thank our shareholders, customers, business partners and colleagues, and I look forward to continuing on our path together with you.

Lübeck, May 2014



Dr. Markus Rechlin (CEO)

The SLM Solutions Group AG share

Share price performance (as of: May 8, 2015)

The share of SLM Solutions Group AG is traded at the Frankfurt Stock Exchange in the Prime Standard segment since May 9, 2014. The opening price of EUR 18.20 was slightly above the EUR 18.00 placing price. The first closing price at May 9 was EUR 18.04. Since then, the share has shown a stable performance; as at May 8, 2015, the closing price was at EUR 18,05 (+0 %), which corresponds to a market capitalization of EUR 324.5 million on the basis of 17,980,867 shares traded. All in all, the SLM share has been distinctly less volatile than comparable 3D printing companies stocks. Compared to the TecDAX (price index), which grew by 32 % from 9 May, 2014 to 8 May, 2015, SLM mostly performed better in the second half of the year 2014. The average number of the company's shares traded per day on Xetra amounted to 28,711 during this period.

Analysts

Six 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.

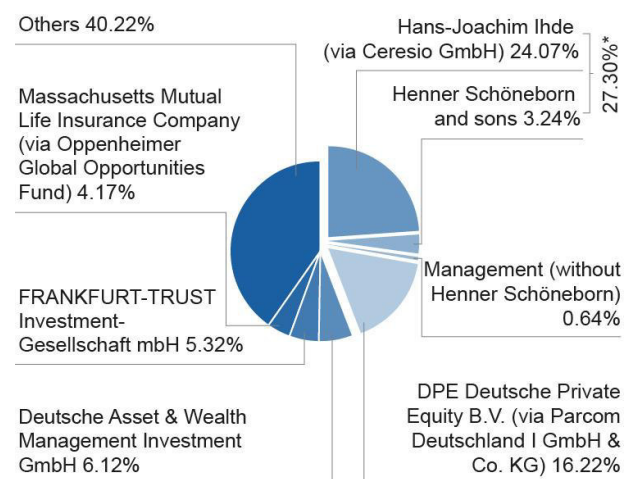
Investor relations

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 in 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 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: May 8, 2015)



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

Financial calendar

Date	Event
June 16, 2015	Annual General Meeting (media docks, Lübeck)
August 13, 2015	H1 Report 2015
November 12, 2015	gM Report 2015
November 23-25, 2015	German Equity Capital Forum, Frankfurt

Investor relations contact

cometis AG

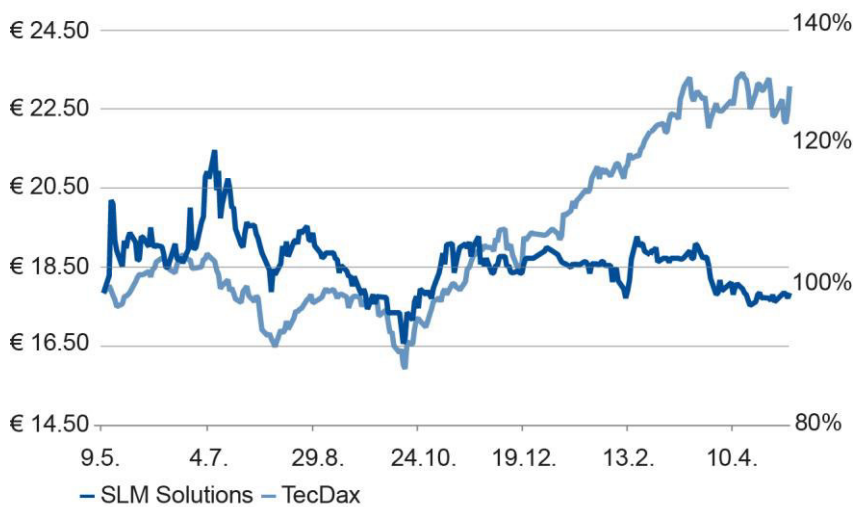
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Key data (as of: May 8, 2015)

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 May 8, 2015	18.05
Number of shares	17,980,867 ordinary no par value bearer shares

Share price performance (as of: May 8, 2015)



Group interim management report

Basis of the Group

Group structure

The Group parent company, SLM Solutions Group AG, headquartered in Lübeck, Germany, has three wholly-owned subsidiaries: along with the operating subsidiary SLM Solutions GmbH, 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.

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 "**Machine Sales**" and "**After Sales**" segments. 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 our business. The After Sales segment comprises a strategic focus for the company, and is becoming 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.

The **product range** currently comprises three systems – the SLM 125^{HL}, the SLM 280^{HL} and the SLM500^{HL} – which are differentiated according to size of construction chamber and number of lasers employed. 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 process starts with a 3D computer-produced model of the object to be manufactured. This

object is melted in layers by applying 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. Additive manufacturing is consequently appropriate for the production of complex components that are required in small unit numbers. Additive manufacturing of metal components also offers enormous speed benefits, as no forms are required. Complexity does not comprise a cost factor by contrast with conventional production processes ("complexity comes for free"). The quality leadership of SLM Solutions products is being augmented to an increasing extent by time gains in production thanks to the deployment of multi-laser 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. 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 generally generated during the fourth quarter of the year, while the first quarter is traditionally the weakest quarter of the year.

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 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 contin-

uously, and the number of R&D staff has grown significantly during the year 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 for manufacturing on 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 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 being applied in equal proportions 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 reports them externally at regular intervals:

- The company's **sales revenue trend** is the key performance indicator to assess exploitation of the company's growth potential.
- 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 delayed beyond reporting dates – frequently by customer request – which is why the **new order intake** (number of machines, or value of new order intake in EUR) that we report is a more suitable indicator than the number of machines sold or the revenue recognised. 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 quarter of the year.

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 multi-laser technology. The company commands an extensive portfolio of intellectual property rights, including patents and licenses for selective laser melting technology and the hull-core imaging process.

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. An additional focus is on the growing role of value chain organisation in industrial manufacturing processes ("Industry 4.0").

SLM Solutions' research and development department comprises 31 members of staff on March 31, 2015 (previous year: 11 staff). Research and development spending amounted to TEUR 683 in the period under review (previous year: TEUR 371). The company is working on a total of 40 projects.

Economic and business report

Macroeconomic situation in target markets

In **Germany**, the important domestic market for SLM Solutions Group AG, gross domestic product (GDP) is predicted to have grown by 0.6% during the first quarter of 2015, according to the most recent joint forecast published by the leading German economic research institutions.¹

The **global economy** expanded at a moderate growth rate of just 3.4 % in 2014, according to International Monetary Fund (IMF) data. The **Eurozone** economy saw a slow recovery at best in 2014, with growth amounting to only 0.9 % as a result of the euro and state debt crisis. 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.²

Market for metal-based 3D printing

SLM Solutions operates in a very attractive global **growth market for additive manufacturing processes** ("3D printing"). In their latest sector report, experts at Wohlers Associates forecast considerable growth for the global 3D printing market. They estimate global market volumes of USD 4.1 billion in 2014, the following annual average growth of

33.8% between 2012 and 2014.³ Market volumes are forecast at USD 12.5 billion in 2018, and more than USD 21 billion by 2020.⁴ Although the share of metal-based printing processes was still relatively small at 9% in 2012, SLM identifies particularly attractive growth opportunities in this context due to direct component manufacturing.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 freedom 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 internationally operating 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.

Business progress

The first quarter of the 2015 fiscal year has proved to be very successful for SLM Solutions Group AG. **Consolidated revenue** was up by 129.8% to TEUR 8,476 (previous year: TEUR 3,689). Of this total, TEUR 6,940 (TEUR 2,144), or around 82% (previous year: 58%), was attributable to the machines business, and TEUR 1,536 (previous year: TEUR 1,545), or around 18% (previous year: 42%), was attributable to after sales business.

New order intake, an important indicator of operating business trends, also performed extremely well: SLM Solutions had 17 orders for machines as of March 31, 2015 – reflecting growth of around 143% compared with the previous year's quarter (7 machines). This included 7 editions of the SLM 500^{HL} flagship product (previous year: 0), 7 editions of the SLM 280^{HL} (previous year: 5) and 3 editions of the SLM 125^{HL} (previous year: 2).

The **value of machines ordered** was up fourfold year-on-year to EUR 14.4 million (previous year: EUR 3.6 million).

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

¹ Joint Forecast Project Group: Joint Forecast Spring 2015, April 14, 2015, http://www.diw.de/documents/dokumentenarchiv/17/diw_01.c.502269.de/20150416_gd_fruehjhr_2015_langfassung.pdf

² International Monetary Fund, World Economic Outlook, April 2015 <http://www.imf.org/external/pubs/ft/weo/2015/01/pdf/text.pdf>

³ Wohlers Associates: Industry grows to USD 4.1 Billion in 2014, Press release, April 6, 2015, <http://www.wohlersassociates.com/press69.html>

⁴ Wohlers Associates, Annual Worldwide Progress Report, July 2014

⁵ CODEX Partners, Metal 3D printing market survey, February 2014

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

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 m².

Results of operations

During the first quarter of its 2015 fiscal year, SLM Solutions Group AG boosted **consolidated revenue** by 129.8% TEUR 8,476 (Q1 previous year: TEUR 3,689). Given the strong new order intake and the significantly higher level of **finished goods and work in progress** (increase of TEUR 3,118; previous year: TEUR 1,418), **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 111.4% to TEUR 11,683 (previous year: TEUR 5,527). **Other operating income** of TEUR 514 (previous year: TEUR 96) chiefly comprises currency gains.

Given the higher business volume, the **cost of materials** rose to TEUR 6,700 (previous year: TEUR 3,004), reflecting a 123.0% increase. The **personnel cost ratio** (in % of total operating revenue) stood at 57.4 % as a consequence (previous year: 54.4 %). This increase is primarily attributable to a further increase in finished goods and work in progress. As only production costs, excluding the margin to be achieved, are capitalised in this context, total operating revenue increased to a lesser extent than the cost of materials.

Due to the higher number of employees of 145 full-time equivalents (previous year: 78 FTE), **personnel costs** reported a marked increase to TEUR 3,316 (previous year: TEUR 1,369). This item includes an expense of TEUR 396 for the retention bonus Program, which is set up for three years and serves to secure long-term employee loyalty. The calculated net bonus amount of TEUR 191, which is available to purchase shares, was transferred to additional paid-in capital. The calculated wage tax component of TEUR 205 is recognised as a provision.

After adjusting for this effect, **personnel costs** amounted to TEUR 2,920 (previous year: TEUR 1,369), which corresponds to an **adjusted personnel cost ratio** of 25.0% of total operating revenue (previous year: 24.8%). **Other operating expenses** of TEUR 2,304 were slightly below the previous year's TEUR 2,354. In this context, a lower level of operating expenses was offset by higher rental, leasing and travel costs.

After adjusting for one-off expenses for the retention bonus, **EBITDA** (earnings before interest, tax, depreciation

and amortisation) grew to TEUR 273 in the period under review (previous year: TEUR -233, adjusted for IPO costs of TEUR -713 carried through profit or loss, as well as one-off expenses of TEUR -158 that are not attributable to the operating business). This corresponds to a marked improvement in the adjusted **EBITDA margin** (expressed as a percentage of revenue) to 3.2 % (previous year: -6.3 %). On an unadjusted basis, EBIT amounted to TEUR -123 (previous year: TEUR -1,104).

Depreciation, amortisation and impairment losses totalled TEUR 593 (previous year: TEUR 506). Depreciation, amortisation and impairment losses include TEUR 320 of **amortisation** as part of the purchase price allocation (PPA) for the acquisition of SLM Solutions GmbH by SLM Solutions Group AG in 2013.

Operating profit (EBIT) adjusted for the retention bonus and PPA-related amortisation amounted to TEUR 0 (previous year: TEUR -419, adjusted for TEUR -713 of IPO costs, one-off expenses of TEUR -158 that are not attributable to the operating business, and TEUR 320 of PPA-related amortisation). The adjusted EBIT margin (expressed as a percentage of revenue) amounted to 0% (previous year: -11.4%). On an unadjusted basis, EBIT amounted to TEUR -716 (previous year: TEUR -1,610). Given the almost complete repayment of borrowings, interest and similar expenses of TEUR 53 were significantly below the level for the prior-year period (TEUR 286).

Tax expenses amounted to TEUR 53 in the period under review (previous year: tax income of TEUR 372). As a consequence, the **consolidated net loss** after taxes stood at TEUR -811 (previous year: TEUR -1,401). This corresponds to basic (undiluted) earnings per share of EUR -0.05 (previous year: EUR -0.10), and diluted earnings per share of EUR -0.02 (previous year: EUR -0.10).

Financial position

In the first quarter of the 2015 fiscal year, SLM Solutions Group AG generated TEUR -2,575 of **cash flow from operating activities** at Group level (previous year: TEUR -2,547). In this context, improved earnings for the period were offset by an increase in working capital compared with the prior-year period.

Cash flow from investing activities of TEUR -838 was slightly above the previous year's TEUR -638. 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 capitalized as well as own development machines.

Cash flow from financing activities reflected a sharp decline to TEUR -19 (previous year: TEUR 1,492), primarily comprising the repayment of loans. The previous year included payments rendered by shareholders in an amount of TEUR 1,561.

Cash and cash equivalents (less time deposits at banks with a term of more than three months) stood at TEUR 60,220 as of March 31, 2015 (December 31, 2014: TEUR 63,563).

Net assets

The **total assets** of SLM Solutions of TEUR 113,845 as of March 31, 2015 were largely unchanged compared with the December 31, 2014 (TEUR 112,175), although they were significantly higher than a year previously (TEUR 37,556) due to the cash inflows from the IPO in the second quarter of 2014.

Non-current assets stood at TEUR 23,078 as of March 31, 2015 (December 31, 2014: TEUR 22,456). This item mainly includes **intangible assets**, including chiefly laser technology and capitalised development expenses. Given the addition of TEUR 1,251, **property, plant and equipment** grew to TEUR 3,522 (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 90,767 (December 31, 2014: TEUR 89,719), or 79.7% of total assets, **current assets** continued to comprise the predominant proportion of assets as of the balance sheet date. The marked increase compared with March 31, 2014 arises from the inflow of **liquid assets** as part of the IPO in May 2014. Due to the good order book position, **inventories** increased to TEUR 17,915 (December 31, 2014: TEUR 11,964). **Trade receivables** stood at TEUR 9,553 (December 31, 2014: TEUR 12,147).

The **equity** of SLM Solutions was almost unchanged at TEUR 96,431 as of March 31, 2015 (December 31, 2014: TEUR 97,045). The **equity ratio** amounted to 84.7% as a consequence (December 31, 2014: 86.5%). The significant growth in equity compared with March 31, 2014 of TEUR 21,764 to TEUR 96,431 is due to the capital increase as part of the IPO.

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 6,015 as of

March 31, 2015 (December 31, 2014: TEUR 5,950), the predominant portion of which was attributable to **pension provisions** of TEUR 4,618 (December 31, 2014: TEUR 4,544). **Deferred tax liabilities** amounted to TEUR 1,066 as of the reporting date (previous year: 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 11,399 as of the reporting date (December 31, 2014: TEUR 9,180). Of this amount, TEUR 4,345 was attributable to **trade payables** (December 31, 2014: TEUR 3,749). **Current provisions** of TEUR 1,564 (December 31, 2014: TEUR 1,288) relate mainly to expected warranty and maintenance services. **Other liabilities** included predominantly prepayments received for orders in an amount of TEUR 2,367, and provisions for ongoing invoices of TEUR 2,484.

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 the 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.

Outlook

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 return to stronger growth of 3.5 % year-on-year. 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**. In the company's defined growth regions where it is driving ahead with its international expansion, the IMF assumes strong growth of 3.1 % in the **USA**, and slightly weaker growth in the "**Emerging and Developing Asia**" region of 6.6 %. ⁷
- 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 fourfold rise of global market volumes to USD 12.5 billion by 2018 - over the level recorded in 2013 - and bases this on the assumption that a minimum 2 % of future global manufacturing will be additive. ⁸

As of May 11, 2015, new order intake stood at 24 machines - compared with 15 machines during the prior-year comparable period, reflecting marked growth of 60 %. This corresponds to an increase in the order book value of 150 % to EUR 18.5 million (previous year: EUR 7.4 million). The high order book position in the traditionally weak first quarter 2015 can also be regarded as an indicator of further growth. 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 these factors, the Management Board of SLM Solutions Group AG is assuming a continuation of the growth course for the 2015 fiscal year:

- In light of its focus on the high-growth future market with laser melting systems, the Management Board anticipates **consolidated revenue** increasing to between EUR 55 million and EUR 60 million in 2015.
- 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.

⁷ International Monetary Fund, World Economic Outlook, April 2015
<http://www.imf.org/external/pubs/ft/weo/2015/01/pdf/text.pdf>

⁸ Wohlers Associates, Annual Worldwide Progress Report, July 2014

Consolidated interim financial statements (IFRS) for the period from January 1, 2015 to March 31, 2015

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Consolidated income statement (January 1 to March 31, 2015)

(in TEUR)	Jan. 1 – Mar. 31 2015	Jan. 1 – Mar. 31 2014	Jan. 1 – Dec. 31, 2014
Revenue	8,476	3,689	33,559
Increase in inventories of finished goods and work in progress	3,118	1,418	3,268
Other work performed by the company and capitalised	89	420	2,430
Total operating revenue	11,683	5,527	39,257
Cost of materials	-6,700	-3,004	-21,040
Gross profit	4,983	2,523	18,217
Personnel costs	-3,316	-1,369	-14,328
Other operating income	514	96	1,443
Other operating expenses	-2,304	-2,354	-10,507
EBITDA	-123	-1,104	-5,175
Depreciation, amortisation and impairment losses	-593	-506	-2,147
Operating profit or loss (EBIT)	-716	-1,610	-7,322
Interest and similar expenses	-53	-286	-240
Other interest and similar income	12	123	0
Earnings before tax (EBT)	-758	-1,773	-7,562
Income taxes	-53	372	2,463
Consolidated net profit or loss for the period	-811	-1,401	-5,099
Net result attributable to parent company owners	-811	-1,401	-5,099
Number of shares in millions	18.0	14.0	18.0
Basic earnings per share in EUR*	-0.05	-0.10	-0.30
Diluted earnings per share in EUR**	-0.02	-0.10	-0.23

* Calculated with 17,980,867 shares for ease of comparison (2014: 13,814,200 shares)

** See also Note 9) Equity for explanations

Consolidated statement of comprehensive income (January 1 to March 31, 2015)

(in TEUR)	Jan. 1 – Mar. 31 2015	Jan. 1 – Mar. 31 2014	Jan. 1 - Dec. 31, 2014
Net profit or loss for the period	-811	-1,401	-5,099
Items not to be reclassified to profit or loss:			
Actuarial gains and losses	–	–	-928
Income/expenses that are recycled to the income statement in the future:			
Income/expenses from currency translation	12	-1	14
Other comprehensive income	12	-1	-914
Total comprehensive income	-798	-1,402	-6,013
Attributable to			
Shareholders of SLM Solutions Group AG	-798	-1,402	-6,013

Consolidated balance sheet

(in TEUR)	March 31, 2015	March 31, 2014	Dec. 31, 2014
Assets			
Cash and cash equivalents	60,220	711	63,563
Trade receivables	9,553	5,529	12,147
Inventories	17,915	8,418	11,964
Current tax receivables	204	172	163
Other assets	2,876	1,517	1882
Total current assets	90,767	16,347	89,719
Intangible assets	19,635	19,066	19,892
Property, plant and equipment	3,523	2,088	2,504
Other assets	44	0	39
Deferred tax assets	-124	55	21
Total non-current assets	23,078	21,209	22,456
Total assets	113,845	37,556	112,175

(in TEUR)	March 31, 2015	March 31, 2014	Dec. 31, 2014
Equity and liabilities			
Trade payables	4,345	2,927	3,749
Other financial liabilities	24	1,621	38
Provisions	1,560	1,280	1,288
Other liabilities	5,470	2,086	4,105
Total current liabilities	11,399	7,914	9,180
Financial liabilities	0	29	0
Pension and similar obligations	4,618	3,119	4,544
Deferred tax liabilities	1,066	4,730	1,166
Provisions	330	0	240
Total non-current liabilities	6,015	7,878	5,950
Subscribed share capital	17,981	81	17,981
Additional paid-in capital	85,742	23,113	85,551
Retained earnings	-6,428	-1,428	-5,835
Other reserves	-864	-2	-652
Equity attributable to equity holders of the parent	96,431	21,764	97,045
Total equity	96,431	21,764	97,045
Total equity and liabilities	113,845	37,556	112,175

Consolidated cash flow statement

(in TEUR)	Jan. 1 - Mar. 31, 2015	Jan. 1 - Mar. 31, 2014	Jan. 1 - Dec. 31, 2014
Net profit or loss for the period	-811	-1,401	-5,099
Depreciation, amortisation and impairment losses	593	506	2,147
Interest expenses	48	163	240
Non-cash expenses	164	0	1,055
Change in assets and liabilities			
Inventories	-5,951	-2,490	-5,484
Trade receivables	2,595	274	-6,344
Pension liabilities	75	58	447
Trade payables	596	963	1,841
Provisions	-30	838	541
Other assets and liabilities	187	-965	168
Changes in tax receivables, deferred tax assets and tax provisions	-41	-492	-2,836
Net cash provided by (used in) operating activities	-2,575	-2,547	-13,324
Purchases of property, plant and equipment and intangible assets	-749	-218	-1,998
Payments for intangible assets produced by the company itself	-89	-420	-2,430
Cash inflows and (cash outflows) from the sale of participating interest, intangible assets, and property, plant and equipment	0	0	356
Net cash provided by (used in) investing activities	-838	-638	-4,072

(in TEUR)	Jan. 1 - Mar. 31, 2015	Jan. 1 - Mar. 31, 2014	Jan. 1 - Dec. 31, 2014
Other proceeds from shareholders	0	1,561	7,462
Capital injection from IPO			71,189
Repayment of debt	-14	-5	-18
Interest paid	-5	-65	-132
Net cash provided by (used in) financing activities	-19	1,492	78,501
Net increase (decrease) in cash and cash equivalents	-3,432	-1,693	61,105
Currency-related change in cash and cash equivalents	89	0	54
Liquid assets at start of reporting period	63,563	2,404	2,404
Liquid assets at end of reporting period*	60,220	711	63,563
Fixed term deposits	-32	-32	-32
Cash and cash equivalents at end of reporting period	60,188	679	63,531

* 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 shareholders	Total equity
As of							
January 1, 2014	81	15,085	-472	-1	14,693	-	14,693
Consolidated net result	-	-	-1,401	-	-1,401	-	-1,401
Other equity changes	-	-	445	-1	444	-	444
Non-cash capital contribution	-	8,028	-	-	8,028	-	8,028
As of							
March 31, 2014	81	23,113	-1,428	-2	21,764	0	21,764
As of							
January 1, 2015	17,981	85,551	-5,835	-652	97,045	0	97,045
Consolidated net result	-	-	-593	-212	-806	-	-806
Other changes in equity	-	192	-	-	192	-	192
As of							
March 31, 2015	17,981	85,743	-6,428	-8,640	96,431	0	96,431

Notes to the consolidated financial statements (IFRS) for the period from January 1, 2015 to March 31, 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 is becoming 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.

These abbreviated consolidated interim financial statements of the SLM Solutions Group AG as of March 31, 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).

While these consolidated financial statements are not comparable with a set of consolidated financial statements in scope and level of detail, they do, however, 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.

SLM Solutions Singapore Pte Ltd. was founded in July 2, 2014.

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, 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 accordingly to subsequent quarters. 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 requires 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. The net bonus payment is calculated from the bonus to which the employee is entitled, less his or her individual tax payment that the company pays in advance to the tax authority. From this net bonus payment, the employee acquires shares by way of a non-cash capital contribution at a fixed subscription price of EUR 19.60. As the date of the non-cash capital contribution is critical for the measurement of the wage tax consequences, the net bonus level and the number of potential shares were calculated by way of an estimate.

As of March 31, 2015, personnel expenses of TEUR 396 were reported in the interim consolidated financial statements for the retention bonus. The retention bonus program is to be classified partially as equity settled in the meaning of IFRS 2. The calculated net bonus amount of TEUR 191 that is available to purchase shares was transferred to additional paid-in capital. The calculated wage tax proportion of TEUR 205 was reported 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. Revenue and EBITDA comprise the central steering elements.

March 31, 2015

(in TEUR)	Machine Sales	After Sales	Total
Revenue	6,940	1,536	8,476
Deployment of merchandise	-3,041	-1,124	-4,165
Gross profit	3,899	412	4,311
Expenses	-3,398	-1,036	-4,434
EBITDA	501	-624	-123
Depreciation, amortisation and impairment losses			-593
Interest and similar expenses			-41
Income taxes			-53
Net profit or loss for the period			-811

March 31, 2014

(in TEUR)	Machine Sales	After Sales	Total
Revenue	2,144	1,545	3,689
Deployment of merchandise	-926	-1,007	-1,933
Gross profit	1,218	538	1,756
Expenses	-1,345	-1,515	2,860
EBITDA	-127	-977	-1,104
Depreciation, amortisation and impairment losses			-506
Interest and similar expenses			-163
Income taxes			372
Net profit or loss for the period			-1,401

Along with depreciation, amortisation and impairment losses, significant expenses of TEUR 396 were incurred in the year under review in connection with the retention bonus (previous year: TEUR 0).

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 during 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 March 31, 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.

Working capital	March 31, 2015	Dec. 31, 2014	March 31, 2014	Difference	
				3-month period	12-month period
Trade receivables	9,553	12,147	5,529	-2,595	6,619
Inventories	17,915	11,964	8,418	5,951	3,545
Other assets	2,876	1,882	1,517	994	365
Trade payables	-4,345	-3,749	-2,927	-596	-822
Provisions	-1,564	-1,288	-1,280	-276	-8
Other liabilities and accrued expenses	-5,470	-4,104	-2,086	-1,366	-2,018
Total	18,965	16,851	9,171	2,114	7,680

Funds tied up in working capital amounted to TEUR 7,680 for the (rolling) 12-month period elapsed, and to TEUR 2,114 for the January 1 to March 31, 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)	March 31, 2015	March 31, 2014	Dec. 31, 2014
Cash and cash equivalents position	60,220	711	2,404
Fixed term bank deposits (more than three-month term)	-32	-32	-32
Cash and cash equivalents position in cash flow statement	60,188	679	2,372

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 March 31, 2015, the equity ratio amounts to 84.71 % (March 31, 2014 balance sheet date: 57.95%; December 31, 2014: 86.52%).

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.

	March 31, 2015	March 31, 2014
Number of shares in issue as of January 1	17,980,867	-
Number of shares in issue during the fiscal year	0	13,814,200
Weighted average number of shares in issue	17,980,867	13,814,200
Consolidated net result attributable to parent company shareholders (in EUR)	-810,615.37	-1,400,533.19
Weighted average number of shares in issue	17,980,867	13,814,200
Basic (undiluted) earnings per share in EUR	-0.05	-0.10

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:

	March 31, 2015	March 31, 2014
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	17.95	-
Flat rate tax charge	49.5%	-
Calculated tax payment in EUR	1,401,679	-
Net bonus level in EUR	1,429,995	-
Number of shares to be purchased	72,959	-
Number of shares, diluted	18,053,826	-
Consolidated net result attributable to parent company shareholders (in EUR) (undiluted/basic earnings)	-810,615.37	-1,400,533.19
Personnel costs for retention bonus in EUR	395,625.45	-
Consolidated net result attributable to parent company shareholders (in EUR) (diluted earnings)	-414,989.92	-
Weighted average number of shares in issue	17,980,867	13,814,200
Adjustments to share-based compensation as part of retention bonus	72,959	-
Weighted average number of shares in issue for diluted earnings per share	18,053,826	13,814,200
Consolidated net result attributable to parent company for diluted earnings per share (in EUR)	-414,989.92	-1,400,533.19
Weighted average number of shares in issue for diluted earnings per share	18,053,826	13,814,200
Diluted earnings per share in EUR	-0.02	-0.10

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

Members of the Management Board and related parties as of March 31, 2015:

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

Members of the Supervisory Board and related parties as of March 31, 2015:

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

Related companies to the SLM Group are 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. Due to their remaining interests in the subscribe share capital, which are also subject to lock-up holding periods, the old 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.

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.

Financial instruments (March 31, 2015)	Measurement category	Carrying amount	Fair value
Receivables and other assets	LaR*	10,742	10,742
Financial liabilities	FLAC**	4,370	4,370

Financial instruments (March 31, 2014)	Measurement category	Carrying amount	Fair value
Receivables and other assets	LaR*	6,170	6,170
Financial liabilities	FLAC**	4,828	4,828

* Loans and Receivables

** Financial Liabilities measured at Amortised Cost

Lübeck, 6 May 2015



Dr. Markus Rechlin
SLM Solutions Group AG



Uwe Bögershausen



Henner Schöneborn