SHAPING THE FUTURE

H1 Report 2018

SLM SOLUTIONS

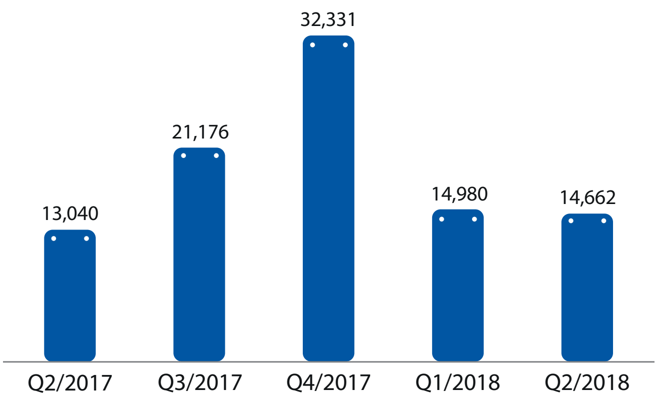
Highlights

	Unit	H1 / 2018	H1 / 2017	Change (in %)
Revenue	kEUR	29,643	28,987	+2.3
Total Output	kEUR	34,662	29,452	+17.7
Cost of materials	kEUR	-17,691	-12,680	+39.5
Material cost ratio (% of total output)	%	51.0	43.1	
Personnel cost*	kEUR	-14,112	-14,232	-0.8
Personnel expense ratio (% of total output)	%	40.7	48.3	
EBITDA*	kEUR	-3,814	-4,518	+15.6
EBITDA margin (% of Revenue)	%	-12.9	-15.6	
Group result	kEUR	-6,267	-5,946	-5.4
EPS**	EUR	-0.35	-0.33	
Order intake***	Machines	38	47	-19.1
Order intake****	kEUR	23,288	35,309	-34.0
Invoiced Machines	Machines	44	40	+10.0

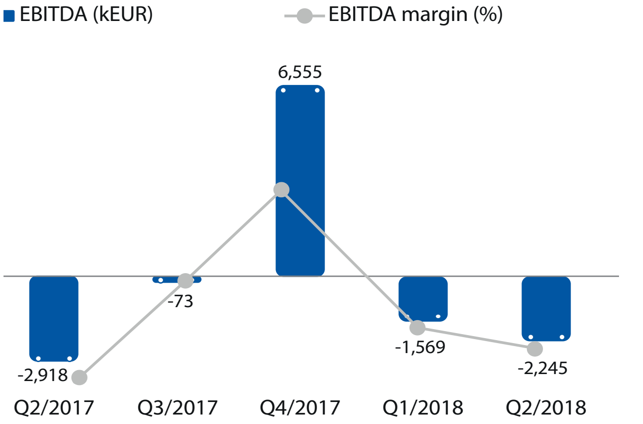
	Unit	30.06.2018	30.06.2017	Change (in %)
Long term assets	kEUR	65,111	52,160	+24.8
Short term assets	kEUR	108,050	67,396	+60.3
Equity ratio	%	49.9	74.8	
Balance sum	kEUR	173,161	119,557	+44.8

* In H1-2017 adjusted for retention bonus of EUR 94K
** Diluted and undiluted, based on 17,980,867 shares. (Prior year: 17,980,867 shares)
*** In H1-2017 including 10 machines from the master agreements
**** In H1-2017 kEURO 12,700 order value included in the master agreement.

Development consolidated revenue (kEUR)

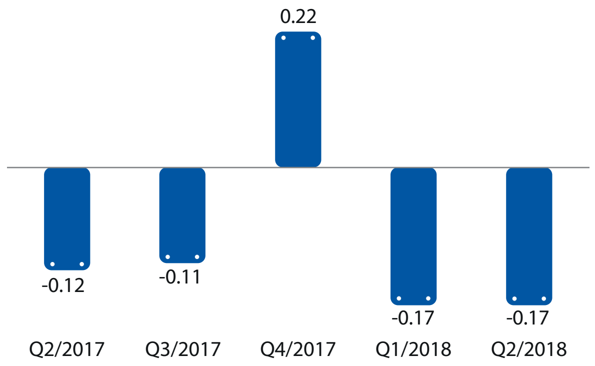


EBITDA* and EBITDA margin*

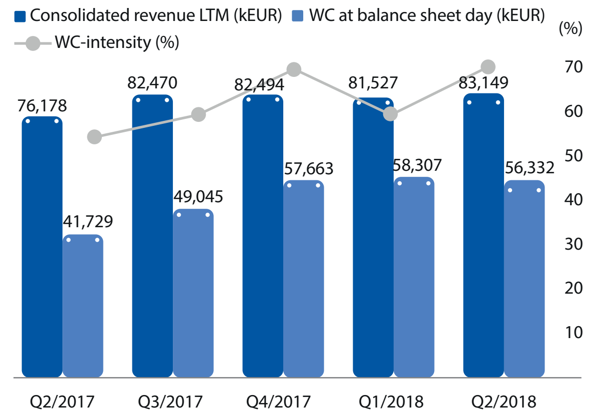


*in 2017 including adjustment for retention bonus

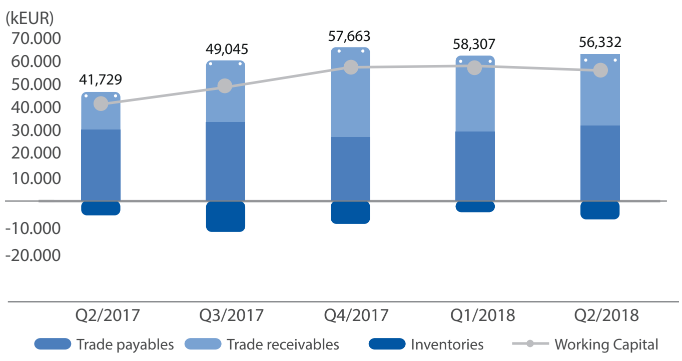
Earnings per share (basic) (EUR)



Working capital intensity



Working Capital



Content

Uwe Bögershausen (Board spokesman)

Briefing Note by the Board

Dear shareholders, customers, business partners, and employees,

We positioned ourselves early on as a successful, independent service provider for metal-based 3D Print. By now additive manufacturing has gained strategic significance for large industrial enterprises entering more and more into the processes of qualification measures and certification of technology. For such projects we are making up-front investments and offer advanced services in support of our customers. This often results in long term co-operations as demonstrated by the partnerships with Divergent in the USA, BeamIT in Italy, and the successfully concluded master agreements in Asia. We regard this as the future of the industrial application of this technology. Further strategic partnerships will follow in the coming months.

We focus on these cooperative partnerships with our customers. Together we develop holistic solutions for additive manufacturing and integrate them into existing production environments. By this we are providing longer term support and assistance for our customers – if they are successful with the new technology so are we. Our machines achieve the highest production rate of the industry and thereby the most cost effective series production of highly complex parts and components. Our machines deliver flexible end-to-end solutions, tailored to meet the exact production requirements of our customers. The closed powder circuit meets the highest safety standards, a prerequisite in the aviation and automotive industries. The next generation machines are being developed now with the focus on more lasers and an enlarged build chamber. As a motivating factor, we want to further accelerate the already rapid proliferation of additive manufacturing of high value metal components.

During the first six months of this year the growth of SLM Solution continued. Interest by interested parties has increased measurably. The total value of new orders as at August 8, 2018, which were adjusted for the master agreement concluded in the first half of 2017, increased by 16 % to Euro 30,4 Mio. compared to the equivalent period last year. We are successful in placing production oriented and therefore higher value machines into the market.

In the second quarter alone, we were able to increase revenue by 12.4%. However, the revenue generated during the first six months does not reflect this yet, and with Euro 29.6 Mio is at the level of the same period of the previous year. In view of the pleasing level of new orders together with the strong interest in our technology, we anticipate that this will have a positive impact on the remainder of the year.

The full year targets as announced recently, can from our perspective be reached. The master agreements concluded in 2017 have so far been fulfilled as planned, but we still expect some postponements continuing into the next the year. We have therefore specified the forecast to a corridor of EUR 115 Mio to EUR 125 Mio. From our point of view, the result of the fourth quarter still remains dependent on the Formnext, the leading trade fair of the industry which will be held in Frankfurt.

On behalf of the board, I would like to thank all those who continue to put their confidence in the long-term development of our company.

Lübeck, August 8, 2018

Uwe Bögershausen
(Board spokesman)

Shares

Share performance (as at: June 30, 2018)

Shares of the SLM Solutions Group AG have been traded at the Frankfurt Stock Exchange (Frankfurter Wertpapierboerse) in Prime Standard since May 9, 2014, and have been part of the Technology Index TecDax since March 2016.

During the twelve months up to June 29, 2018 the share price showed a negative development. The Xetra closing price as at June 29, 2018 (Euro 32.70) was 15.1% below the closing price as at June 30, 2017 (Euro 38.50). Market Capitalization as at June 29, 2018 was approximately Euro 588 Mio based on 17,980,867 shares on issue (June 30, 2017: 692.3 Mio).

Overall, the share performance of the company during this period is below that of the comparable Industrial Index STOXX Global 3D Printing Tradable (+11.4%) and the TecDax Index (+21.5%).

According to the data of www.ariva.de, the average daily number of SLM Solution Group AG shares traded daily during the 12 months to June 29, 2018 was 43,557 shares (70,268 shares for the period ended June 30, 2017).

Analysts (as at: July 31, 2018)

Meanwhile, the performance of the SLM Solutions share is being followed by eight analysts. At the time of release of this report, the analysts recommended for the most part to buy or hold the share in view of the price level.

Institution	Analyst	Rating	Target price (EUR)
Berenberg	Gerhard Orgonas	Hold	40.00
CANCCORD Genuity	Bobby Burlison	Buy	39.00
Commerzbank	Adrian Pehl	Hold	35.00
Deutsche Bank	Uwe Schupp	Hold	32.00
equinet Bank	Cengiz Sen	Sell	27.50
HSBC	Philip Saliba	Buy	43.00
ODDO BHF	Thomas Effler	Neutral	35.00
Hauck & Aufhäuser	Carlos Becke	Hold	33.00

Based on analysts' ratings available on July 31, 2018

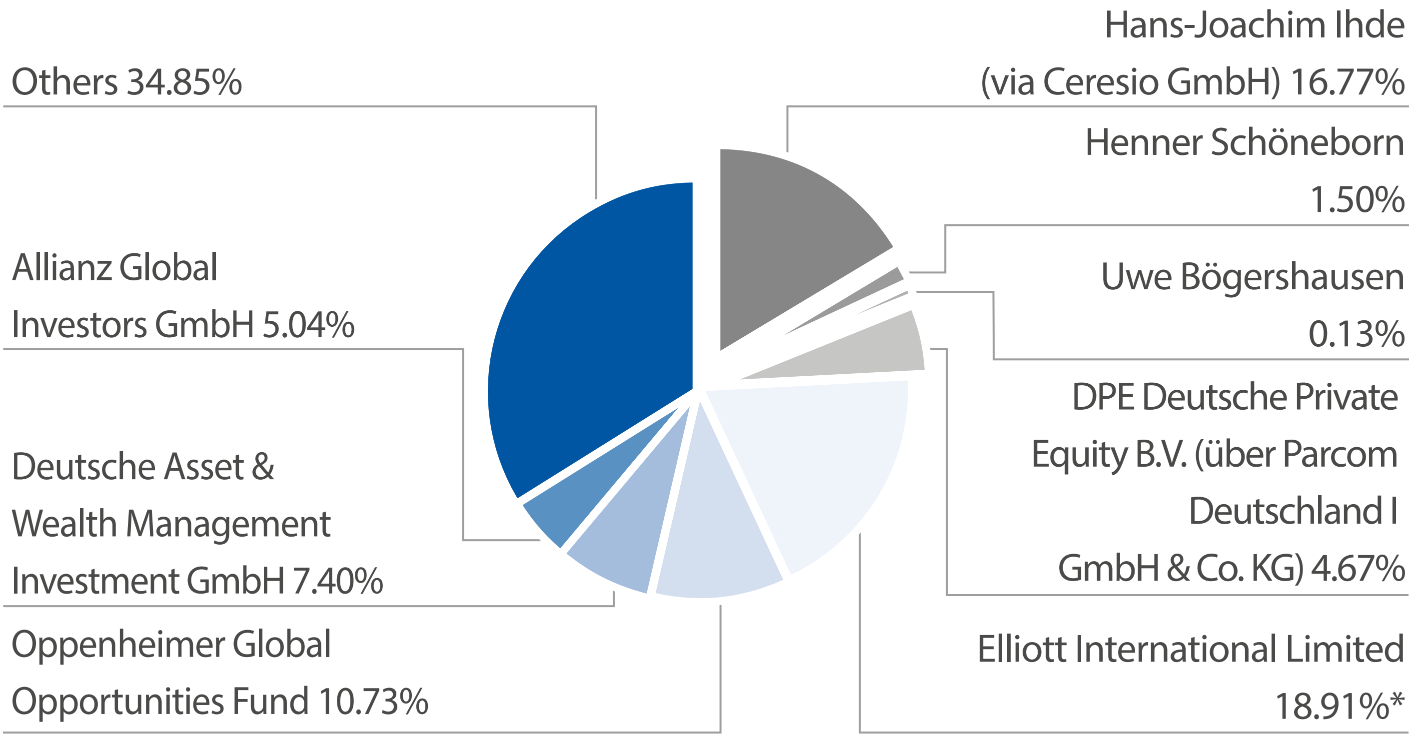
Investor relations

Since being listed, SLM Solutions has maintained an intensive dialog with the capital market. The board of SLM Solutions Group AG places a very strong emphasis on communicating regularly and transparently with the shareholders and stakeholders of the company and to continuously keep them informed as to the development of the corporation. This is assured through the regular publication of company relevant information, transparent financial reporting and on-going personal contact with investors, analysts, journalists, and interested public.

The board and managers at SLM Solutions Group AG who are responsible for investor relations participate regularly in capital market conferences and present the business model and strategy of SLM Solutions at road shows throughout Europe and North America.

Besides financial reports, mandatory notifications and corporate news, visitors to the Group's website, www.slm-solutions.com, will find analysts' presentations and presentations held at road shows. At the time of publication of the quarterly reports, telephone conferences including webcasts are recorded and are subsequently available as downloads. Registration using an electronic distribution feature ensures that important corporate news will be directly available to interested parties in a timely manner.

Shareholder structure (as at: June 30, 2018)



* To interpret the voting rights announcements: Shares attributed to Mr. Paul E. Singer from Elliott International Limited through the subsidiary Cornwall GmbH & Co. KG (18.91%)

Financial calendar

Date	Event
08.11.2018	9M Report 2018

Investor relations contact

SLM Solutions Group AG
Dennis Schaefer
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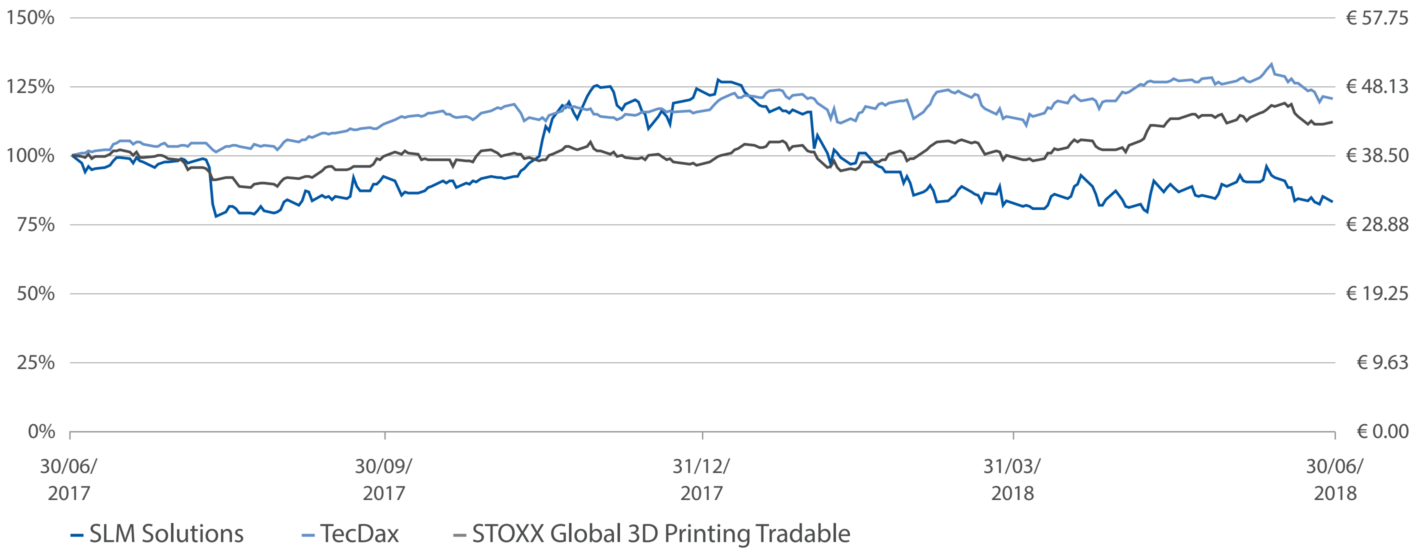
E-mail: dennis.schaefer@slm-solutions.com

Key data (as at June 30, 2018)

ISIN	DE000A111338
Securities Identification Number	A11133
Ticker symbol	AM3D
Sector	Industry
Trading segment	Regulated Market (Prime Standard)
Stock Exchange	Frankfurt Stock Exchange
Index	TecDAX
First listing	May 9, 2014
Placement price	18.00
Closing price on June 30, 2018	32.70
Shares on issue	17,980,867 ordinary bearer shares without nominal value

Share price performance (as of: June 30, 2018)



Interim Group Management Report

Group Fundamentals

Corporate Structure

As at June 30, 2018, the SLM Solutions Group AG (SLM AG) based in Lübeck controls seven fully owned subsidiaries and two joint ventures. The SLM Solutions Group AG is the sole production site of the group and pools a significant part of all operative and administrative tasks together with product development. It also coordinates worldwide sales and distribution activities. The subsidiaries in Singapore, USA, China, Russia, India, Italy, and France intensify local sales activities within the allocated geographical territories. In addition, they provide after sales service for customers.

Two new, fully owned subsidiaries were incorporated this year, one in Italy on February 9, 2018, and the other in France on March 1, 2018.

SLM Solutions Group AG holds 51% of the share capital of the Austrian SLM Solutions Software GmbH. This company is developing special construction software which simplifies the optimal design of components in the additive fabrication.

The 3D Metal Powder GmbH based in Lübeck is a further joint venture established for the development, production, and sales of metal powders. SLM Solutions Group AG also holds 51% of its capital stock.

SLM Solutions Group AG, Lübeck

SLM Solutions NA, Inc., Wixom, Michigan, USA	100 %
SLM Solutions Singapore Pte Ltd, Singapore	100 %
SLM Solutions (Shanghai) Co. Ltd., Shanghai, China	100 %
SLM Solutions RUS OOO, Moscow, Russia	100 %
SLM Solutions (India) Private Limited, Bangalore, India	100 %
SLM Solutions S.R.L., Milano, Italy	100 %
SLM Solutions SAS, Paris, France	100 %
SLM Solutions Software GmbH, Perg, Austria	51 %
3D Metal Powder GmbH, Lübeck, Germany	51 %

Employees

Full-time equivalents (FTEs)	June 30, 2018	June 30, 2017
Research and Development	94	74
Sales & Marketing	81	72
After Sales	66	47
Production	113	114
Administration	51	40
Total	**405**	**346**
Thereof Europe Based	351	304
Thereof USA based	29	24
Thereof Asia based	25	18

Business Model

The SLM Solutions Group AG based in Lübeck is a leading supplier of **metal-based additive manufacturing technology** ("3D Print").

The structure of the reportable segments has changed compared with the prior year. The segments "Machine Business" and "After Sales Business" have been newly identified by the board as main business. In the segment "Machine Business" machines from the sector Selective Laser Melting together with options like powder sieving stations and other peripheral devices are considered. In the segment "After Sales Business" service, spare parts, commodities including powders, as well as training and installation of machines are taken into account. In this report we have adjusted the comparative figures of the previous year accordingly.

In the previous year, the segments "Machine Sales" and "After Sales" were accounted for. Thus, sales of machines including all accessories on the basis of the entire order were reported here. The order intake could also include service and maintenance jobs, spare parts, powder, training, and installations. In "After Sales", service revenue, sale of spare parts and commodities not related to machine sales were accounted for. Management feels that with the new segmentation the business performance is portrayed in a more transparent and relevant way than with the previous approach.

The **production** currently comprises of four plants, SLM®125, SLM®280, SLM®500, and SLM®800 which differ according to the size of the build chamber and the number of lasers installed. They allow the direct fabrication of highly complex metal components from a variety of source materials such as aluminium, titanium, cobalt-chromium, IN, tool and stainless steel and super-alloys. Nearly all weldable alloys can be processed into a finished product using the machines. The machines are being continuously upgraded and equipped with new functionalities. As part of close customer relations, special modifications such as an enlarged build chamber play an important role.

The machines designed by SLM Solutions use the technology of **Selective Laser Melting.** At the start there is a computer generated 3D model of the part to be fabricated. By use of single or multiple lasers working simultaneously, the part is then melted layer by layer in a bed of metallic powder. Parts made using this process meet the highest standards of solidity, surface structure and bio-compatibility, depending on the area of application and different requirements.

One essential **advantage of the additive fabrication** is the reduced consumption of material compared to conventional production methods. In addition, it enables a new freedom of design emphasizing the functionality of the part. By this, the additive fabrication is ideally suitable for the production of complex components for prototypes or series production. Contrary to conventional production methods, complexity is not a cost factor ("complexity comes for free"). Additive fabrication of metal parts also offers a huge speed advantage since no tooling is needed. SLM's patented Multi-Laser Technology underlines the leadership of the company in this field. Industrial manufacturing processes like precision milling are increasingly supplemented with laser melting machines.

Bain & Company writes that this technology offers a substantial degree of flexibility for manufacturing processes without inefficiency like short set-up times, just-in-time production and low inventories. Additive Manufacturing (AM) offers a property of "free complexity" and at the same time not only a cost advantage for the design and production of highly sophisticated parts, especially complex parts in small batches, but also offers the opportunity to achieve this.[1] Boston Consulting sees an enormous potential in the AM-Technology to satisfy unmet needs within the manufacturing industry. Actually, the AM-Technologies are crucial for the realization of the vision of the "Factory of the Future" in which producers improve the production through the application of new principles of manufacturing, implementation of digital technologies and processes along the entire value chain.[2]

The **customers** of SLM Solutions come from a wide variety of industries, including the aviation and space industries, automotive, machine tools, engineering, the medical and energy sectors, both contract manufacturers and end-users. **Target markets** for SLM Solutions are Europe (including Germany) and the North American and Asia-Pacific regions.

[1] Bain & Company: 3D printing market to grow to 12,5 billion by 2018, 25. April 2016, https://www.consultancy.uk/news/11904/3d-printing-market-to-grow-to-125-billion-by-2018
[2] Boston Consulting Group: Get Ready for Industrialized Additive Manufacturing, 5. April 2017, https://www.bcg.com/de-de/publications/2017/lean-manufacturing-industry-4.0-get-ready-for-industrialized-additive-manufacturing.aspx

SLM's machine business is subject to **cyclical fluctuations** typical of this industry. As a rule, a significant share of turnover and order in-take is achieved in the fourth quarter with the first quarter traditionally being the weakest of the year. Through the increased conclusion of master agreements for the sale of machines and the expansion of the after sales business, especially the widening of the product portfolio of less volatile products such as consumables (powder) and software, the board intends to minimize the impact of seasonality in the medium term.

Goals and Strategy

The goal of SLM Solutions is to remain as **the leading supplier of metal based additive manufacturing in the long term**, to have a decisive impact on the technology and thus to grow significantly in the foreseeable future, preferably stronger than the market. To that end, SLM Solutions is pursuing a medium-term **three pillar growth strategy** for which interim targets will be defined and evaluated regularly:

So as to secure the leadership in the area of metal based additive manufacturing, SLM focuses on **Research and Development (R&D)**. The portfolio of intellectual property rights is being optimized continually. The R&D team built up in the past years assures through numerous projects the extension of the technological leadership. In addition, SLM Solutions cooperates with research institutes and universities to further develop the technology and to ensure its use in constantly new applications in all industries.

SLM intends to evolve into a **comprehensive solutions and systems provider** in the area of additive manufacturing and expand into neighbouring business areas. The joint venture with CADS GmbH in Austria serves to develop special construction software. This is to facilitate the optimal design of components for additive manufacturing and indirectly contribute to the further proliferation of AM production processes through reduction of barriers to entry. This will offer the ideal technological platform to meet customer requirements efficiently and cost-effectively.

Furthermore, SLM Solutions is moving more strongly into the business with metal powders, which is the source material for the laser melting machines made by the company. The expansion of the powder business will develop into the second pillar next to machine sales and help to contribute to the reduction of seasonality common in this industry. In order to obtain a high quality end product the manufacturing process of metal powder requires a specific know-how and quality assured procedures for which the market is willing to pay at present.

Due to the complexity of laser melting, customer proximity is for SLM Solutions a key competitive advantage. In order to build long-term customer relationships, generate recurring revenues, and attract new customers, SLM Solutions is expanding its **international sales and service network** step by step through the establishment of subsidiaries and marketing alliances on location. The company is constantly increasing its presence through application centres, demonstration machines, customer training, and participation at all important industry expositions and presentation events.

Control System

SLM has identified the following KPI's as key financial performance indicators of the business which are published regularly:

- **Sales performance** is the most relevant key figure to assess as to what degree the growth potential within a closed reporting period has been realized. This is regularly contrasted with the growth rate of the global market for additive manufacturing.
- For a young and growth oriented enterprise like SLM Solutions, the **EBITDA margin** is the best indicator for the company's earning power. For this indicator national particularities of the tax act, the chosen capital structure, the capitalisation ratio of the operating business are not being taken into account which makes the comparison with companies of the peer group easier. In the preceding years adjustments were made which referred to particular one-off effects, which impacted the results in the respective financial year.
- In addition, the **absolute EBITDA** serves as the key indicator for the profit generated by the company. The intention of this indicator is to present the operative business to enable the comparison with the results of the different financial years and other companies.

As part of the internal control systems, the Board of SLM Solutions Group AG is being informed regularly of internal performance indicators. These include:

- **Personnel cost ratio** (defined as ratio of personnel cost to total output)
- **Material cost ratio** (defined as ratio of material cost of total output)

Research and development

R&D is the essential prerequisite for the success of SLM Solutions' business. Further market opportunities in the field of industrial fabrication are being tapped through the progress in the development of multi laser technology. The company possesses a comprehensive portfolio of intellectual property, including patents and licences for the selective laser melting technology and the Hull-and-Core imaging process. As pioneers of selective laser melting, SLM benefits from the global cooperation with universities and research institutes supported in part with public funding – in Germany, for instance by the

Federal Ministry of Economics and Energy (BMWi) and the Federal Ministry of Education and Research (BMBF). In cooperation with the Technical University Nanyang (NTU) in Singapore, SLM Solutions have been operating a project for the further development of selective laser melting since September 1, 2014. Investments in R&D concentrate on the areas of enlargement of build chambers, process improvement, materials research, mechanical strength and reliability of laser melting machines, further improvement of production rates, and software development. An additional focus is the increasing direct linkage of manufacturing processes (Industry 4.0).

As at June 30, 2018 the staff of the R&D department comprised 94 staff FTE (Full Time Equivalents) (June 30, 2017: 74 FTE). R&D expenses in the reporting period were KEUR 6,299 (June 30, 2017: kEUR 4,206).

Economic Report

Overall economic situation in the target markets

As reported by the IFW, the German economy has taken a breather. Consequently, it has revised their outlook for the growth of the GDP downwards by 0.5% to now 2.0% for the current year. The phase of economic weakness at the beginning of the year may have been due to temporary causes so that production will accelerate again during the course of the year. High increases in household income and subsequent strong consumer spending indicate a higher economic dynamic as from the middle of the year. According to the IFW, investments in infrastructure are likely to continue to strongly increase, even though capacity bottlenecks have become evident, resulting in rapidly increasing building costs. [3]

According to the IFW, the upturn at the beginning of the year has slowed down. However, the moderate expansion at the start of the year was due to special factors, which underline the underlying economic dynamic so that a strong increase in production is expected. The IFW has lowered their forecast for global production for the years 2018 and 2019 by 0.2% respectively. Risks for the global economy stem from the trade disputes with the United States, as additional tariffs on imports would have a negative impact on production. [4]

The European economy has recovered and is expanding briskly as reported by the IFW. Early indicators point to a continuation of strong expansion aided by low interest rates and mildly expansionary fiscal policy. It is expected that in the current year the economy will grow by 2.4%. Unemployment continues to decline and due to the strength of the economy, consumer price inflation will possibly increase and is likely to reach 1.6% by 2019.[5] Changes in the US fiscal policy continue to stimulate economical activities; hence the IFW has upped its forecast for 2018. Accordingly, the US economy is estimated to grow by 2.5% in 2018. As per IFW the growth rate of the Russian economy will be 1.8%.

In addition to the USA and Germany, IFW is also assessing the growth perspectives of the Chinese economy more positively. The second largest economy in the world is expected to grow by 6.6%.

Market for additive manufacturing

SLM Solutions operates in the **global market for additive manufacturing** which through its ongoing growth is very highly attractive. With their current report on the industry, experts from Wohlers Associates anticipate a growth of 12.6% of the total global market in 2018. The average annual growth rate over the past 29 years is an impressive 26.6%. The Compound Annual Growth Rate (CAGR) for the past 4 years is 24.9%. Total market volume for the years 2018, 2020 and 2022 is estimated to reach 9.5 billion USD, 16.2 billion USD and USD 26.2 billion respectively. [6]

Excellent growth opportunities are being especially predicted for metal based additive manufacturing: According to Wohlers the number of machines sold globally in this sub-sector increased in 2017 by an estimated 79.9%. This represents 1,768 machines compared to 983 machines in 2016. The total global market for metallic consumables increased in 2017 by 44.6% to a value of 183.4.8 USD Mio.[7]

Based on a worldwide survey of 900 companies in 12 countries conducted by the Auditing and Management Consultants EY in respect of metallic consumables, 52% of the respondents referred to metal as the most important work material for the implementation of additive manufacturing machines, far ahead of polymers (31%) and ceramic (6%).[8]

The laser melting method as used by SLM Solutions is one of the so-called "Powder bed fusion" processes which according to the strategy consultant Roland Berger, in comparison to other 3D Printing methods offer greater accuracy, higher surface quality and enhanced freedom in design.[9]

Beyond that, additive manufacturing processes have reached an adequate level of maturity essential for the use in series production. From a technical point of view, the deployment of four lasers working simultaneously on the production of a component demonstrates this.

[3] Kieler Konjunkturberichte Deutschland, Nr.44 (2018/Q2)
[4] Kieler Konjunkturberichte Welt, Nr.43 (2018/Q2)
[5] Kieler Konjunkturberichte Euroraum, Nr. 40 (2018/Q1)
[6] Wohlers Associates, Annual Worldwide Progress Report 2018, April 2018
[7] Wohlers Associates, Annual Worldwide Progress Report 2018, April 2018
[8] EY, EY's Global 3D printing Report 2016, Pressekonferenz (Präsentation), 19. Juli 2016, http://www.ey.com/Publication/vwLUAssets/ey-praesentation-3d-druck/$FILE/ey-praesentation-3d-druck.pdf
[9] Wohlers Associates, Annual Worldwide Progress Report 2018, April 2018

Business Performance

During the first half of 2018, SLM Solutions recorded an **order intake** for 38 machines (June 30, 2017: 47 machines). 21 machines were ordered by new customers. There is an increasing demand for used machines, which therefore opens an additional market with good customer potential. **The value of the machines ordered** during the first half year is kEUR 23,288, compared to the prior year period (June 30, 2017: kEUR 35,309). When comparing the figures to the preceding year it must be noted that the number and value included machines with a contract value of kEUR 12,700 as part of a Master Agreement. As at June 30, 2018 the order back log was 140 machines with a value of kEUR 107,318 (June 30, 2017: 32 machines with a value of kEUR 27,054).

The **segment "Machine Sales"** which accounts for the sale of machines including options during the first half year generated revenue of kEUR 21,201. (June 30, 2017: kEUR 22,161) representing 71.5% of group revenue (June 30, 2017: 76.5%). The **segment "After Sales Business"** comprising service revenue and the sale of spare parts and commodities generated revenue of kEUR 8,441 during the first half year (June 30, 2017: kEUR 6,826) representing 28.5% of group revenue (June 30, 2017: 23.5%).

The **international expansion** of the company continued with the opening of the representative office in Italy (Milan) in February 2018 and the establishment of an office in France (Paris) in March 2018. These subsidiaries will strengthen sales and service activities in these growth markets.

The fourth Annual General Meeting of the SLM Solutions Group AG took place on June 22, 2018 during which inter alia the shareholders approved the acts of the management and supervisory boards, selected external auditors for the year 2018 and approved an authorized capital increase. Voting results were subsequently published on the company homepage.

Results of Operation

In the first year of 2018 **total sales** of the SLM Solutions Group AG increased by 2.3% to kEUR 29,643 (June 30, 2017: kEUR 28,987). 71.5% came from the sale of laser melting machines, the core business of the company (June 30, 2017: 76.5%). In this segment the result of kEUR 21,201 is slightly below the previous year (June 30, 2017: kEUR 22,161). Due to the seasonally fluctuating group sales, the management of the SLM Solutions Group considers a rolling year assessment of a full year period as more meaningful: Cumulative revenue for the past twelve months (LTM) as at June 30, 2018 amounted to kEUR 83,149 and is so +0.8% above that for the financial year 2017 (kEUR 82,494).

Overall performance (the total of sales revenue, changes in inventories and other capitalized expenses) of kEUR 34,662 was 17.7% significantly higher than that of the prior year period (June 30, 2017: 29,452). This is largely due to the increase in inventory of finished and unfinished products (June 30, 2017: kEUR -663) to kEUR +3,676 resulting from an accelerated level in pre-production. Capitalized expenses of kEUR 1,343 especially in the area of R&D were significantly above that in the prior year period (June 30, 2017: 1,129).

Other operating income of kEUR 1,757 was considerably above that for the prior year period (June 30, 2017: kEUR 828) primarily due to currency gains, reversal of accruals and monetary benefits for employees.

As a result of the strong pre-production, **cost of material** increased significantly and disproportionately by 39.5% of total sales to kEUR 17,691 (June 30, 2017: kEUR 12,680). The cost of material ratio expressed as a percentage of total sales was 51.0% clearly above that for the prior period (June 30, 2017: 43.1%).

Despite the increase in the workforce to 405 Full Time Equivalents (FTE) as at June 30, 2018 (June 30, 2017: 346 FTE), **personnel cost** of kEUR 14,112 decreased slightly by 1.5% compared to the prior year period (June 30, 2017: kEUR 14,326). The reason for this is the reserve accrued in January 2017 for the release of the CEO in January 2018. The personnel cost ratio expressed as a percentage of total sales was 40.7% (June 30, 2017: 48.6%). In the same reporting period last year the adjusted personnel cost ratio was determined, which included an adjustment of kEUR 94 in respect to the retention bonus scheme set up for three years for the public listing in 2014. The adjusted personnel cost for the first half year of 2017 was kEUR 14,232. The bonus scheme has expired since then.

Other operating expenses in the first half year 2018 were kEUR 8,423, and 6.8% above the previous year value (June 30, 2017: kEUR 7,885). Significant items were the relocation, exhibition and marketing cost, legal, consulting fees, and travel expenses.

EBITDA (earnings before interest, tax, depreciation, and amortisation) in the reporting period was kEUR -3,814 (June 30, 2017: kEUR -4,612). EBITDA margin (as a percentage of revenue) was -12.9% for the first half of 2018 (June 30, 2017: -15.9%). For the same period last year the EBITDA adjusted by kEUR 94 for the retention bonus was used, which as at June 30, 2017 amounted to kEUR -4,518. The adjusted EBITDA for the past 12 months (LTM) as at June 30, 2018 was kEUR 2,668 which corresponds to an adjusted EBITDA margin of 3.2% in respect to the cumulative revenue of kEUR 83,149 for the 12 months at balance sheet date.

Depreciation for the first half of 2018 decreased by 9.6% to kEUR 3,257 (June 30, 2017: kEUR 3,535). This includes as before, depreciation of kEUR 641 (June 30, 2017: kEUR 641) in connection with purchase price allocation and the straight-line depreciation on company assets. The prior year period included the amount of kEUR 312 for extraordinary depreciation on developmental projects.

The operating result (EBIT) of kEUR -7,070 and EBIT margin of -23.9% (percentage of group sales) for the first half year 2018 have improved considerably (June 30, 2017: kEUR -8,146 and -28.1% respectively).

The financial result for the first half of 2018 was kEUR -2,074 (June 30, 2017: kEUR -60). This consists of interest income and expenses of kEUR 2,077 and kEUR 3. (June 30, 2017: kEUR 74 and kEUR 14 respectively). The interest expenses refer mainly to the convertible bond issued in October 2017.

Tax income for the first half of 2018 was kEUR 2,877 (June 30, 2017: 2,260).

Period result. The result for the period after tax for the first half of 2018 was kEUR -6,267 (June 30, 2017: kEUR -5,946). This is equivalent to an undiluted and diluted earning per share (EPS) of EURO -0.35 (June 30, 2017: Euro -0.33). Twelve months cumulative as at June 30, 2018 EPS was Euro -0.23 (June 30, 2017: Euro -0.40). The basis of calculation for all results per share listed in this paragraph are the 17,980,867 shares outstanding.

Financial position

Cash flow from operating activities of kEUR -6,000 was again deep in negative territory and considerably below the previous year value (June 30, 2017: 1,606). This is predominantly due to the pre-production of machines and increase in inventories and the subsequent liquidity outflow for the stock of kEUR -5,068 (June 30, 2017: kEUR 233).

Investment activity of kEUR -10,121 was below that for the prior year period (June 30, 2017: kEUR -14,083). This refers predominantly to investments in tangible fixed assets, for the most part payments for the new facility in Lübeck-Genin.

Cash flow from financing activities was kEUR -6,791 (June 30, 2017: kEUR +9,980) which refers to the repayments of a loan for the new facility in Lübeck-Genin as well as interest payments in respect of the convertible bond issue.

As at June 30, 2018 **cash reserves** were kEUR 40,874 (June 30, 2017: kEUR 17,255).

Asset situation

Balance sheet total of the SLM Solutions Group AG as at June 30, 2018 was kEUR 173,161 (June 30, 2017: kEUR 119,557).

Long term assets of kEUR 65,111 were significantly above those for the prior year period (June 30, 2017: kEUR 52,160). Fixed assets of kEUR 37,932 make up the most significant part of the long term assets. (June 30, 2017: kEUR 29,134). This represents primarily the investment in the new facility in Lübeck-Genin. Intangible assets such as laser technology and capitalized development cost amounted to kEUR 22,812 in the first half 2018, slightly above that in the prior year period (June 30, 2017: kEUR 21,578). In respect to affiliated companies the equity investment of kEUR 939 (June 30, 2017: kEUR 343) in the two joint ventures were reported under the item "Financial assests/investments accounted for using the equity method" in the balance sheet. Under other financial investments a loan of kEUR 259 (June 30, 2017: kEUR 254) to 3D Metal Powder GmbH including interest was recorded in the balance sheet. The increase in deferred tax to kEUR 2,976 (June 30, 2017: 808) is mainly due to the negative earnings before tax of kEUR -9,144 (June 30, 2017: -8,206).

Short term assets of kEUR 108,050 (June 30, 2017: kEUR 67,396) as at the reporting date represent 62.4% of the balance sheet total (June 30, 2017: 56.4%). The main reason for the increase in cash reserves to kEUR 40.847 was the convertible bond issued in October 2017. (June 30, 2017: kEUR 17,285). On the other hand, trade receivables of kEUR 30,713 were significantly above that for the prior period (June 30, 2017: kEUR 16,260). Detailed information regarding the working capital is listed in the group annex under point 8.

Compared to the previous year the company's **equity** decreased to kEUR 86,378 as at balance date. (JUNE 30, 2017: kEUR 89,447). The equity ratio lay therefore by 49.9% (June 30, 2017: kEUR 74.8%).

Compared to the previous year **long term liabilities** of kEUR 71,088 (June 30, 2017: kEUR 15,900). This is due to the issue of the convertible bond issued in October 2017, which generated proceeds of EUR 58.5 Mio for the company.

Short term liabilities of kEUR 15,694 at balance date were noticeably above those as at June 30, 2017 of kEUR 14,210. The increase in provisions is primarily due the reserves for warranties in 2018 to be regarded as short term. In total, the warranty provisions are declining compared to the prior year period. Accounts payable and other liabilities (financial and non financial) at balance date was kEUR 13,228, above that for the prior period (June 30, 2017: kEUR 12,321), due to the increase in inventory and invoices for the new building.

Opportunities and risks report

The opportunities and risks as reported on pages 40 to 45 in the annual report for 2017 remain unchanged with the exception of those described in the following. Overall the risks continue to be limited and manageable. On the basis of the information currently available the board is of the opinion that at present and in the foreseeable future there are no single risks which jeopardize the continued existence of the company.

A further risk has evolved:

Business opportunities could not be exploited

This was rated as having a high probability and medium impact.

Resulting from unsatisfactory or unsuited marketing strategies, business opportunities could remain unexploited. There is the risk that our market presence is not sufficiently perceived and that we may not be considered for enquiries and tenders. SLM Solutions will revise its sales and marketing activities and during the first half of 2018 started with the restructuring of the department. This will include the repositioning of strategy and introduction of a key account management system.

The following risks were reassessed (presentation of the individual risks can be found on pages 42 and 43 of the 2017 Annual Report):

Recruitment, Development and Retention of Qualified Personnel

The risk was further assessed as having a medium probability of occurrence and medium impact (previous year: high).

Too Strong Growth

The risk was also assessed as having a medium probability of occurrence and medium impact (previous year: high).

Patent Expiry

The risk was further assessed as having a low (previous year: high) probability of occurrence and medium impact (previous year: high).

Outlook report

The SLM Solutions Group has based its forecast for the current year on the following **economic and industry specific assumptions**:

- The IFW is of the view that based on January 2018 data the **global economy** will grow above the previous year's level: A growth rate of 3.9% has been forecast. In **Europe** a comparably high rate of 2.3% is expected similar to the 2.4% of the previous year.[10]
- The IFW (Institute for World Economy) in Kiel expects a growth of 2.5% (previous year: 2.3%) for **Germany** in 2018, the most important individual market.[11]
- In those areas defined by SLM as growth regions in which the international expansion is to be accelerated, the IFW has forecast a growth rate of 2.5% in the **USA** (previous year: 2.3%), a slight flattening to 6.1% in 2019 in the Chinese region (previous year: 6.4%), and an incrementally increased economical performance in Russia by 0.1% to 1.8% (previous year: 1.7%)[12]
- The annually published Wohler-Report which reports on the **global 3D Printing Industry** together with a market assessment predicts a significant growth potential especially in the area of additive manufacturing used by industry. For the year 2022 a market volume of USD 26.2 billion is being quoted, triple that for 2017 (USD 8.8 billion).[13]
- Based on a current survey, the market research institute Gartner assumes that the total number of delivered machines using "Powder bed fusion" will grow annually by 47.2% up to the year 2019.[14] SLM Solutions likewise views the market potential with considerable confidence and would like to further expand its position as technological leader.
- From the Board's point of view, the forecast for the metal-based, additive manufacturing technology market and for the economic development of the target regions remains positive. We believe that the implementation of the four master agreements which were finalized in 2017 with customers in Asia is still binding, even though there have been delays on the customer's side, which therefore postpone parts of the deliveries as stipulated by the master agreements. The Board continues to have very good talks with customers from North America and Europe regarding the conclusion of the master agreements. Although talks have been moving forward positively, revenue is expected to be realized in 2019 and in subsequent years. The

[10] Institut für Weltwirtschaft, Kieler Konjunkturberichte, Weltkonjunktur im Winter 2017
[11] Institut für Weltwirtschaft, Kieler Konjunkturberichte, Weltkonjunktur im Winter 2017
[12] Institut für Weltwirtschaft, Kieler Konjunkturberichte, Weltkonjunktur im Winter 2017
[13] Wohlers Associates, Annual Worldwide Progress Report 2017, April 2017
[14] Gartner Forecast: 3D Printers, Worldwide, 2015

expectation of the Board with regards to the group revenue for the 2018 financial year is therefore set to a range between EUR 115 Mio and EUR 125 Mio. The Board assumes that the product mix will continue to develop towards production machines for the full year. The achievement of the targets set forth in the annual sales forecast is highly dependent on the fourth quarter of 2018. For the reported revenue corridor in the 2018 financial year, the Board expects an EBITDA margin (in relation to consolidated revenue) of 11%-13%.

- Rising group sales of EUR 110 Mio. to EUR 120 Mio. were forecast for the financial year 2017. However, this had to be adjusted downwards by 18-25% in the fourth quarter of 2017 due to the repercussions of the take-over offer in 2016. With a figure of EURO 82.5 Mio, group sales remained below the initial forecast as well as below the revised estimate. Management assumed strong growth for the 2018 financial year. On the strength of the excellent position of the technology in the market, total group sales of EUR 125 Mio were forecast. On August 8 2018, this expectation for the 2018 financial year was set to a range of between EUR 115 Mio to EUR 125 Mio, which is significantly above the prognosis for the previous year and also clearly above the sales figure of EUR 82.5 Mio actually achieved in 2017. An equal sales growth is projected for both segments. This new forecast is based on the current order intake, delivery call-offs from master agreements and predictions from the sales-pipeline.
- An adjusted EBITDA margin of between 10 and 13% (in relation to group sales) was predicted for the financial year 2017. Following the adjustment in the fourth quarter of 2017 an adjusted single digit EBITDA margin was expected. In 2017 the group managed to achieve an adjusted EBITDA margin of 2.4% which was below the original estimate, however, within the corrected target value. In relation to group sales as forecast for 2018 the board expected an adjusted EBITDA margin of between 12 to 13%. Following the corrected forecast of August 8, 2018 the EBITDA will still show a double-digit result in the range of between 11% and 13% which roughly corresponds with the forecast for 2017 but is significantly above the EBITDA margin actually achieved in 2017.
- The adjusted EBITDA of between EUR 11 Mio to 15 Mio forecast initially for the financial year 2017 could not be achieved. The adjusted EBITDA in 2017 was EUR 2.0 Mio positive which corresponded with the correction of prognosis. The adjusted EBITDA for the business year 2018 should be within the range of between EUR 15 Mio and 16 Mio. Due to the corrected forecast of August 8, 2018 the EBITDA will be within the range of between EUR 13 Mio and EUR 16 Mio, and thus not only substantially above the corrected prognosis for 2017 but also the original prediction. Compared to the adjusted EBITDA of EUR 2.0 Mio actually achieved in 2017 the adjusted EBITDA will grow strongly in 2018 based on the forecast. The adjusted EBITDA margin in absolute and relative terms will improve measurably in both segments.
- Resulting from successful negotiations and economies of scale the material cost ratio has decreased noticeably in 2017 compared to the previous year. This is expected to improve again slightly in 2018 compared to the actual ratio achieved in 2017. The forecast of an adequately reduced ratio for the preceding year was comfortably exceeded and the projection for 2018 predicts a slight improvement.
- The personnel cost ratio in 2017 was appreciably above the preceding year. Originally, an appropriately reduced ratio had been predicted, which however was not achieved due to the strategic recruitment of new staff with regard to the planned sales activities. The personnel cost ration will improve substantially in 2018 compared to the previous year as strategic new staff was already taken on in 2017.

Group Interim Financial Statement (IFRS)
For the Period January 1, to June 30, 2018

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Group Consolidated Profit and Loss Statement (January 1 to June 30, 2018)

in kEUR	H1/2018	H1/2017	2017
Revenue	29,643	28,987	82,494
Increase/reduction in inventory of finished goods and WIP	3,676	-663	-2,279
Other capitalized internal services	1,343	1,129	3,132
Total output	**34,662**	**29,452**	**83,346**
Cost of materials	-17,691	-12,680	-38,575
Gross profit	**16,970**	**16,773**	**44,771**
Payroll	-14,112	-14,326	-26,691
Other operating income*	1,757	828	1,948
Other operating expenses	-8,423	-7,885	-18,094
Results from associated companies	-6	0	-63
EBITDA	**-3,814**	**-4,612**	**1,871**
Depreciation	-3,257	-3,535	-6,887
Operating result (EBIT)	**-7,070**	**-8,146**	**-5,015**
Interest received	3	14	19
Interest and similar expenses	-2,077	-74	-1,015
Earnings before tax (EBT)	**-9,144**	**-8,206**	**-6,012**
Tax payable	2,877	2,260	2,272
Result for the period	**-6,267**	**-5,946**	**-3,741**
Period result attributable to the owners of the parent company	-6,267	-5,946	-3,741
EPS EUR*	-0.35	-0.33	-0.21

*undiluted and diluted based on 17,980,867 shares in all periods

Consolidated Group Results (January 1 to June 30, 2018)

in kEUR	H1/2018	H1/2017	2017
Result for the period	-6,267	-5,946	-3,741
Income/Expenses in future not to be reclassified into P&L Account			
Actuarial gains and losses*	34	280	-33
Income/Expenses in future to be reclassified into P&L account			
Income/Expenses from currency conversion	27	-89	-277
Group consolidated result	**-6,206**	**-5,755**	**-4,051**
Attributions to the consolidated result			
Shareholders of the SLM Solutions Group AG	-6,206	-5,755	-4,051

*Actuarial gains were reduced by kEUR 16 deferred tax assets and liabilities from kEUR 50 to kEUR 34. (June 30, 2017: Actuarial loss was reduced by kEUR 120 deferred assets and liabilities from kEUR 400 to kEUR 280)

Consolidate Profit and Loss Statement (April 1 to June 30, 2018)

in kEUR	Q2/2018	Q2/2017
Revenue	14,662	13,040
Increase in inventory of finished goods and WIP	811	1,798
Other capitalized internal services	638	848
Total output	**16,111**	**15,686**
Cost of materials	-8,128	-7,591
Gross profit	**7,983**	**8,096**
Payroll	-7,118	-6,978
Other operating income	1,637	658
Other operating expenses	-4,774	-4,710
Results from associated companies	28	63
EBITDA	**-2,245**	**-2,871**
Depreciation	-1,668	-1,362
Operating result (EBIT)	**-3,913**	**-4,234**
Interest received	2	60
Interest and similar expenses	-997	0
Earnings before tax (EBT)	**-4,909**	**-4,173**
Tax payable	1,765	2,030
Result for the period	**-3,143**	**-2,143**
Period result attributable to the owners of the parent company	-3,143	-2,143
EPS in EUR*	-0.17	-0.12

*undiluted and diluted based on 17,980,867 shares in all periods.

Consolidated Group Result (April 1 to June 30, 2018)

in kEUR	Q2/2018	Q2/2017
Result for the period	-3,143	-2,143
Income/Expenses in future not to be reclassified into P&L Account		
Actuarial gains and losses	34	280
Income/Expenses in future to be reclassified into P&L account		
Income/Expenses from currency conversion	92	-75
Group consolidated result	**-3,017**	**-1,938**
Attributions to the consolidated result		
Shareholders of the SLM Solutions Group AG	-3,017	-1,938

*Actuarial gains were reduced by kEUR 16 deferred tax assets and liabilities from kEUR 50 to kEUR 34 (June 30, 2017: Actuarial loss was reduced by kEUR 120 deferred tax assets and liabilities from kEUR 400 to kEUR 280)

Group Balance Sheet

in kEUR	June 30, 2018	June 30, 2017	December 31, 2017
Assets			
Cash on hand	40,847	17,285	63,712
Accounts receivable	30,713	16,260	38,741
Other financial assets	235	53	9
Stocks on hand	32.581	30,874	27,513
Current tax receivables	1,462	94	979
Other assets	2,212	2,830	2,146
Total current assets	**108.050**	**67,396**	**133,101**
Intangible assets	22,812	21,578	21,950
Tangible fixed assets	37.932	29,134	32,491
Financial assets accounted for Using the equity method	939	343	474
Other financial assets	259	254	256
Other assets	194	43	105
Deferred tax assets	2,976	808	0
Total non-current assets	**65,111**	**52,160**	**55,276**
Total assets	**173,161**	**119,557**	**188,377**

in kEUR	June 30, 2018	June 30, 2017	December 31, 2017
Liabilities			
Accounts payable	9,453	7,172	10,365
Other financial liabilities	3,775	5,149	5,286
Tax accruals	0	84	0
Other accruals	2,466	1,805	2,559
Total current liabilities	**15,694**	**14,210**	**18,210**
Other financial liabilities	65,779	9,999	70,718
Pensions and similar obligations	5,309	4,712	5,294
Deferred tax liabilities	0	0	200
Accruals	0	1,189	821
Total long-term liabilities	**71,088**	**15,900**	**77,034**
Subscribed capital	17,981	17,981	17,981
Capital reserve	87,023	85,041	87,023
Consolidated net loss	-17,166	-13,104	-10,899
Other reserves	-1,460	-471	-972
Total equity	**86,378**	**89,447**	**93,133**
Total liabilities	**173,161**	**119,557**	**188,377**

Consolidated cash flow statement (January 1 to June 30, 2018)

in kEUR	H1 / 2018	H1 / 2017	2017
Result for the period	-6,267	-5,946	-3,741
Depreciation	3,257	3,535	6,887
Interest payable	2,073	74	1,015
Interest received	-1	-14	-19
Tax payable	-2,877	-2,260	-2,272
Non-cash expenses	6	0	305
Change in assets and liabilities	-1,718	6,577	-10,120
Stock on hand	-5,068	233	3,594
Receivables	8,029	12,798	-9,684
Pensions and similar obligations	15	-400	182
Liabilities	-1,628	-4,232	-1,047
Accruals	-914	-478	-91
Other liabilities	-3,486	0	-1,489
Other assets and liabilities	1,335	-1,344	-1,585
Income tax paid	-474	-360	-1,039
Net cash-flow from operational activities	**-6,000**	**1,606**	**-8,984**
Payment for investments in intangible assets	-8,306	-12,743	-17,883
Investments in development in assets, property, plant, and equipment	-1,343	-1,129	-3,132
Investment in joint ventures	-471	-223	-417
Outflow for investment in financial assets	-2	-2	-5
Interest received	1	14	19
Net cash-flow from investment activities	**-10,121**	**-14,083**	**-21,418**
Proceeds from loans	0	9,999	16,005
Proceeds from convertible bonds	0	0	58,500
Interest payments	-1,654	-20	-45
Repayments of loans	-5,137	0	0
Net cash-flow from financial activities	**-6,791**	**9,980**	**74,460**
Increase/reduction in cash and cash equivalents	-22,912	-2,497	44,058
Currency related changes to cash and cash equivalents	47	-245	-374
Cash at the start of the reporting period	63,712	20,028	20,028
Cash at the end of the reporting period*	40,847	17,285	63,712
Security deposit for rent	0	-31	-30
Cash and cash equivalents at end of reporting period	**40,847**	**17,255**	**63,682**

*refer cash and cash equivalents as per balance sheet Note 8

Consolidated Statement of Changes in Group Equity

in kEUR	Subscribed capital	Capital Reserve	Consolidated Net Loss	Other Reserves	Total Equity
As at January 1 2017	**17,981**	**85,041**	**-7,158**	**-662**	**95,201**
Group result			-5,946	–	-5,946
Changes in equity from foreign currency			–	-89	-89
Changes in equity resulting from actuarial gains/losses			280	–	280–
As at June 30, 2017	**17,981**	**85,041**	**-12,824**	**-751**	**89,447**
As at January 1, 2018	**17,981**	**87,023**	**-10,899**	**-972**	**93,133**
Group result			-6,267		-6,267
Changes in equity from foreign currency				27	27
Changes in equity from actuarial gains/losses				34	34
Change in equity from IFRS 9 and 15			-549	0	-549
As at June 30, 2018	**17,981**	**87,023**	**-17,715**	**-911**	**86,378**

Group Annex (IFRS)
For the period January 1, 2018 to June 30, 2018
SLM Solutions Group AG, Lübeck

Note 1) General comments

The SLM Solutions Group AG with its head office in Lübeck, is a publicly listed company and the ultimate parent company of the SLM Group. It is registered in the commercial register of the municipal court of Lübeck under HRB 13827. The company's address is Estlandring 4, 23560 Luebeck.

The shares of the SLM Solutions Group AG (WKN A11133) have been traded on the Frankfurter Wertpapierbörse (Frankfurt Stock Exchange) since May 9, 2014, are quoted in the Prime Standard and on March 21, 2016 were added to the TecDAX index.

The composition of the reportable segments has changed compared to the previous year. The segment "Machine Business" and "After Sales Business" have been newly identified as main business areas by the board. In the segment "Machine Business" machines from the sector Selective Laser Melting together with options such as powder screening stations and other peripheral devices are considered. In the segment "After Sales Business" service activities, spare part sales, commodities including powder, training and the installation of machines are taken into account.

In the preceding year the segments "Machine Sales" and "After Sales" were considered. In this, sales of machines including accessories and options according to order placement were recorded, whereas in the latter, segment service activities, sales of spare parts and sale of commodities not connected with machine orders were accounted for. Management believes that with the new structure the business development is presented more transparently than with the previous structure.

The consolidated interim financial statement of the SLM Solutions Group AG as at June 30, 2018 has been prepared in Euro. Unless otherwise stated, all amounts are given in thousand Euros (kEUR). Deviations of up to one unit (kEUR, %) are due to calculatory rounding differences.

Note 2) Accounting Principles

The interim consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS) for interim reporting as adopted by the EU and was compiled in compliance with IAS 34. The group management report was prepared in compliance with the Securities Trading Act (WpHG).

The interim consolidated financial statement is not comparable with a group consolidated financial statement in respect of scope and level of detail, however it contains all necessary details as per IAS 34 and § 115 section 5, clause 2 WpHG and shows the actual earnings, financial, and asset situation required for the interim financial statement.

The accounting and valuation methods correspond essentially with those in the consolidated financial statement for the financial year 2017. A detailed description of the generally accepted accounting principles is contained in the consolidated financial statement as at December 31, 2017.

The income tax expense as shown in the interim report was calculated on the basis of the applicable tax rate expected currently.

New and amended standards adopted by the group

In the current reporting period numerous new or amended standards have come into effect. Through the first-time application of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with clients" necessitated retroactive changes in the accounting method of the group.

The effect of the first-time application of the two standards is described in Note 5. Other amended standards have no impact on the accounting principles of the group.

Effects of standards considered but not yet applied by the group

IFRS 16 "Leasing Relationship"

IFRS 16 was published in January 2016. The standard has the consequence that nearly all leasing relationships are recoded on the balance sheet as the distinction between operating lease and finance lease relationships for the lessee have been abolished. According to the new standard, a financial asset (the right to use the leased asset) and a financial obligation for the lease payments are indicated. The only exceptions are short term leases and those covering items of small value.

The accounting policy for the lessors will remain essentially unchanged.

The standard will primarily affect the accounting of operating leasing relationships of the group. As at balance date the groups has obligations from non-terminable rental and operating leasing relationships of EUR 2.5 Mio. However, the group has not yet determined to what extent this will lead to the obligation to record the asset or make future payments and how this will affect the financial result of the group and the cash-flow classification.

Some of these obligations may fall under the exemption clause for short term or low value leasing relationships, whilst others may pertain to agreements which under IFRS 16 do not qualify as leasing relationships.

The standard must be applied to first-time interim reporting periods within an annual reporting period beginning on or after January 1, 2019. The group intends not to apply this standard prior to its implementation.

Note 3) Consolidated Companies

The group interim financial statement comprises of in addition to the parent company SLM Solutions Group AG, Lübeck the following companies:

Name	Share in %
SLM Solutions NA, Inc., Wixom, Michigan/USA	100
SLM Solutions Singapore Pte Ltd	100
SLM Solutions Shanghai Co. Ltd.	100
SLM Solutions RUS OOO	100
SLM Solutions (India) Private Limited	100
SLM Solutions (Italy) S.R.L*	100
SLM Solutions (France) SAS*	100

*these are newly established companies consolidated for the first time in 2018

SLM Solutions Group AG holds 51% of SLM Solutions Software GmbH which was incorporated in 2016 and develops special construction software which simplifies the optimal design of components for additive fabrication.

Likewise, the SLM Solutions Group AG holds 51% in the 3D Metal Powder GmbH founded in 2016 which general business purpose is the development, production and sale of metal powders.

There is no controlling for the companies as shareholders' resolutions are made unanimously notwithstanding that the SLM AG holds 51%. Consequently, both companies are accounted for using the equity method.

Note 4) Seasonal influences on the business activities

SLM Solutions' business is subject to seasonal influences so that income and operational results of the company may fluctuate from quarter to quarter. Especially a weak fourth quarter has a strong impact on the full year result. So as to mitigate the risk of seasonal fluctuations, SLM Solutions is enhancing the composition of customer portfolio from manufacturing companies, service centres and research institutes. In addition, the after sales business is being expanded which is less affected by fluctuations.

Note 5) First-time applicable IFRS for the Financial Year

Application of IFRS 15 "Revenue from Contracts with Customers" – Effects of first-time application.

SLM has applied IFRS 15 for the first time for the financial year starting January 1, 2018. The first time application changes the revenue recognition from the service and maintenance contracts concluded with machine sales und the current accounting practice according to IAS 18.

For the transition to the new standard, SLM applies the simplification provisions as provided under IFRS 15 according to which contracts already concluded as at December 31, 2017 do not have to be reassessed in respect of IFRS 15.

Already in the previous year's revenue from service and maintenance contracts at customer level of EUR 1.2 Mio were determined and defined according to IFRS 15 and recorded with this amount in the advance payments received. Of these, EUR 0.7 Mio refers to the year 2018, EUR 0.3 Mio to 2019 and EUR 0.2 Mio to the subsequent years, and the result will be effectively accounted for in the relevant periods.

The estimated cost of EUR 0.8 Mio of these service and maintenance contracts, which until now have been taken into account in the provisions for warranty, were also reduced for the ongoing contracts (January 1, 2018).

In consideration of deferred taxes of EUR 0.1 Mio, the change in equity of EUR 0.2 Mio related to the undiluted and diluted stock of shares constitutes EUR 0.015 per share.

Using the previous accounting methods pursuant to IAS 18, the figures reported for the first half-year 2018 would have been presented as follows:

- Revenue and cost lower by EUR 0.3 Mio and lower by EUR 0.2 Mio respectively
- Therefore earnings and equity lower by EUR 0.1 Mio
- Prepayments received lower by EUR 0.8 Mio and provisions higher by EUR 0.6 Mio
- At that the deferred taxes are of minor importance

Application of IFRS 9 "Financial Instruments"

SLM has decided to apply the limited exemption provisions of IFRS 9 in respect of the transition of classification, measure-impairment of financial assets and has consequently not adjusted figures retrospectively. Therefore, any adjustments to the book values of financial instruments and liabilities were accounted for at the beginning of the current reporting period whereby the difference is shown in the opening balance value in the consolidated net loss. The financial assets are not re-categorized in the balance sheet of the comparative period and the value adjustment not applied retrospectively. There were no effects from the changed classification and the changes in respect of Hedge Accounting for SLM.

As required under IFRS 9, SLM has applied the simplified model for expected credit defaults for its receivables from current and contractual assets. For the debt instruments measured at amortized cost and debt instruments shown at fair value, the company has adopted the general model of expected credit losses. All debt instrument of the group show a low default risk both at the beginning and at the end of the reporting period.

The analysis of trade receivables from similar contracts has shown that these have generally identical risk characteristics. The first time application of IFRS 9 has increased the value adjustment of trade receivables by EUR 0.4 Mio or rather the receivables are reduced by this amount. Taking into account the offsetting impact of deferred taxes of EUR 0.1 Mio, equity was reduced by EUR 0.3 Mio as at January 1, 2018. Based on the undiluted and diluted stock of shares, this represents EUR -0.016 per share.

Note 6) Segment Reporting

The composition of the reportable segments has changed compared to the previous year. The segments "Machine Business" and "After Sales Business have been identified as main business areas for internal reporting by the board. In the segment "Machine Business" machines from the sector Selective Laser Melting together with options like powder screening stations and other peripheral devices are considered. In the segment "After Sales Business" service activities, spare part sales, sales of commodities including powders, training and the installation of machines are taken into account.

In the preceding year the segments "Machine Sales" and "After Sales" were considered. In doing so, sales of machines including accessories and options in line with order placement were recorded. Whereas in the latter segment, service activities, sales of spare parts and commodities not connected with machine orders were accounted for. Management believes that with the new structure business development is presented more transparently than with the previous structure.

As at June 30, 2018 in kEUR	Machine Business	After Sales Business	Total
Revenue	**21,201**	**8,441**	**29,643**
Expenses	-24,737	-8,719	-33,456
EBITDA	**-3,536**	**-278**	**-3,814**
Depreciation			-3,257
Interest result			-2,073
EBT			**-9,144**
Income tax			2,877
Result for the period			**-6,267**

As at June 30, 2017 in kEUR	Machine Business	After Sales Business	Total
Revenue	**22,161**	**6,826**	**28,987**
Expenses	-24,494	-9,104	-33,599
EBITDA	**-2,333**	**-2,278**	**-4,612**
Depreciation			-3,535
Interest result			-59
EBT			**-8,206**
Income tax			2,260
Result for the period			**-5,946**

Apart from depreciation, there were no further significant non-cash expenses. The segment revenue as shown above represents sales revenue from business with external customers.

No significant transactions were generated between the segments.

Note 7) Long Term Assets

Investments in non-current assets primarily refer to tangible fixed assets and the new site in Lübeck-Genin. Investments in intangible assets refer mainly to development expenses to be capitalized according to IAS 38.

SLM undertakes regular checks – at least at the end of every quarter – as to the necessity of an extraordinary depreciation. As at June 30, 2018 there was no unscheduled depreciation on any project (June 30, 2017: kEUR 312). From the board's perspective, there has been no change in value of any long term assets at reporting date so that the write-down beyond that only represents the scheduled straight-line depreciation.

Note 8) Liquidity and financial liabilities

Liquidity was assured at all times in both the prior year and as at June 30, 2018.

The substantial pre-production of machines and subsequent increase in inventory is primarily the cause for the increased funds tied up in working capital compared to the prior year, which however is below that at the end of 2017.

Working capital (kEUR)	June 30, 2018	December 31, 2017	June 30, 2017	Difference 6-month period	Difference 12-month period
Accounts receivable	30,713	38,741	16,260	-8,028	14,453
Inventories	32,581	27,513	30,874	5,068	1,707
Accounts payable	-6,962	-8,591	-5,405	1,629	-1,557
Total	**56,332**	**57,663**	**41,729**	**-1,331**	**14,603**

The change in funds tied up in working capital for the (rolling) past 12 months period was kEUR 14,603 and for the period from January 1, to June 30, 2018 kEUR -1,331. The funds committed as at balance day of June 30, 2018 in relation to the rolling group turnover of the past 12 months of kEUR 83,149 as at balance day on June 30, 2018 result in a working capital intensity of 67.7%.

The investments made in the current reporting period essentially relate to the development of application oriented technology and the new site in Lübeck-Genin.

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

in kEUR	June 30, 2018	June 30, 2017	December 31, 2017
Cash and cash equivalents as per balance sheet	40,847	17,285	63,712
Security deposit for rent	0	-31	-30
Cash and cash equivalents cash-flow statement	40,847	17,254	63,682

Note 9) Equity

Identical to the previous year the subscribed capital is divided in 17,980,867 bearer shares with a theoretical par value of one Euro.

Also, please refer to the consolidated capital change statement.

As at June 30, 2018 the equity ratio was 49.9% (balance date June 30, 2017: 74.2%, December 31, 2017: 49.4%) a 44.8% substantially higher balance sheet total in comparison to the preceding year.

Earning per Share (EPS) (undiluted and diluted)

The undiluted and diluted result is calculated by the quotient of the net profit attributable to the shareholders of the parent company and the average number of shares on issue during the financial year.

As in the preceding year the diluted result corresponds to the undiluted result. The convertible bond issue may appear as diluted, however, this does not apply due to the counter dilution effect of the negative result for the year.

	June 30, 2018	June 30, 2017
Number of shares issued as at 01.01.	17,980,867	17,980,867
Number of shares issue during the financial year	-	-
Weighted average number of issued shares	**17,980,867**	**17,980,867**
Profit attributable to share holders of the parent company in EUR	-6,267,082.37	-5,946,089.84
Weighted average number of issued shares	17,980,867	17,980,867
Undiluted and diluted earnings per share in EUR	-0.35	-0.33

Note 10) Significant business transactions with related parties

Related parties within the meaning of IAS 24 are those person or parties that can be influenced by the reporting entity or who could exert influence on the company.

The members of the Executive and Supervisory Boards of the SLM Group were identified as related persons.

Members of the Executive Board in 2018:

- Uwe Bögershausen
- Henner Schöneborn
- Dr. Axel Schulz
- Dr. Gereon W. Heinemann

On June 30, 2018, with the expiration of his executive employment contract, Mr. Schöneborn stepped down from his position on the board. Dr. Heinemann was appointed to the executive board on August 1, 2018.

Members of the Supervisory Board as at June 30, 2018:

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

Since December 18, 2015 there has been a share based remuneration system for the board members Uwe Bögershausen and for Dr. Markus Rechlin who left the company in January 2017. A corresponding system has existed for Henner Schöneborn and Dr. Axel Schulz since August 3, 2017 and February 1, 2018 respectively. This program represents a virtual participation (SAR) based on share price increase during the previous year. Prior to the start of the period, the supervisory board determines at which price how many SAR are issued. The maximum value of this participation is EUR 150,000 p.a. Payment is made 2 years after the issue of the SAR at the share price applicable at date of redemption, however not exceeding EUR 54.00 (cap). For Henner Schöneborn redemption will already occur after one year. The contract stipulates a fundamental option as to the redemption in shares whereas the supervisory board insists on redemption in cash only and is consequently accounted for as cash-settled. The profit recorded for the period corresponds to the reversal of the accrual of kEUR 173 as at June 30, 2018. In the financial year 2017 the recorded expense was equivalent to the reversal of the provision of kEUR 337.

The fair-value measurement of the liability of kEUR 907 as at June 30, 2018 was undertaken using a Monte-Carlo simulation.

There is no immediate direct control by a shareholder

Note 11) Events after the balance sheet date

There were no events after the balance sheet date which affects the assets, financial condition and earnings of the group.

Note 12) Other information

Financial assets and liabilities are shown on the basis of their amortized cost. A Fair Value difference exists exclusively with the convertible bond issue. Due to the short remaining residual terms of the other financial assts and liabilities their fair value corresponds approximately to their book value.

Financial instruments (June 30, 2018)	Valuation category	Book Value	Fair value
Receivables and other assets	AC*	30.948	30.948
Financial liabilities	AC*	76.516	78.043

Financial instruments (December 31, 2017)	Valuation category	Book Value	Fair value
Receivables and other assets	AC*	38.750	38.750
Financial liabilities	AC*	84.595	86.122

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

Affirmation by the legal representatives

We hereby certify to the best of our knowledge that in accordance with the applicable accounting principles the group interim consolidated financial statement conveys an accurate picture commensurate with the actual conditions of the assets, financial position, and earnings of the group. We also certify that the interim management report including the course of business and business trend reflect a true picture of the actual conditions, opportunities, and risks facing the group in the foreseeable future.

Lübeck, August 8, 2018

Uwe Bögershausen

Dr. Axel Schulz

Dr. Gereon W. Heinemann

Review report

To SLM Solutions Group AG

We have reviewed the condensed consolidated interim financial statements - comprising the statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and selected explanatory notes - and the interim group man-agement report of SLM Solutions Group AG, Lübeck, for the period from 1 January 2018 to 30 June 2018 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group man-agement report based on our review.

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

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

Hannover, 8 August 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Helmuth Schäfer	Prof. Dr. Mathias Schellhorn
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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