

ANNUAL

REPORT

2021

2021

OUR MISSION:

TO EMPOWER YOURS



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FINANCIAL HIGHLIGHTS

	Units	2021	2020	Change (in %)
Revenue	kEUR	75,115	61,759	+22%
Total Output	kEUR	83,306	64,570	+29%
EBITDA	kEUR	(8,597)	(14,781)	+42%
EBITDA margin (as % of revenue)	%	(11%)	(24%)	+52%
Period Result	kEUR	(20,375)	(30,252)	+33%
EPS	EUR	(0.90)	(1.53)	+35%
Order Intake	kEUR	70,383	46,085	+53%
Order Backlog	kEUR	42,810	30,217	+42%
Number of Shares		22,701,725	19,778,953	

TECHNOLOGY PIONEERS

SLM Solutions is a forward-thinking technology company that consistently creates world firsts in the field of metal additive manufacturing. We have a proud technology heritage as one of the core inventors of the process and continue to push boundaries everyday thanks to the creativity of our global workforce, of which >40% are engineers.

The business of SLM Solutions is to produce and sell machines for the additive manufacturing of metal parts (metal 3D printers). Today, SLM® machines are used for serial production and prototyping in various industries including but not limited to aerospace, automotive, energy, healthcare, tooling as well as research and development. SLM Solutions partners with leading companies in these industries and thus relentlessly innovates metal-based additive manufacturing.

As an integrated solution provider, SLM Solutions' product portfolio includes not only machines but also software, metal powder, quality assurance products, and consulting. SLM Solutions' experts

work with customers at each stage of the sales process to provide support and knowledge-sharing. Thus, allowing our valued customers to elevate the use of our technology while ensuring their return on investment is maximized.

With a global sales and service network, SLM Solutions is always close to the customer and readily available. SLM Solutions Group AG is headquartered in Germany with offices in Canada, China, France, India, Italy, Japan, Russia, Singapore, South Korea, and the United States.

ABOUT US

- SLM Solutions is #1 in the industry of multi-laser machines
- It has been 17 years since the first industrial selective laser melting machine installation
- SLM Solutions has a 100% focus on metal additive manufacturing and alloy development
- SLM Solutions has installed over 750 machines around the world

SELECTIVE LASER MELTING

Metal-based additive manufacturing has become a cost-effective manufacturing alternative for countless applications across a variety of major industries.

The additive manufacturing process begins with a 3D model of the objective to be manufactured. Based on this data, the object is fused layer-by-layer in a metal powder bed, using one or more simultaneously operating lasers.

Unlike laser sintering, selective laser melting completely melts each layer into the previous to create completely dense metal parts.

Compared to traditional manufacturing methods, additive manufacturing enables parts with complex geometric shapes and hollow structures to be produced.



SAM O'LEARY

CHIEF EXECUTIVE OFFICER AT SLM SOLUTIONS

“ FIRST AND FOREMOST, OPEN ARCHITECTURE IS A BUSINESS PHILOSOPHY FOR SLM SOLUTIONS. IT'S NOT SOME MARKETING JARGON, AND IT'S DEFINITELY NOT JUST A SOFTWARE TERM. THE ABILITY OF OPEN ARCHITECTURE TO ENABLE GREATER BUSINESS INDIVIDUALITY, DRIVES WHAT WE DO TO A VERY LARGE EXTENT – SO MUCH THAT IT BECAME A PART OF OUR DNA. **”**

SLM SOLUTIONS PRODUCT PORTFOLIO

The industrial metal additive manufacturing machines of SLM Solutions are available in numerous build envelope sizes and in different configurations. Whether it be a thrust chamber for rocket engines or a hip cup, SLM® machines are tailored to different applications. SLM Solutions is prepared to address different customer needs and be readily available to produce certified parts in series.

SLM Solutions was the first to offer multi-laser systems and is still the proud market leader in this segment. SLM® machines are equipped with up to 12 lasers working simultaneously in overlapping areas to achieve maximum productivity, speed and reduced costs per part. Further patented innovations ensure

highest safety, a consistent high part quality and over all underline the technology leadership of the company. With its patented multi-laser technology, SLM Solutions has a significant competitive advantage in the market.

SLM®125

The SLM®125 is particularly noteworthy for educational institutions and commonly used for medical applications, from prototyping to qualified serial production. Numerous advantages of the technology are combined on one small footprint.

- 125 x 125 x 125 mm build envelope
- 400 W Laser
- Powder handling under inert atmosphere





SLM®280 2.0

The SLM®280 2.0 is ideal for medium to high volume metal part production and prototypes. The machine is used, among others, by small and medium sized enterprises, job shops, R&D and customers with specific requirements to batch separation

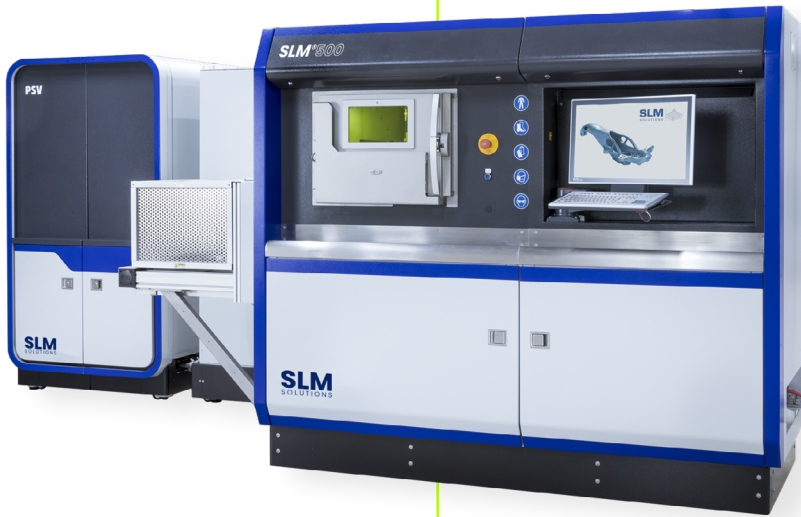
- 280 x 280 x 365 mm build envelope
- Multi-laser (twin)
- Unique dual laser as well as Multi-laser (twin) options



SLM®280 PRODUCTION SERIES

Featuring multiple lasers and high process stability for demanding applications. The machine is especially designed for serial production.

- 280 x 280 x 365 mm build envelope
- Up to 700 W, Multi-laser twin
- Automated powder management



SLM®500

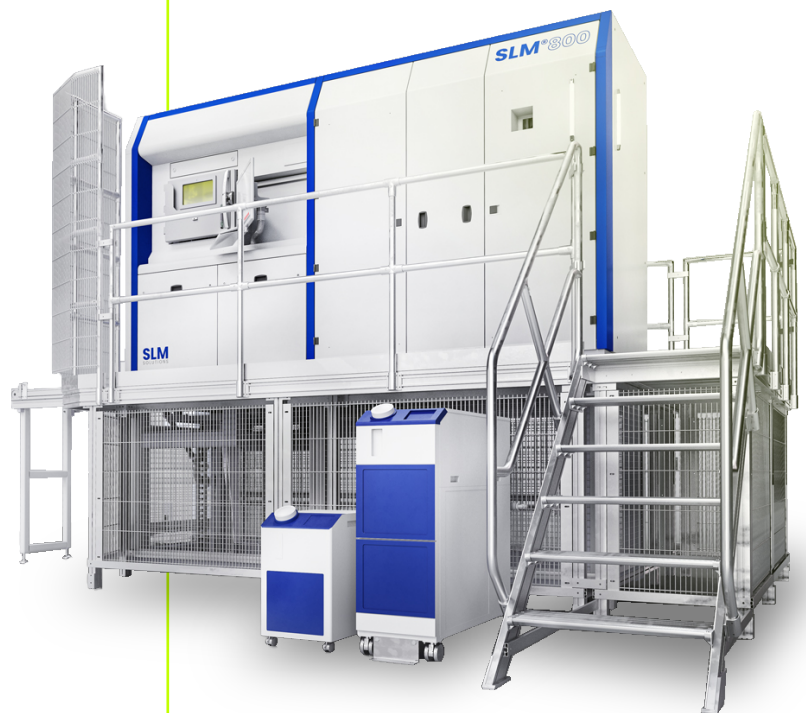
Representing the first quad-laser metal system on the market, the SLM@500 can integrate lasers independently or in parallel to increase build rates by 90% over twin laser configurations. Designed for serial production, exchangeable build cylinder enables shortest possible fire to fire times reducing downtimes of the machine to a minimum. Leading OEMs and Tier 1 suppliers focusing on automotive, energy and aerospace applications are using this machine for prototypes or qualified serial production.

- 500 x 280 x 365 mm build envelope
- Multi-laser: Twin (2x 400W or 2x 700W) Quad (4x 400W or 4x 700W)

SLM®800

The SLM@800 features an extended z-axis for large-scale production. The ability to have multiple machines connected via the SLM@ HUB opens new possibilities for large-scale industrial metal additive manufacturing. Customers from industries including aviation, space, energy & service bureaus rely on the SLM@800, featuring highest degree of automation.

- 500 x 280 x 850 mm build envelope
 - Multi-laser (4x700W)
 - Automated depowdering, cylinder transport and cool-down in SLM HUB®



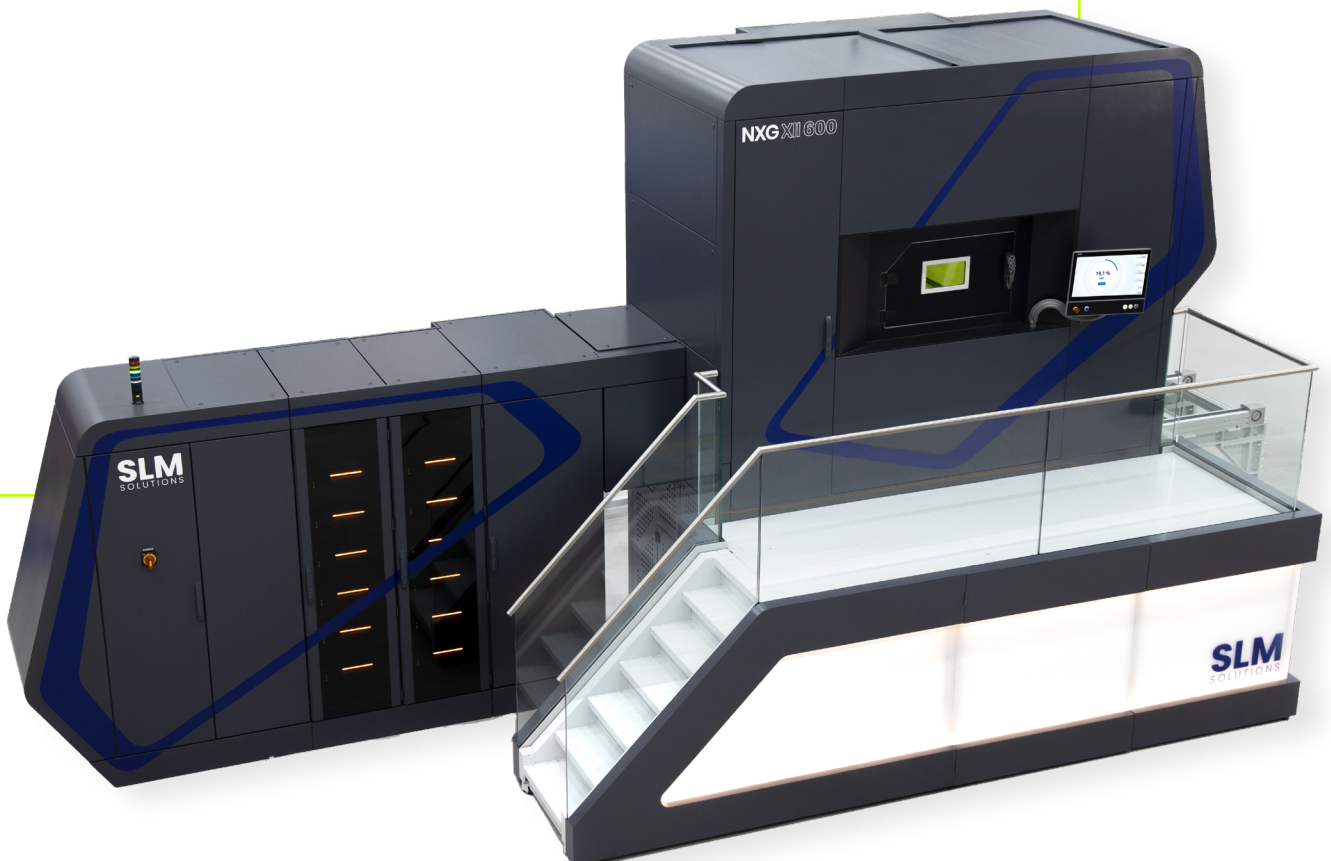
NXG XII 600

The NXG XII 600 is equipped with 12 lasers, 1 KW each and a build envelope of 600x600x600 mm. It is designed for serial production for high-volume applications. In a series production part outcome of more than 10,000kg per year can be achieved, independently if single large-scale components or multiple small components are produced per build. The NXG XII 600 offers lowest cost per part and highest throughputs focusing on leading OEMs & Tier 1 suppliers from aerospace, automotive & energy sector.

- 600x600x600 mm build envelope
- 12 lasers with 1KW power each
- Variable laser beam diameter

WELCOME TO A NEW ERA OF MANUFACTURING

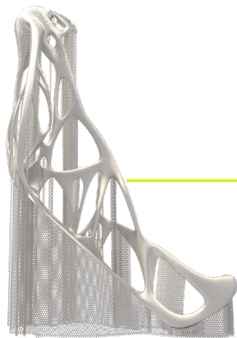
In 2021, SLM Solutions received orders for ten of the most productive SLM® machines on the market, the NXG XII 600. This revolution in metal additive manufacturing has fueled the productivity of such industries including aerospace, automotive, energy and service bureaus.



FREE FLOAT A FIT FOR ANY PART

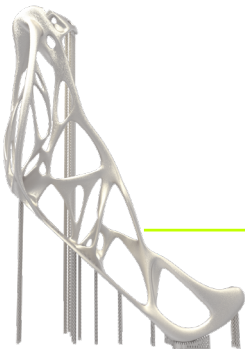
Our team developed a tool that applied everything we learned from the development period into a convenient and easy-to-use product: Free Float. It starts with your .slm file consisting of a ready sliced part geometry, a parameter file, and support structures where they cannot be avoided. The good news: Free Float does not interfere with the vector orientation or sorting of the sliced data, nor does it manipulate process parameters allocated to a specific type, e.g., hatch or downskin. This file is then loaded into our software suite, where you can start assigning Free Float profiles right away.

These profiles correlate with the various benefits of Free Float:



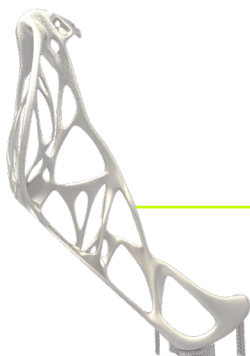
LOW

Slight improvements on part quality (smoother surface, no over melting, less porosities), reduction of few necessary supports on non-critically angled sections



MEDIUM

Better surface finish, increased support reduction, and medium improvements on part quality



HIGH

Maximum possible reduction of supports, improved surface finish, and overall part quality

INDUSTRY INSIGHTS

METAL ADDITIVE MANUFACTURING SOLUTIONS FOR TRANSPORTATION

SLM Solutions Systems help meet stringent industry-standard certifications to make complex parts that cannot be machined, thereby improving the performance and functionality of the component. Selective Laser Melting gives engineers the design freedom to consolidate parts to reduce mass and cost, ultimately making strategic weight decisions where needed.

As space companies battle with unprecedented demand to get space-based technology into orbit, the need for solutions to meet their requirements accelerates. The NXG XII 600 overcomes many challenges due to its large build envelope, ability to work with space-friendly alloys such as nickel and copper, and high-speed production rates that are crucial for the space sector's tremendous demands.

In 2021, SLM Solutions further strengthened its existing partnership with MAHLE, one of the world's leading automotive suppliers and development partners from Stuttgart, Germany. MAHLE will utilize SLM Solutions' systems to empower OEMs and Tier 1 suppliers to fulfill their need for metal Additive Manufacturing in serial

production. The components will be printed with aluminum and stainless-steel alloys, which are remarkably resilient, corrosion resistant, and topology optimized to reduce overall weight. Structures that are too complex for conventional manufacturing methods are easily produced while still adhering to the strict quality standards of the automotive industry.

In a joint project with Safran Landing Systems, a global leader in aircraft landing and braking systems, SLM Solutions successfully produced a main fitting of a nose landing gear that met the stringent requirements of the component. In the USA, SLM Solutions partnered with Morf3D, a subsidiary of the Nikon Corporation, to improve customer access to SLM Solutions' product portfolio, including the NXG XII 600 system, designed for serial production.

Whether you are making one or many parts, the sky's the limit – we help ensure your success with metal additive manufacturing. Find out more about the numerous manufacturing possibilities using SLM® technology in the aerospace, automotive, and locomotive industries below.

DECREASED CARBON FOOTPRINT & TIME SAVINGS



Machine: SLM@800

Material: Titanium

Component: Nose landing gear for a bizjet

Benefits

- Additive manufacturing process as a whole, including optimized design resulting in decreased carbon footprint.
- Component manufactured as a single part, without requiring the assembly of several part

DECENTRALIZED MANUFACTURING GENERATING SIGNIFICANT COST SAVINGS

Machine: SLM@800

Material: Aluminum

Component: Brake panel for a train

Benefits

- Weight reduction of 5 kg (from 7kg to 2kg)
- Lead time significantly shortened by 70%
- Assembly of the part as a single unit resulting in labor cost savings. 32 parts combined into 1



ENABLING HYBRID MANUFACTURING

Machine: SLM@280

Material: Case Hardening Steel (16MnCr5)

Component: Grooving component used in metal cutting

Benefits

- Weight of component reduced by 45%.
- Enhanced cooling functionality increases product life, thereby reducing total costs for customers.



AFTER SALES

The After Sales business has an increasing importance in our overall corporate strategy. Services generate recurring revenue and drive innovation through close collaboration with our customer base. The after-sales business revenue in 2021 has increased compared to 2020, leading to a more significant contribution to the Company's success. The portfolio of machine-related services and products has been and will continue to be consistently expanded and adapted to the needs of our customers, and to enhance this financial performance.

SLM Solutions provides customer-scalable solutions all along the entire customer's journey from the business case over pre-delivery, initial operation, low-rate initial production to the full-rate production phase. The service portfolio includes, among others, benchmark production, production services, consulting, and various additive manufacturing training as well as machine services and consumables. We enable customer success, which is defined by their efficient and effective production lines (on top of the superior SLM® machine performance).

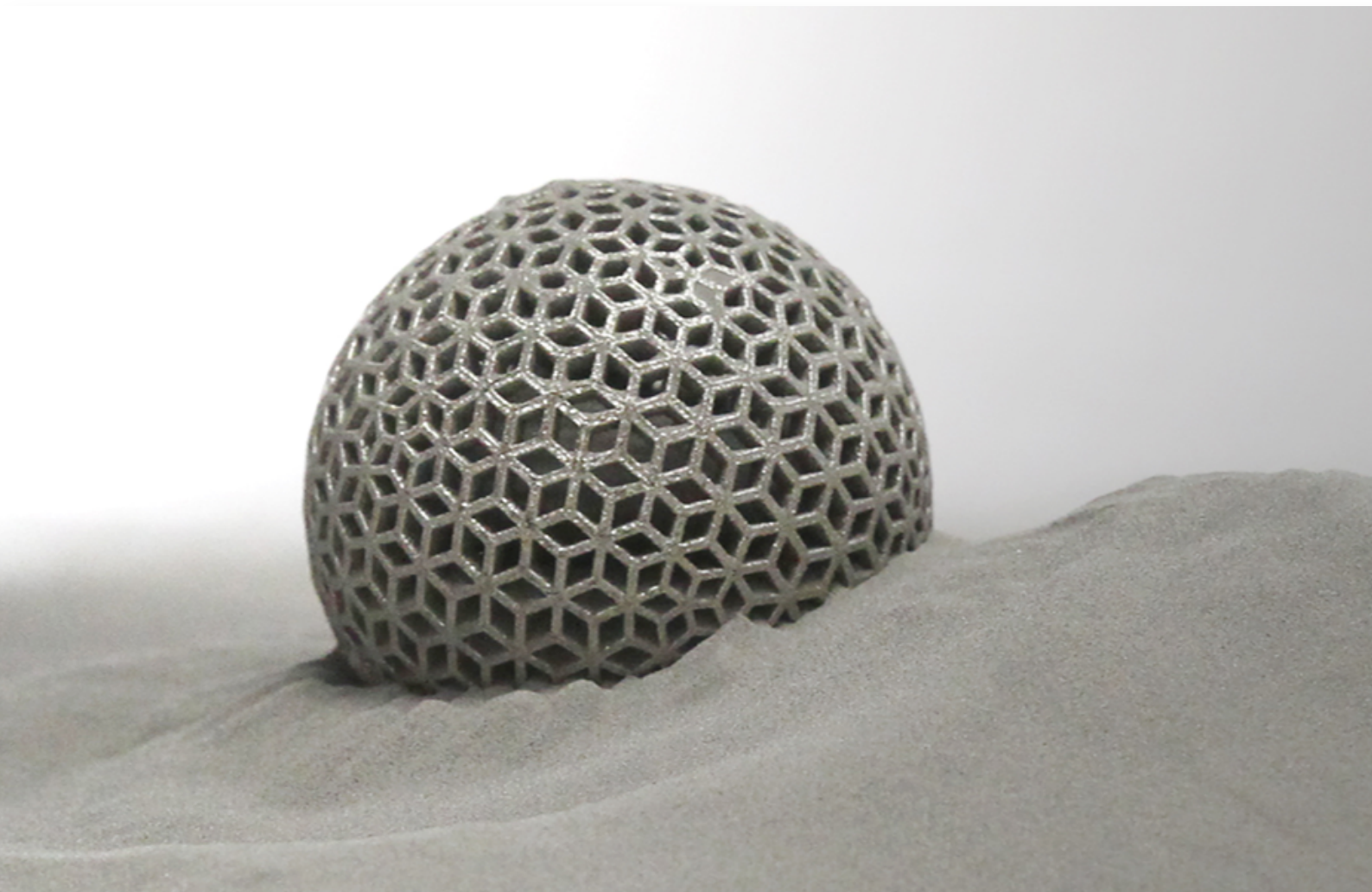
In 2021, SLM Solutions strengthened its service division by adding key leads to ensure customer success. The division will increase in importance and grow further in the coming years. Customer-specific solutions have been added to the offering of standard service level agreements. This ensures improved customer success, especially when our customers turn to serial production AM capabilities. With the launch of the flagship machine NXG XII 600, which is designed to support serial production customers, technical availability through top-in-class customer service is of utmost importance. The implementation of further digital systems for even more intensive and direct networking of customer needs with our more than 100 employees reinforces this strategy. The entire organization owns and owes customer success to our end users. Service Level Agreements for the NXG XII 600 and all other machine types are evidence that our customer base appreciates the push to second-to-none service performance.



MATERIALS

The raw material of the selective laser melting process is spherical metal powder, usually in a nominal particle size distribution of 10 – 45 or 20 – 63 μm micrometers. SLM Solutions provides a range of high-quality powders including aluminum-based alloys, nickel-based alloys, steels, titanium alloys, and most recently, copper alloys.

Since the properties of metal powder utilized by SLM® machines significantly impact the achievable results, SLM Solutions established a powder division in 2016, allowing us to supply customers with materials that ideally fit selective laser melting machines for qualified serial production. Since then, this division has recorded steady growth and will continue growing within the Company in the future. SLM Solutions sets high standards in selecting and producing metal powders, working exclusively with audited specialists to guarantee consistent quality. Even for special alloys and small batch sizes, SLM Solutions has qualified strategic partners. In this way, an optimal customer solution is offered for every material and volume requirement.



RESEARCH & DEVELOPMENT

As of December 31, 2021, there were 115 members of staff employed (FTE) in Research and Development (R&D). Every day, these people work to drive the development and innovation of SLM Solutions products forward. In the past, the Company has reinvested a disproportionately high share of its revenues in researching and developing new technologies while refining its existing

machines and software. At the end of 2021, SLM Solutions held 80 published and active patent families including 157 granted patents worldwide and about 450 individual IP right publications in various countries. Coming together, SLM Solutions will continue to rank as the industry trailblazer in technologies.

MISSION STATEMENT:

"As the technology pioneer, we create endless possibilities to change the future of manufacturing forever."

OPEN ARCHITECTURE

SLM Solutions' philosophy of open architecture is a fundamental enabler to our customers who design and deliver products that make life better, easier, and more modern. Whether it relates to software, materials and process parameters or even services – SLM Solutions follows an open architecture principle that enables customers to innovate, grow and deliver the future! This democratization of additive manufacturing will support the rapid industrialization of AM and deliver the future.



TEAMWORK @ SLM SOLUTIONS



AMELIE BUNGEROTH

TASKFORCE PROJECT
MANAGER

As a Taskforce Project Manager at SLM Solutions, I can take part in many exciting projects and have the opportunity to slip into different roles. I lead and contribute to many interesting projects and teams, whether in software integration, product and process development, machine installations, or customer service.

Variety is very important to me in my job, and this is precisely what SLM Solutions offers. Individual strengths are seen and integrated into the job profile in the best possible way, and personal development is supported.

Short decision-making paths and flexible working times create a great team spirit and a collegial atmosphere.

SRINIVAS SHASTRY

GM – SLM SOLUTIONS INDIA

As a proud team member of this extremely innovative Company and being responsible for the operations of SLM Solutions, India, it is encouraging when our customers speak highly of our modern technologies. We are truly creating our own distinct path for addressing market-required solutions.

The positive work culture, the feeling of inclusivity, and the continuous support offered by the management team to all the global offices (subsidiaries) encourage the free flow of ideas and enable us to go the extra mile to overcome the challenges.



DR. NNEJI KEMAKOLAM

HEAD OF PRODUCT
DESIGN



I've been in the AM industry for over ten years, and I have a vast knowledge of AM machine design and processes.

As the Head of Product Design, I lead the mechanical design and model integration of all SLM Solutions product portfolios.

It's amazing to see the resourcefulness and determination of the team as they manage and deliver innovative, highly complex solutions and products.

As the focus grows on the industrialization of our technology and customer satisfaction, the product design office is focused on improving our products' reliability, repeatability, and reproducibility. This includes creating a design culture across the organization that considers the complete product lifecycle while optimizing the design process, improving quality control in manufacturing, and increasing efficiencies in production and assembly.

I'm super excited about these challenges as we work towards securing the future of manufacturing and SLM Solutions.

ANDRÉ THIEMANN

HEAD OF INTERNAL
MANUFACTURING AND
SERVICES



I've been operating SLM Solutions machines for over 15 years and see all our fantastic customer applications and how they are developed. When you've had the opportunity to work with the best, why switch it up?

It is exciting to see our customers' needs and then support them to push the limits towards enormous productivity and quality. I've witnessed us develop technology from single laser to multi-stitch technology, all the way to the release of NXG XII 600.

SLM Solutions continues to push the boundaries of metal AM because serial production is now a reality. With the NXG XII 600, I often gaze at the machine watching the 12 Lasers running over the powder bed, something I could not imagine 15 years ago.

Next to the colleagues and the technology is digitalization. The levels we achieve are just one of my daily drivers! I've been happy to empower our customers and be a part of a team that enables success.

SUSTAINABILITY REPORT 2021

Sustainability and environmental consciousness have long been part of SLM Solutions' day-to-day operations. The sustainability report is a summary of our internal initiatives, efforts and targets regarding our environmental footprint. SLM Solutions recognizes the importance of the United Nations' Sustainable Development Goals, and the business is closely aligned with the below specific goals.



- The Selective Laser Melting technique of additive manufacturing is ideal to achieve functional integration and enhancement of medical device components, thereby benefitting many.
- The SLM® technology provides productivity and cost advantages to users within the healthcare industry, among others, as compared to conventional manufacturing processes such as casting and machining.

- SLM Solutions partners with various universities, institutes of technology and research centres to advance Laser Beam-Powder Bed Fusion (LB-PBF) technology, specifically for metals.
- The Company has several systems installed in research institutions and universities, thereby equipping tomorrow's leaders with valuable technological expertise



- As a socially responsible employer, SLM Solutions promotes and supports diversity and inclusion across all levels of the business.
- SLM Solutions proactively supported the creation of a Women's Network to increase in the proportion of women in the Company's global workforce, especially in management positions.

- SLM Solutions provides its employees with a good working environment characterised by mutual trust and respect.
- The Company provides its employees with opportunities for professional development, training and mentoring. Additionally, SLM Solutions also provides students with internship opportunities in a future-oriented industry.



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- With additive manufacturing, customers can achieve near-zero levels of waste thereby resulting in a positive impact on the environment.
- Further, customers can achieve reductions in the weight of their components through additive manufacturing, a key element in reducing carbon emissions.



- SLM Solutions has installed a photovoltaic (PV) system at its headquarters thereby reducing its reliance on conventional sources of energy and has increased the use of environmentally friendly materials for the purpose of packaging.
- In order to encourage more employees to cycle to work, the Company has initiated a subsidy program wherein employees can lease a bicycle at subsidized rates.

SLM SOLUTIONS' ENVIRONMENTAL IMPACT AND INITIATIVES FOR THE CONSERVATION OF NATURE AND RESOURCES

The protection of the environment and a resource-saving manner of production are part of the Company's core principles and play a key role in its day-to-day activities. Additionally, they are naturally embedded in the core of our technology - **Additive Manufacturing**.

Through SLM Solutions' Additive Manufacturing technology, the Company inherently has a significant positive direct environmental impact when compared with traditional manufacturing techniques. At the same time, the components produced with Additive Manufacturing also have a substantially better environmental footprint.

WASTAGE

In comparison with traditional manufacturing methods like casting or machining, Additive Manufacturing produces near zero waste because almost all the metal powder can be processed into a finished metal product. Furthermore, the metal powder which is not directly transformed into the final solid product is up to 95% recyclable.

From an environmental perspective, this near zero waste manufacturing process is a major improvement to traditional manufacturing methods like machining or casting, where either a significant share of the metal is subtracted, or molds are wasted. Additionally, prototyping with Additive Manufacturing saves significant resources

as it allows for easier modifications and eliminates tooling, thus significantly reducing the waste produced.

SLM Solutions works towards continually achieving sustainable technological innovations. In 2021, SLM Solutions released its latest Free Float technology, which will enable customers to additively manufacture components without support structures, thereby further reducing material consumption as well as wastage production. For further information on Free Float is available on SLM Solutions' website, under the "Products and Solutions" section.

ENVIRONMENTALLY FRIENDLY PARTS

Additive manufacturing enables more complex part geometries. The design possibilities enabled by LB-PBF technology allow customers to produce parts that are not only better for their intended purpose but also offer distinctive advantages in terms of their environmental impact. The parts produced on our systems show superior characteristics in terms of weight, performance, durability and part count.

REDUCED WEIGHT OF COMPONENTS

Parts manufactured on SLM machines can be designed and produced with significantly reduced weight compared to traditional manufacturing solutions. Lower weight significantly reduces the fuel and energy consumption of operating for example cars, airplanes and other transportation systems.

The gooseneck bracket shown in the following pictures is a structural component from a Krueger

flap actuation mechanism for an aircraft. Produced on our SLM™280 2.0, the weight of the component was reduced by 31% from 2,050 g to 1,416 g. According to a study by Deloitte, removing one pound of weight from each aircraft of a 600+ fleet of commercial aircrafts could save about 11,000 gallons of fuel annually.¹



Weight reduced gooseneck bracket by SLM (left) and conventionally manufactured part (right)

IMPROVED PERFORMANCE AND DURABILITY INCREASING EFFICIENCY

Additive manufacturing enables the creation of parts and products that could not have been created with conventional manufacturing methods. This allows customers to design and produce products with significantly increased performance and efficiency. At the same time, parts can be produced with enhanced durability and extended lifetime e.g., by improving the cooling structure which is integrated into the component.

Not only do these products increase efficiency and thereby play a substantial part in reducing greenhouse gases by limiting e.g., CO₂ production; but they also save resources as the longer lifespan reduces waste and resources needed for replacement products.

For example, SLM Solutions' systems can be used to produce parts for power generating gas turbines. The new design possibilities of the technology enable increased power plant efficiency and thus

reduced CO₂ production. The improvements in gas turbine efficiency are achieved by improved cooling solutions which are possible through the production of the part on the Company's systems. Combustor components and turbine components can be designed with more effective cooling channels and cooling air holes. That enables higher turbine inlet temperatures and reduced cooling air consumption, which both improves overall gas turbine efficiency. The same applies to aero engines. SLM Solutions' systems can also be used to produce gas turbine components that lead to reduced nitrous oxide and carbon emissions into the environment. This is possible by advanced burner designs that are enabled by the geometric freedom of our manufacturing technique.

REDUCED NUMBER OF PARTS; SIGNIFICANT ASSEMBLY AND PART CONSOLIDATION

Due to the design of new and complex shapes, Additive Manufacturing enables the consolidation of components consisting of multiple parts into less or even one single part. This allows not only for significant weight savings and more durable, functionally optimized parts but also reduces energy usage for assembly requirements. The below pictures show an example for a machine component that was consolidated from approx. 40 parts (left image) to two parts through the application of additive manufacturing technology (right image).



Parts consolidation of a lightweight hood hinge through application of SLM® technology by EDAG, voestalpine, simufact

OPTIMIZED SUPPLY CHAIN

Additive Manufacturing enables onsite production and therefore significantly reduces the dependency on global supply chains and the negative environmental impact from global logistics (i.e., transportation).

ADDITIVE MANUFACTURING REDUCING SUPPLY CHAIN COMPLEXITY

Traditional manufacturing is based on global and complex supply chains. According to a study by the CDP (the Carbon Disclosure Project), an international non-profit organisation that helps companies manage their impact on the environment, on average supply chain emissions² are 5.5 times as high as a corporation's direct emissions¹. On the contrary, Additive Manufacturing enables the relocation of manufacturing close to the end customers given production costs are largely independent of production location. Our technology therefore enables decentralized, local on-site production, significantly reducing transportation needs and improving of the environmental impact of manufacturing.

As an example, the company Wabtec Corporation was able to reduce its lead times by 70% and decentralize its manufacturing with the help of additive manufacturing. While previously parts were manufactured in France and shipped for use in the USA, with additive manufacturing Wabtec is enabled to produce the part locally thereby significantly reducing lead times and the environmental footprint.

While SLM Solutions has already achieved key milestones on the way to greater sustainability, it is constantly striving to further improve its direct environmental footprint through a broad range of processes and initiatives.

Decentralized manufacturing of a brake panel through application of SLM® technology by Wabtec Corporation



PRODUCT STEWARDSHIP

For newly designed products, the Company considers the environmental sustainability and the efficient use of energy. SLM Solutions is continuously implementing improvements, ideally such that go beyond pure compliance with present statutory requirements. Therefore, the Company is able to maintain an ongoing dialogue with all relevant stakeholders among others, employees, public authorities, customers, suppliers and investors, on topics of environmental and energy management.

Environmental consciousness is deeply rooted in the Company's operational practices and systems:

- The Company utilises high-efficiency fibre lasers to achieve low power consumption. The efficiency of these lasers is similar to or even higher than the efficiency of LEDs for general lighting.
- SLM Solutions' latest machine, the NXG XII 600 uses the highest efficiency pump on the market for circulating inert gas (65% efficiency).
- The production process takes place in a sealed system. Highest standard fine filters (H14) are used when venting the machine to the atmosphere.
- Any excess metal powder used in the machine gets automatically recycled and is automatically reused during the production process. This is achieved through the fully automated closed loop powder supply system.
- The Company's supply chain is highly localized and most of its suppliers are located in Germany

SLM Solutions' engineering and supply chain teams are dedicated to improving the environmental footprint of its existing products. Accordingly, the Company has set for itself a range of targets and launched several initiatives. These include, but are not limited to:

- 5% reduction in the power consumption of systems over five years (2020 – 2025)
- 10% reduction of the hazardous metal sludge produced from systems over five years (2020 – 2025)
- Initiation of a life cycle assessment for systems
- Development of a waste concept for metal powder for customers

With the Additive Manufacturing technology, SLM Solutions is at the forefront of the transition to greener manufacturing. In comparison to traditional manufacturing methods like casting or machining, Additive Manufacturing and especially the applied technology, Laser Beam Powder Bed Fusion (LB-PBF), will contribute substantially to enhancing the impact of manufacturing on the environment. Additive Manufacturing not only requires less resources but produces more efficient parts and enhances supply chain processes, which all improve the environmental footprint of manufacturing and thus contribute to the global effort to save our planet's resources.

INTERNAL WORKING GROUPS

SLM Solutions aims to leverage as much internal knowledge, ideas, and experiences as possible to generate concepts that decrease the Company's environmental footprint. For this reason, several working groups were set up to actively improve the Company's environmental impact, energy consumption and the health and safety of employees. The working groups consist of members from all internal departments (procurement, logistics, production, finance, etc.). In regular meetings, progress is discussed, and new measures are initiated. The group members are responsible for implementing the defined measures in their respective departments.

The topics of the working groups include:

WORKING GROUP ENERGY

- Energy management, energy savings and energy supply

WORKING GROUP ENVIRONMENT

- Production, reduction, selection and transport of raw materials and inventory
- Water management and water conservation
- Avoidance, recycling, reuse, and disposal of waste
- Environmentally relevant changes to existing production processes and systems

WORKING GROUP SAFETY - OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

- Analysis of accident occurrences in the company
- Advice on measures and facilities to counter accident and health risks
- Exchange of experiences on implemented measures
- Coordination of occupational safety tasks
- Development of occupational safety or action programs
- Advice on safety aspects when introducing new work processes or new materials

In 2021, these working groups met regularly and together with senior management, agreed on and started a wide range of initiatives:

- SLM Solutions Group AG successfully completed the recertification according to the quality management standard DIN EN ISO 9001, environmental management standard DIN EN ISO 14001 and energy management standard DIN EN ISO 50001.
- Redesigned of the supplier selection and audit questionnaire to incorporate ISO certification, environmental, energy and waste related questions
- Implemented a quarterly Health & Safety management board review
- Initiated various measures pertaining to Health, Safety and Environment (HSE)
- Monthly HSE on-site visit by the executives to identify safety deficiencies at an early stage and to check the effectiveness

ENVIRONMENT

The Company undertakes a several initiatives in order to further ensure its business has a positive impact on the environment.

ENERGY MANAGEMENT

GREEN ENERGY AND MANAGEMENT OF ENERGY CONSUMPTION

SLM Solutions is committed to responsible energy management and undertakes various measures in this regard. Wherever it is cost-effective and technically possible, the company determines appropriate energy efficiency measures within the framework of the internal working group.

SLM Solutions' state-of-the-art headquarters in Lübeck, Germany complies with the highest regulatory standards in terms of energy efficiency and insulation. Furthermore, the Company installed a 191 kWp photovoltaic (PV) system on the headquarters' roof which has produced 166 MWh of electricity in 2021. Accordingly, SLM Solutions has sourced approximately 5% of its total electricity consumption (3,229 MWh in 2021) through its own PV system. As a result of these measures, the Company was successful in reducing its carbon emissions by approx. 70 tons. In addition to these efforts, around 60% of the Company's externally purchased energy is generated from renewable energy sources.

The Company primarily consumes electricity, heat from natural gas, gasoline, diesel and water. The data for the consumed resources is recorded and analyzed regularly in the central energy register. Accordingly, SLM Solutions is able to observe trends and identify further reduction potential. In recent years, SLM Solutions has increased the number of electricity meters in its Lübeck headquarters considerably and centralized the purchase of electricity, allowing for a more targeted analysis of electricity consumption. In 2021 the Company used 3,229 MWh of electricity (2020: 2,782 MWh), 1,896 MWh of heat (natural gas) (2020: 1,348 MWh), 75,811 litre of fuel (2020: 81,446 litre) and 1,467 m³ of water (2020: 1,813 m³). The lower consumption of electricity and heating during the previous was partially driven by the short-time work ("*Kurzarbeit*") as well as higher number of employees working from home during the peak of the COVID-19 pandemic in 2020.

COMPANY VEHICLES

SLM Solutions Group AG considers it important to reduce the emissions caused by the Company's fleet of vehicles. SLM Solutions is working towards its goal of having 75% of the Company vehicles (and those leased by employees) as a plug-in hybrid system or be electric by 2030. As compared to the year 2020, SLM Solutions has doubled the number of hybrid vehicles and as of December

2021, the Company's fleet of vehicles comprises 40 vehicles, of which 8 (approx. 20%) are equipped with a plug-in hybrid system. The amount of carbon emissions is expected to decrease significantly through the gradual transition to plug-in hybrid and electric vehicles.

WASTE AND HAZARDOUS SUBSTANCES MANAGEMENT

At the Company's headquarters in Lübeck, SLM Solutions uses 234 hazardous substances and around 30 different metal powder mixtures as part of the production and quality assurance process. For all these substances, we use a storage and disposal concept in compliance with the German statutory requirements.

For water-endangering substances, we place a particular focus on the appropriate handling, labelling and storage of these substances. Metal sludge, which is a by-product of the printing

process, is collected in containers and stored in a specially built area outside of the production area, preventing it from entering the wastewater system or the ground water. The containers with the sludge are sealed, drip-proof and waterproof. Our storage concept of water hazardous waste is in line with the German statutory requirements of the water resource law ("Wasserhaushaltsgesetz") and is approved by the environmental authority in Germany.

WASTE BY CATEGORY (2021)

Waste Category	Tons	Percentage of total
Wood	29.9	30%
Paper	16.7	17%
Foil	1.8	2%
Residual waste	11.2	11%
Powder	10.2	10%
Metal sludge	21.2	22%
Hazardous waste	7.1	7%
TOTAL	98.2	

PACKAGING

SLM Solutions has optimized its packaging in two regards: the Company uses an optimized form factor and significantly increased the amount of renewable materials used, namely cardboard replacing foam and plastics, where possible. Accordingly, machine packaging for transportation consists of 90% recyclable materials. In 2021, the packaging material used for the shipping of consumables and spare parts was replaced from foam cushion material to the more environmentally friendly, paper packaging material.

WATER CONSUMPTION MANAGEMENT

Water as a resource does not play a major role in our production process, apart from the use of fresh water at our sites. There are no negative impacts from the water sources used. The total water consumption in Lübeck was 1,467 m³ in 2021. The Company strives to operate and use water sources in a sustainable way, with the overall goal of further reducing freshwater consumption.

ISO CERTIFICATIONS

SLM Solutions has received ISO certifications pertaining to its quality (ISO 9001), environmental (ISO 14001) and energy management (ISO 50001) systems. The Company stands for the highest quality, process reliability and effectiveness. This is reflected in the fact that, in addition to SLM Solutions' highest quality standards, the Company has already deeply integrated an environmental consciousness into daily operations.

SUSTAINABILITY KEY PERFORMANCE INDICATORS (KPIs)

		UNIT	2021	2020
Energy consumption: Primary Energy	Gas	MWh	1,896	1,348
	Gasoline, Diesel	Liter	75,811	81,446
Energy consumption: Secondary Energy	Electricity (total)	MWh	3,229	2,970
	Electricity (Photo-voltaic System)	MWh	166	188
	Electricity (other)	MWh	3,063	2,782
Water	Total	m ³	1,467	1,813
Greenhouse gas emissions	Gas (Scope 1)		417	297
	Gasoline, diesel (Scope 1)	CO ₂ tons	197	212
	Electricity-total (Scope 2)		1,442	1,311

SOCIAL

SLM Solutions considers its responsibility to its employees, customers, and the broader society to be of significance and undertakes several measures in this regard.

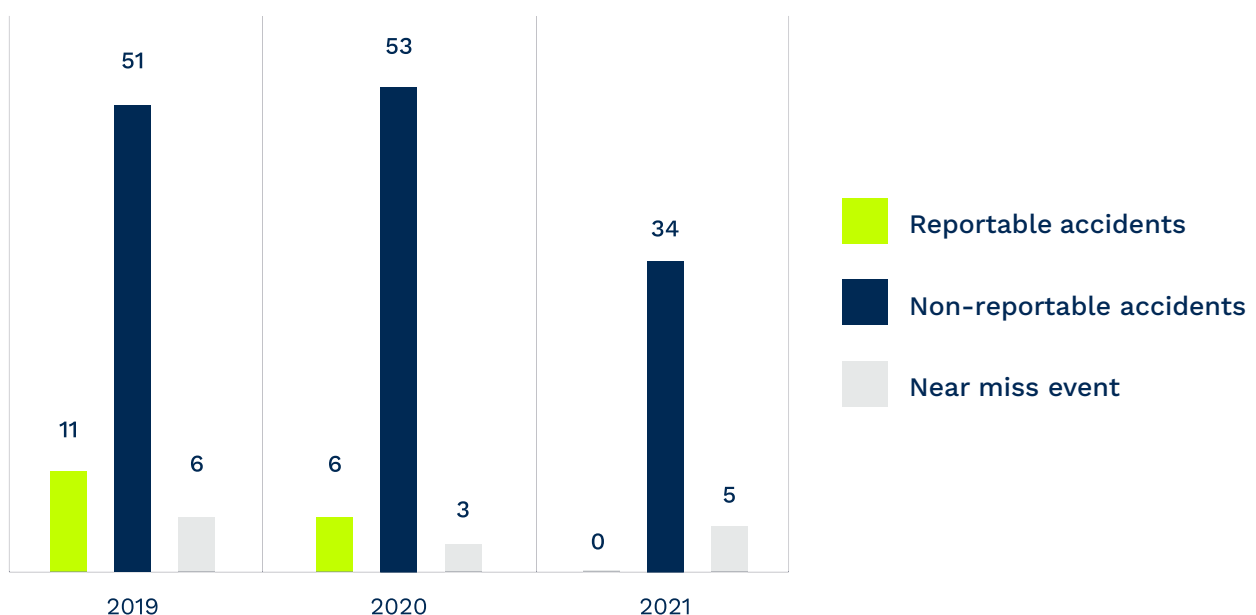
HEALTH AND SAFETY

OCCUPATIONAL SAFETY

As a socially responsible employer, SLM Solutions Group AG stands by the principle of "Safety First". In 2021, SLM Solutions determined the current status of occupational health and safety as part of Health, Safety and Environment (HSE) on-site visits. For a better understanding and overview of the topics, they were divided into 17 main areas, for example comprehensive risk assessment, instructions for health and safety topics and personal protective equipment, for all employees.

Furthermore, the Health and Safety Committee was reorganised to strengthen its focus on occupational safety and to involve key decision-makers at an early stage. An important part of this was the updating and expansion of the HSE statistics (see graphic) in order to be able to draw new insights and reduce potential from accident events.

HSE-Statistic



As can be seen, SLM Solutions continuously reduced the number of reportable accidents over the last three years. With regards to non-reportable accidents and near misses, the Company continues to work on a precise analysis of events to determine the reasons for its occurrence and accordingly implement targeted measures to reduce accidents.

Furthermore, through monthly HSE on-site visits in all areas, the Company intends to work together

with its managers to identify and remedy safety deficiencies at an early stage and check the effectiveness of the implemented measures. To reduce occupational accidents and to prepare for ISO 45001 certification, we will implement the main occupational safety issues identified in HSE processes.

HAZARDOUS SUBSTANCES

Based on the German Ordinance on Hazardous Substances, SLM Solutions has initiated and continues to implement a broad programme of measures including technical, organizational and personal protective measures. These measures are in line with state-of-the-art standards relating to environment, health and safety for additive manufacturing. Furthermore, such measures will

enable the standardisation of storage of hazardous substances, and improvement of the health protection and occupational safety of employees. The Company attaches great importance to the proper handling, storage, labelling and disposal of hazardous substances to safeguard and continuously improve not only the environment but also the health and safety of employees.

LEARNING AND DEVELOPMENT

PROFESSIONAL DEVELOPMENT

SLM Solutions provides its employees with the necessary structures and drives strategic initiatives to support individual development as well as allowing interdisciplinary learning among employees. Existing roles in the Company have a defined development path providing employees with the clarity required to work towards professional development goals in a focussed manner.



PERSONNEL DEVELOPMENT

In 2021, the Company rolled-out a global annual structured feedback process to create a constructive and learning-oriented feedback culture. SLM Solutions also implemented a learning management system (LMS) equipped with Company specific content. The Company defined training standards with specifically designed sessions for different career paths. These sessions are intended to provide employees with the required skill sets for their respective roles. During the year, SLM Solutions leveraged various technology tools to provide such trainings despite restrictions due to the COVID-19 pandemic. In order to enhance internal communication and

coordination, the Company has facilitated language training (especially English and German) for interested employees and started off with a new digital provider in 2021.

The Company has set up a global High Potential Program to further invest into the future of SLM Solutions. This program is expected to not only groom the leaders of tomorrow, but also provide them with opportunities to take on additional responsibilities and show their commitment already as part of various strategic project assignment.

EMPLOYEE WELFARE

The Company provides employees with easy access to affordable and healthy meals on a daily basis and has also introduced a subsidized bicycle leasing program for employees. Further, SLM Solutions has planned an expansion of bicycle parking spaces in order to make cycling to and from work more attractive and to reduce carbon emissions as well as traffic congestions.

DIVERSITY AND INCLUSION

SLM Solutions believes in creating a workplace where everyone feels welcome to contribute their ideas and true selves as part of a healthy and productive work environment. The Company is comprised of over 500 colleagues across 20 different nationalities and a wide range of professional and cultural backgrounds, experience levels and academic degrees. SLM Solutions employs people from business and law as well as from the natural sciences and humanities, providing the Company with a diversity that is rich and wholesome. SLM Solutions also offers apprenticeships to people who have not yet completed vocational training and thereby supports the professional growth of the next generation. With an average age of 35 years, SLM Solutions prides itself as being a young, diverse and inclusive Company.

As a socially responsible employer, SLM Solutions Group AG is committed to continuously promoting and supporting diversity and inclusion as valuable aspects within the Company's corporate culture. The Company offers equal opportunities to men and women because one cannot do without the knowledge and expertise of female managers and the performance potential of diversified teams.

For this reason, a women's network has been supporting the Company since 2021 with the aim of using suitable measures to increase the proportion of women in the company from the current 23%, as well as the satisfaction of all employees, and to increase the quota of women in management positions.

GOVERNANCE

COMPLIANCE IN GENERAL

SLM's mission to empower the vision of its customers is accompanied by the integrity, transparency, and compliance of its employees. For this reason, it is intrinsic for SLM to make the adoption of internal company guidelines, principles of conduct, national and international law as well as basic ethical principles the guideline for the Company's success. Correct actions form the basis of trust of customers, suppliers, business partners and shareholders. Compliance should not only be a matter of course, but also serve to protect employees.

COMPLIANCE: TONE FROM THE TOP

“ THE FUTURE OF ADDITIVE MANUFACTURING IS SUSTAINABLE. THIS REQUIRES TRUSTING AND TRANSPARENT COOPERATION IN OUR COMPANY AS WELL AS WITH OUR SUPPLIERS AND BUSINESS PARTNERS. **”**

Sam O’Leary
Chief Executive Officer
(CEO)

“ ADHERENCE WITH LEGAL REQUIREMENTS AND GUIDELINES IS THE BASIS FOR CONDUCTING BUSINESS WITH INTEGRITY. TO BE A TRUSTWORTHY PARTNER TO ALL OUR STAKEHOLDERS AND CUSTOMERS, WE ALWAYS STRIVE FOR CLEAR DIRECTIONS TO GOVERN OUR ACTIONS. **”**

André Witt,
General Counsel & Chief Compliance
Officer (CCO)

COMPLIANCE ORGANIZATION

The Compliance organization plays a crucial role within the Company, which was further strengthened in 2021. The position of General Counsel and Chief Compliance Officer (CCO) of SLM Solutions Group AG are held by one person. He ensures conformity with compliance regulations across the company, the market, and the divisions.

The CCO reports to the Chief Financial Officer (CFO). Communication on compliance issues is mainly brought forward by the CCO in meetings

with the whole Management Board, the Executive Team Meeting (ETM) and in the Supervisory Board of SLM. In 2021, new resources were created to advance compliance in the company and accordingly, the CCO has been supported by a Legal Counsel Compliance. Current compliance issues and the progress of the expansion of the compliance management system are discussed in bi-weekly meetings.



The Legal Counsel Compliance implements current requirements on his own responsibility and, in addition to the CCO, also serves as a contact person for the individual departments of the company. Additionally, the area of activity includes the identification, assessment, control and monitoring of potential compliance risks. The compliance organization is further supplemented by external service providers, such as the external data protection officer.

COMPLIANCE MANAGEMENT SYSTEM

The compliance management system is based on national and international laws and requirements. Compliance is established through an effective compliance management system (CMS) in order to prevent, recognize, evaluate and control misconduct in violation of the rules.

This includes not only the establishment and continuous development of principles of conduct, organizational measures, processes and suitable structures or the creation of a basic understanding among employees, but also effective risk management to identify, analyse, assess, and monitor risks to the company. The aim is to avoid potential risks for the people involved and to protect the efforts of the SLM Solutions team, customers, shareholders, and business partners.

In 2021, there was a strong focus on compliance fundamentals: Analysis of existing compliance mechanisms, the semi-annual implementation of risk management inventories, and the introduction of numerous internal company guidelines, which serve to prevent corruption, embezzlement,

money laundering, cartels, noncompliance with export law and insider rules, and data and trade secret security, among other things. The guidelines introduced can be accessed via the Company's internal process platform *Qwiki* and via the SLM learning platform as mandatory content.

A special focus was placed on preventive work, and so, for the first time, compliance basic training courses were made mandatory for the entire workforce, which are to be repeated at regular intervals. These training courses are also offered regularly to new employees.

Furthermore, a digital whistle blower hotline for reporting misconduct, in particular violations of applicable law and internal policies and processes, has been implemented and made accessible to internal and external parties, which can also be reached on the SLM website 365 days a year.

Compliant business processes also ensure a sustainable supply chain and sustainable actions in business transactions.

CODE OF CONDUCT AND GUIDELINES

The current Code of Conduct dates from 2015 and applies to the SLM Solutions Group world-wide. In the third quarter of 2021, the CCO, with the support of the Legal Counsel Compliance, has therefore put together a task force to create an up-to-date and modern Code of Conduct. The task force consists of executive and non-executive employees.

Currently, it is planned to publish the new Code of Conduct in 2022. The involvement of the workforce

in the drafting process will be ensured through discussion rounds. The Code of Conduct is the central element of good compliance work and serves as a guiding principle. It addresses values and rules that are important to SLM and forms the basis of success. The new Code of Conduct is intended to strengthen the compliance awareness of individual employees and serve as a beacon for the right behaviour in everyday work.

Just like the current Code of Conduct, the new one will be available via the internal process platform *Qwiki* as well as via the SLM learning platform as mandatory content for existing and newly hired employees.

In addition to the internal code of conduct, there is also an external code of conduct for suppliers and business partners, which was implemented for the first time by the compliance organization in the second quarter of 2021. This defines the minimum standards regarding the compliance topics described therein and is permanently available for third parties on the SLM website.

Especially regarding supplier management, the implementation led to a reassessment of supplier relationships. By the end of 2021, it was possible to obtain approval from existing key suppliers in an amount of approximately 50% based on the SLM Code of Conduct or an equivalent, with the approval ongoing for the remaining suppliers. It is planned to continue this process in 2022 and to complete it as far as possible. This is a measure to

keep the supply chain free of slavery and child labour and to point out the importance of human rights. New supplier relationships are not to be entered into without approval of the external SLM Code of Conduct. Existing supplier relationships and the supply chains shall always be free of any slavery and child labour or any other violation of human rights.

The Internal Code of Conduct and the external Code of Conduct is available on the on the Company's website at www.slm-solutions.com in the "SLM Solutions" area under "Compliance"

In addition to the internal and external Code of Conduct, there are numerous other internal guidelines, as already described, which are supplemented by others and renewed. In fiscal year 2021, however, many of them will only apply to the company's headquarters in Lübeck, Germany. With a view to the 2022 financial year, this will change and take local specifics into account.

HUMAN RIGHTS AND DATA PROTECTION

SLM does not tolerate any form of discrimination or violation of human rights. Fair working and wage conditions are ensured by the existence of the works council and the affiliation to the collective framework agreement of the *IG Bergbau, Chemie, Energie*. Furthermore, all business partners are made aware of the need to comply with human

rights and the relevant conventions. Further measures are currently being evaluated. In addition, a fundamental analysis of data protection processes was carried out with the external data protection officer, which will be the basis for the implementation of measures for the coming fiscal year 2022.

TO THE SHAREHOLDERS

LETTER FROM THE CEO

Dear Stakeholder,

The year 2021 was a very exciting one for us at SLM Solutions with the business not just meeting, but also outperforming our guidance for the year. As of the end of 2021, we have a large installed base of over 750 machines and an employee strength of over 500³ individuals focussed on one thing – delivering the future for metal based additive manufacturing.

At SLM Solutions, we continue to redefine the boundaries of manufacturing with productive multi-laser technology and applications across various industries. We are very much at the forefront of the industrialization of additive manufacturing (AM). According to a survey conducted by the AM consultancy AM-POWER, representing approx. 96% of the global installed base of metal AM systems, SLM Solutions' utilised technology – Powder Bed Fusion (PBF) continues to be the most mature and widely adopted technology with metal PBF having the single largest share of revenues generated from system supplies. Furthermore, according to the same survey, the group of buyers of such systems expect the market volume for metal AM to more than triple by 2025. We view the year 2021 as the start of the future of manufacturing, a future that will see a whole host of benefits from additive manufacturing being realised at a rapid pace.

SLM Solutions' business continues to grow, and we successfully outperformed our guidance for the second consecutive year in 2021. This performance was primarily driven by our existing product portfolio which we expect will continue to gain market share in the coming years. As at the end of December 2021, our order backlog of approx. EUR 43 million, the highest ever in our corporate history⁴, ensures we are well positioned to take on 2022. At the same time, the NXG XII 600, which gained a lot of traction in 2021, will drive our continued growth in the coming years. We received orders for this system from a variety of

industries including automotive, energy, space, aviation and service bureaus in 2021. The broad-based demand for this system is demonstrative of the wide variety of use-cases that this solution provides customers with. Looking forward, I am confident that the NXG XII 600 will be customers' system of choice for large volume serial production.

In 2021, we also launched *Free Float*, our superior technology that enables customers to realize an entire ecosystem of benefits that will enable them to realize both enhanced quality as well as improved productivity. This technology is already available on a large part of our existing installed base, thereby immediately benefiting several customers around the globe. As a result of our open architecture philosophy, customers can utilize our solutions in the manner that best suits their need to a very large extent, thereby maximizing their output. This is what lies at the heart of all that we do at SLM Solutions – enabling customers through the democratization of additive manufacturing, to innovate without restriction.

We continue to strengthen and establish strategic partnerships that will support the ongoing industrialization of metal additive manufacturing in serial production. Our cooperation with MAHLE, one of the world's leading automotive suppliers and development partners from Stuttgart, Germany will empower original equipment manufacturers (OEMs) and Tier 1 suppliers to fulfill their need for metal additive manufacturing in serial production. At the same time, in 2021 we worked alongside Safran Landing Systems, a world leader in aircraft landing and braking systems, on a joint project to evaluate the feasibility of SLM® technology for a main fitting of a Bizjet. The positive results of the project demonstrated our technological strengths, reflected in the significant weight reduction of about 15% of the component and manufacturing time saved. In North America, we partnered with Morf3D to provide customers with access to state-of-the-art systems that are designed for serial production.

Looking back at 2021, I am grateful for the contribution and commitment of all our employees and partners, whose passion for additive manufacturing ensures that SLM Solutions continues to provide customers with the very best.

While the year gone by was a great success even despite challenges, we are just getting started and there is much to look forward to!

Sam O'Leary
Chief Executive Officer,
SLM Solutions Group AG

MANAGEMENT BOARD MEMBERS

As of: 31 December 2021

Sam O’Leary

Chief Executive Officer (CEO)

Sam O’Leary (*1983) has been the Chief Executive Officer (CEO) of SLM Solutions since 20 January 2021. Before assuming the CEO role, he was the COO of SLM Solutions. Mr. O’Leary draws on a high degree of expertise in the fields of development and commercialization of additive production plants, the industrialization of production processes and optimization of supply chains. Before joining SLM, Mr. O’Leary oversaw product management for the Concept Laser Division at General Electric and he was responsible for the development and commercialization of all product systems. Earlier stages in Sam O’Leary’s career comprised Alstom/GE and Score Group plc.

Dirk Ackermann

Chief Financial Officer (CFO) (since August 2021)

Dirk Ackermann (*1985) has been the Chief Financial Officer (CFO) of SLM Solutions Group AG since May 2020. Since August 2021, he is also member of the management board being responsible for Finance, IT, Legal, HR, and After Sales. Mr. Ackermann benefits from a strong operational and digital mindset which allows him to drive the company’s operational excellence goals. Before joining SLM Solutions, he was a senior finance manager at General Electric holding positions of varying responsibility across several geographies.

REPORT BY THE SUPERVISORY BOARD

Ladies and Gentlemen,

2021 marked an important year for SLM as we continued to successfully enable our customers to apply metal Additive Manufacturing systems in their industrial production processes, thereby dramatically increasing their engineering flexibility and cost competitiveness. The increase in the number of high value applications which can be addressed by our commercially available systems accelerates the global adoption of our systems and continues to drive the Company on its path of commercial and financial success.

It was also an important year for SLM Solutions largest and most powerful production platform -the NXG XII 600 which was successfully unveiled and commercially launched in November 2020. Our technical and operations teams were able to field (beta) test the system with selected clients in 2021 and leading the system towards industrial production readiness. In parallel, our commercial teams started the commercialization of the NXG XII 600 with customers through thoughtful and detailed technical deliberations on how to integrate the systems into the client's production processes. Receipt of orders for NXG XII 600 system commenced in the last quarter of 2021 further evidencing the strong technical capabilities of the system in an industrial production process.

Our existing product portfolio experienced continued success with customers and was a key driver of SLM's performance. We expect the existing product portfolio to continue to be a meaningful contributor in the coming years. Our technical and production teams were especially able to advance the SLM 500 to achieve highest levels of reliability and customer satisfaction. With over 750 SLM systems in operation, SLM Solutions' systems are among the most widely used laser powder bed fusion Additive Manufacturing systems globally.

2021 marked the first year under the leadership of SLM Solution's new CEO Sam O'Leary. Under Sam's leadership, and together with the strong senior executive management team SLM was able to deliver solid financials that reflected our technical and commercial success in 2021. With 22% year on year revenue growth SLM Solutions is on the right path to turning the business financially successful. Further, we continued to make important strides in our path to profitability as we build scale and maintain our focus on achieving cost efficiencies.

During the financial year ending December 2021, the Supervisory Board worked closely with the Management Board by periodically reviewing the performance of the Company and providing strategic guidance, all the while prioritizing the long-term success of the Company. The Management Board provided the Supervisory Board with regular, timely and detailed updates regarding material aspects affecting SLM

Solutions. These included updates pertaining to the status of strategic projects, initiatives, capital markets and compliance related topics among other such matters.

The Supervisory Board was at all times involved in the Management Board's decisions of fundamental importance to the Company. Further, the Supervisory Board was provided with sufficient opportunity to engage with topics, and to prepare for resolutions.

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

Individual members of the Supervisory Board, in particular its Chairman and the Chairman of the Audit Committee were in close contact with the Management Board for the purposes of continuous information outside the scope of Supervisory Board meetings.

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

OVERVIEW OF TOPICS COVERED BY THE SUPERVISORY BOARD

In total, the Supervisory Board convened six times for regular meetings during the reporting period. At one meeting, a member of the Supervisory Board was excused for private reasons; all other meetings were held with all members of the Board. Beyond the regular meetings the supervisory board passed time-critical decisions by way of a circular resolution.

In January 2021 the Supervisory Board and the Executive and Nomination Committee convened in telephone conferences to discuss the desire of SLM Solution's CEO Meddah Hadjar to prematurely end his appointment as CEO for personal reasons. On 20 January 2021 the Supervisory Board and the Executive and Nomination Committee convened in a telephone conference to appoint Sam O'Leary as CEO of SLM Solutions and to approve a termination agreement with Meddah Hadjar.

On 9 February 2021, the Supervisory Board met to discuss the financial performance in 2020 and to discuss and approve the budget for 2021, of which preliminary versions were already discussed in the last Supervisory Board meetings of 2020. The Supervisory Board also discussed the funding of the company beyond 2021, changes in the sales organization for 2021 and the progress of the global solutions organization and ongoing risks to the Company stemming from the COVID-19 virus. The Supervisory Board also discussed contingency plans for key management functions.

On 23 March 2021, the Supervisory Board met to discuss the annual financial statements and consolidated statements for the 2020 financial year and the audit provided by KPMG as well as the risk management system of the Company. The Supervisory Board further discussed in detail the Company's strategy and the competitive environment of the Company.

On 4 May 2021, the Supervisory Board discussed the year to date financial and operational performance of the Company as well as the funding strategy going forward. The Supervisory Board furthermore agreed on the agenda of the 2021 annual general meeting (AGM). In light of the COVID-19 pandemic the Supervisory Board decided to hold the 2021 annual general meeting in a virtual format. Furthermore, the Supervisory

board discussed updates to the US and global sales organization and management compensation as well as the potential management board appointment of Dirk Ackermann. The appointment was executed by a separate resolution on 31 July 2021.

On 16 June 2021, the Supervisory Board met after the AGM to review the AGM and discuss the current business and financial performance of the Company. The board also discussed requirements, as well as costs and benefits of a potential US listing of the Company's shares.

On 9 September 2021, the Supervisory Board met to discuss the business and financial performance of the Company year to date as well as the outlook. Furthermore, the Supervisory Board reviewed and discussed the results of the regional go-to-market strategies and organizations.

On 7 December 2021, the Supervisory Board discussed with the management the year-to-date financial and business performance, the budget for FY 2022 as well as the Company's funding strategy. The Supervisory Board also discussed updates on the Rules of procedure of the Management Board as well as the rules of procedure of the Supervisory board.

COMPOSITION AND MEETINGS OF COMMITTEES

The Supervisory Board of SLM Solutions has formed an Executive Committee, an Audit Committee, a Strategy Committee and a Nomination Committee.

EXECUTIVE AND NOMINATION COMMITTEE

The Executive and Nomination Committees are composed of the Chairman of the Supervisory Board, his deputy and another member to be elected by the Supervisory Board. The current members of the Executive and Nomination Committee are Thomas Schweppe (Chairman), Hans-Joachim Ihde and Magnus René. The Executive and Nomination Committee deals in particular with the preparation of the appointment and dismissal of members of the Management Board and the appointment of a Chairman of the Management Board; with the conclusion, amendment and termination of employment contracts with the members of the Management Board; and with the structure of the remuneration system for the Management Board, including the main contractual elements and the total remuneration of the individual members of the Management Board. The Executive and Nomination Committee convened three times during the reporting period.

AUDIT COMMITTEE

The Audit Committee consists of three members elected by the Supervisory Board. These are currently Dr. Roland Busch (Chairman), Magnus René and Thomas Schweppe. The Audit Committee monitors the accounting process, including the effectiveness of the internal control system and the effectiveness of the risk management system. It discusses the quarterly reports and deals with compliance issues and reporting to the Supervisory Board. It also prepares the Supervisory Board's examination of the annual financial statements, the management report and the proposal for the appropriation of profits, as well as the consolidated financial statements and the Group management report. In this context, the Audit Committee is informed in detail about the auditors' view of the net assets, financial position and results of operations. It deals with issues relating to the necessary independence of the auditor, the issuing of the audit mandate to the auditor, the determination of the focal points of the audit and the fee agreement.

The audit committee convened four times during the reporting period. All meetings in conjunction with the publication dates of the consolidated financial statements were also held. At the audit committee meeting on 16 March 2021, documents relating both to individual and the consolidated financial statements were subjected to in-depth preliminary examination. The auditor participated in this meeting to explain its audit activities. Aspects of the accounting for the unaudited interim financial statements for the first quarter of 2021 were discussed on 11 May 2021, as was the preparation of providing a cost-of-revenue accounting format in 2022. The documentation for the financial statements for the 2021 half-year report was discussed on 11 August 2021 and for the third quarter 2021 interim report on 08 November 2021.

STRATEGY COMMITTEE

The Strategy Committee, is composed of three members elected by the Supervisory Board. These are currently Thomas Schweppe, Kevin Czinger and Magnus René. The Strategy Committee deals with issues of fundamental business policy and corporate orientation as well as with projects of significance for SLM Solutions. It advises the Management Board on matters of strategic importance for the company and discusses options for achieving the strategic objectives. The Strategy Committee met once during the reporting period.

CORPORATE GOVERNANCE

On 12 February 2021, the Management and Supervisory Boards of SLM Solutions Group AG issued a declaration of conformity that is required pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the recommendations of the “German Corporate Governance Code” government commission as amended on 20 March 2020. During the reporting period, the Management and Supervisory Boards concerned themselves intensively with corporate governance issues in general and compliance with the German Corporate Governance Code in particular.

AUDIT OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The AGM elected KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, as the Company's auditor on 16 June 2021. It audited the separate annual financial statements of SLM Solutions Group AG and the consolidated financial statements as of 31 December 2020, as well as the separate and Group management report, furnishing them with unqualified audit opinions. The Supervisory Board was convinced of the auditor's independence and of the individuals acting for the auditor.

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

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

At the accounts meeting on 23 March 2021, the Supervisory Board approved the separate and consolidated financial statements, along with the separate and Group management reports for the 2020 fiscal year, including disclosures pursuant to Section 315 (4) of the German Commercial Code (HGB). The separate annual financial statements for the 2019 fiscal year have been adopted as a consequence, pursuant to Section 172 of the German Stock Corporation Act (AktG).

I would like to thank the members of the Supervisory Board, Management Board, along with each employee of SLM Solutions Group AG for their commitment and continued support during the past financial year. We would also like to convey our gratitude to our shareholders who continue to support the Company and have placed their confidence and trust in us and that helped the Company to continue on its successful path despite the trying environment due to the COVID-19 pandemic.

Lübeck, 19 March 2022

Thomas Schweppe

Chairman of the Supervisory
Board of SLM Solutions Group AG

SUPERVISORY BOARD MEMBERS

Member	Occupation	Mandate outside SLM Solutions as of 31 December 2021
Thomas Schweppe, Bad Homburg Chairman of the supervisory board	Business Executive	none
Hans-Joachim Ihde, Lübeck	Business Executive	Ceresio GmbH, Managing Director
Nicole Englisch, Starnberg	Lawyer	none
		Bilfinger SE, Member of the Supervisory Board
		Yonder AG, Switzerland, Chairman of the Board of Directors
		Delvag Versicherungs-AG, Chairman of the Supervisory Board
		Lufthansa Technik AG, Member of the Supervisory Board
Dr. Roland Busch, Frankenthal	Supervisory board member	Medondo Holding AG, Member of the Supervisory Board
		Lufthansa Pension Trust e. V, Member of the Board of Directors
		Lufthansa Malta Pension Holding Ltd., Member of the Investment Board
		Lufthansa Leasing GmbH, Member of the Supervisory Board
Kevin Czinger, Los Angeles	Business Executive	none
		Inkbit Inc. Board Director
		Ovzon AB, Chairman
Magnus René, Boston	Business Executive	AMT Ltd, Chairman
		Bomill AB, Board Director
		Fellow of the Swedish Academy of Engineering Sciences (IVA)

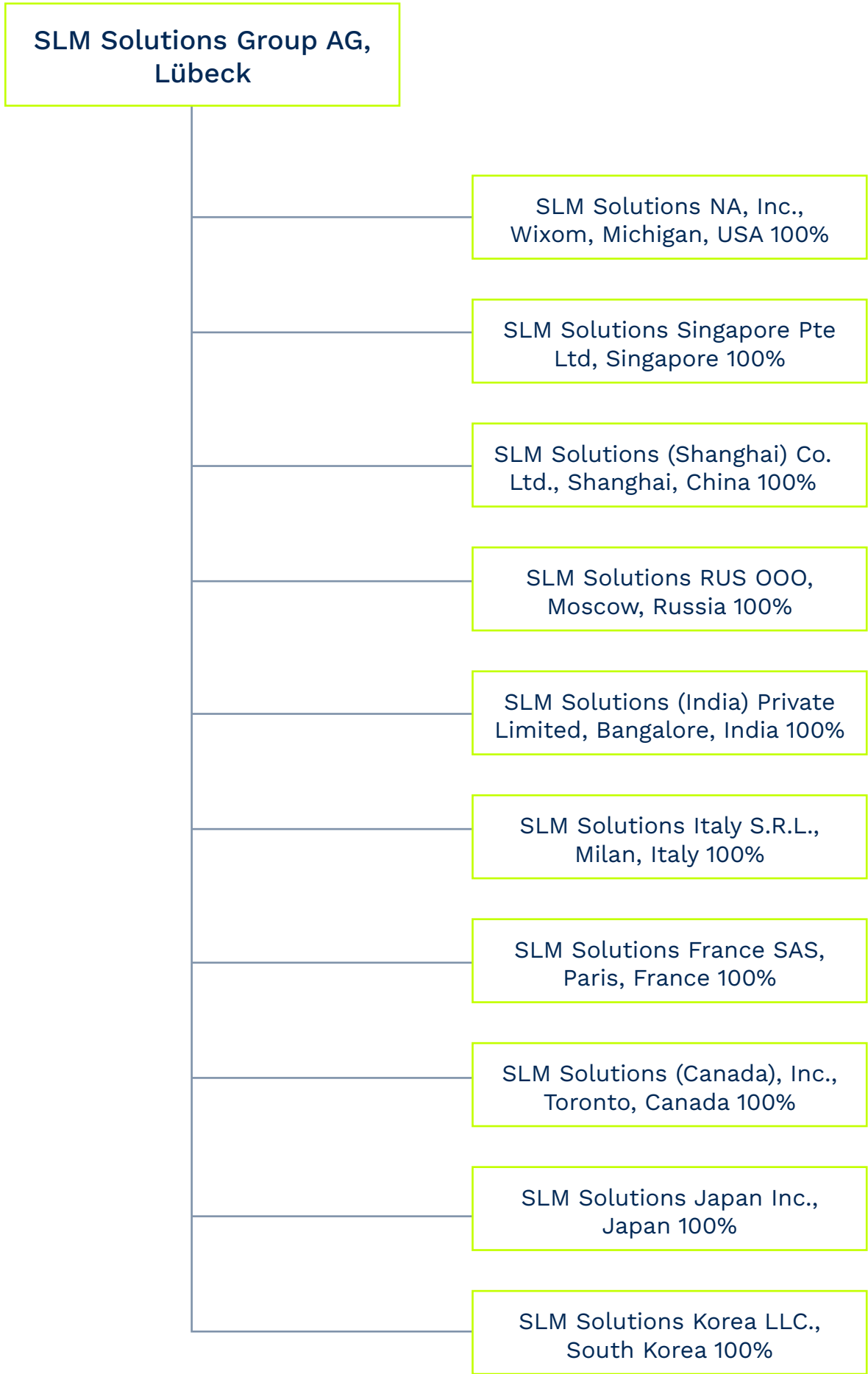
GROUP MANAGEMENT REPORT

FOR THE FISCAL YEAR 2021

BASIS OF THE GROUP

STRUCTURE

SLM Solutions Group AG (SLM Solutions), headquartered in Lübeck, Germany, had ten wholly owned subsidiaries as of December 31, 2021. SLM Solutions Group AG acts as the only production facility in the Group and is responsible for a large proportion of operating and administrative tasks as well as product development within the Group, and it also coordinates global sales activities. The subsidiaries based in Canada, China, France, India, Italy, Japan, Russia, Singapore, South Korea, and the United States, promote local sales activities in their allocated geographical regions. In addition, they also provide services for customers.



EMPLOYEES

As of December 31, 2021, SLM Solutions employed 488 people (full-time equivalents), almost a quarter of them in research and development.

Full-time equivalents (FTE)	31/12/2021	31/12/2020⁵
Research and development	115	103
Sales	65	70
After Sales	117	97
Production	92	68
Administration	99	91
Total	488	429
of which Europe	412	353
of which USA	34	34
of which Asia	42	42

BUSINESS MODEL

SLM Solutions, headquartered in Lübeck, Germany, is a leading provider of metal-based additive manufacturing technology ("3D printing technology"). The product range currently comprises of five systems – the SLM@125, SLM@280, SLM@500, SLM@800 and the recently released NXG XII 600. Each of these five systems are primarily differentiated by the size of the build chamber and the number of lasers which can be fitted. The NXG XII 600 was introduced in November 2020 and SLM Solutions has received a very positive response receiving orders for this game changing system from the Automotive, Energy, Space, Aviation and Service Bureaus industries. The broad-based demand for the NXG XII 600 illustrates the appeal of its value proposition to

customers. Additionally in 2021, SLM Solutions released its **Free Float** technology which enables a reduction of support structures and has the potential of reducing post-processing costs by up to 94%⁶.

All systems offered 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. SLM Solutions' systems are capable of processing almost any type of weldable alloy into a finished product. The systems are constantly being developed further and equipped with new functions.

SELECTIVE LASER MELTING

The systems of SLM Solutions make use of the technology of **selective laser melting**, where a computer 3D model of the object to be made constitutes the starting point for the additive manufacturing process. This object is melted in layers by applying one or multiple laser beams simultaneously in a metallic powder bed. Parts manufactured in this way meet the highest standards in terms of stability, surface structure and biocompatibility – different requirements are prioritized depending on the intended application.

The consulting firm AMPOWER rates selective laser melting as the best-known and leading technology in the field of metal-based additive manufacturing. From a total number of 18 techniques, selective laser melting is assessed as having the highest level of technological maturity and therefore being the only technology ready for widespread industrial usage. Further, based on the size of the installed base, the powder bed fusion technology commands a total market share of 86%⁷.

FREE FLOAT

Since the 1990s, support structures have been an essential component of 3D printing. They are necessary to provide support for overhanging structures and play a vital role in the cooling process by absorbing and distributing excess heat away from the components. They also help to prevent part distortion. Free Float is a revolutionary software that makes it possible to print parts with

far fewer support structures, in some cases, without the need for any support structures at all. The software also increases overall part quality with smoother surfaces, sharper edges, and better integrity. In addition, this breakthrough software is retrofittable on most SLM Solutions' systems and set to usher in a new era of industrial-scale support-free printing⁸.

WHY ADDITIVE MANUFACTURING?

One of the significant benefits of additive manufacturing is its lower level of material consumption as compared with conventional manufacturing methods. This approach also creates new degrees of freedom in product design which focuses on and benefits the desired functionalities of the component in question. As a result, additive manufacturing is well suited to producing complex parts, which can be used as prototypes or in serial production. In contrast to conventional production methods, complexity does not result in increased costs in this type of manufacturing ("complexity comes for free"). The additive manufacturing of metal parts also offers enormous advantages in terms of speed, as no molds or tools are required. SLM Solutions' patented multi-laser technology underlines the Company's technology leadership. Industrial manufacturing processes such as precision cutting are being increasingly supplemented and replaced by laser melting. In summary, AM has the potential

to deliver cost reductions, achieve complex geometries, maximize throughput speeds while not compromising on quality.

According to the survey covering over 300 decision makers at manufacturing companies with over \$500 million in revenue, 87% of these decision makers predicted that the use of 3D printing will at least double over the next 5 years. In terms of applications, while 30% of respondents reported jigs, fixtures and tooling were manufactured using additive manufacturing in 2017, this number almost doubled to 57% in 2021. Similarly, while only 27% of respondents reported using additive manufacturing for production parts manufactured in 2017, this number more than doubled by 2021 reaching 62%⁹. Additive manufacturing proved its mettle during the COVID-19 pandemic with various kinds of protective equipment being manufactured on demand within short periods of time.

SLM SOLUTIONS – OPERATING SEGMENTS

SLM Solutions' business is divided into two operating segments:

- Machine Business
- After-Sales Business

MACHINE BUSINESS SEGMENT

This segment encompasses the development and production as well as the marketing and sale of machines and peripheral equipment for selective laser melting. The machines are sold via a direct sales force as well as local agents and resellers in countries without direct sales presence. This segment currently represents the focal point of the business. SLM Solutions' Product Lifecycle

Management (PLM) system is focused on delivering enhanced operational efficiencies and maximized product quality. A digitalized product development and management process ensures various teams have access to the right data at the right time, thereby improving the quality and effectivity of decision making.

AFTER-SALES BUSINESS

The After-Sales Business segment is of strategic interest for the Company and is increasingly gaining in importance. It encompasses business with machine-related services, the sales of replacement parts and accessories, as well as the sales of consumables and services not related to machines.

SLM Solutions places a high level of importance on maximizing customer satisfaction and has taken several steps in this regard. The Company

implemented a new Customer Relationship Management (CRM) system which is centered around a targeted approach towards understanding a customer's requirements and customizing a service offering to meet the customer's need. In 2021, SLM introduced the Net Promoter Score (NPS) in a pilot program and received very positive responses. Accordingly, this program will be rolled out to the global customer base in 2022.

TARGETS AND STRATEGY

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

- SLM pursues the objective of extending the existing technology leadership in the area of metal-based additive manufacturing. To this end, SLM Solutions is investing significant resources in Research and Development (R&D). The intellectual property rights portfolio is continuously optimized, and in the Company's view, the R&D team ensures that its technology leadership is extended through a range of different projects. SLM Solutions also cooperates with research institutes and universities to further develop its technology, and to enable it to be deployed for increasingly new applications from all sectors.
- SLM is aiming to evolve into a full-service integrated solutions provider in the field of additive manufacturing and grow into related business areas. For example, in recent years, SLM Solutions has significantly expanded its business activities with metal powders. Closer cooperation with customers is also being driven to ensure that the introduction or expansion of additive manufacturing is successfully implemented in the relevant companies. Specifically in 2021, SLM Solutions established and strengthened partnerships with MAHLE, an international development partner and supplier to the automotive industry, Burgmaier, a leading manufacturer of high-precision parts as well as Elementum 3D, an expert in producing advanced metals, ceramics, and composites, setting it apart from other powder developers.
- On an ongoing basis, SLM Solutions has set the target of optimizing existing processes or introducing new processes, thereby achieving increased efficiency and reduced costs. This culture is referred to as Operational Excellence in professional circles and is driven largely by the extended management team, which is characterized by wide-ranging experience in the industry or other industrial companies.

MANAGEMENT SYSTEM

SLM Solutions has identified the following key figures as the most important financial performance indicators for its business and it publishes these regularly:

- The Company's revenue trend is the key performance indicator to assess exploitation of the Company's growth potential within a completed reporting period. This key performance indicator (KPI) is also regularly compared with the growth rate of the global market for additive manufacturing.

- For SLM Solutions, as a company that is in its growing phase, the earnings before interest, tax, depreciation and amortization (EBITDA) provides us with the best indicator of operational profitability. This KPI excludes non-comparable and/or non-recurring items such as national particularities relating to tax legislation, the selected financing structure and the intensity of investment in operating business, thereby making it easier for the Company to benchmark itself against international peer group companies.

RESEARCH & DEVELOPMENT

SLM Solutions has long been technology pioneers, establishing pathways for crucial elements of its business success through research and development. Particularly in the field of multi-laser technology where the Company is the technology leader, its research and development strengths have been pivotal in increasingly benefitting from the large market potential in the area of industrial manufacturing. The Company thereby commands an extensive portfolio of intellectual property rights, including patents and licenses predominantly in the selective laser melting technology. Additionally, SLM Solutions works towards further developing a portfolio of industry relevant patents with a focus not only on technologies developed for use in its own systems and solutions, but also in solutions that go beyond the boundaries of the Company's existing product offering.

Global alliances with universities and research facilities along with close cooperation with leading industrial original equipment manufacturers (OEMs) allow SLM Solutions to always have its finger on the pulse of the times. This ensures a platform for the successful use of SLM@ technology in volume production in various sectors.

Investments in research and development concentrate primarily on the areas of productivity increases, part quality and robust production systems. SLM Solutions' research & development activities include among other projects, developing the world's fastest selective laser melting systems, that at the same time provide the highest selective laser melting process quality. Finally, additive manufacturing is increasingly integrated with other parts of the manufacturing process which are essential to fully-digitize the overall production process.

The research and development department of SLM solutions consisted of 115 full-time equivalents (FTEs) on December 31, 2021 (previous year: 103 FTEs).

Development costs of kEUR 8,089 (previous year: kEUR 7,128) were capitalized in 2021. In addition, development costs of kEUR 8,746 (previous year: kEUR 8,962) were incurred in 2021 that were not capitalized. These also include depreciation on development projects that have already been completed in the amount of kEUR 2,257 (previous year kEUR 2,824).

ECONOMIC AND BUSINESS REPORT

MACROECONOMIC SITUATION IN TARGET MARKETS

Following a decline of 3.1% in 2020, the global gross domestic product (GDP) increased by 5.9% in 2021. Although the global economy did partially recover following the impact of the pandemic, this recovery was offset by supply chain disruptions and impacts from the spread of the omicron variant of COVID-19. In 2021, the United States' economy's real GDP increased by 5.6%, following a decline of 3.4% in 2020. The European Union economy also rebounded in 2021, with GDP

increasing by 5.2% in 2021¹⁰. In Germany, the price adjusted GDP increased by 2.7% in 2021, despite continuing headwinds due to the COVID-19 pandemic and supply chain pressures. The price-adjusted gross value added in manufacturing increased by 4.4% in 2021 as compared to the previous year. In absolute terms, Germany's GDP in 2021 remains 2% lower than in pre-pandemic levels in 2019¹¹.

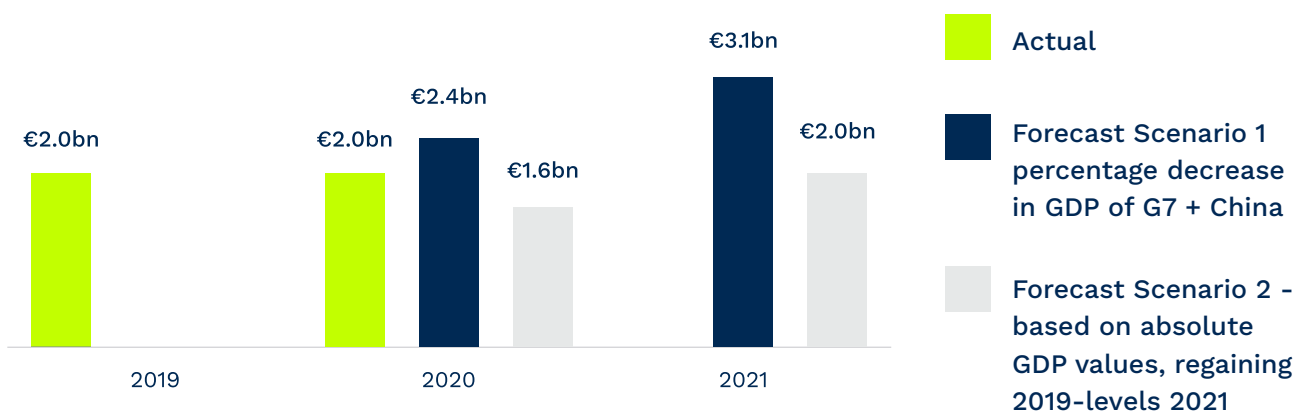
MARKET FOR METAL-BASED ADDITIVE MANUFACTURING

RESILIENCE DURING COVID

During the COVID-19 pandemic, the metal-based additive manufacturing market has remained resilient. In 2020, AMPOWER had provided two scenarios to account for the impact of the COVID-19 pandemic. According to Scenario 1, the market size forecast for 2020 was reduced by the percentage decrease in GDP of the G7 countries and China, as predicted by the International

Monetary Fund in April 2020. As per Scenario 2, the absolute GDP values were considered assuming the market would regain its 2019-levels only in 2021.¹² However in 2020, the metal additive manufacturing market was quite resilient despite facing headwinds and remained steady, even increasing slightly compared to 2019. This is described in the chart below.

**Metal-based additive manufacturing market 2020:
Expected performance vs actual performance**



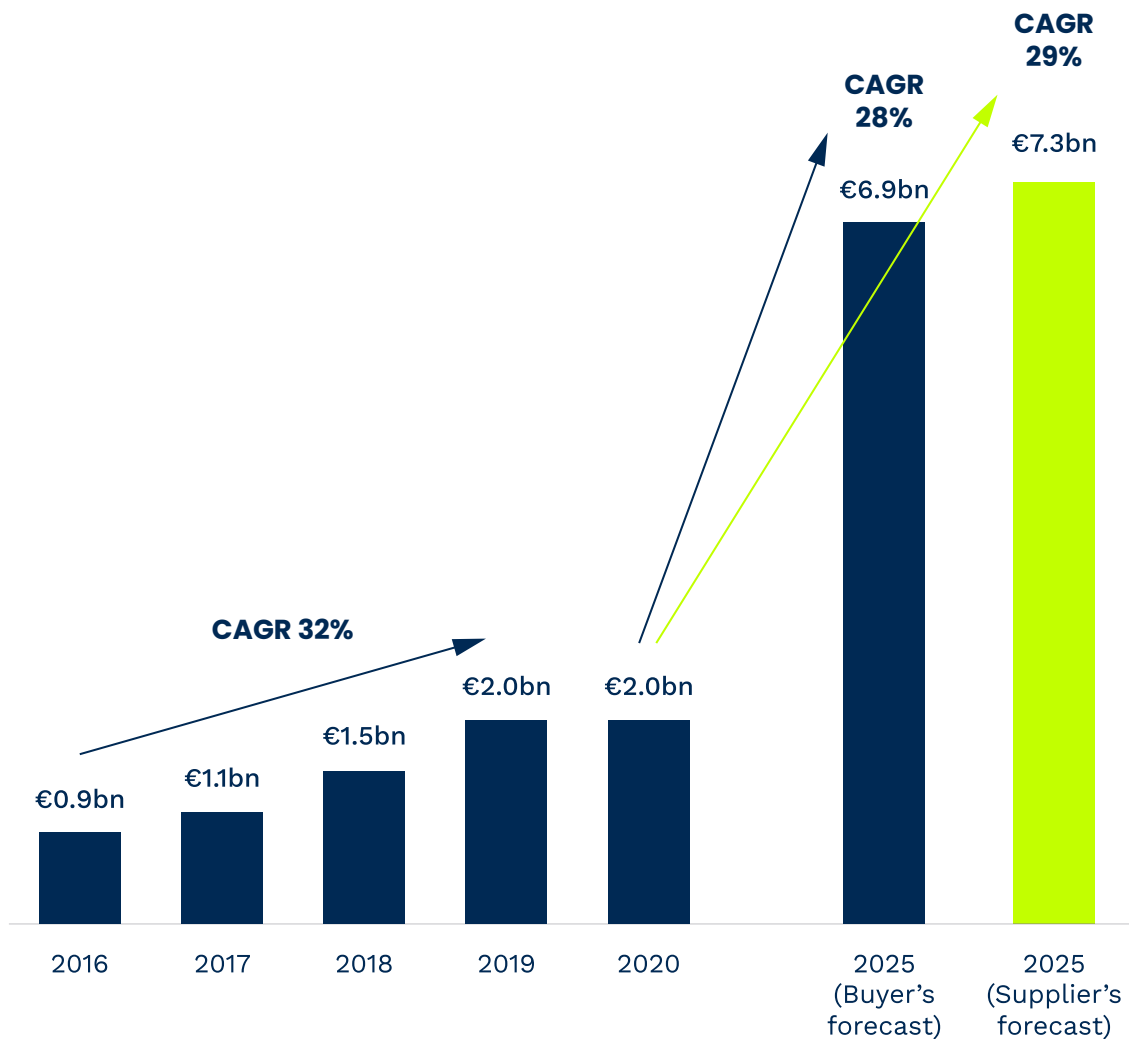
GROWTH PROSPECTS

According to AMPOWER, the market size for metal-based additive manufacturing for 2020 amounted to EUR 2.0 billion (2019: EUR 2.0 billion). This can be further segregated into production systems which account for EUR 0.9 billion (2019: EUR 1.1 billion), materials making up EUR 0.6 billion (2019: EUR 0.5 billion) and services which amount to EUR 0.5 billion (2019: EUR 0.4 billion).¹³

Looking forward, AMPOWER forecasts the metal-based additive manufacturing market to increase to approx. EUR 7 billion by 2025, at a compounded annual growth rate (CAGR) of around 29%. The ongoing industrialization of metal-based additive manufacturing technology is expected to be the

driving factor in the growth of the market as well as utilization of installed machine capacity. AMPOWER basis its data on responses from suppliers covering approx. 96% of the global installed base of metal-based additive manufacturing systems and includes among its respondents the group of buyers, which is defined as users of Additive Manufacturing technology that acquire machines, feedstock or part manufacturing services. According to this group of buyers, the market-size of metal-based additive manufacturing is also estimated to witness a strong growth with a CAGR of 28% per year to 2025.¹⁴

Metal AM Market Size



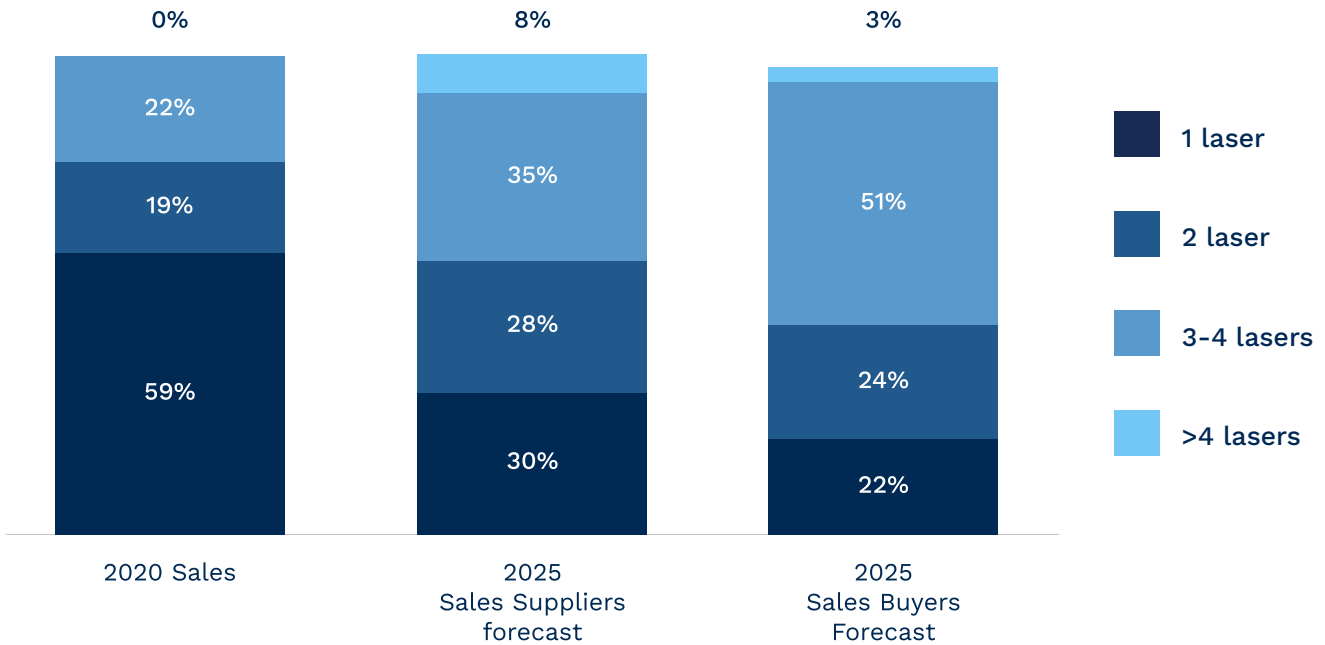
¹³AMPOWER Report 2020, Metal Additive Manufacturing (Digital Edition)

¹⁴AMPOWER Report 2020, Metal Additive Manufacturing (Digital Edition)

During the year 2020, close to 60% of all laser beam powder bed fusion (LB-PBF) system sales comprised of single laser systems, with the sale of systems with more than 3 lasers making up the rest. However, looking forward and according to the buyer's forecast for 2025, the sale of systems

with more than 3 lasers will constitute 78% of total system sales¹⁵. In this regard, SLM Solutions' strong product portfolio with multi-laser systems providing customers with a wide array of benefits to suit their needs, is well placed to benefit from this growth.

Breakdown of Sales by number of lasers



WHY IS SLM SOLUTIONS BEST POSITIONED TO BENEFIT FROM THE GROWTH OF THE METAL-BASED ADDITIVE MANUFACTURING MARKET?

The selective laser melting technology that SLM Solutions applies, specifically the Laser Beam - Powder Bed Fusion (LB-PBF) continues to be the dominant technology within the additive manufacturing space, with metal PBF specifically the single largest revenue generating technology, making up around 40% of revenues generated from the system suppliers¹⁶. This technology offers greater precision, surface quality and design freedom compared with other additive manufacturing processes. SLM Solutions has developed systems and solutions that are already enabling the application of productive multi-laser

technology across a wide array of industries, such as automotive, energy, space aviation as well as service bureaus. From a technical perspective, SLM's technological leadership is evidenced, among other things, by the only Company to offer customers the option to use 12 lasers at the same time to manufacture a part. Furthermore, SLM Solutions' newly released Free Float technology enables customers to produce a part with lesser support structures, thereby significantly reducing post-processing costs. For further information on Free Float is available on SLM Solutions' website, under the "Products and Solutions" section.

¹⁵AMPOWER Report 2020, Metal Additive Manufacturing (Digital Edition)

¹⁶AMPOWER Report 2020, Metal Additive Manufacturing (Digital Edition)

BUSINESS PROGRESS

SLM Solutions' business looks back on a successful year driven by the entire product portfolio, including the NXG XII 600. SLM's order intake increased significantly by 53% to kEUR 70,383 as compared to the previous year (FY 2020: 46,084). As of the end of December 2021, SLM Solution had a backlog of kEUR 42,810, increasing by 42% over December 2020 (kEUR 30,217) to the largest level in the Company's corporate history. SLM Solutions Group AG generated revenues of kEUR 75,115 in FY 2021, increasing by 22% as compared to FY 2020 (kEUR 61,759). This increase was primarily driven by a strong order intake in 2021, complemented by the order backlog position at the start of the year.

The seventh Annual General Meeting of the Group was held on June 16, 2021. The shareholders granted formal discharge ("Entlastung") to the Company's Management and Supervisory Boards for the fiscal year 2020, elected the auditor for the 2021 fiscal year and approved the remuneration system for the Management Board. The voting results were subsequently published on the Company website. The shareholders resolved upon the cancellation of the authorized capital 2019 and creation of new authorized capital 2021 and the according change of Articles of Association.

RESULTS OF OPERATIONS

Revenue

in kEUR	2021	2020
Revenue	75,115	61,759
Increase/decrease of finished and unfinished stock on hand	1,558	(2,219)
Other activated contributions	6,633	5,030
Total output	83,306	64,570

During the year 2021, SLM Solutions recorded total output of kEUR 83,306, higher by 29% as compared to the previous year (kEUR 64,570). Total output can be further segregated into revenue from the sale of machines and related ancillaries, increase/decrease in inventories for work-in-progress and finished goods as well as internal work capitalized.

The major share of total output is comprised of revenues from the sale of machines and related

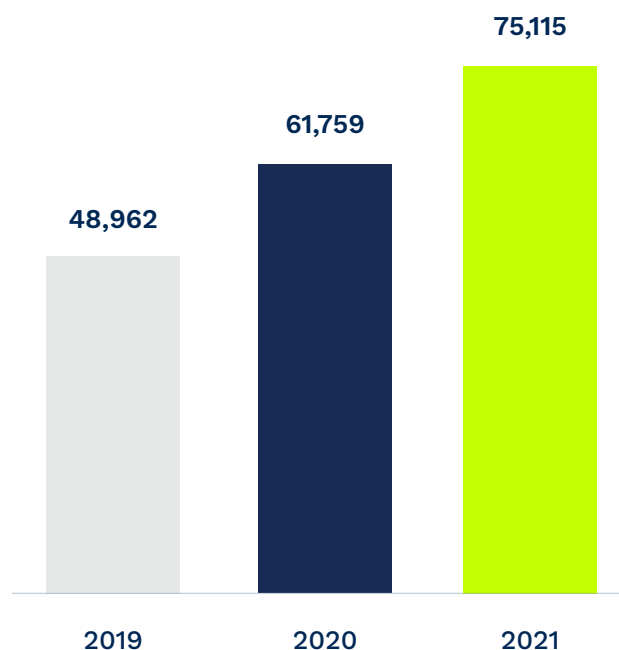
ancillaries, which amounted to kEUR 75,115 in FY 2021, increasing by 22% as compared to FY 2020 (kEUR 61,759). Such revenues can be attributed to the machine business segment and the after-sales business segment. The machine business segment relates to the sale of selective laser melting machines, powder sieving stations and other ancillary equipment. In FY 2021, the machine business segment generated revenues of kEUR 57,602, increasing by 28% as compared to the previous year (kEUR 45,127) and made up 77% of revenue

(FY 2020: 73%). The growth in the machine business revenue was driven by a consistently strong level of order intake during FY 2021.

The after-sales business segment relates to the sale of machine-related services, replacement parts and accessories, as well as the sales of consumables and services not related to machines. In 2021, the after-sales business segment reported revenue of kEUR 17,513, higher as compared to the previous year (kEUR 16,632).

As a result of the increase in machines sales, the Company increased its level of finished and work in progress (WIP) inventories by kEUR 1,558 as compared to a reduction in the previous year (kEUR -2,219). Additionally in 2021, SLM Solutions capitalized work performed amounting to kEUR 6,633 (FY 2020: kEUR 5,030) which was driven by an increase of research & development activities.

Revenue (kEUR)



Operational Profitability

(in kEUR)	2021	2020
Total output	83,306	64,570
Cost of materials	(37,047)	(30,665)
Gross profit	46,259	33,905
Payroll	(39,007)	(35,637)
Other operating income	2,705	3,726
Other operating expense	(18,555)	(16,768)
Proceeds from associated companies	0	(7)
EBITDA	(8,597)	(14,781)

In FY 2021, SLM reported cost of materials of kEUR 37,047 higher as compared to FY 2020 (kEUR 30,665). Cost of materials increased by 21% year-over-year, albeit by a lesser extent as compared to the increase in total output of 29%. This was mainly driven by significantly lower inventory write-off compared to the previous year as well as successful cost out actions. The cost of materials ratio (as a percentage of total output) was 44% for FY 2021, decreasing by 300 basis points as compared to FY 2020 (47%).

For the full year ending December 2021, SLM Solutions reported a gross profit of kEUR 46,259 increasing by 36% over the previous year (kEUR 33,905) and reflecting a strong gross profit margin of 56%, higher as compared to the previous year (53%).

The Company recorded payroll expenses amounting to kEUR 39,007 for FY 2021, higher by 9% as compared to FY 2020 (kEUR 35,637). At the end of December 2021, the Company's global workforce

was 488 FTEs as compared to 429 FTEs as of the end of December 2020. The payroll cost ratio (as a percentage of total output) for FY 2021 was 47%, decreasing further after already reducing to 55% for FY 2020. This decrease despite a larger employee base demonstrates the strength of the operating leverage that SLM Solutions' business provides.

Other operating expenses during FY 2021 amounted to kEUR 18,555 increasing by 11% as compared to FY 2020 (kEUR 16,768). This increase was primarily driven by higher logistics expenses in connection with the increased volume of sales and an overall increase in freight costs due to the global supply chain crisis. Additionally, the business also incurred higher marketing, legal and consulting expenses in FY 2021.

SLM Solutions reported earnings before interest, taxes, depreciation and amortization (EBITDA) of kEUR -8,597 for the year ending December 2021,

improving by 42% as compared to the previous year ending December 2020 (kEUR -14,781). This improvement was on the back of strong top-line growth coupled with operational excellence efforts supporting the bottom-line performance. In FY 2021 SLM Solutions' EBITDA margin (as a percentage of revenue) improved by 52% to -11% as compared to the corresponding period in 2020 (-24%).

EBITDA (kEUR) & EBITDA Margin (%)



Net Profit

(in kEUR)	2021	2020
EBITDA	(8,597)	(14,781)
Depreciation & Amortization	(7,698)	(8,613)
EBIT	(16,295)	(23,394)
Interest and similar expenses	(5,330)	(4,509)
Interest & Other Income	61	48
EBT	(21,563)	(27,855)
Income taxes	1,188	(2,397)
Net profit/loss for the year	(20,375)	(30,252)
Number of shares (in '000s)	22,702	19,779
EPS	(0.90)	(1.53)

The Company recorded depreciation and amortization of kEUR 7,698 for the fiscal year ending December 2021, as compared to the previous fiscal year ending December 2020 (kEUR 8,613).

Finance expenses for FY 2021 can be segregated into interest expenses of kEUR 5,330 (FY 2020: kEUR 4,509), partially offset by interest and other income of kEUR 61 (FY 2020: kEUR 48). The increase in interest expenses was primarily driven by interest expenses related to the convertible bonds

issued in April 2021 combined with the full period effect of the convertible bonds issued in July 2020.

SLM Solutions recorded a positive impact from income taxes of kEUR 1,188 for FY 2021, as compared to an expense in FY 2020 (kEUR -2,397). The decrease in tax expenses was mainly due to the recognition of amounts from deferred tax assets exceeding deferred tax liabilities primarily due to

business losses carried forward.

In FY 2021, SLM Solutions reported a net result of kEUR -20,375, improving by 33% as compared to FY 2020 (kEUR -30,252). This improvement was primarily driven by an enhanced level of operational profitability partially offset by marginally higher finance expenses during FY 2021. The Compa-

ny reported a negative earnings per share (EPS) of EUR -0.90 for FY 2021, improving as compared to the previous year (EUR -1.53). The improvement in the EPS was driven by an improved net result in FY 2021 as compared to the previous year, partially offset by the effect of an increase in the share count between the two reporting periods.

NET ASSETS

Assets

(in kEUR)	31.12.2021	31.12.2020
Total non-current assets	69,261	67,381
Intangible assets	32,601	28,092
Property, land and equipment	35,757	38,486
Total current assets	79,775	58,866
of which		
Inventories	25,842	20,770
Cash and cash equivalents	24,998	18,864
Trade receivables	22,231	13,449
Total assets	149,036	126,247

Total Assets as of the end of December 2021 amounted to kEUR 149,036 increasing by 18% as compared to year-end 2020 (kEUR 126,247). This increase was driven primarily by an increase in the balance of current assets such as inventories and the Company's liquidity position, complemented by an increase in the value of intangible assets.

Non-current assets at the end of December 2021 amounted to kEUR 69,261 marginally higher as compared to the end of the previous year (kEUR 67,381). The major share of non-current assets is made up property, plant and equipment combined with the balance of intangible assets. As of the reporting date, the balance of property, land and equipment amounted to kEUR 35,757 as compared to year-end December 2020 (kEUR 38,486). This decrease was primarily due to disposal of systems in the Company's application center in 2021 with the intention of these being replaced in the coming periods. Additionally, the balance of property, land and equipment declined due to the regular amortization of finance lease assets. The balance of intangible assets increased to kEUR 32,601 at the end of December 2021, from the end of December 2020 (kEUR 28,092). The increase in

the balance of intangible assets was primarily driven by investments in connection with the NXG XII 600 as well as other development efforts that the Company is currently working on. In FY 2021, total outlay towards research & development amounted to kEUR 14,578 (FY 2020: kEUR 13,266), representing 19% (FY 2020: 21%) of the Company's annual revenue.

Current assets as of year-end December 2021 totaled kEUR 79,775 as compared to the end of December 2020 (kEUR 58,866). This increase can be attributed to an intentional increase in inventories to mitigate supply chain pressures along with an increased balance of trade receivables, cash and cash equivalents. Inventories at the end of the reporting date amounted to kEUR 25,842 increasing by 24% as compared to the position of inventories as of the end of December 2020 (kEUR 20,770). This increase was driven by a rise in safety stock levels as a response to global supply chain constraints as well as a consequence of the overall increase of business activity. As of year-end 2021, the balance of trade receivables increased to kEUR 22,231 as compared to year-end 2020

(kEUR 13,449). The increase can be attributed to less favorable payment terms in Q4 2021 as compared to Q4 2020 combined with the majority of system shipments occurring in December 2021, resulting in payments pertaining to the final completion of system installation remaining outstanding. Further, current assets also increased as a

result of a stronger liquidity position that was supported by an equity capital issuance and the issuance of the second tranche of the convertible bonds 2020/26 in 2021. Current assets accounted for 53% of total assets, increasing by 6 percentage points as compared to year-end 2020 (47%).

Total Liabilities

(in kEUR)	31.12.2021	31.12.2020
Total non-current liabilities	32,129	89,859
of which		
Financial liabilities	20,112	75,014
Pensions and similar obligations	6,304	6,982
Deferred tax liabilities	4,831	5,832
Total current liabilities	84,236	20,619
of which		
Trade payables	11,008	6,983
Other current liabilities	7,872	6,522
Provisions	4,896	4,304
Financial liabilities	60,453	2,781
Total Liabilities	116,366	110,478

Total Liabilities at the end of December 2021 amounted to kEUR 116,366 (Dec 2020: kEUR 110,478) and comprised of non-current liabilities of kEUR 32,129 (Dec 2020: kEUR 89,859) and kEUR 84,236 (Dec 2020: kEUR 20,619).

Non-current liabilities are primarily comprised of financial liabilities in the form of convertible bonds along with outstanding bank loans utilized for the construction of the Company's headquarters in Lübeck, Germany which have regular repayments ongoing until December 31, 2026. As of the end of December 2021, the Company had three outstanding convertible bonds, with the first of these issuances originally bearing an interest rate of 5.5% p.a. and expiring on October 11, 2022. Following the reporting period, the terms and conditions of the bond were amended by bondholders, resulting in the extension of the maturity of the bonds by two years until 11 October 2024, along with an in-

crease in the interest rate for the period of maturity extension to 7.50% p.a. During the year, non-current liabilities increased primarily due to the issue a second tranche convertible (Convertible 2021/2026) with a notional value of EUR 15.0 million which is based on the Company's backstop agreement with its largest shareholder Elliott Investment Management signed in 2020. However, this increase was partially offset by the conversion right being exercised by bondholders for Convertible 2021/26 with a notional value of approx. EUR 11.4 million. The issue volume for the complete backstop agreement stands at EUR 60 million, which is made up of 3 tranches of which the first and second tranche are already issued while EUR 30.2 million (third tranche) remains to be issued. Pension and similar obligations at the end of FY 2021 amounted to kEUR 6,304 as compared to kEUR 6,982. This decrease was due to higher average interest rates resulting in future pension

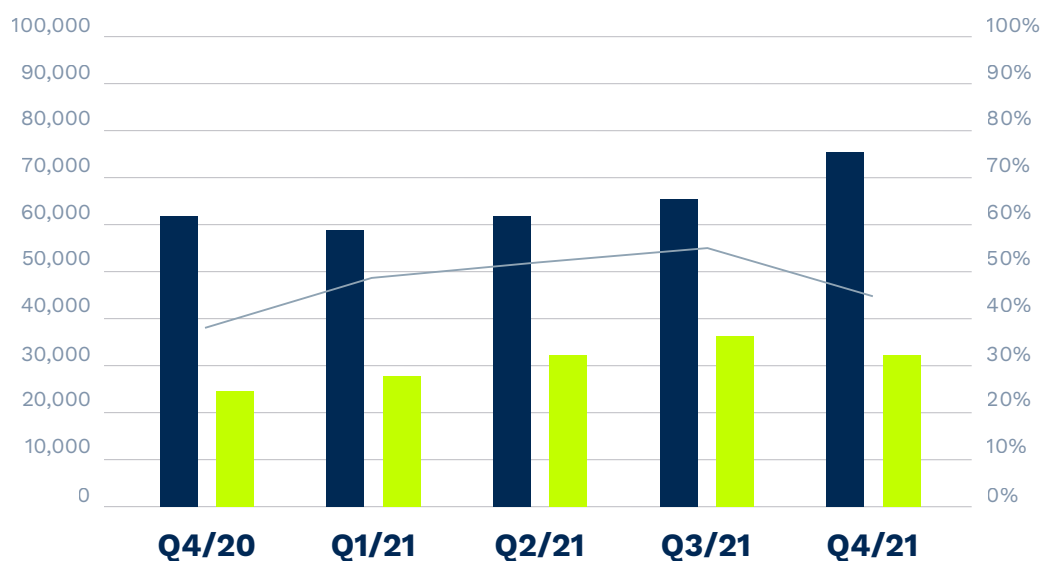
claims being discount by a higher rate.




Current liabilities at the end of December 2021 were kEUR 84,236 as compared to kEUR 20,619 as per the end of December 2020. This increase was primarily driven by the reclassification of the Convertible Bond 2017/2022 maturing in 2022 from non-current liabilities to current liabilities, along with an increase in the balance of trade payables, which increased in line with the growth of the business to kEUR 11,008 as of December 2021, as compared to kEUR 6,983 at the end of December 2020. The balance of trade payables also increased as a result of risk-mitigating measures undertaken to ensure the Company is not adversely affected by supply chain pressures.

At the end of December 2021, SLM Solutions had a working capital of kEUR 33,260 as compared to

the end of December 2020 (kEUR 24,380¹⁷). This increase is primarily reflective of the growth in the business, combined with precautionary steps taken by the management in order to ensure the business is not adversely affected by supply chain pressures. Working capital intensity calculated with revenues of kEUR 75,115 was 44% (previous year: 39%¹⁷). The calculation for working capital on the reporting date December 31, 2021, included trade receivables, inventories, trade payables and customer down payments while as on December 31, 2020, working capital included only trade receivables, inventories and trade payables. For better comparison, working capital and working capital intensity as on December 31, 2020, have been restated in the above text to include customer down-payments.

Working capital (%)



	Revenue LTM (kEUR)	61,759	59,295	62,318	66,900	75,115
	WC on Balance Sheet Date (kEUR)	24,380	28,229	31,664	37,084	33,260
	WC - Intensity (%)	39%	48%	51%	55%	44%

Equity

(in kEUR)	31.12.2021	31.12.2020
Subscribed share capital	22,702	19,779
Additional paid-in capital	134,322	100,584
Consolidated loss for the period included in retained earnings	(121,964)	(101,589)
Reserves	(2,389)	(3,005)
Total equity	32,671	15,768

Total Equity at the end of December 2021 amounted to kEUR 32,671 increasing significantly as compared to kEUR 15,768 reported at the end of December 2020. This increase was primarily driven by the equity issuance of around kEUR 25,000 complemented by the conversion into equity of the Company's outstanding convertible bonds with a notional value of kEUR 11,414. These were

offset by the net result during FY 2021. SLM Solutions' equity ratio increased to 22% at the end of December 2021, increasing by 10 percentage points as compared to December 2020 (12%). This improvement was primarily driven by the capital measurements during the year, partially offset by the Company's net result during the period.

FINANCIAL POSITION

Cash Flow

(in kEUR)	2021	2020
Net cash flows from operating activities	(18,309)	(3,338)
Net cash flows from investing activities	(9,494)	(11,155)
Net cash flows from financing activities	33,406	8,444
Net increase (decrease) in cash and cash equivalents	5,603	(6,048)
Change in financing funds due to exchange rate changes	531	(611)
Cash and cash equivalents at beginning of period	18,864	25,523
Cash and cash equivalents at end of period	24,998	18,864

Net cash used in operating activities during FY 2021 amounted to kEUR 18,309 increasing materially as compared to net cash used during FY 2020 (kEUR 3,338). The increased cash utilization was primarily driven higher levels of inventory maintained as a precautionary measure to mitigate supply chain risks. Additionally, the Company had a higher level of trade receivables as compared to the previous year, as a result of less favorable pay-

ment terms in Q4 2021 as compared to Q4 2020 along with a majority of system shipments occurring in December 2021 leading to partial payments related to the completion of installation, remaining outstanding.

Net cash utilized in investing activities in FY 2021 amounted to kEUR 9,494 (FY 2020: kEUR 11,155). Investments in 2021 included capital outlays of

kEUR 6,633 primarily driven by product development activities, increasing by 32% over comparable investments made in 2020 (kEUR 5,030).

Net cash provided by financing activities amounted to kEUR 33,406 in FY 2021, as compared to FY 2020 (kEUR 8,444). In 2021, SLM Solutions completed an equity issuance with an upsized issue volume of around kEUR 25,000, following strong demand among market participants. Additionally, SLM Solutions also issued a second tranche convertible (Convertible 2021/2026) with a notional value of EUR 15.0 million which is based on the company's backstop agreement with its largest shareholder Elliott Investment Management signed in 2020. These cash inflows were partially offset as a result of interest and leasing payments

amounting to kEUR 5,816, as compared to FY 2020 (kEUR 6,556).

Accordingly, during FY 2021, SLM Solutions' balance of cash and cash equivalents increased by kEUR 5,603 (FY 2020: -6,048) at the end of December 2021. Including the impact of exchange rate changes, the balance of cash and cash equivalents at year-end 2021 was kEUR 24,998 (Dec 2020: kEUR 18,864). Additionally, from the total issue volume for the convertible bonds 2020/26, the third tranche amounting to approx. kEUR 30,213 remains to be issued with the pre-conditions for issuance waived by the main bondholders of the first two tranches of the convertible bonds 2020/26.

OPPORTUNITIES AND RISKS

MANAGEMENT SYSTEM FOR OPPORTUNITIES AND RISKS

SLM Solutions operates in a technologically sophisticated and demanding market that entails both opportunities and risks. SLM Solutions has instituted a number of measures to secure the Company as a going concern and foster its development. The management system for opportunities and risks, which is integrated into all significant corporate processes continuously, forms an important part of these measures. This system helps the Group identify opportunities and risks at an early stage and respond proactively to them. The implementation and upkeep of a risk management system is therefore not only a statutory obligation for listed companies but also meets the objective of recognizing all significant or existential risks or opportunities and reporting on them internally. It is largely to be seen as an integral part of the management information and control system.

The risk management system has been further improved during the previous reporting period. The rules and procedures apply to all companies in the Group in equal measure. Risks are evaluated in two dimensions: by their probability of occurrence (probability of occurrence in percent in relation to one hundred years; example: 10% = once in ten years) and by their effect (effect or potential level of loss in kEUR if the risk occurs). This is a net risk analysis. This means that all measures already successfully implemented which minimize the risk in question are taken into account and the

risk to the company actually remaining is analyzed. Finally, the risks evaluated are divided into three categories: major (red), significant (yellow) and moderate (green). This ranking method (risk ranking sequence) is readily comprehensible, creates a high degree of transparency, and provides an easy visual overview when displayed as a chart. In addition, the expected loss value is calculated for each risk (risk occurrence multiplied by risk impact) in order to be able to rank the risks. This makes it easy to monitor and control risks. As well as evaluating the risk to the current status quo, a target evaluation of the risk can also be carried out (specifically: evaluation of how pronounced the future probability of occurrence and future effect of the risk might be). This permits an outlook to be formed and reveals how risks may change in the future. In addition, the potential effect on the company's reputation for each risk is analyzed and separately evaluated. However, only the major risks are to be explained in greater detail with an expected loss value from a value of kEUR 1,500 in this management report.

The risk policy principles are set out in a risk manual that defines and describes the risk management process. This manual is regularly reviewed and if necessary updated. It is binding on SLM Solutions Group AG and all subsidiaries. All relevant risks are systematically identified, evaluated and communicated internally as part of six-monthly

risk inventory. Recommendations for action can be derived from it and target countermeasures initiated and their implementation monitored. In this way, risks can be professionally monitored and controlled. This allows disadvantageous developments of particular significance for the Company's financial position and performance to be countered in good time.

SLM Solutions acknowledges that handling business risks forms the core of all business activity. In accordance with German Accounting Standard (DRS) 20, the term risk is understood to refer to the possibility of negative future changes to a company's financial position, and the term opportunity is understood to refer to the possibility of positive future changes to a company's financial

position. In relation to the Company, risk is defined as any risk that prevents SLM Solutions from attaining its objectives, and/or from successfully implementing its strategy. All decisions that can influence the Company's current and future position are subjected to the weighing up of related opportunities and risks. The Company's current business position and its resultant risks are discussed at regular meetings of the Management Board. Appropriate countermeasures are launched if existential risks are identified.

Central risk responsibility lies with the Management Board. The Management Board has appointed a Risk Management Officer who supports the Management Board in the area of risk management.

INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM IN RELATION TO THE GROUP FINANCIAL ACCOUNTING PROCESS (REPORT PURSUANT TO SECTION 315(4) (HGB))

SLM Solutions has an internal controlling and risk management system relating to the financial accounting process in which appropriate structures and processes are defined and implemented within the organization. The system is designed to ensure that all business processes and transactions are accounted for quickly and correctly, and on a standardized basis. It ensures that statutory standards, accounting regulations and internal accounting instructions are observed. Amendments to laws and financial accounting standards, as well as other promulgations, are analyzed continuously in relation to their relevance to and effects on the annual financial statements, and the resultant changes are integrated into the Group's internal systems and procedures.

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

conform to regulations. In this context, the measures serve to identify and measure risk, as well as to limit identified risks, and review them.

The consolidated accounts are prepared centrally based on the data from the subsidiaries included in the scope of consolidation. Specially trained staff drawing on recognized consolidation software solutions perform the consolidation measures, carry out certain coordination work, and monitor regulations relating to timing and processes. The staff supervise the system-technical controls, supplementing them with manual audits. The “two sets of eyes” principle, which minimizes risk of fraudulent activity, is generally applied. Certain approval processes must be run through during

the entire financial accounting process. The managers of the local companies bear responsibility for local implementation and supervision of the internal controlling system.

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

RISK PROFILE

As part of the ongoing risk inventory, so-called observation areas (risk areas) have been defined for SLM Solutions Group AG in an effort to minimize the organizational workload and better handle these risks. The various risks that have been identified and quantified are allocated to the risk areas. This relates to the following risk areas:

- Capital market-related risks
- Market and sector risks
- Legal, regulatory and tax risk
- Intellectual property risks
- Corporate risks

As described above, the level of a risk can be defined according to the probability of its occurrence and the degree of its impact.

The “risk occurrence probability” dimension allows the risk to be assessed as:

- unlikely (up to 10%)
- possible (more than 10% to 50%)
- definitely conceivable (more than 50% to 90%)
- probable (more than 90%)

The substantive definition of the criterion “risk impact” is based on the assessment of the evaluating departments and on its impact on EBITDA in kEUR. The evaluation constitutes a net analysis. The following four levels have been defined in the process:

- low (up to kEUR 300)
- average (more than kEUR 300 to kEUR 1,500)

- high (more than kEUR 1,500 to kEUR 3,000)
- serious (more than kEUR 3,000)

In total, 72 risks to SLM Solutions were identified as of 31 December 2021 (previous year: 79). The eight main individual risks with a calculated expected loss value of kEUR 1,500 and above are described below. These are listed below according to their weighting and explained in more detail.

FINANCING OF FURTHER BUSINESS ACTIVITIES (CORPORATE RISKS)

The Company issued a convertible bond with a notional value of EUR 58.5 million in 2017 (Convertible 2017/2022) which originally became due in October 11, 2022. Due to the current stock price level of the Company and the conversion price of EUR 42.40, the Company expected that a refinancing of this convertible instrument was required.

On January 25, 2022, the Company invited the bondholders of Convertible 2017/2022 to hold a vote without meeting for the purposes of resolving on an amendment of the terms and conditions of the Convertible Bonds 2017/2022 to the effect that the maturity date is extended by two years to October 11, 2024 and, in turn, the interest rate is increased by 200 basis points to 7.50% per annum for the period of extension. In addition, the amended terms include a possibility for each bondholder to request the repayment of all or some of the bonds at the original maturity date on October 11, 2022. Such a request must be submitted by April 8, 2022.

In an agreement entered into in January 2022 between the Company and Elliott International L.P. ("EILP"), The Liverpool Limited Partnership ("Liverpool") and Cornwall GmbH & Co. KG ("Cornwall") (all of whom are being advised by Elliott Advisors (UK) Limited), EILP and Liverpool have, inter alia, undertaken to support the proposed amendments with all Convertible Bonds 2017/2022 currently held by them and not to exercise the contemplated redemption option if resolved upon in the vote without meeting.

On February 16, 2022, the proposed term changes of the Convertible 2017/2022 were approved by bondholders.

In addition, in the agreement concluded with SLM Solutions in January 2022, Cornwall agreed, subject to certain conditions, which the Company from today's perspective expects to be met, to support a waiver of the conditions precedent for the offer and issuance of the so-called Tranche III Bonds with a nominal amount of EUR 30.2 million in case the Company invites the bondholders of Convertible 2020/26 to such a vote.

At the end of the financial year, the Company had cash and cash equivalents of EUR 25 million, which are mainly intended to finance the operating activities as well as investments in research and development, the development of new products and the expansion of the service network. If a significant portion of the creditors of the convertible bond 2017/2022 exercise their special termination right, a financing gap will arise with the need to raise additional cash as part of a capital measure before the convertible bond 2017/2022 expires in October 2022.

The Company has already initiated the necessary measures to be able to carry this out in the short term. These events and circumstances indicate the existence of a material uncertainty that may cast significant doubt about the Company's and hence the Group's ability to continue as a going concern and represent a going concern risk.

SUPPLY CHAIN CONSTRAINTS (MARKET AND SECTOR RISKS)

As a consequence of the Covid-19 pandemic, global supply chains were significantly impacted. As the majority of hardware producers, SLM has been also severely impacted by those constraints, especially in regard to the availability of electronic parts for its machines. While the Company was

able to successfully mitigate those constraints in 2021, the supply situation remains constrained. Therefore, the Company may experience delays in the short-term as it may not be able to finish the production of its machines timely, resulting in possible adverse impacts on revenues.

INCREASED WARRANTY COSTS (CORPORATE RISKS)

With an increased machine fleet in the market, the risk of warranty cost rises. Warranty issues could lead to increased service costs, downtimes at customers and possibly compensation of such downtimes. There is also a risk of defects in purchased components creating production or

design errors. In case major components are affected, this could have a significant effect on the Company's profitability. However, SLM Solutions Group AG is closely monitoring this risk and has a (legal) claim process in place in order to minimize commercial impact.

RISK OF UNCOLLECTIBILITY OF OUTSTANDING TRADE RECEIVABLES OR OTHER RECEIVABLES (CORPORATE RISKS)

The bad debt risk describes the risk that the default of receivables from business partners will result in write-downs and thus a financial loss. The risk is intensified by an increased capital commitment in the receivable's portfolio, so that liquidity is not available in sufficient amounts

when it is needed. A number of measures have been implemented to counter this situation: SLM Solutions Group AG conducts creditworthiness analyses before engaging with these parties and continuously reviews due invoices and decides on legal measures on a case-by-case basis.

LOSS OF DATA THROUGH CRIMINAL ACTIVITY WITH THE AID OF MALWARE FROM THIRD PARTIES (INTELLECTUAL PROPERTY RISKS)

The integrity or availability of data or systems could be put at risk by means of malware. As a result of an infection or unauthorised access by third parties (e.g. email communication, phishing), it is conceivable that company / business data or personal data might be lost. One possible result could be that data confidentiality could not be guaranteed. Overall, any such attack leads to a competitive disadvantage, loss of knowledge as well as to damage to reputation and possible compensation claims. The potential level of loss is rated as serious. Various measures have been imple-

mented by the IT Department to mitigate the risk. Specifically, there are regular system updates and backups to save data, consistent patch management, extensive antivirus software and full proof monitoring of systems and data flows. The IT Department has optimised its internal processes and continues to work on improving the systems and automating the monitoring process. The aim is to achieve 24-hour availability in close collaboration with qualified external partners to enable the company to respond as quickly as possible in the event of a potential loss.

PIRATE COPIES AND BREACH OF COMPANY'S OWN PROPERTY RIGHTS (INTELLECTUAL PROPERTY RISKS)

Newly founded companies could imitate the copyrighted name or logo of the SLM Solutions Group as well as its products. In the past, there have been several companies set up with the name "SLM" or similar designation – particularly in Asia. SLM Solutions Group AG has also registered various patents to protect the technology developed by the company. Competitors could also attempt to imitate the design of the product. The probabi-

lity of occurrence is rated as definitely conceivable as in the last annual report. The potential loss is rated as high and is manifested in the form of lost profit and increasing risk of customers changing suppliers. The damage to the company's reputation would be very noticeable. SLM Solutions has registered various patents. Suspected breaches of copyright and patent infringements are consequent pursued.

VIOLATION OF THIRD-PARTY PROPERTY RIGHTS (INTELLECTUAL PROPERTY RISKS)

The use of technology protected by third parties, which is used unintentionally in our products, could lead to an injunction if the proprietor of the

property right is not willing to license and ultimately to impairment of the business activity or even claims for damages. A damage to the company's

image cannot be ruled out. Increasing intellectual property rights activity can be observed in the market environment. Despite the very sensitive handling of third-party property rights, an infringement could occur. The probability of occurrence is classified as possible. However, the impact would be severe, so that the overall risk falls into the “material” category. Among other things, regular monitoring of competition registrations coun-

teracts the risk. In some cases, one can proceed against property rights that are allegedly wrongly granted. In addition, there is occasionally a willingness to license among competitors, so that license agreements or so-called cross-license agreements can be agreed. Proceedings are being taken against allegedly wrongly granted property rights.

FAILURE OF IT CENTRAL COMPONENTS (CORPORATE RISKS)

Further main risks to the SLM Solutions Group AG are IT-infrastructure related risks. To minimize the risks associated with IT system failures, the Company implemented numerous security measures (including mirroring data, firewalls, security soft-

ware). SLM Solutions Group AG is also continuing to work steadily on IT processes supporting internal structures and to face the challenges of digitalization.

OPPORTUNITIES

At SLM Solutions, the risks are recorded, assessed and managed as part of risk management. Opportunity management is not neglected. The company defines opportunities as value enhancement potential that goes beyond (budget) planning. At its core, therefore, it is a question of a possible overachieving of the planning. The potential op-

portunities are monitored and evaluated so that appropriate measures can be initiated, if necessary, for example to make better use of business opportunities. A total of five opportunities were identified at the end of 2021 (previous year: five). These are listed below according to their weighting and are explained in more detail below.

- Company related opportunities
- Technology related opportunities
- Opportunities in the after-sales business
- Opportunities related to the internationalization of sales
- Capital market opportunities

COMPANY RELATED OPPORTUNITIES

If the Company intensifies market analyses as well as sales and marketing activities, business opportunities could be better used. There is a chance that SLM Solutions will be more noticed on the market and receive more inquiries and calls for

tenders. SLM Solutions has strategically realigned itself internally and has filled management positions in the key areas of sales and marketing accordingly.

TECHNOLOGY RELATED OPPORTUNITIES

In competition with other manufacturers of additive manufacturing systems, SLM Solutions benefits from the technological leadership in selective laser melting. Through the use of multi-laser technology and the constant reduction of unit costs, large increases in productivity are achieved, which

make the use of the machines particularly attractive for industrial serial production. There is a chance that SLM Solutions will achieve new sales strength as soon as a new SLM® technology or a new SLM® machine is placed on the market ready for serial production.

OPPORTUNITIES IN THE AFTER-SALES BUSINESS

By recruiting qualified and motivated employees in the areas of sales, service and marketing, SLM Solutions creates growth opportunities in the sale of machines and in the after-sales business. Particularly in regard to powders, the Company can

expand its business with consumables and expand its own value chain. There is an opportunity for SLM Solutions to achieve significant sales successes in this area.

OPPORTUNITIES RELATED TO THE INTERNATIONALIZATION OF SALES

Through investments in the expansion of local sales offices worldwide and the resulting proximity to the customer, relationships of trust and addi-

onal sales potential grow. There is a chance that SLM Solutions will achieve significant sales successes beyond the expected development.

CAPITAL MARKET OPPORTUNITIES

The listing on the capital market offers SLM Solutions the opportunity to raise funds from the capital market in the future if necessary

OVERALL STATEMENT ON THE OPPORTUNITY AND RISK SITUATION

The monitored risks relate to all segments of the Company. The Management Board continues to regard the Company's overall risk position as appropriate. The market for metal-based systems for additive manufacturing is generally intact and remains attractive due to the growth opportunities that it offers. The SLM Solutions Group is well positioned technologically, its production systems

are state-of-the-art, and its staff form a highly qualified, powerful team. The Management Board sees the company as well positioned. Despite the greatest care, the possibility cannot be entirely ruled out that significant, hitherto unidentified risks will exert a negative effect on the growth of the business.

FORECAST

Looking forward, and based on initial forecasts, the International Monetary Fund (IMF) estimates global GDP will grow by 4.4% and 3.8% in 2022 and 2023 respectively¹⁸.

However, the above forecasts are subject to risks that could hamper future economic growth. Firstly, the emergence of new COVID-19 variants could prolong the pandemic and disrupt economic growth. Secondly, uncertainties around inflation

due to supply chain disruptions and energy price volatilities could also pose a challenge to economic growth. Thirdly, geopolitical conflicts could also hamper economic growth. Lastly as debt levels have increased globally over the past two years, and advanced economies are beginning to raise interest rates to curb inflation, risks to financial stability along with emerging and developing economies' capital flows, currencies and fiscal positions remain.¹⁹

SLM Solutions Group AG's forecast for 2022 is based on among other things, the following underlying economic and sector-related assumptions:

- According to its latest figures from January 2022, the International Monetary Fund (IMF) expects the global economy to continue growing in 2022 in SLM Solutions' most important target markets - this refers to the USA (4%), the Eurozone (3.9%). Within the Asia Pacific region, China and India are forecasted to witness GDP growths of 4.8% and 9%, respectively.²⁰
- The consulting firm AMPOWER expects the overall global market for metal-based additive manufacturing techniques to grow to approx. EUR 7 billion by 2025, which would correspond to an average annual growth of 28%. The sale of production systems is expected to grow by 26% on an annual basis until 2025.
- The Federal Ministry for Economic Affairs and Energy continues to view Germany as world-leading in the key area of additive manufacturing (3D printing). There are also various government funding options for investment in additive manufacture, such as the Digital.jetzt program from the German Federal Government.²¹
- Among other factors, the positive market response to the Company's system, the NXG XII 600 enables SLM Solutions to be very confident regarding the market potential as well as further extending its technology leadership position.

¹⁸International Monetary Fund, World Economic Outlook Update, Jan 2022

¹⁹International Monetary Fund, World Economic Outlook Update, Jan 2022

²⁰International Monetary Fund, World Economic Outlook Update, Jan 2022

²¹German Federal Statistical Office, Guideline for Funding Program "Digital jetzt" – Investitionsförderung für KMUÄ, 19/05/2020

GROUP FORECAST

The management of SLM Solutions Group AG issued the following forecast for FY 2021 in February 2021:

- Revenue growth of at least 15%
- Further improvement in EBITDA

Following a robust top-line performance driven by the broader product portfolio and supported by the NXG XII 600 system, SLM Solutions comfortably outperformed its issued guidance for the second consecutive year.

The Management Board expects this business to maintain this growth trajectory going into FY 2022 and expects to achieve a revenue of at least EUR 100 million for FY 2022. Furthermore, the management expects EBITDA for FY 2022 to improve materially compared to fiscal year 2021, reaching a positive EBITDA on a quarterly basis in the second half of fiscal year 2022.

In order to achieve the forecasted results, it is critical that the economic and sector-related assumptions occur, particularly with regard to growth rates in the global economy and the metal-based additive manufacturing market.

The company is closely monitoring the develop-

ment of the supply chain situation. SLM Solutions has taken several preventative measures to ensure the business is not affected by supply chain pressures. Further supply chain issues driven by the spread of a new COVID-19 variant, could lead to further disruptions to the business. The management expects supply chain pressures to ease towards the second half of 2022 and will continue to monitor the situation and inform shareholders, customers and employees accordingly.

SLM Solutions has taken cognizance of the geopolitical events involving Russia and Ukraine and is monitoring the situation closely. As of the date of publishing the Annual Report for FY 2021, the Company does not expect a significant direct impact as both markets are insignificant for its commercial and supply chain operations. However, the Company will continue to monitor the situation closely and take preventative measures, as may be required.

CORPORATE GOVERNANCE

The German Corporate Governance Code (DCGK) comprises nationally and internationally recognized guidelines for good and responsible corporate management, steering and controlling. The Management and Supervisory boards of SLM Solutions Group AG are expressly committed to these standards, and endeavor to implement them within the Company. The aim is to establish transparency and expand trust among capital market par-

ticipants, employees, customers and the public. The following corporate governance report that has been prepared by the Management and Supervisory Boards (as per section 3.10) describes the Company's significant corporate governance structures. It also includes a report on the compensation scheme for the Management and Supervisory boards.

GROUP DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTIONS 289F, 315D (HGB)

Group declaration on corporate governance pursuant to Section 315d of the German Commercial Code (HGB) in conjunction with Section 289f has been published on the Company's website at

www.slm-solutions.com in the "Investor Relations" area under "Corporate Governance". It also contains the declaration on the ratio of women employees to men.

COMPENSATION REPORT ACCORDING TO SECTION 162 (AKTG)

The remuneration report and the report on its audit are also published on the company's website www.slm-solutions.com in the "Investor Rela-

tions" section under "Corporate Governance" "Mandatory documents"

DECLARATION ACCORDING TO SECTION 161 (AKTG)

The declaration regarding the recommendations of the German Corporate Governance Code Government Commission in accordance with Section 161 of the German Stock Corporation Act (AktG)

has been published on the Company's website at www.slm-solutions.com in the "Investor Relations" area under "Corporate Governance".

DISCLOSURES REQUIRED UNDER TAKEOVER LEGISLATION PURSUANT TO SECTION 315A (1) (HGB)

1. Composition of subscribed capital: the share capital of SLM Solutions Group AG is divided into 22,701,725 no-par value bearer shares. There are no differing classes of shares. Each share carries full voting rights and dividend entitlements. Each share grants one vote at the Annual General Meeting in this context. Shareholders' rights and obligations otherwise derive from the regulations of the German Stock Corporation Act, especially from Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act (AktG)
2. The Management Board is not aware of any restrictions affecting voting rights or the transfer of shares in the Company
3. Direct or indirect share capital holdings which exceed 10% of the voting rights as of December 31, 2021: on the basis of notices received regarding significant voting right shares in accordance with Section 33 of the Securities Trading Act (WpHG) and transactions conducted by persons with managerial responsibilities in accordance with Article 19 of the Market Abuse Directive, the Management Board is aware of the following direct or indirect holdings of the company's shareholdings exceeding 10% of the voting rights:

Investor	Shares Held	Holding in %
ENA Opportunity Master Fund LP (Cayman Islands)	3,982,996.0	17.54%
Elliott Investment Management L.P (New York, United States of America) ²²	4,929,042.0	21.71%

4. There are no shares with special rights conveying controlling powers.
5. A voting rights control of the share capital by participating employees does not exist.
6. Statutory regulations and bylaw provisions concerning the appointment and recall-from-office of members of the Management Board, and the amendment of bylaws:

The appointment and recall-from-office of Management Board members is regulated in Sections 84 and 85 of the German Stock Corporation Act (AktG). Accordingly, the Supervisory Board appoints Management Board members for a maximum of five years. Reappointment or extension of period of office, in each case for a maximum of five years, is permitted. Pursuant to Section 6 of the Company's bylaws, the Management Board must consist of at least two persons. The Supervisory Board appoints Management Board members according to the provisions of the German Stock Corporation Act (AktG) and determines the number of Management Board members. The Supervisory Board can appoint one member to be the Management Board Chair (CEO). Pursuant to Section 84 (3) of the German Stock Corporation Act (AktG), the Supervisory Board can revoke both Management Board appointments and the Management Board Chair (CEO) appointment if good justification exists.

The amendment of the bylaws is regulated by law in Sections 133, 179 of the German Stock Corporation Act (AktG). These require AGM approval, as a matter of principle. AGM resolutions require a majority comprising at least three quarters of the share capital represented when resolutions are passed. The bylaws can determine a different share capital majority, although only a larger share capital majority applies for an amendment to the Company's business purpose.

7. Powers of the Management Board particularly with regard to the option to issue or buy back shares: the Management Board can only issue new shares on the basis of resolutions adopted by the AGM regarding an increase in the share capital or with respect to authorized and conditional capital.

In accordance with Section 4 (5) of the bylaws, the Management Board is authorized to increase the share capital by up to EUR 8,439,476.00 wholly or in part, once or in several stages by 15 June 2026 with the approval of the Supervisory Board by issuing up to 8,439,476 new bearer shares against cash payments and/or contributions in kind (Approved Capital 2021). As a general rule, shareholders must be granted subscription rights. Under conditions described in more detail in Section 4 (5), however, the Management Board is authorized to rule out shareholders' statutory subscription rights with the approval of the Supervisory Board.

Moreover, the company's share capital has been conditionally increased in accordance with Section 4 (6) of the bylaws by up to EUR 8,416,704.00 through the issue of up to 8,416,704 new bearer shares (Conditional Capital 2014/2018/2020). The Conditional Capital has the purpose of granting shares to owners or creditors of convertible and/or warrant bonds, which have been or will be issued according to the resolution of the General Meeting of April 14, 2014 under agenda item 4.1 up until June 21, 2018 (inclusive) (Authorization 2014) or the authorization in accordance with the resolution of the General Meeting of June 22, 2018 in the modified version by the resolution of the General Meeting of June 16, 2020 up until June 15, 2025 (inclusive) (Authorization 2018/2020) by the Company or a domestic or foreign company, in which the Company directly or indirectly holds the majority of votes and capital. This will only be executed if use has been or is made of the convertible or option rights or the fulfilment of conversion obligations from such bonds and insofar as other forms of fulfilment have not been or are not used. The issue of the new shares will take place at the option price on the basis of the respective conversion or option price to be determined by the respective authorization. The new shares will participate in the profit from the beginning of the fiscal year in which they originate through the exercise of conversion or option rights or the fulfilment of conversion obligations; by way of exception to the above, the Management Board can, if legally permitted to do so and with the approval of the Supervisory Board, determine that the new shares will participate in the profit from the beginning of the fiscal year for which no AGM resolution on the appropriation of retained earnings has

been adopted at the time when conversion or option rights are exercised or conversion obligations fulfilled. The Management Board is authorized to define further details for implementing the conditional capital increase. The Supervisory Board is authorized to modify the wording of Article 4 of the company's bylaws to fit the issuing of new shares from Conditional Capital 2014/2018/2020. The same applies if Authorization 2018/2020 has not been or will not be exercised during its term, or the corresponding conversion or option rights and/or conversion obligations have expired or expire due to the expiry of the exercise deadlines or in some other way.

8. The company has no significant agreements conditional on a change of control as a consequence of a takeover offer.

9. Compensation agreements do exist on the part of the Company that have been entered into with Management Board members or employees for the instance of a change of control.

CONSOLIDATED FINANCIAL STA- TEMENTS AND RELATED NOTES

CONSOLIDATED INCOME STATEMENT

For the fiscal year from 1 January to 31 December 2021

(in kEUR unless specified)	Note	2021	2020
Revenue	10	75,115	61,759
Increase/decrease of finished and unfinished stock on hand		1,558	(2,219)
Other activated contributions	20	6,633	5,030
Total output		83,306	64,570
Cost of materials		(37,047)	(30,665)
Gross profit		46,259	33,905
Payroll	11	(39,007)	(35,637)
Other operating income	12	2,705	3,726
Other operating expense	13	(18,555)	(16,768)
Proceeds from associated companies		0	(7)
EBITDA		(8,597)	(14,781)
Depreciation & Amortization	20;21	(7,698)	(8,613)
Earnings before interest and taxes (EBIT)		(16,295)	(23,394)
Interest and similar expenses	14	(5,330)	(4,509)
Interest & Other Income		61	48
Earnings before taxes		(21,563)	(27,855)
Tax payable	15	1,188	(2,397)
Result for the period		(20,375)	(30,252)
Earnings per share*		(0.90)	(1.53)
<i>*undiluted and diluted, calculated with 22,701,725 shares (Previous year: 19,778,953)</i>			
Number of shares (in '000s)		22,702	19,779

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the fiscal year from 1 January to 31 December 2021

(in kEUR unless specified)	Note	2021	2020
Result for the period		(20,375)	(30,252)
Income and expenditure not to be reclassified to profit or loss in the future:			
Actuarial Profit and Loss	27	504	(116)
Income and expenditure to be reclassified to profit or loss in the future:			
Income/Expenses from currency conversion	27	112	(735)
Other comprehensive income		616	(851)
Consolidated total comprehensive income		(19,759)	(31,103)
Attribution of comprehensive income:			
Shareholders of SLM Solutions Group AG		(19,759)	(31,103)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2021

(in kEUR)	Note	31.12.2021	31.12.2020
Assets			
Cash and cash equivalents	16	24,998	18,864
Trade receivables	17	22,231	13,449
Inventories	18	25,842	20,770
Current tax receivables	19	490	0
Other non-financial assets		6,214	5,782
Total current assets		79,775	58,866
Intangible assets	20	32,601	28,092
Property, land and equipment	21	35,757	38,486
Other financial assets	17	718	208
Other non-financial assets	19	101	207
Deferred tax liabilities	15	83	388
Total non-current assets		69,261	67,381
Total assets		149,036	126,247

(in kEUR)	Note	31.12.2021	31.12.2020
Equity and liabilities			
Trade payables	22	11,008	6,983
Financial liabilities	23	60,453	2,781
Other non-financial liabilities	24	7,872	6,522
Provisions	26	4,896	4,304
Tax provisions		7	29
Total current liabilities		84,236	20,619
Financial liabilities	22	20,112	75,014
Pensions and similar obligations	25	6,304	6,982
Other financial liabilities	23	771	1,143
Other non-financial liabilities	24	0	13
Provisions	26	111	875
Deferred tax liabilities	15	4,831	5,832
Total non-current liabilities		32,129	89,859
Total liabilities		116,366	110,478
Subscribed share capital		22,702	19,779
Additional paid-in capital		134,322	100,584
Consolidated loss for the period included in retained earnings		(121,964)	(101,589)
Reserves		(2,389)	(3,005)
Total equity	27	32,671	15,768
Equity and liabilities (total)		149,036	126,247

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fiscal year from 1 January to 31 December 2021

(in kEUR)	2021	2020
Net profit/loss for the period	(20,375)	(30,252)
Depreciation, amortization and impairment losses	7,698	8,613
Interest expenses	5,330	4,509
Interest income	(61)	(48)
Income tax	(1,188)	2,397
Non-cash expenses	0	1
Change in assets and liabilities	(9,579)	11,278
Inventories	(5,072)	7,510
Accounts receivable	(8,782)	2,039
Pensions and similar obligations	(677)	263
Liabilities	4,025	1,642
Provisions	(172)	(387)
Other assets and liabilities	1,098	211
Income taxes paid	(133)	(74)
Other changes in current assets	0	238
Net cash flows from operating activities	(18,309)	(3,338)

(in kEUR)	2021	2020
Cash outflows for investments in intangible assets and property, plant and equipment	(2,901)	(6,160)
Investments in development costs	(6,633)	(5,030)
Interest received	41	35
Net cash inflow/outflow from investment activities	(9,494)	(11,155)
Capital injection by shareholders	24,640	0
Contribution from convertible bond	15,000	15,000
Cash outflows for loans	(1,332)	(1,308)
Repayment of lease liabilities	(329)	(893)
Interest payments	(4,573)	(4,354)
Net cash flows from financing activities	33,406	8,444
Net increase(decrease) in cash and cash equivalents	5,603	(6,048)
Change in financing funds due to exchange rate changes	531	(611)
Liquid funds at the start of the period	18,864	25,523
Liquid funds at the end of the period	24,998	18,864
Financing funds at the start of the period	18,864	25,523
Financing funds at the end of the period	24,998	18,864

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the fiscal year from 1 January to 31 December 2021

(in kEUR)	Subscri- bed capital	Capital reserve	Consoli- dated loss for the period included in retained earnings	First time applicati- on reserve	Foreign exchange equalizati- on reserve	Other reserves	Equity
As at 1st January 2020	19,779	98,225	(71,337)	(549)	79	(1,684)	44,514
Consolidated group result			(30,252)				(30,252)
Equity from conver- tible bond		2,358					2,358
Change of equity from foreign currency					(735)		(735)
Equity changes arising from actuarial gains/ losses						(116)	(116)
As at 31 December 2020	19,779	100,584	(101,589)	(549)	(656)	(1,800)	15,768

(in kEUR)	Subscribed capital	Capital reserve	Consolidated loss for the period included in retained earnings	First time application reserve	Foreign exchange equalization reserve	Other reserves	Equity
As at 1st January 2021	19,779	100,584	(101,589)	(549)	(656)	(1,800)	15,768
Consolidated group result			(20,375)				(20,375)
Equity from convertible bond	1,473	10,548					12,021
Changes of equity from capital increase	1,450	23,190					24,640
Change of equity from foreign currency					112		112
Equity changes arising from actuarial gains/losses						504	504
As at 31 December 2021	22,702	134,322	(121,964)	(549)	(544)	(1,296)	32,671

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

As at December 31, 2021

NOTE 1

COMPANY INFORMATION

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

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

The Group is active in the field of metal-based additive manufacturing technology. Note 3 presents information about subordinate entities.

Preparation of the consolidated financial statements was concluded on March 19, 2022 and approved by the Management Board. On March 22, 2022, they will be prospectively presented to the Supervisory Board for approval of publication.

NOTE 2

BASIS OF PREPARATION

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

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

NOTE 3

GROUP OF FULLY CONSOLIDATED ENTITIES

SUBSIDIARIES

The consolidated financial statements are comprised of the financial statements of SLM Solutions Group AG and the subsidiaries it controls.

Subsidiaries are consolidated from the point in time at which the Company gains control over the subsidiaries and until the point in time at which the Company's control ends. The Group exercises control over a company if it is exposed to fluctuating returns from its investment in the company, or it owns rights to such returns and has the ability to influence such returns by means of its control over the company.

As part of this, the results from the subsidiaries acquired or sold during the course of the year are recorded accordingly from the actual date of acquisition until the actual disposal date in the consolidated income statement and the Group's other comprehensive income.

The included financial statements of the subsidiaries, with the exception of SLM Solutions (India), are prepared for the same reporting period as the parent company, applying consistent accounting and measurement policies. All internal Group assets, liabilities and equity, expenses and income, unrealised gains and losses resulting from intra-group transactions, and dividends, are eliminated within the framework of consolidation.

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

Name	Interest in %
SLM Solutions NA, Inc., Michigan, USA	100
SLM Solutions Singapore Pte, Ltd., Singapore	100
SLM Solutions (Shanghai) Co. Ltd., China	100
SLM Solutions RUS OOO, Russia	100
SLM Solutions (India) Private Limited*, India	100
SLM Solutions (Italy) S.R.L., Italy	100
SLM Solutions (France) SAS, France	100
SLM Solutions (Canada) Ltd., Canada	100
SLM Solutions Japan Inc., Japan (in the process of being founded)	100
SLM Solutions Korea LLC., Korea (in the process of being founded)	100

**incl. indirect holding of 0.1% through SLM Solutions Singapore Pte, Ltd.*

Compared with the previous year, the group of fully consolidated entities has been expanded by two subsidiaries in Japan and Korea. Both of the entities are currently still in the phase of founding or as of December 31, 2021, had not yet accepted their operational activity.

The main responsibility of the subsidiaries is to provide sales activities and services for the Group in the particular region.

EXPLANATION OF SIGNIFICANT ACCOUNTING POLICIES

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

NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets – with the exception of inventories and deferred tax assets – are reviewed on every closing date to establish whether there are any signs of impairment. Should this be the case, the recoverable amount of the asset is estimated.

Impairment losses are recognized in the profit or loss account.

An impairment loss is only reversed if the carrying amount of the asset does not exceed the carrying amount which would have been determined less depreciation or amortization if no impairment loss had been recognized.

ASSETS HELD FOR SALE

Long-term assets or disposal groups comprising assets and liabilities are held for sale if it is highly likely that they will be realized mainly through sale and not through continued use.

In general, such assets are shown at their carrying amount or fair value less sales costs whichever is the lower. Impairment losses incurred on first-time classification as held for sale, and later gains or losses as a result of their revaluation are recognized in the profit or loss account.

Intangible assets and property, plant and equipment are no longer subject to systematic depreciation, and every equity-accounted participating company is no longer accounted for by the equity method as soon as they are classed as held for sale.

FINANCIAL INSTRUMENTS

1. Recognition and initial measurement

Trade receivables are recognized at the time when they arise. All other financial assets and liabilities are recognized for the first time on the trade date when the company becomes a contracting party in accordance with the provisions of the applicable contract.

A financial asset (apart from a trade receivable with no material financing component) or a financial liability is measured at its fair value on initial recognition. In the case of an item not measured at FVTPL (fair value through profit or loss), the transaction costs directly attributable to its acquisition or issue are

added or deducted. Trade receivables with no material financing component are measured at the transaction price on initial recognition.

On initial recognition, a financial asset is classified and measured as follows:

- at amortized cost
- FVOCI debt instruments (fair value through other comprehensive income) (investments in debt instruments measured at fair value with changes in other comprehensive income)
- FVOCI equity investments (equity investments measured at fair value with changes in other comprehensive income)
- FVTPL (at fair value with changes in value shown in the profit or loss account)

2. Classification and subsequent measurement

FINANCIAL ASSETS

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing its financial assets. In this case, all financial assets in question are reclassified on the first day of the reporting period following a change to the business model.

A financial asset is measured at amortized cost if both of the following conditions are met and it has not been designated as FVTPL:

- It is held as part of a business model, the object of which is to hold financial assets for the purpose of receiving the contractual cash flows, and
- The terms of contract underlying the financial asset lead at fixed points in time to cash flows which comprise solely payments of principal and interest.

A debt instrument is designated as FVOCI if both of the following conditions are met and it has not been designated as FVTPL:

- It is held as part of a business model, the object of which is both to hold financial assets for the purpose of receiving the contractual cash flows, and to sell financial assets, and
- The terms of contract lead at fixed points in time to cash flows which comprise solely payments of principal and interest.

Upon the initial recognition of an equity investment not held for trading purposes, the Group has the irrevocable option to show subsequent changes in the fair value of the investment in other comprehensive income. This choice is made for each investment on a case-by-case basis.

The Group basically holds financial assets recognized at amortized cost. These are subsequently measured at amortized costs applying the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, as well as impairment losses are recognized in the profit or loss account. A gain or loss from derecognition is recognized in the profit or loss account.

FINANCIAL LIABILITIES

Financial liabilities are categorized and measured at their amortized cost or at their fair value through profit or loss (FVTPL). A financial liability is categorized as FVTPL if it is classified as held for trading, it is a derivative or designated as such on initial recognition.

Financial liabilities classified as FVTPL are measured at their fair value, and net gains or losses, including finance costs, are recognized in the profit or loss account.

Other financial liabilities are measured at amortized cost applying the effective interest method in subsequent valuations. Finance costs and foreign currency translation differences are recognized in the profit or loss account. Gains or losses from derecognition are also recognized in the profit or loss account.

3. Current inventory of main financial assets and liabilities at SLM

Financial assets and liabilities at SLM are classified on the basis of categorizing the contractual cash flows and the business model in which SLM holds the asset.

They are made up as follows:

- Liquid assets, including demand deposits, and, where applicable short-term deposits.
- Trade receivables from the sale or rent of machines and accessories, spare parts and consumables, services relating to these machines, and machine rental.
- Other non-current assets from the sale of holdings in the equity investment, SLM Software GmbH
- Other financial assets
- Trade payables
- Other financial liabilities (mainly current liabilities to banks)
- Loan liabilities (towards banks with fixed term and interest rate)
- Convertible bond

No use was made of the option to recognize assets or liabilities at their fair value on acquisition.

The following assets are measured at amortized cost

- Liquid assets
- Trade receivables
- Receivable from the sale of holding in the equity investment, SLM Software GmbH in Perg
- Other financial assets

SLM's existing financial liabilities were classified and measured at amortized cost:

- Trade payables
- Other financial liabilities
- Loan liabilities
- Convertible bonds
- The convertible bonds have both equity and debt components. The conversion right represents equity in this case. The debt component, on the other hand, exhibits the characteristics for classification to be measured at amortized cost.

4. Derecognition of financial assets and liabilities

The Group derecognizes a financial asset if the contractual rights pertaining to the cash flows from the financial asset expire, or it transfers the rights for preserving the cash flows in a transaction in which all material risks and opportunities connected to ownership of the financial asset are also transferred. An asset is also derecognized if the Group neither transfers nor retains all material risks and opportunities connected to its ownership, and it does not have power of disposal over the transferred asset. The Group carries out transactions in which it transfers recognized assets but retains either all or all material risks and opportunities from the transferred asset. In such cases, the transferred assets are not derecognized.

The Group derecognizes a financial liability if the contractual obligations have been fulfilled, canceled or have expired. Furthermore, the Group derecognizes a financial liability if its contractual terms are changed and the cash flows of the modified liability are significantly different. In this case, a new financial liability is recognized at fair value based on the modified conditions. When a financial liability is derecognized, the difference between the carrying amount of the settled liability and the consideration paid (including cashless assets transferred or liabilities assumed) is recognized in the profit or loss account.

5. Offset

Financial assets and liabilities are netted and shown as a net amount in the balance sheet if the Group has a present, enforceable legal right to net off recognized amounts against each other, and it is intended either to settle the amounts on a net basis or to pay the associated liability at the same time as exploiting the asset.

6. Derivative financial instruments and treatment of hedges

The Group currently holds no derivative financial instruments for hedging foreign exchange and interest rate risks.

INTANGIBLE ASSETS

1. Research and development costs

SLM is an innovative group, and consequently focuses on research and development. Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge are attributed to the relevant period as expenses.

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

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

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

Capitalized development expenses are measured at acquisition or production cost, less accumulated impairment costs. This depreciation is spread on a straight-line basis over four years from the time of use.

An impairment review is conducted on these development costs if there are indications for doing so. To determine the substantive value of these intangible assets, the present value of the future cash flows is compared with the residual carrying amount on the basis of the Company's forecast.

Development costs of kEUR 8,089 (previous year: kEUR 7,128) were capitalized in 2021. In addition, development costs were incurred in 2021 of kEUR 8,746 (previous year: kEUR 8,962), which were not capitalized. These also include the amortization of development costs already completed in the amount of kEUR 2,257 (previous year: kEUR 2,824).

2. Intangible assets acquired as part of a merger

As part of the merger, previously non-capitalized intangible assets were identified. This constitutes the basic technology of SLM machines and the customer base of the time. Assets are measured at cost less cumulative depreciation or impairment losses.

The basic technology is systematically depreciated on a straight-line basis over 15 years and the customer base over 10 years.

In regard to valuations resulting from observations of atypical circumstances, please refer to "Impairment of property, plant and equipment and intangible assets".

3. Other intangible assets

Acquired intangible assets with a limited useful life are recorded at cost less accumulated amortization and impairment losses.

Other intangible assets are amortized from the time of use over a period of 3 to 8 years.

Subsequent expenditures are only capitalized, if they increase the future economic benefit of the asset to which they relate. All other expenditures are attributed to the respective period as an expense.

The Group has not capitalized any intangible assets with indefinite useful lives.

In regard to valuations resulting from observations of atypical circumstances, please refer to "Impairment of property, plant and equipment and intangible assets".

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that is subjected to wear and tear and utilized within the company for longer than one year is measured at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated on a straight-line basis over their economic useful lives. To the extent that they comprise qualifying assets, borrowing costs are treated as an expense pursuant to IAS 23. Maintenance and repair costs are recognized as expenses attributable to a specific period. Gains and losses from the disposal of assets are reported under other operating income or expenses in the consolidated income statement.

Subsequent expenditure is only capitalized, if it is probable that future economic benefit will flow to the Group as a result of the expenditure.

Depreciation to write off the cost of property, plant and equipment is calculated on a straight-line basis less estimated residual value over the period of its estimated useful life. As a general rule, depreciation is recognized in the profit and loss account. Land is not depreciated.

The estimated useful lives of the main property, plant and equipment are 50 years for the building, 4 to 15 years for technical equipment and machinery and 3 to 15 years for factory and office equipment. In regard to valuations resulting from observations of atypical circumstances, please refer to "Impairment of property, plant and equipment and intangible assets".

Impairment of property, plant and equipment and intangible assets, including the ROU

The company reviews property, plant and equipment, and intangible assets, including the ROU, whenever events or changes in circumstances, which indicate that the carrying amount has become impaired. Intangible assets that cannot yet be utilized are also checked at least once a year for impairment if there are indications that this is required. Recoverability of assets is measured at least once a year, by comparing the carrying amount of the asset with its recoverable amount which comprises the higher of the asset's value-in-use and its fair value less costs of disposal or market capitalization on the relevant reporting date. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, impairment testing is performed at the level of the cash-generating unit to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets or cash-generating unit exceeds their recoverable amount. The value-in-use of assets corresponds to the present value of their expected future capital inflows with a planning horizon of five years. To determine the fair value in the fiscal year, the weighted average capital costs (WACC) were compiled on the basis of their current market values. If indications exist that the reasons for the impairment no longer exist, an examination is conducted as to

whether full or partial reversal of an impairment loss is required.

INVENTORIES

Inventories are measured at cost or net realizable value, whichever is lower on the balance sheet date. Purchase costs are measured, as a matter of principle, on the basis of average value or applying the first-in, first-out method. The production costs of SLM systems contain the direct material and labor costs, as well as the applicable manufacturing overheads including depreciation charges. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated selling costs.

TRADE RECEIVABLES

Trade receivables with no material financing component are measured at the transaction price on initial recognition. The analysis of trade receivables and other assets resulting from similar contracts showed that as a general rule, these assets exhibit the same risk characteristics. The Group's default risk is mainly affected by the individual characteristics of the customers. The Group carries impairment losses for expected credit losses for current and non-current financial assets which are measured at amortized cost including lease receivables and other financial assets. SLM has adopted the simplified model of expected credit losses for its trade receivables and assets and the general model of expected credit losses for its debt instruments shown at amortized cost and debt instruments recognized at their fair value in equity.

To this end, assets are divided into three levels:

- Level 1 as the entry or basic level for all assets for which no objective indication of impairment exists at the time of acquisition
- Level 2 for a significant increase in the credit risk relative to entry Level 1
- Level 3 in the case of objective indications of impairment for an individual asset

Measurement within levels:

- Level 1: Present value taking account of expected losses in the next 12 months, interest recognized on the basis of the gross carrying amount
- Level 2: Present value taking account of expected losses over the entire term, interest recognized on the basis of the gross carrying amount
- Level 3: As for Level 2 but with a higher (more tailored) discount factor, interest recognized on the basis of the net carrying amount. The gross carrying amount is initially reduced by the loan loss provision and then the effective interest method is applied

Determination of the effective interest rate for the three levels takes account of the following factors:

- Customer credit rating
- Currency risk if not invoiced in EUR
- Past events, current conditions and forecasts of future economic conditions
- Country risk for payment history

The Group also hedges its trade receivables and other receivables via advance payments or payment guarantees, particularly in foreign markets. The Group has no trade receivables or contract assets for which no impairment losses have been recognized on the basis of collateral.

CASH AND CASH EQUIVALENTS

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

EQUITY

1. Subscribed share capital

The subscribed share capital is organized in 22,701,725 to the no-par value bearer shares with a calculable nominal value each of a Euro. All shares have been fully paid in.

In accordance with Section 4 (5) of the by-laws, the Management Board is authorized to increase the share capital by up to EUR 8,439,476 wholly or in part, once or in several stages by June 15, 2026 with the approval of the Supervisory Board by issuing up to 8,439,476 new bearer shares against cash payments and/or contributions in kind (authorized capital for 2021). As a general rule, shareholders must be granted subscription rights. Under conditions described in more detail in Section 4 (5), however, the Management Board is authorized to rule out shareholders' statutory subscription rights with the approval of the Supervisory Board.

Moreover, the company's share capital has been conditionally increased in accordance with Section 4 (6) of the bylaws by up to EUR 8,416,704.00 through the issue of up to 8,416,704 new bearer shares (Conditional Capital 2014/2018/2020). The Conditional Capital has the purpose of granting shares to owners or creditors of convertible and/or warrant bonds, which have been or will be issued according to the resolution of the General Meeting of April 14, 2014 to June 21, 2018 (inclusive) (Authorization 2014) or the authorization in accordance with the resolution of the General Meeting of June 22, 2018 in the modified version by the resolution of the General Meeting of June 16, 2020 to June 15, 2025 (inclusive) (Authorization 2018/2020) by the Company or a domestic or foreign company, in which the Company directly or indirectly holds the majority of votes and capital. This will only be executed if use has been or is made of the convertible or option rights or the fulfillment of conversion obligations from such bonds, and insofar as other forms of fulfillment have not been or are not used. The issue of the new shares will take place at the option price on the basis of the respective conversion or option price to be determined by the respective authorization. The new shares will participate in the profit from the beginning of the fiscal year in which they originate through the exercise of conversion or option rights or the fulfillment of conversion obligations; by way of exception to the above, the Management Board can, if legally permitted to do so and with the approval of the Supervisory Board, determine that the new shares will participate in the profit from the beginning of the fiscal year for which no AGM resolution on the appropriation of retained earnings has been adopted at the time when conversion or option rights are exercised or conversion obligations fulfilled. The Management Board is authorized to define further details for implementing the conditional capital increase. The Supervisory Board is authorized to modify the wording of Article 4 of the company's bylaws to fit the issuing of new shares from Conditional Capital 2014/2018/2020. The same applies if Authorization 2018/2020 has not been or will not be exercised during its term, or the corresponding conversion or option rights and/or conversion obligations have expired or expire due to the expiry of the exercise deadlines or in some other way.

2. Additional paid-in capital

In 2021, both the reserve fund components from the equity increase against cash contributions as well as the equity components from the convertible bonds issued in 2021 less the deferred tax liabilities relating to this, were adjusted in the additional paid-in capital. Through the partial conversion of the bond 2020/2026, second installment, further changes have come about within the equity. We would like to reference the Changes in Shareholder's Equity statement.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

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

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

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

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

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

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

The net interest cost is recognized under interest expenses in the consolidated income statement. Actuarial gains and losses based on experiential adjustments and modifications to actuarial assumptions are recognized in other comprehensive income in the period in which they arise and are pooled in equity under other reserves.

A duration of 15 years was assumed and the following measurement principles were applied when determining the pension obligations:

	2021	2020
Interest rate	1.31%	1.00%
Increases in income	2.50%	2.50%
Pension adjustments	1.70%	1.70%

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

(in kEUR)	Interest rate		Income trend		Pension adjustment	
	Increase of 1 %	Decrease of 1%	Increase of 1 %	Decrease of 1%	Increase of 1 %	Decrease of 1%
Effect on DBO (2021)	-1,039	1,376	131	-122	995	-777
Effect on DBO (2020)	-1,232	1,666	191	-177	1,153	-880

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

The Company is exposed to the following particular risks that arise from the defined benefit pension plan:

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

OTHER PROVISIONS

1. Product-related provisions for warranty

Provisions for estimated costs relating to product warranties are recognized on the date the revenue is recognized. The estimates are based on historical empirical data for warranty costs. Calculation of the provision takes account of empirical values and associated probabilities resulting from the frequency with which each machine type is used as well as the average material costs, personnel and travel expenses, other overheads and incidental expenses and the machines still covered by the warranty period. In the case of new product lines, the estimation for these provisions reflects the empirical values for existing product lines as well as expert opinions. The warranty period is usually 12 months.

2. Other provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event that will likely result in a financial expense to the company and the level of which can be reliably estimated. The amount of the provision is calculated by discounting the expected future cash flow with an interest rate before tax, which reflects the current market expectation with respect to the interest effect. Compound interest is recognized as a financing cost. Additions to provisions and reversals are generally recognized in the consolidated income statement.

LEASING

SLM is both a lessor and a lessee as part of its business activities.

Since 1 January 2019, the Group has been evaluating at the start of the contract whether it justifies or contains a lease. This is the case if the contract assigns the right to control the use of an identified asset in return for consideration for a certain period. The Group uses the definition of a lease in IFRS 16 to assess whether a contract contains the right to control an identified asset.

1. SLM as lessee

On the date of provision or on the amendment of a contract containing a lease component, the Group splits the contractually agreed payment on the basis of the respective individual selling prices. However, for property leases, the Group has decided to refrain from separating non-lease components and instead to report lease and non-lease components as a single lease component. This relates in particular to rental contracts for subsidiaries which conduct their business in rented office space.

On the date of provision, the Group recognizes an asset for the usage right granted and a lease liability. The right of use is initially measured at cost equating to the initial measurement of the lease liability, adjusted to take account of any payments on or before the date of provision plus any initial direct costs and the estimate cost of uninstalling or removing the underlying asset or to restore the underlying asset or site where it is located less any lease incentives received.

The right of use is then depreciated on a straight-line basis from the date of provision until the end of the lease period unless the ownership of the underlying assets is transferred to the Group at the end of the lease term or the cost of the usage right reflects the fact that the Group will exercise an option to buy. In this case, the usage right will be depreciated over the useful life of the underlying asset determined in accordance with the rules for property, plant and equipment. In addition, the usage right will

be subject to continuous impairment losses, if required, and adjusted to reflect certain revaluations of the lease liability.

Initially, the lease liability will be measured at the present value of lease payments not yet made on the date of provision, discounted at the interest rate on which the lease is based, or if this cannot be easily determined at the Group's incremental borrowing interest rate. The Group normally uses its incremental borrowing interest rate as its discount rate.

The lease payments included in the measurement of the lease liability comprise:

- Fixed payments including de facto fixed payments
- Variable lease payments linked to an index or (interest) rate, initially measured on the basis of the index or (interest) rate applicable on the date of provision
- Amounts expected to be due for payment under a residual value guarantee, and
- The price of exercising a purchase option if the Group is reasonably certain of exercising it; lease payments for an extension option if the Group is reasonably certain of exercising it; as well as penalties for premature termination of the lease unless the Group is reasonably certain of not terminating prematurely.

The lease liability is measured at the amortized carrying amount using the effective interest method. It is reevaluated if the future lease payments change due to the movement of an index or (interest) rate, if the Group adjusts its estimate of expected payments as part of a residual value guarantee, if the Group changes its assessment of exercising an option to purchase, extend or terminate, or if a de facto fixed lease payment changes.

In any such reevaluation of the lease liability, the carrying amount of the right of use will be adjusted accordingly or is recognized in profit or loss if the carrying amount of the right of use has reduced to zero.

The Group reports rights of use in the balance sheet as Right of use (ROU) under fixed assets, and the lease liabilities under other financial liabilities.

The Group has decided not to recognize rights of use and lease liabilities for leases based on low value assets or for short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases over the term of the lease as other expenses on a linear basis.

2. SLM as lessor

At the start or amendment of a contract containing a lease component, the Group splits the contractually agreed payment on the basis of the respective individual selling prices.

If the Group acts as the lessor, it classifies every lease at the start of the contract as either a finance lease or an operating lease.

In order to classify each lease, the Group has conducted an overall assessment as to whether the lease essentially transfers all risks and opportunities associated with ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is an operating lease. As part of this assessment, the Group takes certain indicators into account such as whether the lease covers most of the economic useful life of the assets.

If an agreement contains lease and non-lease components, the Group applies IFRS 15 to split the contractually agreed consideration.

The Group applies the derecognition and impairment rules of IFRS 9 to the net investment in the lease. The estimated, non-guaranteed residual values recognized in calculating the gross investment in the lease, are regularly reviewed by the Group.

Lease payments from operating leases are recognized by the Group as income under other revenues over the term of the lease on a straight-line basis.

FINANCIAL LIABILITIES

Financial liabilities essentially combine the convertible bond and loans for funding new construction work.

1. Convertible bonds

On October 11, 2017, SLM issued a convertible bond. The issue volume is EUR 58.5 million. The bond can be initially converted to 1,379,760 new or existing bearer shares. The initial conversion price is EUR 42.3987 which represents a premium of 28.0% above the reference price. The bond bears interest at the rate of 5.5% p.a. and matures on October 11, 2022. The accrued interest for the bond at the end of the year is shown under financial liabilities and has a residual term of under one year.

On July 14, 2020, SLM Solutions issued the first tranche of the second convertible bonds 2020/2026 with a volume of EUR 15.0 million. The conversion price was EUR 6.75. The subscription offer was exclusively aimed at owners of the Company's shares and owners of the convertible bonds 2017/2020 issued by the Company in 2017. The bond bears an annual interest rate of 2.0% and matures on September 30, 2026. The accrued interest for the bond at the end of the year is shown under financial liabilities and has a residual term of under one year.

On April 23, 2021, SLM Solutions issued the second tranche of the convertible bonds 2020/2026 with a volume of EUR 15.0 million. The conditions otherwise comply with those of the first tranche. In 2021, the investors made partial use of their conversion right. Of the original 1,935,484 pieces, 1,472,772 were converted. 462,712 items remained with a repayment obligation amounting to kEUR 3,586 in 2026 on December 31, 2021.

The convertible bond has both equity and debt components. The conversion right constitutes equity. Embedded derivatives in the form of termination rights do not have to be reported separately. A net present value is determined for the convertible bonds. It is calculated by using a discount rate derived from quoted yields for bonds with similar terms and similar credit ratings which are traded in active markets, specified by the issuing bank.

Interest payments as well as compounding expenses are recognized as finance costs in profit and loss in the relevant year.

2. Liabilities toward banks

Loans have been taken out to finance the new building. The two existing loan obligations mature on December 31, 2026. Repayments are made in 30 equal, successive quarterly installments of kEUR 333 beginning on June 30, 2019 and in a final installment of kEUR 133. First mortgages have been registered for these liabilities on the Estlandring property in Lübeck on behalf of the banks extending the loans. Repayment for the following year is reported under current financial liabilities. The liabilities are recognized at their carrying amounts corresponding to a reasonable approximation of the present value of the cash flows.

FOREIGN CURRENCY TRANSLATION

1. Transactions in foreign currencies

Transactions in foreign currencies are translated into the corresponding functional currency of Group companies at the spot rate on the day of the transaction. The Group's functional currency is the Euro. Monetary assets and liabilities denominated in a foreign currency on the reporting date are translated into the functional currency at the closing rate.

Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the rate applicable when the fair value is determined. Non-monetary items measured at historical cost in a foreign currency are converted at the exchange rate on the date of the transaction. Equity is converted at the historical spot rate. As a general rule, currency translation differences are recognized in profit and loss for the period and reported under finance expenses.

2. Foreign operations

Assets and liabilities from foreign operations are translated into euros at the closing rate on the reporting date. Income and expenses from the foreign operations are translated at the rate applicable at the time of the particular transaction.

Currency translation differences are recognized in other comprehensive income and reported under the currency translation reserve.

The following exchange rates have been used in the consolidated financial statements:

Currency	Dec. 31		Average for year	
	2021	2020	2021	2020
U.S. Dollar	1.1326	1.227	1.13038	1.217
SG Dollar	1.5279	1.622	1.54034	1.622
CNY	7.1947	8.023	7.19927	7.960
RUB	85.3004	91.467	83.49126	90.240
INR	84.2292	89.661	85.17615	89.608
CAD	1.43930	1.563	1.44626	1.560

REVENUE RECOGNITION

SLM generates sales revenues from the sale of machines and accessories, as well as spare parts, merchandise and consumables, as well as machine-related services.

When contracts are concluded, SLM reviews the goods or services to which the company has committed in a contract with the customer, and also checks every commitment to verify whether a separate, depreciable good or delimitable service has been transferred. Contracts are designed so that goods and services, which the company has committed to transfer to the customer, are explicitly listed. On conclusion of the contract or at the start of the contract, SLM identifies whether the contractual obligation will be fulfilled at a particular time or over a particular period. As a general rule, separate contracts are concluded for contractual obligations relating to periods such as maintenance contracts. If the contractual obligation is not fulfilled over a certain period, the company will fulfill its contractual obligation at a specific time. In the process, SLM adheres to the rules regarding the transfer of control. SLM recognizes the sales revenues when it has met and fulfilled its contractual obligation by transferring the contractually agreed good or service and/or asset to the customer. An asset is deemed to have been transferred if the customer has obtained power of disposal over this asset. With SLM, this constitutes in particular the delivery of machines and accessories, spare parts and metal powder. The sales revenues are generally recognized when the goods have been dispatched from the Group's warehouse. In addition, customers can book optional services such as installation or training which are charged separately, and the sales revenues are recognized at the time the service is provided.

As a matter of principle, no contracts contain either variable remuneration or estimates or finance components. In accordance with contractual agreements, advance payments will be due and billed depending on the stage of completion of the delivery or service and set off against the final payment. Advance payments received are reported in contractual liabilities.

A warranty of 12 months is agreed with the contracts which is recognized as a subsequent contractual obligation by way of a provision.

On the other hand, a company transfers the power of disposal over a good or service over a particular period, thereby meeting its contractual obligation, and recognizes the sales revenues if one of the following criteria has been met:

- the customer is benefiting from the service and can use the service while it is being provided
- the service creates or enhances an asset (e. g. work in progress) and the customer obtains power of disposal over the asset while it is being created or enhanced, or
- as a result of the service, an asset is created which is of no alternative use to the company, and the company has a legal claim to payment of the services already provided.

With SLM, this relates in particular to rental, service and maintenance contracts. The revenues are distributed and collected over the term of the contracts in line with their deadlines with due consideration given to any special services or interest effects. Advance payments for subsequent periods are reported in contractual liabilities.

Deviating from previous years, the revenue for the order production of prototypes of new systems of NXG 600 XII is recorded in accordance with the performance progress. SLM Solution is of the opinion that the customers control all of the ongoing work during manufacture. These machines are manufactured as beta machines after conclusion of the contract and with the customer's specifications. It is not possible for another customer to alternatively, readily use them. Due to the existing contracts, it is possible to reliably estimate the revenue. There are successive, pro rata claims to payment during the manufactu-

ring process in line with the advance of the machine's manufacture. There is a payment claim, at a minimum, at the stage of completion of the machine or the order and the service provided pro rata if the contract is terminated by the customer due to a reason other than non-fulfillment of the service owed. It not only includes the reimbursement of costs, but an appropriate margin. Performance progress is determined on the basis of the cost-to-cost method. Invoices are issued in accordance with the contractual agreements and payments are demanded. Sums not included in the invoice are identified as contractual assets within the claims.

EMPLOYEE BENEFITS

1. Short-term benefits to employees

Obligations resulting from short-term benefits to employees are recognized as expenses as soon as the associated service is provided. A liability must be recognized for the amount expected to be paid if the Group presently has a legal or de facto obligation to pay this amount on the basis of work performed by the employee and the obligation can be reliably estimated.

2. Share-based compensation agreements

Share-based compensation agreements exist exclusively with members of the Management Board. For this long-term, variable remuneration, SLM has determined the Long Term Incentive Program (LTIP) 2021. This program foresees a performance-related payment as such that so-called Stock Appreciation Rights (SARs) are assigned to the relevant Management Board member. The value of the respective annually assigned SARs should be oriented to both the assignment at the time and to the development of the share price of the company regarding its further development. Pursuant to the LTIP 2021, there is a pure cash settlement of the SARs.

In this light, the employee options are "cash-settled", this means that an operation will take place through a cash settlement. The Management Board members are, however, obligated to acquire company shares amounting to a third of the SAR net amount (reinvest obligation). However, this obligation to purchase shares does not apply if the affected board member already has company shares which have a current market value that exceeds the relevant board member's annual fixed salary twofold, or where the current market value of the shares together with the shares acquired in accordance with the reinvest obligation were to exceed this amount.

This long-term remuneration is aligned to sustainability. The performance period of four years aims to align the board actions during the course of the fiscal year to the long-term development. Valuation is at a fair value at the relevant reporting date, which is determined by a simplified model on the basis of a Monte-Carlo simulation.

3. Performance-related compensation agreements

- SLM only grants plans that are not covered by capital, and measures claims derived from defined benefit plans by applying the projected unit credit method. In determining the net present value of the future benefit entitlement for services already rendered (defined benefit obligation – DBO), SLM takes into account future compensation and benefit increases if the employee's final benefit entitlement at regular retirement age depends on future compensation or benefit increases.
- SLM recognizes actuarial gains and losses (resulting from an adjustment to the discount rate, for example) in full, and net of tax, in other comprehensive income in the year in which they occur.
- Performance-related obligations are calculated annually by a recognized actuary.

4. Other long-term benefits to employees

Aside from the share-based payment agreed with Management Board members (see 2), there are no agreements with employees regarding long-term benefits.

5. Termination benefits

Termination benefits are recognized as expenses at the earlier of the following times: when the Group is no longer able to withdraw the offer of such benefits, or when the Group recognizes costs for restructuring. If in the case of benefits, they are not expected to be fully paid within twelve months of the closing date, they are discounted to present value.

GOVERNMENT GRANTS

In the normal course of its business, the Group receives government grants for its development activities. Government grants are recognized when it is reasonably certain that the conditions attached to the grants are met, and that the grants will be received. Grants awarded for the purchase or the production of property, plant and equipment (grants related to assets) are offset against the cost of the respective assets as soon as the development is finished, thereby reducing future depreciation and amortization charges accordingly. Grants that have already been extended and received but not yet used for their intended purpose are recognized at fair value and accrued under liabilities.

Grants are being awarded for the construction of the new plant in Lübeck Genin which will be deducted from the acquisition and production costs of the corresponding items of fixed assets. The subsidy period ended in 2020.

Grants obtained for purposes other than property, plant and equipment (performance-related grants) are reported in the consolidated income statement as other income in the period when such grants are received.

The state governments in Canada and the USA have likewise granted the relevant subsidiaries corresponding subsidies. In 2020, a loan of CAD 40,000 (kEUR 26) was granted to the Canadian subsidiary due to the coronavirus pandemic, which is still included in the liabilities at CAD 30,000 (kEUR 21) as of December 31, 2021. The difference amount was recognized in the profit and loss account in 2020. In 2020 and 2021, the subsidiary in the USA received Covid-19 aid. The paid-out aid was initially recorded as a liability and after fulfillment of the corresponding prerequisites in December 2021 recognized in profit with USD 908,165.00 (kEUR 803).

There are no unfulfilled subsidy conditions in the fiscal year that might lead to a demand for repayment on the part of the subsidy provider.

FINANCIAL INCOME AND FINANCE COSTS

The Group's financial income and finance costs comprise:

- Interest income
- Interest and similar expenses
- Dividend income
- Foreign currency gains and losses from financial assets and financial liabilities

Interest income and interest expenses are recognized in the profit or loss account using the effective interest method. Dividend income is recognized in the profit or loss account at the time the Group's legal claim to payment comes into effect

The effective interest rate is the rate that precisely discounts the estimated future receipts or payments during the expected life of the financial instrument to

- the net carrying amount of the financial asset or
- the residual carrying amount of the financial liability.

When calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (unless its credit rating is impaired), or the residual carrying amount of the liability. On the other hand, in the case of financial assets whose credit rating is impaired after initial recognition, the interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the credit rating of the asset is no longer impaired, the calculation of interest income is conducted once again based on the gross amount.

INCOME TAXES

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

1. Current taxes

Current taxes represent the expected tax liability or tax claim on the taxable income or tax loss for the fiscal year, on the basis of local tax regulations and rates applicable on the closing date or in the near future, as well as all adjustments of the tax liability for earlier years. The amount of the expected tax liability or claim reflects the amount which represents the best estimate taking account of any existing tax-related uncertainties. Current tax liabilities also include all tax liabilities arising from the setting of dividends.

Current tax claims and liabilities are only netted on certain conditions.

2. Deferred taxes

Deferred taxes are formed in accordance with the liability method. They are recognized with respect to temporary differences between the carrying values of the assets and liabilities for Group accounting purposes and the amounts used for tax purposes.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unutilized tax losses, and unutilized tax credits, can be utilized. Profits to be taxed in the future are determined on the basis of the reversal of the taxable temporary difference. Should the amount not be sufficient for fully capitalizing deferred tax claims, the profits that are taxable in the future – in consideration of the reversal of temporary differences – will be determined on the basis of the individual business plans of the Company or subsidiary. These are only to be capitalized (taking into account minimum taxation settings) if it is highly likely that sufficient taxable profit will be available to offset losses in future. The loss carryforwards can only be offset against profits of following years to a limited extent depending on the respective national taxation laws. In addition, the options for offsetting against future profits may well be limited by time.

Deferred taxes relating to items recognized directly in equity are also recognized directly in equity.

Deferred tax claims are examined on each balance sheet date and reduced to the extent that it is not likely that the associated tax benefit will be realized; attributions will be made if the probability of future taxable results improves.

Deferred taxes are measured using the tax rates expected to apply to temporary differences as soon as they reverse, using tax rates applicable or announced on the closing date. Deferred taxes reflect any uncertainty contained in income taxes.

The effect of a change in tax rates is recognized in the income statement in the period when the new laws are enacted or substantively enacted unless related to items directly recognized in equity.

In Germany, the calculation of income tax is based on a corporate tax rate of 15% and a solidarity surcharge thereon of 5.5%, for all distributed and retained earnings.

In addition to corporate taxation, trade tax is levied on profits earned in Germany. As corporate tax in Germany is a non-deductible expense, the average corporate tax assessment rate is 15.75% and the total tax rate 31.575% (previous year: 31.575%).

For foreign subsidiaries, income taxes are calculated based on local tax laws and applicable tax rates in individual foreign countries. The tax rates applicable to group companies vary for deferred taxes between 17% (previous year: 17%) and 27.9% (previous year: 27.9%).

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

NOTE 5

CHANGE TO ACCOUNTING POLICIES – CHANGED STANDARDS AND INTERPRETATIONS

On January 1, 2021, the Group applied the subsequently presented, new standards and interpretations for the first time.

The following amended standards and interpretations are not expected to have any material effect on the consolidated financial statements.

- COVID-19-related rent reductions (amendments to IFRS 16)
- Reform of the reference interest rates – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Furthermore, a series of additional new standards were applicable for the first time on January 1, 2021.

However, these changes have no material implications for the consolidated financial statements.

NOTE 6

NEW STANDARDS NOT YET TO BE APPLIED

A series of new standards are to be applied in the first reporting period of a fiscal year commencing after January 1, 2022 although advance application is possible; however, the Group has not applied the new or amended standards in advance in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have any material effect on the consolidated financial statements.

- Covid-19 related rent reductions after June 30, 2021 (amendments to IFRS 16)
- Onerous contracts – costs of contractual fulfillment (amendments to IAS 37)
- Annual improvements to the IFRS standards 2018 - 2020
- Property, plant and equipment: income prior to planned use (amendments to IAS 16)
- Reference to the framework concept (amendments to IFRS 3)

- Classification of liabilities as short-term or long-term (amendments to IAS 1)
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts
- Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of estimations (amendments to IAS 8)
- Deferred taxes in conjunction with assets and liabilities from a single transaction (amendments to IAS 12)
- IFRS 10 and IAS 28 sale or contribution of assets between an investor and an associated company or joint venture

NOTE 7

ESTIMATES AND ASSUMPTIONS

Estimates and assumptions are required to a certain extent when preparing consolidated financial statements. The estimates and assumptions have an impact on the recognition, measurement and presentation of assets, liabilities, income and expenses.

Key assumptions

These consolidated financial statements have been prepared on a going concern basis.

At the end of the 2021 fiscal year, the company exhibited cash and cash equivalents of EUR 25 million, which is essentially conducted from financing operative business, as well as financing the investment in research and development, the development of new products, and the development of the service network. If a substantial number of the convertible bond 2017/2022 creditors make use of their exceptional right of termination, a financial gap would arise with the necessity to collect additional liquid funds within the framework of a capital measure prior to expiration of the convertible bond 2017/2022 in October 2022. The company has already introduced the necessary measures to be able to execute this in the short-term. These incidents and circumstances indicate that there is a significant uncertainty, which can raise doubt as to the ability of the Group to continue business activity, which is why, where applicable, the Group is not in a position to recover or settle its assets or liabilities within the framework of usual business activity. The Management Board is optimistic that the current measures will cover the requirement for additional cash and cash equivalents. Due to these factors, the Management Board has the realistic expectation that the Group will have adequate resources at its disposal to continue its business activity for the foreseeable future.

Estimates

All available information is taken into account in the process. Actual results may vary from this estimate. Basic estimates relate to the

- Capitalization of development costs
- Impairment tests for development costs

- Determination of useful life
- Calculation of deferred tax assets
- Recognition of deferred tax assets for loss carryforwards with a view to future offsets
- Impairment requirement for stock according to inventory coverage
- Impairment of receivables and the inherent risks expected
- Realization of revenue for the beta versions of NXG 600 XII
- Recognition and measurement of other provisions, particularly warranty provisions
- Measurement of pension provisions

Of particular importance are estimation uncertainties resulting from the current tense interest situation which affect the value of assets and liabilities reported or their impairment.

NOTE 8

ADDITIONAL DISCLOSURES ABOUT FINANCIAL INSTRUMENTS

The financial instruments not measured at fair value are measured at discounted cash flows. The measurement model takes account of the present value of expected payments, discounted using a risk-adjusted discount rate. Financial liabilities are measured at amortized cost using the effective interest method.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. The table contains no details of the fair value if the carrying amount represents a reasonable approximation of the fair value.

In kEUR	31.12.2021		31.12.2020	
Currency	Carrying amount	Carrying amount	Carrying amount	Carrying amount
	Financial assets at amortized cost	Financial liabilities	financial assets at amortized cost	Financial liabilities
Financial assets not measured at fair value				
	Trade receivables	22,231	13,499	
	Other financial receivables, current	0	0	
	Other financial receivables, non-current	263	208	
	Cash and cash equivalents	24,998	18,864	
Financial liabilities not measured at fair value				
	Trade payables		11,008	6,983
	Secured bank loans		7,281	8,598
	Convertible bonds		72,833	68,526
	Other financial liabilities, non-current		771	1,143
	Other financial liabilities, current		451	670
Total	47,493	92,344	32,571	85,920

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

FINANCIAL RISK MANAGEMENT

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

The Group is exposed to the following risks from the deployment of financial instruments:

- Default risk
- Liquidity risk
- Market risk

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

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

1. Default risk

The default risk is the risk of financial losses if a customer or financing party fails to meet their contractual obligations. The default risk applies to all trade receivables and large parts of other financial assets including deposits with banks. The maximum credit and default risks correspond to the carrying amount of the financial assets.

The Group has taken extensive steps to minimize these risks. If a sale exceeds defined limits, the Management Board or the management of SLM Solutions or the subsidiaries first checks on the credit rating of the counterparty. Moreover, legal title remains with SLM Solutions until full payment is received. Prepayments by customers and the deployment of commercial letters of credit comprise further risk-reducing measures.

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

The identifiable trend towards multi-machine orders, where customers order several machines as part of a single order, could result in comparatively higher receivables positions with individual customers. The Company counters this trend through further diversification of its customer base, and greater monitoring of related receivables positions. Normal instruments such as prepayments and other hedging instruments are also utilized for these types of orders.

2. Liquidity risk

The liquidity risk is the risk that the Group may not be in a position to meet its financial obligations by supplying cash or other financial assets as per the contract. The management of liquidity in the Group is intended to ensure that – as far as possible – there are always sufficient liquid assets available in normal and even tight circumstances to meet payment obligations when they fall due without suffering any unsustainable losses or damaging the reputation of the Group.

SLM AG monitors its liquidity on a regular basis. The Group endeavors to maintain its cash and cash equivalents at a level that exceeds the expected outflows resulting from financial liabilities (apart from trade payables) for the next 60 days. The Group also monitors the level of expected receipts from trade receivables and other receivables together with the expected outflows from trade payables as well as other liabilities.

SLM AG pursued its medium-term goal of guaranteeing continuity of funding and sustainable liquidity through the use of bank overdrafts, bank loans, debentures, finance and operating leases as well as shareholder loans, by issuing a convertible bond in October 2017 and July 2020. In April 2021, the second tranche of the 2nd convertible bond 2020/2026 was issued at EUR 15.0 million. In February 2022, after coordination with the investors, the term of the convertible bonds 2017/2022 was extended. Maturity was extended by 2 years to October 11, 2024. In return, the interest rate was increased by 200 base points to 7.5%. Furthermore, it is stipulated that each bondholder will have the opportunity to expect repayment of all or part of the bonds at the original date of maturity on October 11, 2022. A request as such must be made by April 8, 2022.

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

Furthermore, the Group has no credit lines. Guarantee facility in the amount of EUR 3.5 million. As disclosed in the risk report, the Group has two secured bank loans with one of them containing conditions. Any future breach of the conditions may lead to a requirement to pay back the loan earlier than shown in the table.

The table below summarizes the term profile of the Group's financial liabilities. It should be noted that the convertible bond is shown at its present value at the end of the fiscal year. The settlement amount in 2022 is kEUR 58,500 for the convertible bond 2017 and kEUR 15,000 for the convertible bond 2020 in 2026. From the second tranche of the convertible bond, settled in 2021, a settlement amount of kEUR 3,586 had not been converted on December 31, 2021.

Maturities

in kEUR carrying amount	Total fiscal year	Total previous year	up to 1 year fiscal year	up to 1 year previous year	between 1 and 5 years fiscal year	between 1 and 5 years previous year	over 5 years fiscal year	over 5 years previous year
Convertible bond	72,833	68,526	57,877	0	14,955	57,086	0	11,440
Liabilities to banks	7,260	8,598	2,125	587	5,135	8,011	0	0
Other financial liabilities	1,243	1,832	451	689	792	1,143	0	0
Trade payables	11,008	6,983	11,008	6,983	0	0	0	0
	92,344	85,939	71,461	8,259	20,882	66,240	0	11,440

3. Market risk

Market risk is the risk that market prices, e.g. exchange rates or interest rates will change, thereby affecting the Group's income or the value of the financial instruments held. The aim of market risk management is to manage and monitor market risk within acceptable boundaries and at the same time to optimize returns.

a. Currency risk

The Group is exposed to foreign currency transaction risks to the extent that the quoted prices of currencies in which sales and purchasing transactions as well as receivables and lending transactions are settled do not match the functional currency of Group companies. The functional currency of Group companies is the Euro.

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

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

As a general rule, the effect on pre-tax profits currently corresponds to the effect on equity.

In keur	Change of the US dollar exchange rate	Effect on profit before taxes	Effect on equity
2021	10%	1,318	902
	-10%	-1,078	-738

	Change of the SGD exchange rate	Effect on profit before taxes	Effect on equity
2021	10%	299	205
	-10%	-544	-372

	Change of the CNY exchange rate	Effect on profit before taxes	Effect on equity
2021	10%	655	448
	-10%	-536	-367

	Change of the RUB exchange rate	Effect on profit before taxes	Effect on equity
2021	10%	3	2
	-10%	-3	-2

	Change of the INR exchange rate	Effect on profit before taxes	Effect on equity
2021	10%	16	11
	-10%	-30	-20

	Change of the CAD exchange rate	Effect on profit before taxes	Effect on equity
2021	10%	91	62
	-10%	-165	-113

in kEUR	Change of the US Dollar exchange rate	Effect on profit before taxes	Effect on equity
2020	10%	1,501	1,027
	-10%	-1,228	-841

	Change of the SGD exchange rate	Effect on profit before taxes	Effect on equity
2020	10%	428	293
	-10%	-778	-532

	Change of the CNY exchange rate	Effect on profit before taxes	Effect on equity
2020	10%	419	286
	-10%	-343	-234

	Change of the RUB exchange rate	Effect on profit before taxes	Effect on equity
2020	10%	13	9
	-10%	-11	-7

	Change of the INR exchange rate	Effect on profit before taxes	Effect on equity
2020	10%	31	21
	-10%	-56	-39

	Change of the CAD exchange rate	Effect on profit before taxes	Effect on equity
2020	10%	18	12
	-10%	-32	-22

b. Interest rate risk

SLM Solutions currently exhibits a low interest rate risk. There are only limited receivables from customers with an interest-bearing installment arrangement. There are loan agreements in place with associated and affiliated companies with customary, risk-averse interest agreements. The bank loans were agreed with fixed interest rates of up to 1.2%. These serve to fund the new construction work and are thus backed by corresponding collateral. The interest on the convertible bond is below the reference debt of a comparable bond with no conversion component with the result that the risk here is also seen as low.

A fundamental reform of the most important reference interest rates took place worldwide, including the replacement of several "Interbank Offered Rates" (IBORs) with alternative, virtually risk-free interest rates (referred to as "IBOR Reform"). The Group's financial instruments are not exposed directly to the IBORs, which are being replaced or reformed within the scope of these market-wide initiatives. Therefore, the Group does not assume that the IBOR Reform will have an impact on its risk management and accounting for hedges.

SLM deploys no derivative financial instruments or hedging instruments.

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

NOTE 10

REVENUE

(in kEUR)	2021	2020
Sales of machines and accessories	57,602	45,127
Sale of merchandise including powder	17,513	16,632
Total	75,115	61,759

NOTE 11

PERSONNEL COSTS

The following full-time equivalents (FTEs) - split into six groups of employees - were employed on average in the fiscal year 2021:

	2021	2020
Management Board	2	2
Sales	57	100
After Sales	114	81
R&D	116	103
Production	88	88
Administration	92	53
	467	427
of which trainees / interns	22	19

The organization of employees into the different groups was checked in 2021 and, where necessary, an adaptation was performed. The previous year's values have been presented unchanged.

Total personnel costs of kEUR 39,007 (previous year kEUR 35,637). This includes expenses for pension plans and employee pensions of kEUR 287 (previous year: kEUR 229).

NOTE 12

OTHER OPERATING INCOME

(in kEUR)	2021	2020
Currency gains	1,423	484
Insurance compensations	118	82
Incoming payments on written-off claims	74	463
Release of provisions	151	1,206
Other	938	1,491
Total	2,705	3,726

NOTE 13

OTHER OPERATING EXPENSES

(in kEUR)	2021	2020
Sales expenses	4,814	3,753
Operating expenses	4,452	3,532
Legal and consulting expenses	4,003	3,520
Administrative expenses	1,395	1,295
Rentals, leases, premises	1,066	945
Travel expenses	1,724	1,182
Vehicle costs	452	507
Receivables management	530	968
Other	119	1,066
Total	18,555	16,768

Operating expenses essentially comprise IT and communications costs, insurance, servicing as well as tools and equipment.

The rental and leasing costs take the assumptions pursuant to IFRS 16 into consideration.

NOTE 14

INTEREST AND SIMILAR EXPENSES

(in kEUR)	2021	2020
Pension-related finance costs / income	-70	100
Finance costs	18	26
Interest expenses from bank loans	71	84
Interest from convertible bond	5,132	4,202
Other	39	97
Total	5,330	4,509

Within the interest from the convertible bonds is paid interest amounting to kEUR 3,633 and otherwise from accumulation.

NOTE 15

TAXES ON INCOME

(in kEUR)	2021	2020
Current income tax previous year		
Tax expense/income from previous years	-113	-74
	-113	-74
Current tax expense current year	-5	-198
Deferred taxes		
Origination and reversal of temporary differences excl. loss carryforwards	-1,489	-751
Change in recognition of tax loss carryforwards	2,796	-1,374
	1,307	-2,125
Income tax current year, total	1,302	-2,323

Recognized in comprehensive income	1,189	-2,397
Overall result		
Deferred taxes recognized directly in other comprehensive income		
Convertible bond	343	-1,124
Actuarial gains / losses from pension provisions	-233	54
Income tax recognized in comprehensive income	110	-1,070

The loss carry-forwards in the subsidiaries totaling kEUR 0 (previous year: kEUR 0) were estimated to be non-usable overall. Of this amount, kEUR 0 (previous year: kEUR 0) expire within a period of 5 years, and loss carry-forwards of kEUR 0 (previous year: kEUR 0) can be used indefinitely.

Deferred taxes on tax loss carry-forwards of SLM Solutions Group AG amounting to kEUR 5,967 were capitalized to the extent that they were matched by deferred tax liabilities and taking into account the minimum taxation. These originate from SLM AG which has a history of losses. This imbalance has been created in particular by the net results of SLM Solutions Group AG in fiscal 2021 on top of existing loss carry-forwards.

	2021	2021	2020	2020
(in kEUR)	in %	in kEUR	in %	in kEUR
Pre-tax profit/loss	31.575	-21,563		-27,855
Expected income tax calculated with 31.575% (previous year: 31.575%)		-6,809	31.575	8,795
<i>Tax effects resulting from:</i>				
Non-tax-deductible expenses	-1.562	337	0.728	203
Tax rate variances	-0.742	160	0.000	0
Use of loss carry-forward for which no deferred taxes have been estimated	1.313	-283	-5.274	-1,469
Tax-free income	0.000	0	0.000	0
Losses in the current year in subsidiaries for which no deferred tax claims were recognized	-0.379	82	-0.483	-134
Losses in the current year at the parent company for which no deferred tax claims were recognized	-26.514	5,717	-39.184	-10,915
Deferred minimum taxation on future reversal of deferred taxes according to the balance sheet	-13.182	2,842	11.215	3,124
Other	3.454	-745	1.422	396
Income tax	-6.036	1,302	0.000	0

	01.01.	01.01.			31.12.	31.12.	31.12.	31.12.
(in kEUR)	Carrying amount difference	Defer- red taxes	Recog- nized in profit and loss	Recog- nized in equity	Carrying amount difference	Defer- red taxes, net	Defer- red tax claims	Defer- red tax liabili- ties
Intangible assets	27,570	-8,705	-1,473	0	32,232	-10,177		-10,177
Property, plant and equip- ment	-1,167	369	-177	0	-608	192	192	
Trade receivables and other assets	-1,418	448	43	0	-1,553	490	490	
Accruals and deferrals	5,239	-1,572	-116	343	4,257	-1,344		-1,344
Loss carryforwards	-	3,124	2,796	0	-	5,967	5,967	
Pension obligations and other personnel obligations	4,165	484	252	-233	3,741	504	504	
Trade payables and other liabilities	62	20	-20	0	0	0	0	
Total deferred tax assets / liabilities	34,451	-5,832	-1,307	110	38,069	-4,369	7,153	-11,522

NOTE 16

CASH AND CASH EQUIVALENTS

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

(in kEUR)	2021	2020
Bank balances	23,244	17,659
Cash on hand	0	1
Fixed term deposits	1,754	1,204
Total	24,998	18,864

The fixed-term deposits were only of limited availability as in 2021, in particular, they served as a security for guarantees.

TRADE RECEIVABLES AND OTHER FINANCIAL RECEIVABLES

(in kEUR)	31.12.2021	31.12.2020
Trade accounts receivable and other financial assets (short and long-term)	23,386	14,373
Impairments	-992	-716
	22,949	13,657

Receivables from the transfer of holdings in SLM Software GmbH are due by 31.12.2024

(in kEUR)	Impairment
01.01.2020	1,281
Added	342
Used / released	-907
31.12.2020	716
Added	395
Used / released	-119
31.12.2021	992

Impairment allowance on trade accounts receivable and other financial assets

Level 1	by country risk	country category	Adjusted receivable	Adjustment in %	Impairment
		1	11,708,966.94	0.5	58,544.83
		2	7,426,231.63	2.0	148,524.63
		3	982,738.53	5.0	49,136.93
		4	881,621.44	8.0	70,529.72
Level 2	by age of receivable	Age of receivable	Adjusted receivable	Adjustment in %	Impairment
		> 6 months	949,684.07	10	94,968.41
		> 12 months	343,183.64	20	68,636.73
		> 24 months	899,485.55	40	359,794.22
Level 3	based on individual insights	> 24 months	Adjusted receivable	Adjustment in %	Impairment
			283,595.64		141,797.82
Total			13,495,198.13		991,933.28

Future rental income from operating lease agreements as lessor

As of the end of the fiscal year, there is one operating lease agreement (previous year: two) in the area of selective laser melting. The Group generates the following minimum lease payments (in kEUR) from the existing operating leases:

in kEUR	Up to 1 year	1 to 5 years	Total
Leased machine 1	420	350	771
Total	420	350	771

Receivables from finance leases as lessor

There is one (previous year: two) finance leasing agreement for machines and accessories from the selective laser melting field in which the ownership rights for the leasing object are automatically transferred to the lessee at the end of the contractual period. The carrying amount of the receivable at the time of conclusion of contract totaled kEUR 830 and decreases pro rata by the repayment amount of the monthly rental payments of altogether kEUR 35. A right of return exists which expires after 12 or 24 months. Below is a breakdown of the receivables from the leasing business according to remaining term as well as the reconciliation to the gross leasing receivables:

in kEUR	31.12.2021	31.12.2020
Less than 1 year	66	146
More than 1 year and up to 5 years	85	64
More than 5 years	0	0
Total	151	210

Designation	Up to 1 year	More than 1 to 5 years	More than 5 years	Total 2021	Total 2020
Future install-ments	66	85	0	151	210
+ non-guaran-teed residual value	0	0	0		
= Investment value	66	85	0	151	210
Minimum lease payments	66	85	0	151	210

NOTE 18

INVENTORIES

in kEUR	31.12.2021	31.12.2020
Raw materials and supplies	9,767	7,135
Unfinished goods	6,370	6,250
Finished goods and goods for resale	8,939	7,125
Prepayments	767	260
Total	25,842	20,770

In the income statement, records material expenses of EUR 37.0 million and increases in inventory from the change of unfinished and finished product amounting to EUR 1.6 million. Included within the material expenses are also value adjustments, scrap and revaluations amounting to EUR 3.3 million.

NOTE 19

OTHER NON-FINANCIAL ASSETS

in kEUR	31.12.2021	31.12.2020
VAT claims	950	1,313
Receivables from collaboration agreement with NTU	0	297
Contract assets	4,010	2,163
Other	1,355	2,216
Total	6,315	5,989

The item Other essentially contains advance payments for rents, trade fairs and insurance.

INTANGIBLE ASSETS

2021 in kEUR	Acquisition and production costs				Accumulated depreciation					Carrying amounts		
	as of 01.01.	Additions	Disposals	Reclassifications	as of 31.12.	as of 01.01.	Additions	Disposals	Reclassifications	as of 31.12.	as of 31.12.	as of previous year
Intangible assets												
Internally generated industrial property rights and similar rights and assets	12,309	-221	-994	0	11,094	7,546	1,932	-923	0	8,555	2,539	4,765
Purchased concessions, industrial property rights and similar rights and assets and licenses to such rights and assets	2,500	351	-180	0	2,671	1,540	355	-110	0	1,784	887	960
Goodwill	0	0	0	0	0	0	0	0	0	0	0	0
Assets under construction Development costs	13,764	8,089	0	0	21,853	0	0	0	0	0	21,853	13,764
Acquisition associated with a business merger	19,109	0	0	0	19,109	10,504	1,282	0	0	11,786	7,323	8,604
Laser technology	18,124	0	0	0	18,124	9,666	1,208	0	0	10,874	7,249	8,458
Customer base	737	0	0	0	737	589	74	0	0	663	74	147
Orders at hand	249	0	0	0	249	249	0	0	0	249	0	0
	47,683	8,218	-1,174	0	54,727	19,590	3,569	-1,033	0	22,126	32,601	28,092

2020	Acquisition and production costs					Accumulated depreciation					Carrying amounts	
	in kEUR	as of 01.01.	Additions	Disposals	Reclas-sifica-tions	as of 31.12.	as of 01.01.	Additions	Disposals	Reclas-sifica-tions	as of 31.12.	as of 31.12.
Intangible assets												
Internally generated industrial property rights and similar rights and assets	12,309	0	0	0	12,309	4,722	2,824	0	-208	7,546	4,763	7,589
Purchased concessions, industrial property rights and similar rights and assets and licenses to such rights and assets	1,619	885	-3	0	2,500	1,245	295	-1	0	1,540	961	372
Assets under construction	6,440	7,128	0	195	13,764	0	0	0	0	0	13,764	6,440
Development costs												
Acquisition associated with a business merger	19,109	0	0	0	19,109	9,222	1,282	0	0	10,504	8,605	9,886
Laser technology	18,124	0	0	0	18,124	8,458	1,208	0	0	9,666	8,458	9,666
Customer base	737	0	0	0	737	516	74	0	0	589	147	221
Orders at hand	249	0	0	0	249	249	0	0	0	249	0	0
	39,478	8,013	-3	195	47,683	15,190	4,401	-1	-208	19,590	28,092	24,288

PROPERTY, PLANT AND EQUIPMENT

2021	Acquisition and production costs				Accumulated depreciation					Carrying amounts		
	in kEUR	as of 01.01.	Additions	Disposals	Reclas-sifications	as of 31.12.	as of 01.01.	Additions	Disposals	Reclas-sifications	as of 31.12.	as of 31.12.
Property, plant and equipment												
Property, property-equivalent rights and buildings including buildings on third-party land	24,857	222	0	0	25,079	1,189	632	0	0	1,821	23,258	23,668
Technical equipment and machinery	18,338	2,939	-3,512	0	17,765	8,589	2,007	-1,036	0	9,559	8,206	9,750
Other facilities, office furniture and equipment	10,328	2,128	-2,971	26	9,511	5,713	1,463	-1,465	0	5,711	3,800	4,615
Assets under construction	453	272	-206	-26	494	0	0	0	0	0	494	453
	53,976	5,562	-6,690	0	52,848	15,491	4,102	-2,502	0	17,091	35,757	38,486
2020												
2020	Acquisition and production costs				Accumulated depreciation					Carrying amounts		
	in kEUR	as of 01.01.	Additions	Disposals	Reclas-sifications	as of 31.12.	as of 01.01.	Additions	Disposals	Reclas-sifications	as of 31.12.	as of 31.12.
Property, plant and equipment												
Property, property-equivalent rights and buildings including buildings on third-party land	24,969	-5	0	-107	24,857	749	485	0	-45	1,189	23,668	23,668
Technical equipment and machinery	18,106	2,402	-2,170	0	18,338	7,278	2,220	-817	-92	8,589	9,750	9,750
Other facilities, office furniture and equipment	7,583	2,595	-315	466	10,328	4,174	1,508	-260	291	5,713	4,615	4,615
Assets under construction	679	328	0	-554	453	0	0	0	0	0	453	453
	51,337	5,319	-2,485	-195	53,976	12,201	4,212	-1,077	155	15,491	38,486	39,136

The property reported in property, plant and equipment in the amount of kEUR 4,487 serves as collateral for the registered land charges amounting to EUR 10.7 million.

NOTE 22

FINANCIAL LIABILITIES

	31.12.2021	31.12.2020
	kEUR	kEUR
Financial liabilities (non-current)		
Convertible Bond	14,955	68,526
Liabilities to banks from loan	5,156	6,488
	20,111	75,014
Financial liabilities (current)		
Convertible Bond 2017	57,877	0
Liabilities to banks from loan	2,125	2,110
	60,003	2,110
Financial liabilities	80,114	77,124

NOTE 23

OTHER FINANCIAL LIABILITIES

	31.12.2021	31.12.2020
	kEUR	kEUR
Other financial liabilities (non-current)		
Lease liabilities IFRS 16	771	1,143
	771	1,143
Other financial liabilities (current)		
other obligations	126	50
Lease liabilities IFRS 16	325	620
	451	670
Other financial liabilities	1,222	1,813

The long-term leases described above have a term of one to five years.

According to IFRS 16, the leasing liabilities are subject to corresponding rights of use. In 2021, these are as follows (in kEUR):

2021	in kEUR
As of January 1, 2021	1,637
Depreciation and amortization	-358
Withdrawals	-1,340
Accruals	782
As of December 31, 2021	721

The residual book value of rights of use at kEUR 246 (previous year kEUR 441) affect property and building rights, as well as otherwise kEUR 475 (previous year kEUR 1,196) operational and business equipment.

Obligations from leasing contracts as the lessee

The Group has entered into commercial leases on property, vehicles and IT infrastructure. These leases carry an average term of between one and five years. A renewal option is included in the property leasing contract.

As of December 31, 2021, future minimum payment obligations under non-cancellable operating leases are as follows:

in kEUR	31.12.2021	31.12.2020
Less than 1 year	325	620
More than 1 year and up to 5 years	771	1,143
More than 5 years	0	0

Sale and lease back

As of the reporting date, there are no sale and lease back agreements.

Reconciliation of the valuation of liabilities to the cash flows from financing activities

Designation	Remaining other financial liabilities	Convertible bond	Liabilities from Finance leasing	Subscribed share capital / additional paid-in capital	Reserves	Total
Balance as of January 01, 2021	5,957	63,799	768	120,363	-3,005	187,882
Changes in cash flow from financial activities						
Contribution to equity				24,640		24,640
Proceeds from the issue of convertible bonds		15,000				15,000
Repayment of loans	-1,332					-1,332
Payment of leasing liabilities			-329			-329
Interest paid	-522	-3,633				-4,155
Total change in cash flow from financing activities	-1,854	11,367	-329	24,640	0	32,824
Other changes relating to equity				12,020	616	12,636
Balance as of December 31, 2021	4,103	75,166	439	157,023	-2,389	234,342

NOTE 24

OTHER NON-FINANCIAL LIABILITIES

	31.12.2021	31.12.2020
Other non-financial obligations (non-current)	0	13
	0	13
Other non-financial obligations (current)		
Payments received on account	3,805	2,857
other taxes	38	401
Personnel obligations	4,029	3,264
	7,872	6,522
Other non-financial liabilities	7,872	6,535

There are no liabilities with a maturity of over 5 years.

NOTE 25

PENSIONS AND SIMILAR OBLIGATIONS

kEUR	2021	2020
Present value as of January 1	6,982	6,719
Expenses for pension entitlements	74	89
Interest expense	70	87
Pension payments	-85	-83
Gains / losses due to financial changes	-737	170
Gains / losses due to demographic changes	0	0
Gains / losses due to changes based on experience	0	0
Present value as of December 31	6,304	6,982

For subsequent years pension payments are expected to total kEUR 86 (previous year kEUR 85).

NOTE 26

PROVISIONS

Provisions	01.01.2021	Used	Released	Added	31.12.2021
Non-current provisions					
Warranty provisions	777	777	0	0	0
Other provisions	98	0	0	0	0
	875	777	0	0	0
Current provisions					
Warranty provisions	3,198	2,563	0	3,131	3,766
Other provisions	1,106	515	11	550	1,130
	4,304	3,078	11	3,681	4,896

NOTE 27

EQUITY

The equity ratio on December 31, 2021 and on December 31, 2020 was measured as follows:

kEUR	31.12.2021	31.12.2020
Equity	32,671	15,768
Total assets	149,036	126,247
Equity ratio	22%	12%

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.

	2021	2020
Number of shares in issue as of January 1	19,778,953	19,778,953
Number of shares in issue during the fiscal year	2,922,772	0
Number of shares	22,701,725	19,778,953
Consolidated net profit/loss attributable to parent company shareholders (in kEUR)	-20,375	-30,252
Basic (undiluted) earnings per share in EUR	-0.90	-1.53

Earnings per share (diluted)

As in the previous year, diluted earnings are the same as basic earnings. The convertible bond issued could have a dilutive effect but does not do so due to anti-dilution rules on account of the negative earnings for the year.

Other comprehensive income in reserves, after tax, attributable to owners of the parent company, as of year-end in each case:

kEUR	31.12.2021	31.12.2020
Other reserves		
Financial gains / losses	1,894	2,631
Deferred taxes	-598	-831
	1,296	1,800
Foreign exchange equalization reserve	544	656
First-time application reserve		
IFRS 15	384	384
Deferred taxes	-121	-121
IFRS 9	418	418
Deferred taxes	-132	-132
	549	549
Total	2,389	3,005

PRESENTATION OF REPORTABLE SEGMENTS

Presentation of reportable segments

The type of segmentation is based on the management approach. Accordingly, operating segments are to be defined as corporate divisions for which separate financial information is available, and which the chief operating decision-maker regularly evaluates as part of the allocation of resources and appraisal of performance. The uppermost reporting level is decisive in this context. No summary of the operating segments was produced.

The segments "Machine Business" and "After Sales Business" were identified by the Management Board as business areas for internal reporting. The "Machine Business" segment looks at the machines from the Selective Laser Melting division together with options such as powder sieving stations and other peripheral equipment. The "After Sales Business" segment comprises service, spare parts, merchandise along with powder as well as training and installation of the machines.

The two segments described formed the basis of segment reporting in the reporting period and comprise all activities of SLM in the fiscal year.

Central control elements comprise sales, the EBITDA margin and absolute EBITDA. Assets or liabilities are not disclosed separately.

2021

KEUR	Machine Business	After Sales Business	Total
Revenue	57,602	17,513	75,115
Expenditure	-61,366	-22,345	-83,711
EBITDA	-3,674	-4,832	-8,597
Depreciation, amortization and impairment losses			-7,698
Interest			-5,330
Taxes on income and other taxes			1,188
Net income			-20,375

2020

kEUR	Machine Business	After Sales Business	Total
Revenue	45,127	16,632	61,759
Expenditure	-52,602	-23,938	-76,540
EBITDA	-7,475	-7,306	-14,781
Depreciation, amortization and impairment losses			-8,613
Interest			-4,461
Taxes on income and other taxes			-2,397
Net income			-30,252

Besides depreciation and taxes on income, there was no material non-cash expenditure in the reporting year.

The segment revenue presented above relates to revenue from business with external customers. No significant transactions occurred between the different segments.

The accounting and measurement methods of the reportable segments correspond with the accounting and measurement methods used within the Group.

Revenue (by Geography):

	2021	2020
Germany	10,539	8,841
Asia / Pacific	6,893	14,513
European countries (European Union without Germany)	27,606	14,907
North America	29,138	21,708
Other countries	940	1,790
	75,115	61,759

The revenue information provided above relates to customers' locations.

RELATED PARTY DISCLOSURES

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

Members of the Management Board in 2021:

- Sam O'Leary, COO (CEO as of January 20, 2021)
- Dirk Ackermann (from August 1, 2021)
- André Witt (January 21 to July 31, 2021)
- Meddah Hadjar, CEO (until January 20, 2021)

Members of the Supervisory Board in 2021:

- Thomas Schweppe
- Roland Busch
- Hans-Joachim Ihde
- Kevin Czinger
- Magnus René
- Dr. Nicole Englisch

Related parties to the SLM Group comprise the following:

- Ceresio GmbH
- Divergent Technologies Inc., Torrance, USA

No shareholder exerts direct control.

The goods and services as well as further transactions provided by December 31 or in the fiscal year to equity-accounted companies (here: 3 D Metal Powder GmbH until June 30, 2020), changed as follows by comparison with the previous year:

Type of business	Total amount in fiscal year 2021	Outstanding items as of December 31, 2021	Total amount in fiscal year 2020	Outstanding items as of December 31, 2020
	kEUR	kEUR	kEUR	kEUR
Deliveries provided	0	0	0	0
Services received	0	0	0	0
Contribution to equity	0	0	0	0
Lending	0	0	2	0
Outstanding / requested contributions	0	0	0	0
Advance payments	0	0	0	0

In 2021, revenue of USD 192,358.21 (EUR 161,298.34) (previous year: EUR 0 thousand) were generated with Divergent Technologies Inc., Torrance, USA. As of December 31, 2021, USD 126,420.36 (EUR 111,619.60) (31.12.2020: EUR 0 thousand) was still outstanding.

In 2021, the company granted the members of the Management Board remuneration totaling kEUR 1,063. This includes the STI for 2020 and a replacement of the old LTI program. In addition, kEUR 392 (fair value) is allocated to long-term share-based payments under the new LTI program.

In accordance with IAS 24.17, remuneration of kEUR 1,063 was granted. In addition, there is an owed short-term benefit for 2021 in the amount of kEUR 255 and a long-term share-based payment in the amount of kEUR 111.

There is also a defined benefit pension commitment for a former member of the Management Board from his many years as a manager at SLM Solutions GmbH, which amounts to a provision of kEUR 1,478 as of December 31, 2021 (December 31, 2020: kEUR 1,552).

The Supervisory Board is entitled to a total of kEUR 238 allowances for the 2021 fiscal year.

NOTE 30

AUDITOR'S FEE

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

kEUR	2021
Auditing of financial statements	185
Other certification services	0
Tax advisory services	0
Other services	0
Total	185

The audit services comprise the fees for auditing the consolidated financial statements as well as for audits of the separate financial statements of SLM Solutions Group AG prescribed in law. No further services were provided.

NOTE 31

DECLARATION OF CONFORMITY TO THE GERMAN CORPORATE GOVERNANCE CODE

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

EVENTS AFTER THE BALANCE SHEET DATE

In February 2022, the term extension for the convertible bond 2017/2022 was approved by the bond creditors. Maturity has been extended to October 11, 2024. In return, the interest rate for the extension was increased for the period by 200 base points to 7.5%. Furthermore, it is stipulated that each bondholder will have the opportunity to expect repayment of all or part of the bonds at the original date of maturity on October 11, 2022. A request as such must be made by April 8, 2022

RESPONSIBILITY STATEMENT

We give our assurance that, to the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and that the course of business, including the business result and the position of the Group, is portrayed in such a way in the Group Management Report that a true and accurate picture is conveyed and that the significant opportunities and risks of the Group's future development are fairly described.

Lübeck, March 19, 2022
SLM Solutions Group AG

THE MANAGEMENT BOARD



Sam O'Leary



Dirk Ackermann

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To SLM Solutions Group AG, Lübeck

REPORT ON THE AU- DIT OF THE CONSOLI- DATED FINANCIAL STATEMENTS AND OF THE GROUP MA- NAGEMENT REPORT

OPINIONS

We have audited the consolidated financial statements of SLM Solutions Group AG, Lübeck, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2021, the consolidated income statement, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SLM Solutions Group AG for the financial year from January 1 to December 31, 2021.

In accordance with the German legal requirements, we have not audited the content of those components of the group management report specified in the appendix to the independent auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have

fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

MATERIAL UNCERTAINTY ABOUT THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN

Please refer to Note 7 "Estimates and assumptions" in the notes to the consolidated financial statements and to the information in the section "Risk profile" of the group management report, in which the Parent Company's management describe that the Group presents cash and cash equivalents of EUR 25 million at the end of the financial year, which will serve largely to finance operating business and investments in research and development as well as new product development and to expand the service network. Furthermore, if a significant number of the convertible bond 2017/2022 creditors exercise their special termination rights, there will be a financing gap requiring extra cash in the context of a corporate action before the convertible bond 2017/2022 expires in October 2022. Management describes that the Company has already introduced the necessary measures that will allow it to promptly carry out such a corporate action.

In the course of our audit, we therefore identified the appropriateness of the going concern assumption as well as the appropriate presentation of the material uncertainty in connection with the ability to continue as a going concern in the consolidated financial statements as a significant risk and conducted the following audit procedures, among others: We first obtained an understanding of the planning process and discussed the significant assumptions involved in planning with those responsible. Further, we addressed the quality of the Group's forecasts to date by comparing the budgets from previous financial years with the earnings actually achieved and by analyzing deviations. We evaluated in particular the significant assumptions, such as revenue performance. In addition, we assessed both the order volume as of December 31, 2021, based on samples selected on the basis of risk and the development of revenue in the initial months of 2022. Furthermore, we compared whether the assumptions are consistent with internal explanations and external market assessments. We assessed the liquidity generation measures planned and introduced by management to determine whether these are sufficiently probable and feasible. Furthermore, we evaluated the reliability of the underlying data. To take account of the current forecast uncertainty, we analyzed the effects of various scenarios on the Group's ability to continue as a going concern.

We do not issue a separate opinion on this matter.

The assumptions made by the Parent Company's management as well as the presentation in the notes to the consolidated financial statements and the group management report are plausible.

However, it should be noted that the continuation of business activities according to liquidity planning

depends on the ability to obtain the required funding in the context of the capital action initiated to redeem the convertible bond 2017/2022 successfully and on time in the event of special termination. If the corresponding cash inflows are not generated as planned, the ability of the Parent Company to continue as a going concern is at risk.

As described in Note 7 "Estimates and assumptions" in the notes to the consolidated financial statements and the section "Risk profile" of the group management report, these events and circumstances indicate considerable uncertainty that may cast significant doubt on the Company's and Group's ability to continue its business activities and which represents a going concern risk within the meaning of Section 322 (2) sentence 3 HGB. Our opinions have not been modified with respect to this matter.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matter described in the section entitled "Material Uncertainty about the Company's Ability to Continue as a Going Concern" we have identified the matters described below as key audit matters, which must be communicated in our independent auditor's report.

Revenue recognition cut-off

The accounting policies are disclosed in Note 4 of the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The Group's revenue amounted to EUR 75.1 million in financial year 2021. Revenue is generated mainly from the sale of machinery and accessories ("Machine Business" segment) as well as spare parts, merchandise and consumables, and machine-related services ("After Sales Business" segment).

SLM Solutions Group AG recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset. In line with the transfer of control, revenue is to be recognized either at a point in time or over time in the amount to which SLM Solutions Group AG expects to be entitled.

Revenue from the supply of machinery, accessories and metal powder is mainly recognized at a point in time.

In contrast, revenue from machine-related services such as rental, service and maintenance agreements is recognized over time taking into account possible special services or interest effects.

SLM Solutions Group AG's management has presented the criteria for the recognition of revenue in a group-wide accounting policy and implemented specific recognition and cut-off procedures. The Group's key markets are in Europe, the US and Asia. For global supply of products, the group entities make various agreements with customers, some of which contain complex contractual provisions.

Owing to the use of varied contractual provisions in the different markets and the judgments involved in determining and assessing the indicators to evaluate the time at which control is transferred, there is the risk for the financial statements that revenue is intentionally or unintentionally recognized incorrectly as of the reporting date.

OUR AUDIT APPROACH

In order to assess whether revenue is recognized on an accrual basis, we assessed the design, setup and effectiveness of internal controls relating to order acceptance, service performance and invoicing, in particular the determination and verification of the correct or actual transfer of control. In addition, we reviewed the presentation of revenue recognition in the group-wide accounting policy to ensure that it is up to date/in compliance with IFRS 15.

For new contracts concluded in the financial year, we evaluated management's interpretation and weighting of indicators to assess the time at which control is transferred as well as the stage of completion for machine-related services, particularly in close proximity to the reporting date. Based on a representative sample of contracts, we determined whether the accounting policy is properly implemented.

In addition, balance confirmations were obtained for trade receivables not yet settled as of the reporting date, which were selected on the basis of a statistical procedure. In cases where obtaining balance confirmations remained unsuccessful, we conducted alternative audit procedures by reconciling revenue to the underlying orders, contracts, internal invoice releases, invoices, proofs of delivery and acceptance protocols or time sheets as well as payments received. Moreover, we examined all manual revenue entries for a defined period prior to the reporting date. We inspected credit notes issued after the reporting date on the basis of risk-oriented selected samples and satisfied ourselves of their correct allocation on an accrual basis.

OUR OBSERVATIONS

SLM Solution Group AG's approach to revenue recognition cut-off is appropriate.

OTHER INFORMATION

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises:

- the components of the group management report whose content was not audited and that are specified in the appendix to the independent auditor's report.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group

management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH SECTION 317 (3A) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file „5299004VIBQF63906C97-2021-12-31-de(1).zip“ (SHA256-Hashwert: 5a8459dafb153401daef66ddb8badb8acd881aec89785186b9fa037dacfb1b58) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021, contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (10.2021)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as of the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor at the annual general meeting on June 16, 2021. We were engaged by the Supervisory Board on August 25, 2021. We have been the group auditor of SLM Solutions Group AG without interruption since financial year 2019.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the examined ESEF documents. The consolidated financial statements and group management report converted to the ESEF format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONS- SIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Stefanie Hagenmüller.

Hamburg, March 21, 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft

Hagenmüller
Wirtschaftsprüferin
[German Public Auditor]

von der Decken
Wirtschaftsprüfer
[German Public Auditor]

APPENDIX TO THE INDEPENDENT AUDITORS' REPORT: GROUP MANAGEMENT REPORT COMPONENTS NOT AUDITED FOR CONTENT

We did not audit the following components of the group management report for content:

- the corporate governance statement referred to in the group management report,
- the statement pursuant to Section 161 AktG [Aktiengesetz: German Stock Corporation Act] referred to in the management report,
- the following information extraneous to management reports. Information extraneous to group management reports is information that is neither required pursuant to Sections 315, 315a and/or Sections 315b to 315d HGB nor German Accounting Standard GAS 20.
 - The section "Remuneration according to Section 162 AktG" with reference to the internet site where the remuneration report and the report on the formal examination is published.