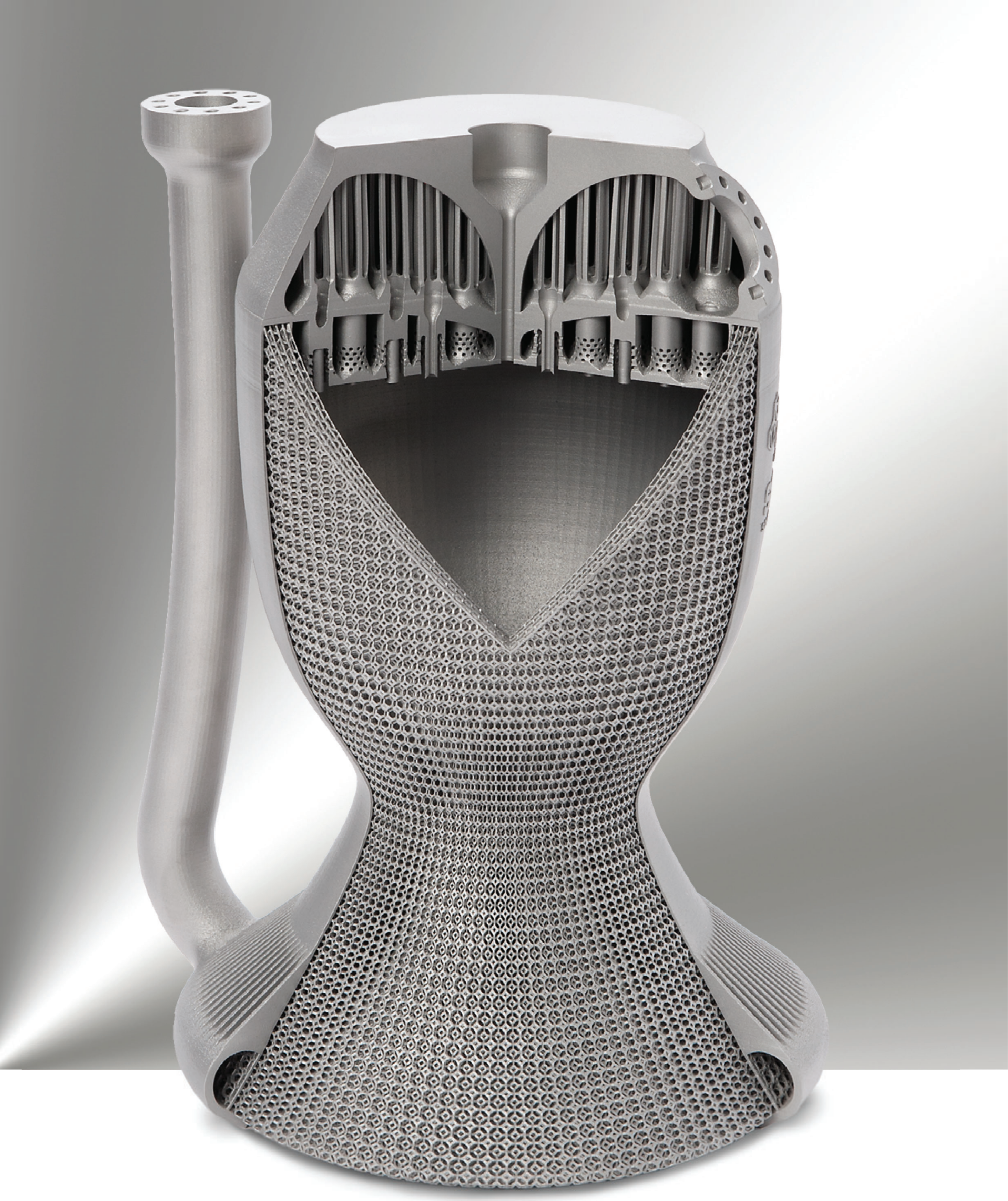


INNOVATIVE IMPULSES

Annual Report 2018

HIGHLIGHTS

	Unit	2018	Change (in %)	2017	2016
Revenue	kEUR	71,659	-13.1	82,494	80,707
Total operating revenue	kEUR	84,413	+1.3	83,346	90,476
Cost of materials	kEUR	-44,805	-16.2	-38,575	-49,246
Cost of materials ratio (in % of total operating revenue)	%	53.1		46.3	54.4
Personnel expenses*	kEUR	-29,811	-12.1	-26,597	-23,328
Personnel expenses ratio, adjusted* (in % of total operating revenue)	%	35.3		31.9	25.8
Adjusted EBITDA**	kEUR	-7,027	8,992	1,965	2,588
Adjusted EBITDA margin** (in % of revenue)	%	-9.8		2.4	3.2
Consolidated net result	kEUR	-13,382	-257.7	-3,741	-3,483
Earnings per share***	EUR	-0.74	-252.4	-0.21	-0.19
Order intake	Number of units	92	-61.8	241	130
Order intake	kEUR	56,025	-66.9	169,164	79,992
Machines sold	Number of units	99	-12.4	113	118
Of which SLM®800	Number of units	0	-100.0	1	0
Of which SLM®500	Number of units	18	-10.0	20	24
Of which SLM®280	Number of units	61	-10.3	68	65
Of which SLM®125	Number of units	20	-16.7	24	29

	Unit	12/31/18	Change (in %)	12/31/17	12/31/16
Non-current assets	kEUR	67,202	+21.6	55,276	40,789
Current assets	kEUR	102,723	-22.8	133,101	83,043
Equity ratio	%	46.5		49.4	76.9
Total assets	kEUR	169,925	-9.8	188,377	123,833

* Not adjusted in 2018, in 2017 adjusted by a retention bonus of kEUR 94, in 2016 adjusted by a retention bonus of kEUR 465

** In 2018 adjusted by out-of-period expenses for the import of machines to the US for periods from 2014 to 2017, included, totaling kEUR 1,013; in 2017 adjusted by a retention bonus of kEUR 94, in 2016 adjusted by a retention bonus (see *) and transaction costs of kEUR 564

*** Basic (undiluted), calculated on the basis of 17,980,867 shares (previous year: 17,980,867 shares)

CONTENTS

INNOVATIVE IMPULSES

HOLISTIC SOLUTIONS
FROM PROCESS DESIGN TO MANUFACTURING LINES

Applications for additive manufacturing technologies are more and more going beyond the experimental stage. Customers no longer use SLM® machines in their research and development departments but integrate them in serial manufacturing processes. SLM Solutions considers itself a provider of holistic solutions and partner for applications in metal-based additive manufacturing. We support companies when they integrate SLM® technology in their production processes by offering them a comprehensive service portfolio ranging from consulting via software solutions to the manufacturing machine.

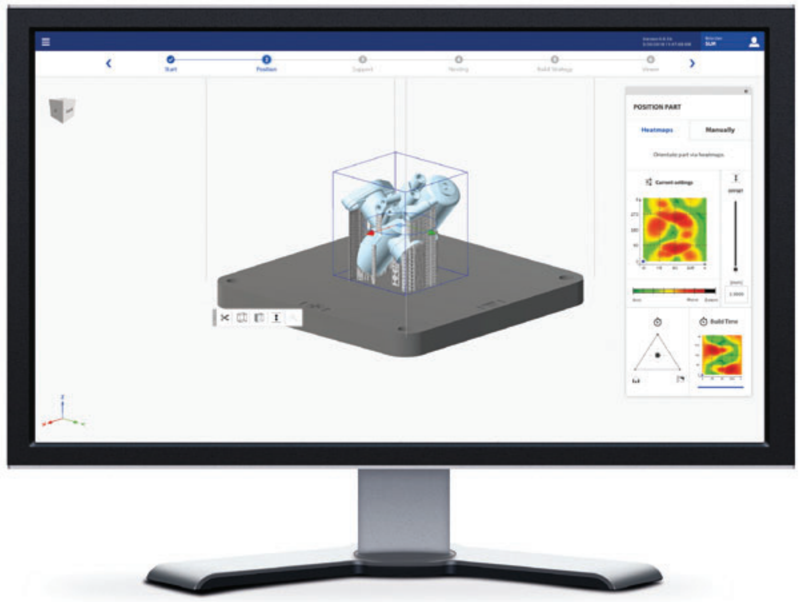
Consulting

In cooperation with its customers, SLM Solutions develops the so-called business case, i.e. the best way to integrate SLM® technology in their production environment. It takes into account an economic use of machines, requirements to availability, productivity and user friendliness as well as standards and safety requirements applicable in the relevant sector.

Software

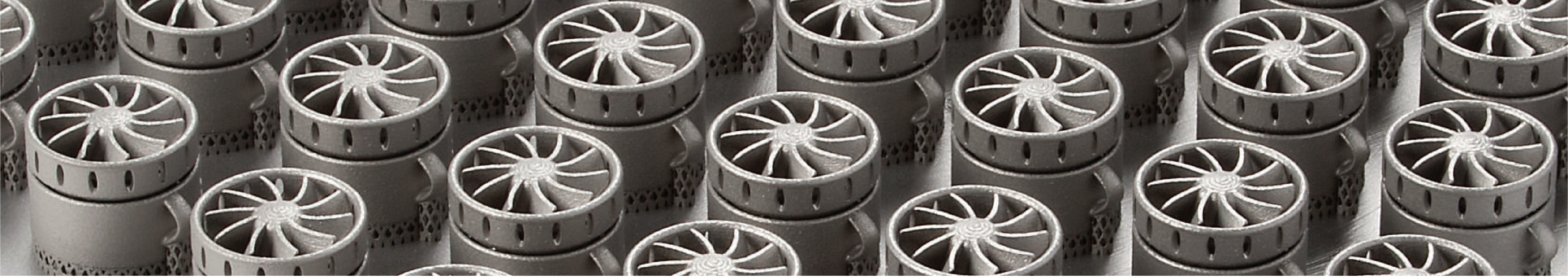
SLM Solutions' software solutions assist users in finding an optimum manufacturing process for their SLM® machine to ensure the production of high-quality parts. The Additive.Designer® allows for a simple data preparation for an additive manufacturing of complex components. Customers gain important benefits mainly due to reduced costs arising from the avoidance of errors, since any construction job can be well planned and will thus be able to increase the quality of the manufactured components.

Additive.Palletizing, a plug-in for Additive.Designer®, offers users an optimum solution for the simple and precise postprocessing of components that were produced by using additive manufacturing. Additive.Quality represents highest standards for quality assurance in the additive manufacturing process and combines SLM Solutions' process control systems in one product line.



Qualifcation

SLM Solutions offers a wide range of training options to best prepare users for working with the machines. Tailor-made training offers take account of the individual needs of our customers and their companies. A multi-media eLearning platform supplements our machine and application training program.



Machines for serial manufacturing

Our machines of the type SLM®280 (installation space of 280 x 280 x 365 mm), SLM®500 (installation space of 500 x 280 x 365 mm) and SLM®800 (installation space of 500 x 280 x 850 mm) are characterized by a high availability and robustness. With their patented multi-laser technology, they achieve highest rates of productivity making SLM® machines an optimum choice for serial manufacturing.

> »As an expert in AM and a certified supplier of high-tech products, we are impressed by the robust and high-performance machines from SLM Solutions. In particular, the openness of the SLM® systems enables the networking of our machines into an efficient series configuration.«
>
> *Carl Fruth, CEO of FIT Additive Manufacturing Group*

SLM®800 machines achieve highest efficiency in combination with the unpacking station SLM®HUB which ensure a fully automatized removal of excessive metal powder from the manufactured component. Up to five SLM®800 machines can be connected with one SLM®HUB. The automated unpacking process ensures a high availability of the SLM®800 machines for the serial manufacturing of large-sized and high quality functional components .

Planned increase of installation space and of number of lasers

Installation space and the simultaneous use of as many lasers as possible are decisive factors for using additive manufacturing in the production of a large number of components in a short period of time. Therefore, SLM Solutions will have an installation space of 600 x 600 mm available for the development of the next machine generation and the company plans to use up to 12 lasers.

SLM® TECHNOLOGY
IN INDUSTRIAL PRODUCTION

SLM Solutions Group AG focuses on five sectors for marketing its machines: aerospace, automotive, energy, tool construction and medical as well as dental technology.

In these sectors, metal-based additive manufacturing has the potential of sustainably changing the former product development and type of manufacturing. Decisive factors are advantages such as, e.g. the freedom to design complex bionic forms and attractive unit costs, in particular, in the manufacturing of highly complex components.

The application practice shows, for example, in the automotive sector that by integrating metal-based additive manufacturing technology companies are able to shorten their development periods, achieve significant weight reductions for individual components or no longer need to change their tools. Many companies among SLM Solutions' customers are therefore intensively discussing options for an integration of additive manufacturing processes in their production process.

Selective laser melting is already being used for the production of engine and drive components, body parts or wire form segments. A selection of current application examples is presented on the following pages.

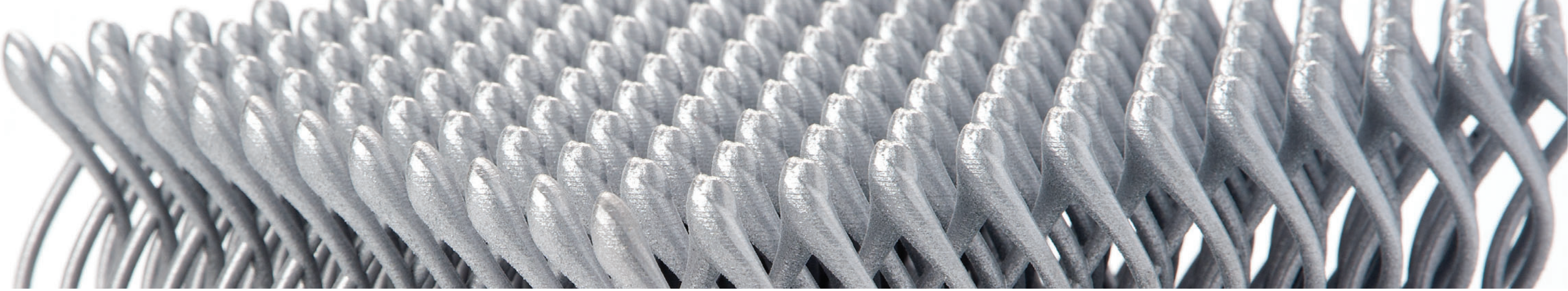
» With SLM Solutions we found a partner to holistically support our innovation. «

Michael Dahme, Head of Hirschvogel Tech Solutions

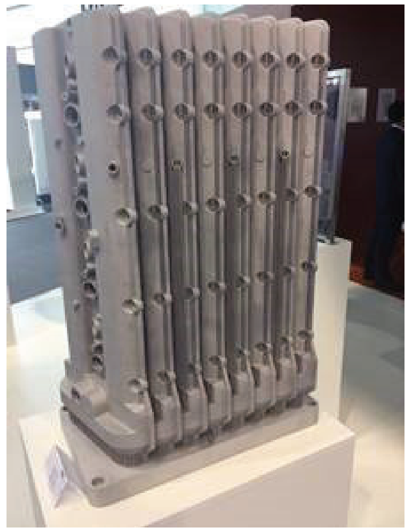
Customer	Hirschvogel Tech Solutions
Component	Car Steering Knuckle
Number of pieces on one substrate plate	1
Machine	SLM®500
Material	AlSi10Mg

Customer	VIBA; Rolf Lenk Werkzeug- und Maschinenbau GmbH
Component	Fuel tank with inboard baffle plate for the new generation of Honda Monkey
Number of pieces on one substrate plate	2
Machine	SLM®800
Material	AlSi10Mg

Customer	Bugatti
Component	Engine mount with integrated cooling channel; serial component for Bugatti-Chiron
Number of pieces on one substrate plate	6
Machine	SLM®280
Material	AlSi10Mg



SLM® TECHNOLOGY IN INDUSTRIAL PRODUCTION



Customer	Bugatti
Component	Valve covers; Manufacturing study for Bugatti Chiron
Number of pieces on one substrate plate	8
Machine	SLM®800
Material	AlSi10Mg

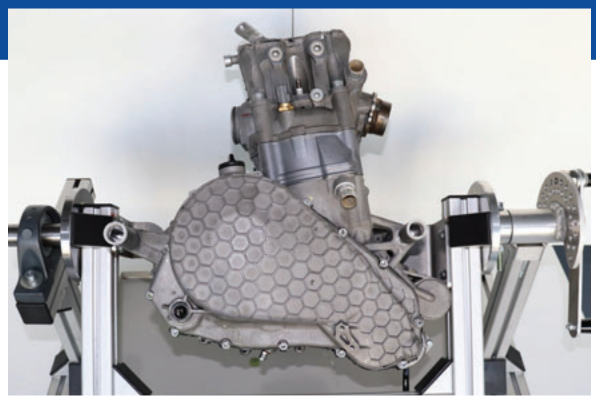
»SLM Solutions Group is a powerful, long-term strategic partner for Divergent 3D, working with us to provide 3D metal printing hardware and software specific to the Divergent Manufacturing Platform™.«

Kevin Czinger, CEO of Divergent 3D

Customer	Divergent 3D
Component	First 3D printed chassis in the world
Number of pieces on one substrate plate	several different components
Machine	SLM®500
Material	AlSi10Mg and Ti6Al4

» The decidedly productive and robust machines from SLM Solutions offer us both high availability and process stability to be ideally prepared for series production.«

Dudás Zoltán, Head of Metal AM, AUDI Ungarn

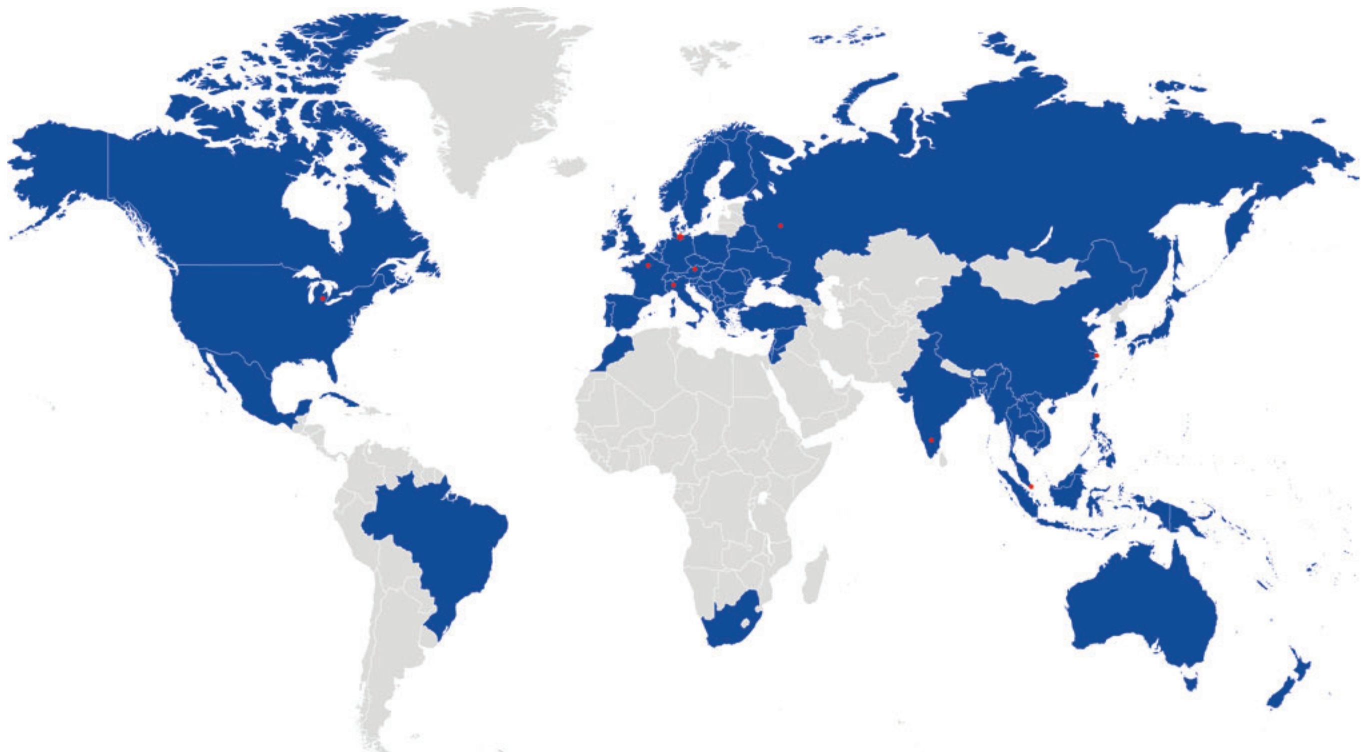


Customer	AUDI Ungarn
Component	World's first 3D-printed formula student racing engine
Number of pieces on one substrate plate	9 different functional components of an engine
Machine	SLM®280
Material	AlSi10Mg

GLOBAL PROXIMITY TO THE CUSTOMER

SLM Solutions accompanies companies in integrating metal-based additive manufacturing technology in their production processes which have, in some cases, been established for decades. It takes an in-depth understanding of the existing manufacturing processes and a joint commitment for the new design of this sensitive part of a company's value-added chain to truly benefit from the opportunities and potentials of additive manufacturing.

Therefore, SLM Solutions attaches great emphasis on trusting and cooperative relationships with its customers. In its core markets, a close physical proximity to the customer is of great importance to establish and maintain direct relationships. Over the past fiscal year, SLM Solutions successfully expanded its international sales and service network by establishing new subsidiaries in France and Italy. SLM Solutions has currently nine corporate locations and cooperates with more than 30 sales partners worldwide.



SLM Solutions' new headquarters in Lübeck-Genin offer room for an intensive cooperation with our customers. In our demonstration center, customers can not only convince themselves of the capacity offered by SLM® machines but may also test the usage options most important to them. In addition, we have conference rooms in which SLM Solutions wishes to bring together companies from different sectors to create a platform for a practical exchange of information on the application of metal-based additive manufacturing in industrial manufacturing processes.

The construction of the new company headquarters was completed in 2018 as scheduled.

We celebrated the official inauguration with approx. 900 guests and an open house day in August 2018.

In the plans for the new location, the spatial arrangements of the individual divisions of the company, ranging from research and development via production to shipment, were harmonized perfectly to enable them to interact efficiently. It further optimized the process flows and our cooperation across departments.

SLM Solutions will be able to manufacture about 500 machines in its new location per year in a one-shift operation.

TO THE SHAREHOLDERS

LETTER OF THE MANAGEMENT BOARD

Dear Shareholders, Customers, Business Partners and Employees,

The past year 2018 has not been easy for SLM Solutions. The figures presented in this Annual Report make us, once again, aware of that fact. In view of revenue totaling EUR 71.7 million and an adjusted EBITDA margin of -9.8% we are far away from our original objectives.

One of the reasons for the deviation were the unexpected shifts of deliveries under the frame agreements concluded in 2017, in particular, regarding the delivery of machines of the type SLM®800. One of the machines of the type SLM800 which had already been with the customer and was supposed to be used for producing reference parts for an acceptance of the systems, was damaged during an internal transport. It was no longer able to produce high-quality parts. In the meantime, the customer has ordered a new SLM800. It will now be used for producing the reference parts and after their acceptance, we expect further call-offs under the existing frame agreement.

So, while the call-offs under the frame agreements concluded in 2017 were delayed and postponed to the 2018 fiscal year, significant concessions would have been necessary regarding several contract parameters in the last weeks of the year, to achieve a higher revenue level. The Management Board is of the opinion that, if it had accepted these concessions, no contract could have been created which adequately represented the quality and performance level offered by SLM's systems. To accept them would have been disadvantageous to the long-term interests of the company and thus the long-term interests of our employees, investors and business partners.

Therefore, the revenue achieved for the 2018 fiscal year and the earnings we achieved are a step back compared to the two previous years. We cannot and will not be satisfied with them. We are technology leaders, also thanks to our patented multi-laser technology. Our machines are known for highest productivity in the sector and thus for a cost-effective production of complex serial parts. But, we will not rest on our laurels, but subject the technology to continuous development. The next machine generation will have a larger, square-shaped design in which even more lasers will, once again, significantly increase the system's productivity. SLM Solutions' systems are thus able to achieve what companies may expect that wish to integrate metal-based additive manufacturing technology to their serial production processes. We are firmly convinced that it presents a healthy basis for a positive future development of our company.

Experience in our market has shown that additive manufacturing technology has, in the meantime, left the pure experimental phase and prototype production. So far, we received a significant part of the demand from previous users of the technology, such as research institutions, R&D departments in industrial companies and universities. The focus of these uses was to find a way to enter the world of additive manufacturing and to test what usage opportunities exist. Additive manufacturing technology has, in our opinion, long since left these life cycle phases. Today, many customers and interested parties focus on how they can scale the use of our machines to an industrial level and integrate them in serial manufacturing processes.

SLM Solutions is positioned in the market as provider of holistic solutions. In the future, we will put a stronger focus on the consulting component of our business. We will, jointly with our customers, develop the concrete business case on how our technology can profitably be integrated in their production environment. That will take into account, inter alia, the economic use of our machines, requirements to their availability, productiveness and user-friendliness as well as standards, norms and safety requirements and thus certifiable processes applicable in the industry.

The trusting, cooperative and direct relations between SLM Solutions and its customers play in important role for a successful implementation of this part of our strategy. Therefore, we attach great importance on working in proximity to our existing and potential customers in our core markets. That is the reason why we expanded our international sales and service network by establishing new subsidiaries in France and Italy in the past fiscal year. We constantly monitor in which regions an expansion of our existing presence or the foundation of new subsidiaries are strategically sensible.

The interest of customers in the machines of SLM Solutions is still high. That is reflected in the total value of all visible business opportunities. Adjusted by the frame agreements from the year 2017, the order intake for the 2018 financial was by EUR 2 million or 3.7 % higher than in the year before. While it takes more time to integrate additive manufacturing technologies in existing production processes, so that high-value orders are made later than expected. But, we still consider these figures as a good starting point to bring SLM Solutions back to the growth path of the past years.

After the newly constructed headquarters of SLM Solutions Group AG in Lübeck-Genin were inaugurated as scheduled, we were able to successfully complete an important expansion project in the year 2018. The capacity of the new location allows for the manufacturing of about 500 machines per year in a one-shift operation.

In 2018, SLM Solutions not only experienced changes in its premises but also in its personnel. The Management Board welcomed Mr. Dr. Axel Schulz and Mr. Dr. Gereon Heinemann as new members during the year. Mr. Dr. Schulz has extensive experience in the field of distribution and business development and has been active as Chief Sales Officer for SLM Solutions since February 2, 2018. Mr. Dr. Heinemann took over the role of CTO from Mr. Henner Schöneborn on August 1, 2018 and has comprehensive technical knowledge from his previous executive roles in plant and mechanical engineering companies.

The Management Board expresses its thanks to all staff members for their work in the past year. We thank our customers, business partners and investors for trusting in us and the company. We look forward to the year 2019 when you will continue cooperating with SLM Solutions.

Lübeck, in March 2019

Uwe Bögershausen
SLM Solutions Group AG

Dr. Gereon W. Heinemann

Dr. Axel Schulz

MANAGEMENT BOARD MEMBERS

Uwe Bögershausen (CFO), Dr. Gereon Heinemann (CTO), Dr. Axel Schulz (CSO)

Uwe Bögershausen, CFO

Uwe Bögershausen (born in 1973) is SLM Solutions' CFO. He studied economics at the University of Oldenburg between 1994 and 1999 (final degree: "Diplom-Ökonom"). Between 1999 and 2000, he worked as an advisor in the Wiesbaden-based company CSC Ploenzke AG, before becoming project manager at Roland Berger in the period up to 2006. From 2006 to 2010, Mr. Bögershausen held the position of CFO at aleo Solar AG, Prenzlau, where he most notably supported the company's IPO. From 2010, he has been Managing Director at Derby Cycle Beteiligungs GmbH, becoming CFO at Derby Cycle AG following its IPO, a position he held until 2012. In September 2013, Mr. Bögershausen joined SLM Solutions Holding as CFO of SLM Solutions as part of its transition into a stock corporation in 2015. His contract expires in June 2019.

Dr. Gereon W. Heinemann, CTO

Dr. Gereon W. Heinemann (born in 1970) is SLM Solutions Group AG's CTO. He studied production and transforming sciences at the ETH Zurich, Switzerland, and Global Production Engineering at TU Berlin. He obtained his doctorate at the ETH Zurich on a material model for the industrial processing of metastable austenites in the automotive sector. Then, he gained operative experience in the fields of mechanical engineering and plant construction as managing director of technology with MEWAG AG, a company active in the development and manufacturing of tube bending machines and their application in the vehicle and aircraft construction. In addition, he was head of product management at the company Schlatter Industries AG working in the joining technology sector. Here, he contributed new developments and strategy approaches for the global orientation of the group of companies and for cost cuttings by streamlining the existing range of modules of resistance welding machines. At Fritz Studer AG (Körber Group), he held the role of CTO and was responsible for the further development and manufacturing of cylindrical grinding machines, system mechanical engineering and flow production. And he was CEO at IRPD AG, a joint venture active in the field of additive manufacturing between Körber Group and inspire AG/ETH Zurich. Dr. Heinemann joined the Management Board of SLM Solutions in August 2018 and has been responsible for the divisions of R&D, Program Management, Innovation Management /Intellectual Property as well as Supply Chain/Production. His contract will expire in July 2021.

Dr. Axel Schulz, CSO

Dr. Axel Schulz (born in 1965) is SLM Solutions Group AG's CSO. From 1985 to 1990, he studied mechanical engineering and process technology at the Technical University of Braunschweig, Germany, before obtaining his doctorate in the context of a research project in power plant engineering. He subsequently held various positions over the course of his career in process technology, sales and plants engineering. Between the years 2015 and 2018, Dr. Schulz acted as CEO of Putzmeister, a mechanical engineering company based in Aichtal, Germany. Prior to this position, he had worked as executive Vice President at the company LAP Laser Applikationen. Dr. Schulz possesses extensive experience in the area of sales, business development, as well as in establishing and expanding after-sales businesses. He joined the Management Board of SLM Solutions in February 2018 and has been responsible for Sales, Marketing, Business Development, Service and for the 3D Metals segment. His contract expires in December 2020.

Neither of the Management Board members currently hold additional mandates outside of the SLM Group.

REPORT BY THE SUPERVISORY BOARD

Ladies and Gentlemen,

In the past 2018 fiscal year, SLM Solutions Group AG was unable to achieve its objectives. The reasons have already been explained, in detail, in the Letter of the Management Board. But, despite this dent in its growth record, the tracks are set for the upcoming years to hold and expand the position as technology leader in additive manufacturing. After Mr. Dr. Axel Schulz joined the Management Board as CSO and Mr. Dr. Gereon Heinemann as CTO, the Company started the year 2018 with a strong leadership which, jointly with the highly motivated team of SLM Solutions, will implement the integration of the future technology of additive manufacturing in the existing value-added chains.

Soon, SLM Solutions' Management Board is planned to be completed by a CEO who has experience in additive manufacturing and will spread the word of the benefits of SLM's technology for industrial production through an international network.

With this new leadership team and the new headquarters inaugurated in May 2018, SLM Solutions Group AG now meets all preconditions for a successful growth in the next years.

Continuous dialogue

During the past 2018 fiscal year, the Supervisory Board of SLM Solutions Group AG conscientiously performed the tasks that are incumbent upon it according to the laws and the company's bylaws. It consulted with the Management Board on an ongoing basis regarding the operational management of the company and supervised its managerial activities. The Management Board informed the Supervisory Board regularly, promptly and extensively about all significant topics concerning SLM Solutions Group AG, especially about the corporate strategy, the status of the implementation of all strategic initiatives, and the current business progress.

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

Hans J. Ihde, Chairman of the Supervisory Board

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

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

The chairmen of the Supervisory Board and the Management Board were also in close contact to ensure a 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 its resolutions.

Overview of topics covered by the Supervisory Board

The Supervisory Board met for a total of eleven ordinary meetings in the reporting period.

The meeting held on June 22, 2018, focused on the review of the Annual General Meeting and the division of responsibilities in the Management Board.

In its meeting of July 02, 2018, the Supervisory Board once again dealt with the division of responsibilities in the Management Board and the process of selecting a new auditing company was discussed.

During the meeting of August 14, 2018, the members saw a presentation held by the CSO on the operative sales management and a fundamental resolution was passed to select a new auditor for the 2019 fiscal year pursuant to Art. 36(2) letters at to f of the EU Regulation.

In the Supervisory Board meeting of September 25, 2018, the CTO presented current development projects and the CSO gave an update on the activities of SLM Solutions Software, the Board unanimously resolved on hiring a new General Manager for SLM Solutions (Shanghai) Pte Ltd.

On December 05, 2018, the Supervisory Board held its meeting mainly to discuss strategic sales objectives and the budget for 2019. Furthermore, the Supervisory Board received a recommendation from the audit committee on the selection of a new auditor for the 2019 fiscal year. The audit committee recommends electing KPMG Wirtschaftsprüfungsgesellschaft Hamburg as auditor for the individual and the consolidated financial statements for the 2019 fiscal year. The Supervisory Board thus passed the resolution to propose KPMG Wirtschaftsprüfungsgesellschaft Hamburg as new auditors for the 2019 fiscal year during the General Meeting in June 2019.

The meetings of December 19, 2018 and January 12, 2019 were also held to discuss the budget for 2019 which was then resolved upon on January 12, 2019.

On February 19, 2019, the Supervisory Board held a telephone conference on the current course of business and the "Laser" project which were also the subjects of the Supervisory Board meetings held as telephone conference on March 08, 2019.

At the meeting on March 20, 2019, the Supervisory Board discusses the audit of the individual and consolidated financial statements conducted by PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft for the 2018 fiscal year. The Supervisory Board verified the quality of the last resolutions passed in the context of the efficiency review and checked the early risk detection system.

The accounts meeting regarding the individual and consolidated financial statements for 2018 was held as a telephone conference on March 25, 2019.

Audit committee meetings

The Audit Committee met four times during the reporting period. All meetings were held in connection with the publication dates of the Consolidated Financial Statements. On May 2, 2018, it discussed financial reporting aspects of the unaudited interim financial statements for the first quarter of 2018. During its meetings of August 2, 2018 and November 1, 2018, the committee performed an initial review of the financial statements for the report on the first half of 2018 and the interim report for the third quarter of 2018. The committee meeting on November 1, 2018, also comprised a round of introduction of possible new auditing companies. The Supervisory Board subjected the accounts documents as well as the individual and the consolidated financial statements to an in-depth preliminary review during its meeting on March 13, 2019. The auditor took part in this meeting in order to explain its audit activities.

Corporate Governance

On February 19, 2019, the Management Board and the Supervisory Board of SLM Solutions Group AG issued a declaration of conformity as required under Sec. 161 of the German Stock Corporation Act (AktG) pertaining to the recommendations of the German Government Commissions "German Corporate Governance Code" in the version of February 7, 2017. The Management Board and the Supervisory Board intensively discussed the compliance with the German Corporate Governance Code even though no essential adaptations of the Corporate Governance Code had occurred in the reporting period.

Audit of the separate and consolidated financial statements

The Annual General Meeting (AGM) elected PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft GmbH, Hannover, Germany, as auditors on June 22, 2018. This company audited the Financial Statements of SLM Solutions Group AG and the Consolidated Financial Statements for the year ended on December 31, 2018 and the Management Report and Group Management Report and awarded them the unqualified audit certificate. The Supervisory Board satisfied itself of the independence of the auditors and the persons acting for the auditing company.

After an in-depth preliminary review by the audit committee and explanations of the audit activities conducted by the auditors, and its own review, the Supervisory Board raised no objections against the Financial Statements and the Consolidated Financial Statements.

The audit reports prepared by the auditors, as well as the annual report documents had been submitted to all members of the Supervisory Board in due time. The responsible auditor was present during the consultations on the Financial Statements and the Consolidated Financial Statements. He reported on essential results which occurred during the audit and was available to provide additional information. Furthermore, the auditor determined that the company has a risk management system that complies with the statutory provisions, he audited it and found it to be effective. And he found no weaknesses in relation to the accounting-related internal control system which he was obliged to report upon.

Accordingly, the Supervisory Board approved the Financial Statements and the Consolidated Financial Statements, in addition to report on the Company's and the Group's situation for the 2018 fiscal year, including the information required under Sec. 315(4) of the German Commercial Code (HGB) during its accounts meeting held on March 25, 2019. The Financial Statements for the 2018 fiscal year have thus been approved pursuant to Sec. 172 of the German Stock Corporation Act (AktG).

The Supervisory Board concurred with the Management Board's proposal on the appropriation of the net loss for the year. The net loss will be carried forward to the new account.

On behalf of the Supervisory Board, I thank all members of the Management Board and as well as all staff members of SLM Solutions Group for their continuing commitment and outstanding work during the past fiscal year. We also express our thanks to our shareholders who trusted us both during the IPO and in the further course of the year. The Supervisory Board wishes the Company all the best for the challenges it will face in the new fiscal year.

Lübeck, March 25, 2018

Hans-J. Ihde
Chairman of the SLM Supervisory Board

Supervisory Board members

Member	Profession	Mandate outside of the SLM Group
Hans-Joachim Ihde, Lübeck (Supervisory Board Chairman)	Business executive, Managing Director of Ceresio GmbH	Ceresio GmbH, Managing Director
Peter Grosch, Kressbronn (Deputy Supervisory Board Chairman)	Supervisory Board member	3i Group plc London, Supervisory Board member EURO-DIESEL S.A. Belgium, Advisory Board Chairman VORWERK & SOHN GmbH & Co. KG, Advisory Board member
Lars Becker, Munich	Partner of Sherpa CapitalEntidad Gestora Sgeic, S.A.	Clarke, Modet y Compañía, S.L., Advisory Board member
Klaus J. Grimberg, Bremen	Business administration graduate, public certified auditor	Financial Experts Association e.V., Advisory Board Chairman
Bernd Hackmann, Barsinghausen	Engineering graduate, independent consultant to technology companies	none
Volker Hichert, Hamburg	Business administration graduate, Managing Director of DPE Deutsche Private Equity GmbH	proFagus GmbH, Advisory Board member Sercoo Group GmbH, Advisory Board member Air Alliance GmbH, Advisory Board member

THE SHARE

Price development

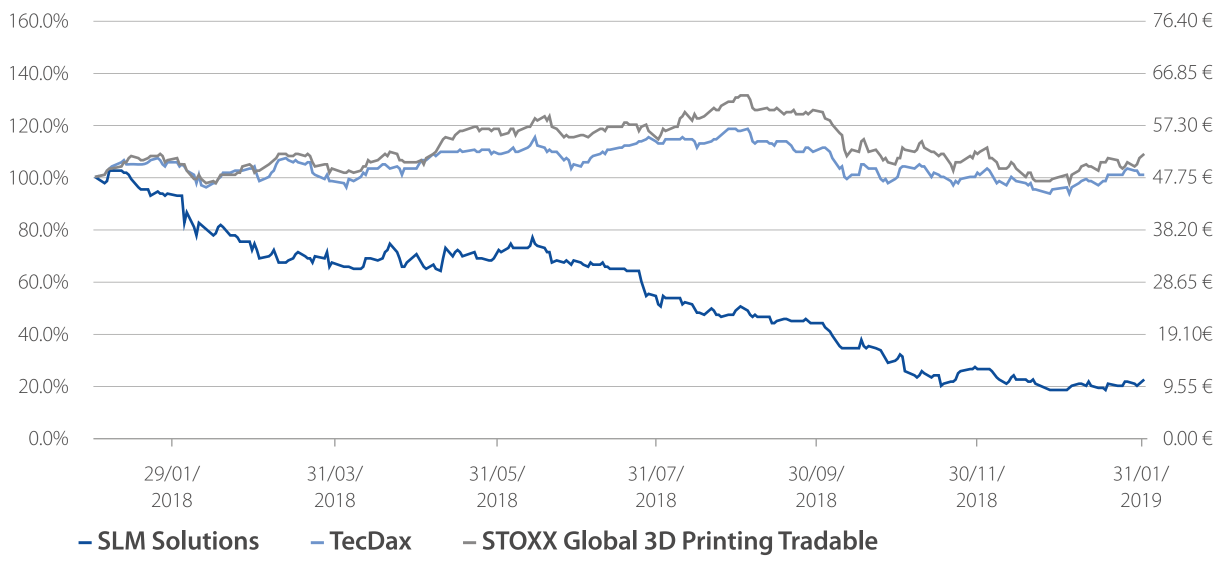
The share of SLM Solutions Group AG has been traded on the Prime Standard segment of the Frankfurt Stock Exchange since May 9, 2014.

The share price performed negatively in the twelve months of the 2018 fiscal year. The closing price of EUR 9.00 on December 28, 2018 was by 80% below the closing rate of December 29, 2017 (EUR 47.75). Since the Company's IOP in May 2014, the share price fell from EUR 18.00 to EUR 9.00 and thus by 50 %.

As of December 28, 2018, the Company's market capitalization totaled EUR 161.83 million based on 17,980,867 outstanding shares (December 29, 2017: EUR 858.6 million).

The average number of shares of SLM Solutions Group AG traded daily on the Xetra trading system stood at 56.370 in 2018.

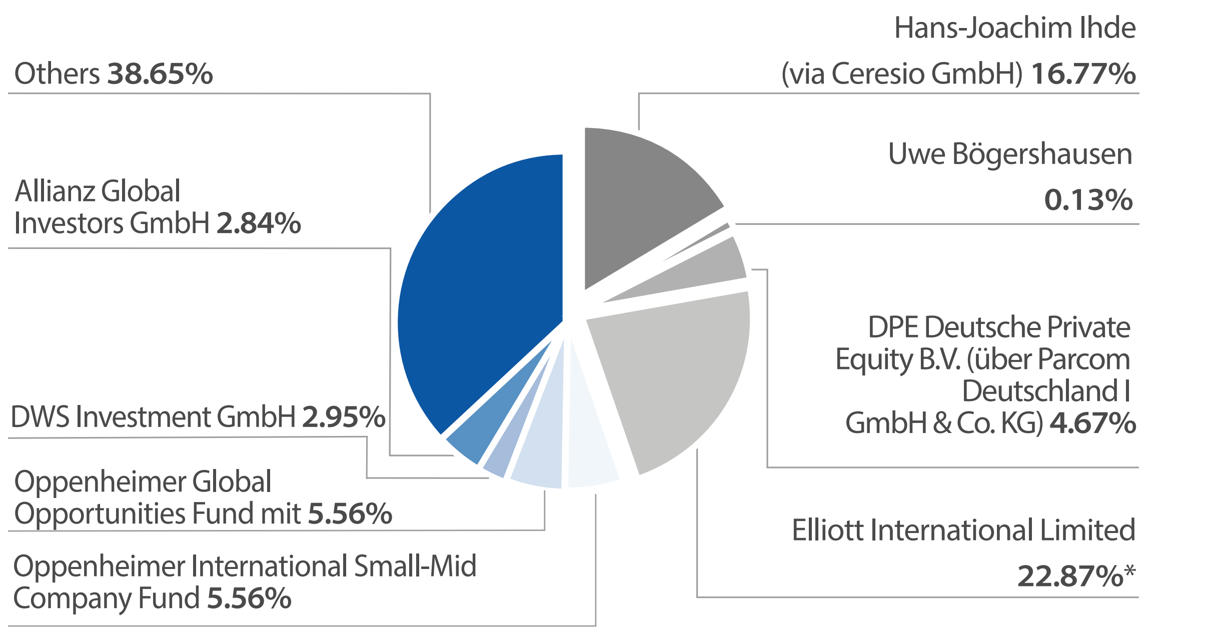
Share price chart (as of: February 03, 2019)



Key data (as of: March 15, 2019)

ISIN	DE000A111338
German Securities Identification Code (WKN)	A11133
Ticker symbol	AM3D
Sector	Industry
Trading segment	Regulated Market (Prime Standard)
Stock exchange	Frankfurt Stock Exchange
Indices	STOXX® Global 3D Printing Tradable DAXsubsector Advanced Industrial Equipment
Initial listing	9 May 2014
Placing price in EUR	18.00
Closing price in EUR on 28 December 2018	9.00
Closing price in EUR on 15 March 2019	6.45
Number of shares	17,980,867 ordinary no par value bearer shares

Shareholder structure (as of: February 03, 2019)



* Shares attributed to Mr. Paul E. Singer from Elliot International Limited through the subsidiary Cornwall GmbH & Co. KG (22.87%)

Analysts (as of: February 14, 2019)

The performance of SLM Solutions' share is currently being covered by eight analysts. At the time of this report's publication, the analysts recommended the following:

Institute	Analyst	Date	Rating	Share price target (EUR)
Berenberg	Gerhard Orgonas	11/05/2018	Hold	15.00
BHF-BANK	Thomas Effler	11/12/2018	Neutral	12.00
CANACCORD Genuity	Bobby Burleson	08/10/2018	Buy	35.00
Commerzbank	Adrian Pehl	11/27/2018	Hold	13.00
Deutsche Bank	Uwe Schupp	11/21/2018	Buy	17.00
equinet Bank	Cengiz Sen	12/20/2018	Sell	4.10
HSBC	Philip Saliba	01/02/2019	Hold	12.00
Hauck&Aufhäuser	Carlos Becke	02/14/2019	Sell	3.00

Based on analysts' ratings available on the cut-off date

Investor relations

Since its IPO, SLM Solutions has maintained an intensive dialog with the capital market. The Management Board of SLM Solutions attaches great importance to communicating regularly and transparently with its shareholders and stakeholders and keeping them informed about the company's development. That should also be ensured by regular publications of announcements that are relevant for the company, a detailed financial reporting and a continuous personal contact to investors, analysts, journalists and the interested public. In addition, the Management and staff responsible for Investor Relations at SLM Solutions Group AG regularly take part in capital markets conferences and present the business model and the strategy of SLM Solutions on roadshows in Europe and North America.

Furthermore, meetings were held with investors at the company's headquarters in Lübeck. Interested capital providers, investors and analysts can find detailed information which is constantly updated, on our website www.slm-solutions.com under the Investor Relations heading. Visitors of this website will not only find financial reports, mandatory notifications and corporate news, but also road-show presentations and analyst presentations. Telephone conferences with webcasts are held when we publish our quarterly results, and the recordings are subsequently available for download on our website. All interested parties are provided with important company news promptly and directly via an electronic mailing list which users can register for on the website.

Annual General Meeting

At the Company's fourth ordinary Annual General Meeting held in the media docks in Lübeck on June 22, 2018, its shareholders resolved with majorities on the discharge for the Management Board and the Supervisory Board for the 2017 fiscal year, elected the auditor for the 2018 fiscal year and resolved on the cancellation of the existing Authorized Capital 2014, the creation of a new Authorized Capital 2018 with the option to exclude the subscription right and a corresponding amendment of the bylaws. The company's management affirmed, during this Annual General Meeting the outlook for the current year. For detailed results of the resolutions and the presentation of the Management Board, please refer to the company's website.

Financial calendar

05 / 09 / 2019	Q1 Report 2019
06 / 25 / 2019	Annual General Meeting (Lübeck)
08 / 08 / 2019	H1 Report 2019
11 / 07 / 2019	9M Report 2019

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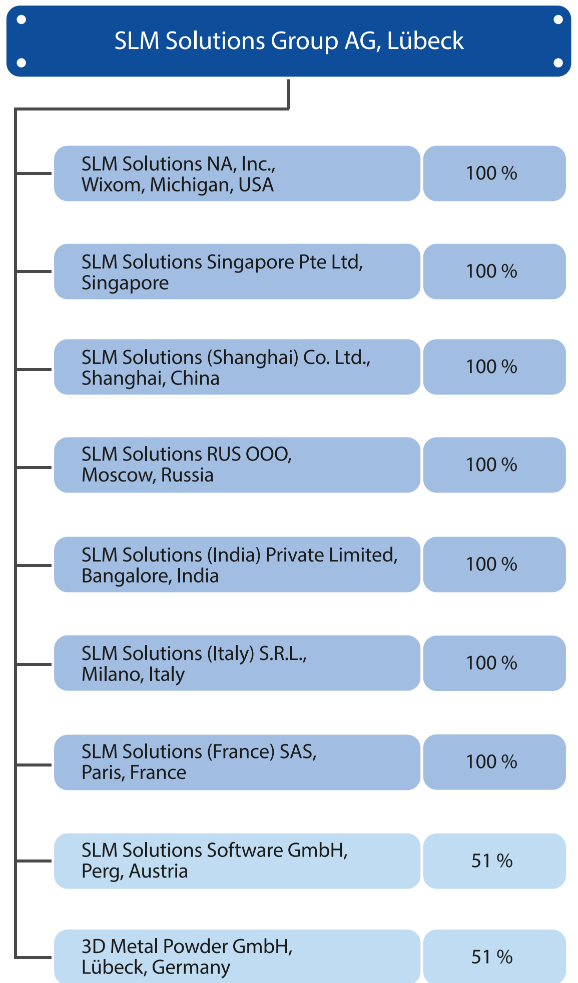
GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT for the fiscal year 2018

Basis of the Group

Group structure

SLM Solutions Group AG (SLM AG), headquartered in Lübeck, Germany, had seven wholly-owned subsidiaries and two joint ventures on December 31, 2018. SLM Solutions Group AG acts as the only production location within the Group from the vperpective of the company and is in charge of large parts of the operational and administrative tasks as well as product development. It also coordinates the global sales activities. The subsidiaries based in Singapore, US, China, Russia, India, Italy and France promote the local sales activities in their allocated geographical regions. In addition, they also provide services for customers. The company in Italy was founded on February 09, 2018 and the company in France on March 01, 2018.



SLM Solutions Group AG holds a stake of 51% in the capital stock of the Austria-based SLM Solutions Software GmbH. This company focuses, inter alia, on the development of special software that facilitates the optimal design of parts for additive manufacturing.

The 3D Metal Powder GmbH joint venture is responsible for the development, production and sale of metal powders. SLM Solutions Group AG also holds 51% of the share capital of this company located in Lübeck.

Employees

Full-time equivalents (FTE)	12/31/18	12/31/17
Research and development	99	81
Sales	90	75
After Sales	68	56
Production	113	118
Administration	52	40
Total	**422**	**370**
of which Europe	364	323
of which USA	32	30
of which Asia	26	18

Business model

SLM Solutions Group AG headquartered in Lübeck, Germany, is a leading provider of **metal-based additive manufacturing technology** ("3D printing technology"). The product range currently comprises four systems, SLM®125, SLM®280, SLM®500 and SLM®800, which have different sizes of the construction chamber and different numbers of lasers which can be fitted. These systems enable the direct production of highly complex metal components from a large number of source materials such as aluminum, titanium, cobalt-chrome, IN, tool steel and stainless steel, as well as super alloys. Our systems are capable of processing almost any type of weldable alloy into a finished product. The systems are constantly subject to further development and are being equipped with new functions.

The business is divided into two operating segments:

- The **Machine Business segment** encompasses the development and production as well as the marketing and sale of machines and periphery devices for selective laser melting. The machines are sold via a global distribution network. This segment currently constitutes the main focus of the business.
- The **After Sales Business segment** is of strategic interest for the company and is becoming increasingly important. It encompasses business with machine-related services, the sale of replacement parts and accessories, as well as the sale of merchandise, consumables and services independent of the machines.

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

One of the significant **benefits of additive manufacturing** resides in the lower volume of material consumption compared with conventional manufacturing methods. This approach also creates new scope for product design that focuses on and benefits the part's desired functionalities. As a result, additive manufacturing is well suited to producing complex components that can be used as prototypes or in serial production. In contrast to conventional production methods, complexity is not a cost factor in this method of manufacturing ("complexity comes for free"). The additive manufacturing of metal parts also offers huge advantages in terms of speed, as no molds or tools are required. SLM Solutions' patented multilaser technology underlines of the technology leadership which the company claims for itself. Industrial manufacturing processes such as precision cutting are being increasingly supplemented by laser melting.

Bain & Company writes that the technology offers significant flexibility in the manufacturing process with no redundancies, including a short set-up time and just-in-time production as well as low levels of stocks. In the design and development of new parts, Additive Manufacturing (AM) offers "complexity for free" and a cost advantage in the development and manufacturing of complex parts, especially very complex parts in low quantities, as the technology not only creates a cost advantage but also offers the option do so altogether.[1] The Boston Consulting Group sees huge potential in AM technology for meeting unfulfilled demands in industrial manufacturing. AM technologies are indeed decisive for realizing the vision of factories of the future where

[1] Bain & Company: 3D printing market to grow to 12,5 billion by 2018, 25. April 2016, https://www.consultancy.uk/news/11904/3d-printing-market-to-grow-to-125-billion-by-2018

manufacturers improve production by applying new construction principles, implementing digital technologies and by integrating processes along the entire value-adding chain.[2]

Customers of SLM Solutions operate in a wide range of different sectors, including aerospace, tool construction, the automotive industry and mechanical engineering, medical technology and the energy sector. A differentiation can be made for SLM machine customers between contract manufacturers and end customers. SLM Solutions' target markets include the regions of North America and South-East Asia in addition to Europe (incl. Germany).

The machine business of SLM Solutions is subject to the **seasonal fluctuations** typical in the industry: in general, a significant share of revenue and new order intake is achieved in the fourth quarter of the year, while the first quarter is traditionally the weakest of the year. The Management Board of SLM Solutions continues to plan to counter this seasonality in the medium term by concluding a greater number of master contracts when selling machines and by expanding its After Sales business, in particular by expanding its range of products by those which are less subject to fluctuations, such as consumables (powder) and software.

Objectives and strategy

SLM Solutions pursues the objective of **permanently maintaining its position as the leading technology provider in metal-based additive manufacturing**, playing a decisive role in shaping this technology and growing significantly and profitably in the foreseeable future as a consequence. To this end, SLM Solutions pursues a medium-term **growth strategy built on three pillars**, for which interim targets are frequently defined and evaluated:

- SLM Solutions focuses on **research and development (R&D)** in order to ensure and extend the technology leadership which the company claims for itself in the metal-based additive manufacturing business. Its intellectual property rights portfolio is optimized on an ongoing basis. The team of R&D employees built up over the past few years ensures the expansion of the technology leadership in a range of different projects from the company's point of view. SLM Solutions also cooperates with research institutions and universities in order to further develop its technology, and to enable it to be deployed for increasingly new applications from all sectors.
- SLM aims at evolving into a **full-service solutions and integrated systems provider** in the field of additive manufacturing and grow into related business areas. The joint venture together with CADS GmbH in Austria serves to develop and further expand special construction software in our own house. This software is intended to facilitate the optimal design of components for additive manufacturing and indirectly contributes to further propagating additive manufacturing methods by breaking down the barriers for entering this manufacturing method. The software development offers the chances to meet the requirements of the customer's design practices in a better fashion.
- In addition, SLM Solutions is committed to more strongly pursue the business with metal powders forming the input material for the production using SLM Solutions' selective laser melting systems: the **expansion of the powder business together with strategic partner** should also become a second pillar of the company, in addition to machine sales and should contribute mitigating the effects of the seasonality typical in the sector on the Group's revenue and earnings. The manufacturing process required for the metal powder necessitates special know-how and quality-assured processes to obtain a high-quality end product for which an adequate compensation can be obtained in the market. In view of the complexity of selective laser melting, maintaining customer proximity constitutes a critical competitive advantage for SLM Solutions in order to retain existing customers in the longer-term, generate recurring service revenues and acquire new customers SLM Solutions is gradually expanding its **international sales and service network** by founding subsidiaries and sales cooperation based in different regions. The company is constantly reinforcing its presence through showcasing centers, demonstration machines, customer training sessions, its participation in important trade fairs and keynote speeches

[2] Boston Consulting Group: Get Ready for Industrialized Additive Manufacturing, 5. April 2017, https://www.bcg.com/de-de/publications/2017/lean-manufacturing-industry-4.0-get-ready-for-industrialized-additive-manufacturing.aspx

Control system

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

- The company's **revenue trend** is the key performance indicator (KPI) for assessing the leveraging of the company's growth potential within a completed reporting period. This KPI is also regularly compared with the growth rate of the global market for additive manufacturing.
- For SLM Solutions as a young growth company, the margin before interest, tax, depreciation and amortization, adjusted to reflect one-off effects (**adjusted EBITDA margin**), is the best indicator of profitability relating to tax legislation, the selected financing structure and the intensity of investment in operations, which facilitates the comparison of the company with its international peer group. In particular, the adjustments include one-off effects which influence earnings in the current fiscal year.
- In addition, the **adjusted absolute EBITDA** serves as the main key figure disclosing the company's profit. The intention of this key figure is to present the actual operating business without extraordinary influences and, in doing so, to make earnings more comparable between fiscal years and other companies.
- As part of an internal control system, the Management Board of SLM Solutions Group AG is regularly informed about the internal key figures. This information includes mainly in:
- The **personnel cost ratio** (defined as personnel costs in relation to total operating revenue, adjusted for one-off expenses)
- The **cost of materials ratio** (defined as cost of materials in relation to total operating revenue)

Research and development

Research and development have been key components of SLM Solutions' business success for years. Further market potential in the industrial manufacturing area is increasingly tapped by the market leadership in the field of multilaser technology which the company considers it holds. The company commands an extensive portfolio of intellectual property rights, including patents and licenses for selective laser melting technology and the hull-core imaging process.

Worldwide cooperative partnerships with universities and research institutes enable SLM Solutions to keep up to date, at all times. They provide the basis for the successful application of SLM's technology in serial production of many different sectors. Investments in research and development focus on increasing productivity and robust production systems. But, the company also pursues improvements in the field of material research (e.g. difficult-to-form / difficult-to-process materials), and approaches to shortening the total production time of any new components. Links in the industrial manufacturing environment ("Industry 4.0") have become an intrinsic part of today's manufacturing process and perfectly match the fully digitalized SLM process.

As of December 31, 2018, SLM Solutions' research and development department employed 99 FTE (full time equivalents) (previous year: 81 FTE). The company capitalized development costs of kEUR 4,361 in 2018 (previous year kEUR 2,712). Its total development costs, before capitalization, amounted to kEUR 9,787 (previous year kEUR 9,078).

The amount of depreciation of capitalized development costs amounted to kEUR 1,293 in the 2018 fiscal year (previous year: kEUR 1,279).

Economic and business report

Macroeconomic situation in the target markets

According to initial figures published by the German Statistical Federal Office (Destatis), the price-adjusted gross domestic product (GDP) rose by 1.5% in comparison with the previous year. That means the Germany's economy has grown for the ninth year in a row, but, the growth has lost its momentum. In the two previous years, the price-adjusted GDP had been up by 2.2% each. A longer-term observation shows that the German economic growth in the year 2018 is above the average value of the last ten years of +1.2%. The calendar-adjusted GDP growth rate also stood at 1.5% due to only weak calendar effects in the past year.

In 2018, positive growth impulses came mainly from Germany itself: both private consumption (+1.0%) and public spending (+1.1%) were higher than in the year before. But, the growth rates were significantly lower than in the past three years.

Price-adjusted gross investments rose, as a whole, by 4.8% compared to the year before. Other assets which included also expenses for research and development were by 0.4% above the previous year's level. In addition, inventories rose 2018 in the entire economy which also contributed to the growth.

German exports continued to rise on average during 2018, but no longer as strongly as in the previous year: price-adjusted exports of goods and services were by 2.4% higher than in 2017. Imports increased by +3.4% in the same period and thus more strongly. Therefore, the external contribution somewhat decreased the imputed German GDP growth (-0.2 percentage points).

On the generating side of the gross domestic product, almost all economic areas were able to contribute positively to the economic development in the year 2018. For the first time in five years, the economic dynamics of the producing trade was below that of the service sector. In total, the price-adjusted gross value-adding increased in the year 2018 compared to the previous year by 1.5%.

Germany's economic performance was generated in 2018 by an average working population of 44.8 million people working in Germany. According to initial calculations, that were 562,000 persons more than in the year before. This increase of 1.3% results mainly from an increase of the employment types liable to social security contributions. Like in the years before, a higher labor market participation and the migration of workers from foreign countries compensated for old-age-related demographic effects.

In 2018, Germany achieved a record surplus of EUR 59.2 billion (2017: EUR 34.0 billion). The federal government, the federal states, municipalities and social security associations closed the year with a surplus for the fifth time in a row, according to preliminary calculations. In relation to the gross domestic product in the relevant prices, the country achieved a surplus ratio of 1.7% for the year 2018.[3]

According to the Institute for the World Economy in Kiel, Germany, Germany's upswing is increasingly losing in dynamics. In the third quarter, its economic performance fell for the first time in three years. Main reason for this decline were special factors. Problems with the new WLTP approval procedure for vehicle construction were of special importance here. That was topped by production impairments caused by the low water level in the Rhine river. While the macroeconomic expansion dynamics will temporarily recover after the expiry of these burdening factors, but the upswing is noticeably reaching its limits. Given the already very high capacity utilizations, companies are having more and more difficulties to expand their production with such speed. That is particularly obvious in the construction sector where production probably met its capacity limit so that the production can only be increased to the extent that companies are able to expand their capacities. The noticeable scarcity of personnel in the labor market is probably also here to stay. It is slowing down the increase of the employment figures and thus results in strongly rising wages. Available income of private households should significantly remain in an upward trend. In the upcoming year, comprehensive decreases of charges and benefit expansions will result in an additional boost so that private consumer spending will probability increase strongly. Exports will rapidly leave behind their recent phase of weakness which resulted, last but not least, from the problems in the vehicle construction sector. But, the world's economic trend which is gradually cooling down will also result in a decline of the export dynamics. Against this back-drop, our forecast for the increase of the gross domestic product in the current year was by 0.4 percentage points to 1.5 percent reduced compared to our economic outlook in fall. Now, the company expects a growth rate of 1.8 percent (fall: 2.0 percent) for the year 2019. In the year 2020, the economic dynamics will noticeable decline. Given the high number of working days, the gross domestic product will probably rise at a similar pace like in the year 2019.[4]

The economy in the Euro zone has been losing in dynamics from the beginning of the year. This slow-down is the result of country-specific temporary factors and of the weakness of global trade during the first half-year. But, the conditions in the world are still favorable for a continuation of the upswing: the economy will continue to be supported by low interest rates and a slightly expanding financial policy and many early indicators speak for a continued expansion of the production, even though at a more moderate speed than last year. In current year, the gross domestic product should rise by 2.1 percent, while the expansion rate should decline slightly to 1.9 percent (2019) and 1.7 percent (2020) in the two upcoming years.[5]

In the course of 2018, the world's economy has lost in speed. The economic sentiment deteriorated significantly in almost all parts of the world. That was caused by the insecurity arising from trade conflicts and the streamlining of the monetary policy in the United States which resulted in a reversal of the international cash flows slowing down the economic expansion in emerging countries. The world's production, calculated on the basis of purchasing power parities, will increase this year by 3.7 percent, as was the case last year. In the next year, the growth rate will decline to 3.5 percent. The forecast made in September for 2018 and 2019 was thus slightly reduced - by 0.1 percent points each. For 2020, a growth by another 3.4 percent is still expected. Risks exist, in particular, in another aggravation of the trade conflicts. In Europe, concerns about the debt sustainability of Italy, the delay of reforms in France and, last but not least, a possible no-deal Brexit might cause the economy to develop weaker than expected.[6]

Even the World Bank downgraded its forecast for the growth of the world's economy - and simultaneously gave the economic policy of President Donald Trump bad marks. The boom after his tax reform which the US President often quotes will not have long-lasting effects. In its report presented on Tuesday in Washington, the World Bank forecast that the growth in the US will, as early as in 2020, fall to 1.7 percent, after 2.9 percent in 2018.[7] It also said that Russia is one of the biggest losers in the economic growth. While the Russian economy was able to slightly accelerate its growth in 2018 - despite the sanctions. It even rose by 1.6% at the end of the past year, thanks to the robust domestic economic situation, but the Russian statistical office dampened expectations

[3] Statistisches Bundesamt, Deutsche Wirtschaft ist im Jahr 2018 um 1,5% gewachsen, Pressemitteilung Nr. 018 vom 15. Januar 2019

[4] Institut für Weltwirtschaft, Kieler Konjunkturberichte Deutschland, Nr. 50 (2018/Q4)
[5] Institut für Weltwirtschaft, Kieler Konjunkturberichte Euroraum, Nr. 46 (2018/Q3)
[6] Institut für Weltwirtschaft, Kieler Konjunkturberichte Welt, Nr. 49 (2018/Q4)
http://www.ey.com/Publication/vwLUAssets/ey-praesentation-3d-druck/$FILE/ey-praesentation-3d-druck.pdf
[7] Handelsblatt vom 09.01.2019; https://www.handelsblatt.com/politik/konjunktur/nachrichten/studie-weltbank-prognostiziert-den-usa-deutlich-abfallendes-wirtschaftswachstum/23842482.html

for 2019 and calculated that the country will only achieve a growth of 1.5%.[8]

In the past year, the gross domestic product of China grew as little as it had not in 28 years. That is revealed by data published by the national statistical office on Monday. They say that the second-largest economy in the world rose by 6.6 percent - and while that was above the government's forecast of 6.5, it still was below the 6.8 percent of the year before. According to information of the news agency Reuters, the Chinese government will issue a lower growth objective for the current year. They say that it would strive for a range between 6.0 and 6.5 percent. Analysts assume, on average, a weakening to 6.3 percent .[9]

Market for additive manufacturing

SLM Solutions operates in the still very attractive **global growth market for additive manufacturing processes**. In their most recent industry report of 2018, experts of Wohlers Associates anticipate a growth rate of 21.04% for the global market. The average growth rate of the past 29 years stands at an impressive 26.6%. The CAGR over the past 4 years comes in at 24.9%. This industry's market volume has grown to 7.336 billion in the past nine years and is forecast to amount to USD 11,7 billion in 2019 and should rise to USD 28.6 billion in the year 2023.

Growth opportunities predicted for the area of metal additive manufacturing are still particularly attractive: according to Wohlers Associates, the number of **machines sold** worldwide in this submarket rose by 79.9% in the year 2017. That corresponds to 1,768 machines compared to 983 in 2016. The global market volume in the field of **metallic consumables** rose in 2017 by 44.6% to USD 183.4 billion.[10] According to a global survey of 900 companies from 12 countries by the auditing and consulting firm EY, 52% of those surveyed named metals as the most important input material in relation to introducing additive production systems, well ahead of polymers (31%) or ceramics (6%).[11]

The selective laser melting technology that SLM Solutions applies ranks among the so-called **"powder bed fusion" processes** that offer greater precision, surface quality and design freedom compared with other 3D printing processes. Moreover, SLM AG's Management Board is convinced that the additive manufacturing processes are now mature enough to be used in serial production. From a technical point of view, this degree of maturity is indicated by SLM AG, among other things, by the option of being able to use up to four lasers at the same time to produce a part.

[8] Handelsblatt vom 19. Februar 2019; https://www.handelsblatt.com/politik/international/prognose-der-weltbank-darum-ist-russland-einer-der-grossen-verlierer-beim-wirtschaftswachstum/23844666.html
[9] Zeit Online, 21. Januar 2019; https://www.zeit.de/wirtschaft/2019-01/china-wirtschaft-wachstum-weltwirtschaft-tief
[10] Wohlers Associates, Annual Worldwide Progress Report 2018, April 2018
[11] EY, EY's Global 3D printing Report 2016, Pressekonferenz (Präsentation), 19. Juli 2016, http://www.ey.com/Publication/vwLUAssets/ey-praesentation-3d-druck/$FILE/ey-praesentation-3d-druck.pdf

Business progress

SLM Solutions received orders for 92 machines in the 2018 fiscal year (previous year: 241 machines). That represents a decrease by 61.8% compared to 2017. No frame agreements were concluded in the 2018 fiscal years (in 2017, 150 machines were ordered under frame agreements).

The value of the machines ordered in 2018 amounted to kEUR 56,025. That corresponds to a reduction by 66.9% compared to the same period in the year before (previous year: kEUR 169,164).

In the 2017 fiscal year, the "Machine Business" segment accounted for revenue of kEUR 56,274 (previous year: kEUR 67,698) and thus for 78.5% of the Group revenue (previous year: 82.1%). The "After Sales Business" segment which reports service revenue, spare parts and sale of merchandise, generated revenue of kEUR 15,386 in 2018 (previous year: kEUR 14,796) and thus 21.5% of the group revenue (previous year: 17.9%).

The company's international expansion continued with the opening of subsidiaries in Milano, Italy, on February 9, 2018 and in Paris, France, on March 01, 2018. These offices support the local sales activities and render services to customers.

The fourth ordinary Annual General Meeting of SLM Solutions Group AG was held on June 22, 2018. During this meeting, the shareholders granted the Management Board and the Supervisory Board of the company discharge for the 2018 fiscal year and elected the auditors for the 2018 fiscal year. Furthermore, they passed a resolution on the cancellation of the existing Authorized Capital 2014, the creation of a new Authorized Capital 2018 with the option to exclude the subscription right and the relevant amendments of the by-laws as well as on the partial cancellation of the authorization resolved upon by the Annual General Meeting on April 27, 2014 to issue convertible bonds and/or bonds with warrants, the grant of a new authorization to issue convertible bonds and/or bonds with warrants, including the option to exclude the subscription right, the amendment of the existing Conditional Capital 2014 and the relevant amendment of the company's bylaws. The results of the resolution were subsequently published on the company's website.

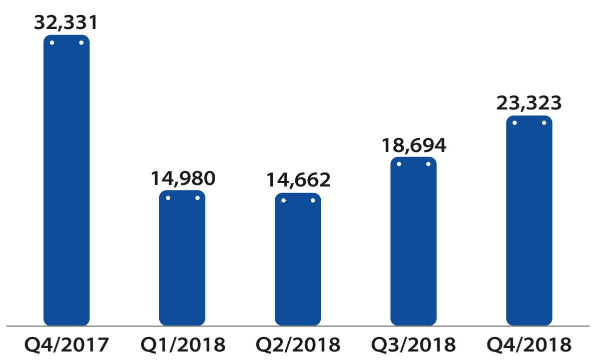
In May 2018, SLM Solutions moved, within the city of Lübeck, Germany, from the commercial estate of Roggenhorst to the new Group headquarters in the commercial estate Genin Süd. There, the company had acquired a land plot with a size of about 17 acres in 2015 on which a production building, warehouse and administrative building were constructed with a gross space of 25,000 sqm with capacities for expansion and a direct access to the motorway.

The company's result of the 2018 fiscal year is far away from its original objective. The interest of customers in the technology and in SLM Solutions is, however, still high and there is no question that it is still relevant in the industry. Since additive manufacturing technologies have, in the meantime, gone beyond the stage of pure experiments, many customers and interested parties now focus on the scaling of the technology to an industrial level and its integration the serial production process. Since SLM Solutions has positioned itself in the market as provider of holistic solutions, the company will, in the future, more strongly pursue the consulting component of its business. That means that it attaches great importance on the aspect of a partnership strategy.

Results of operations

The consolidated revenue of SLM Solutions Group AG fell by 13.1% to kEUR 71,659 in the 2018 fiscal year compared to the previous year (previous year: kEUR 82,494). 78.5% of the revenue was generated in the core business of the company, i.e. the sale of laser melting machines (previous year: 82.1%). In the "Machine Business" segment, revenue fell by 16.9% to EUR 56,274 (previous year: kEUR 67,698). The "After Sales Business" segment generated revenue of kEUR 15,386 (previous year: kEUR 14,796) which corresponds to a share of 21.5% (previous year: 71.9%). This segment mainly comprises sales of consumables, spare parts and service agreements.

Revenue development (kEUR)



The composition of reportable segments changed compared to the year before. The Management Board newly identified the "Machine Business" and "After Sales Business" segments as main segments for the new internal reporting. The "Machine Business" segment considers the machines in the field of selective laser melting, including options such as powder screening stations and other peripheral devices. The "After Sales Business" segment, in contrast, includes the service, spare parts, merchandise, including powder, as well as training and installation of machines.

In the previous year, we considered the "machine sales" and "after sales" segments. Back then, the "machine sales" segment comprised the sale of machines, including all accessory and merchandise such as powder on the basis of the order intake. In the "after sales" segment, the company disclosed service revenue, the sale of spare parts and of machines which were not associated with the order intake regarding machines. The management is of the opinion that the company's business development is presented in a more transparent and appropriate manner with the new segments than with the former segmentation approach.

The forecast made in December that the Group's revenue will be lower than in the 2017 fiscal year by a percentage in the two-digit range, came true when the Group's revenue for 2018 stood at kEUR 71,659, and thus by 13.1% below the previous year's figure (kEUR 82,494). SLM Solutions had originally forecast revenue of kEUR 125,000. But, this forecast needed to be reduced twice, when delivery dates were postponed by customers, in particular, under the frame agreement concluded on November 14, 2017 on the purchase of machines of the SLM®800 type by an Asian customer in the second half-year of 2018.

The total operating revenue (sum of sales revenue, increase in inventories and other own work capitalized) totaled kEUR 84,413 and was by 1.3 % above the previous year's value (kEUR 83,346). Reason for this development was the increase in inventories of finished products and work in progress. The increase of inventories of finished products and work in progress by kEUR 9,399 was thus so far above the value of the decrease in inventories of the comparable period (previous year: kEUR -2,279). Own work capitalized amounted to kEUR 3,355 and were thus on a similar level like in the year before (kEUR 3,132).

Other operating income of kEUR 3,225 was by far higher than in 2017 (kEUR 1,948). It includes essential income from currency fluctuations.

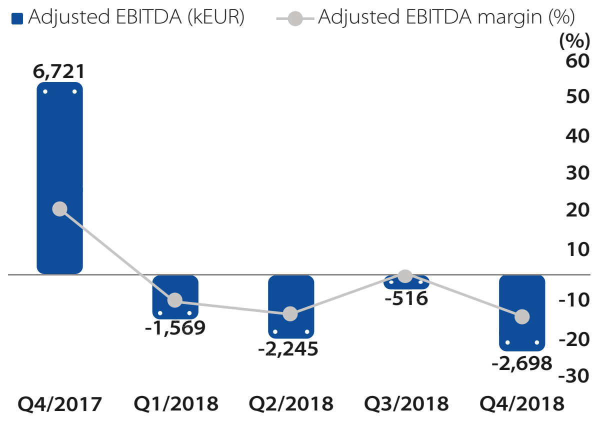
In the 2018 fiscal year, negotiations conducted for purchases and scaling effects have not yet had an effect on the cost of materials which rose by 16.2 % to kEUR 44,805 (previous year: kEUR 38,575), due to the increase in inventories. The cost of materials ratio (in % of the total operating revenue) stood at 53.1 % and was thus far above the figure from the year before (previous year: 46.3%).

The increase of the staff number to 422 full time equivalents (FTE) as of the reporting date of December 31, 2018 (December 31, 2017: 370 FTE) led to a rise in personnel expenses by 12.1% to kEUR 29,811 (previous year: kEUR 26,597, adjusted by kEUR 94 for the employee participation program - Retention Bonus - which had been created for a period of three years on the occasion of the IPO in 2014). The personnel expense ratio (in % of the total operating revenue) thus totaled 35.3% (previous year: 31.9% adjusted by kEUR 94). Not including such adjustments, personnel expenses for the 2017 fiscal year amounted to kEUR 26,691 and were thus by 11.7 % below the figure reported in 2018 of kEUR 29,811.

Other operating expenses for the year 2018 amounted to kEUR 20,838 which were by 15.2% above the previous year's figure of kEUR 18,094. Significant items were sales expenses, operating expenses and travel expenses.

In the reporting period, the EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted by expenses for customs imports to the US of kEUR 1,013 which are not related to the current period, amounted to kEUR 7,027 (previous year: kEUR 1,965). The adjusted EBITDA margin (in % of revenue) totals -9.8% for the fiscal year (previous year: 2.4%). So, while the company forecast the adjusted EBITDA margin to be in the two-digit negative range, it was exceeded. Originally, the management had assumed that the adjusted EBITDA margin would rise in 2018 compared to the previous year, but the company was unable to realize it. In unadjusted terms, the EBITDA stood at kEUR -8.040 in the reporting year (previous year: kEUR 1,871), the relevant margin totaled -11.2% (previous year: 2.3%).

Adjusted EBITDA (kEUR) and EBITDA margin (%)



Amortization and depreciation fell in comparison to the same period in the year before by 6.1% to kEUR 6,545 (previous year: kEUR 6.887). This figure contains PPA depreciation of kEUR 1,282, like in the year before.

Earnings before interest and taxes (EBIT) totaled kEUR -14,586 for 2018 (previous year: kEUR -5.015). The company's EBIT margin (in % of revenue) amounted to -20.4% in the reporting period and thus discloses a reduction compared to the year before (previous year: -6.1 %).

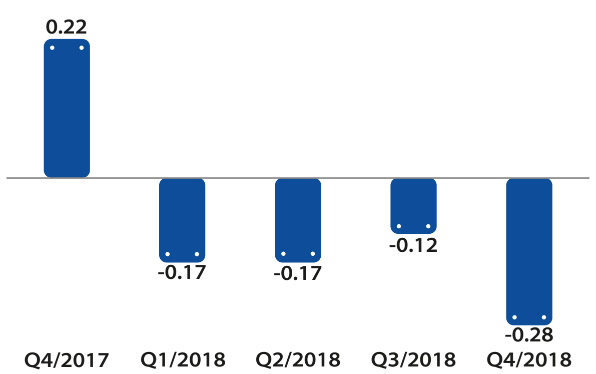
The company's financial result for the 2018 fiscal year stood at kEUR -4,083 (previous year: kEUR -996). It comprises interest expense of kEUR -4,098 (previous year: kEUR -1,015) and interest income of kEUR 15 (previous year: kEUR 19).

Tax income in the 2018 fiscal year amounted to kEUR 5,287 (previous year: kEUR 2.272).

The company's net loss for the period after taxes for the 2018 fiscal year was kEUR -13,382 (previous year: kEUR -3,741). It corresponds to undiluted and diluted earnings per share of EUR -0.74 (previous year: EUR -0.21). The issued convertible bond could have a diluting effect but does not due to the anti-diluting effect arising from the loss for the period.

The earnings disclosed in this paragraph are calculated on the basis of 17,980,867 currently outstanding shares.

Earnings per share (undiluted) (EUR)



Financial position

In the 2018 fiscal year, the cash flow from operating activities stood at kEUR -14,412 and thus far below the previous year's value (previous year: kEUR -8,984). Main reason was the loss for the year 2018.

Cash outflows as part of the investment activities totaled kEUR -12,996 in 2018 and were also below the previous year's figure (kEUR -21,418). Cash outflows for investments in intangible assets and property, plant and equipment amounted to kEUR -8,974 in 2018 (previous year: KEUR -17,883). Other investments made in the reporting period consisted, in part, of application-oriented technology of kEUR -3,335 (previous year: kEUR -3,132), which were recorded under own work capitalized.

In 2018, the cash flow from financing activities stood at kEUR -8,666 due to the repayment of a credit and interest payments from a convertible bond issued in October 2017 and thus below the previous year (kEUR 74,460) in which the convertible bond had been issued and the company had financed the new construction.

On December 31, 2018, cash and cash equivalents totaled kEUR 27,786 (December 31, 2017: kEUR 63,712).

In addition to liquid funds, the company has committed lines of credit or guarantees of kEUR 5,216 (previous year kEUR 9,500) which were only used to secure the guarantees at kEUR 1,297 due to the upbeat liquidity situation.

Net assets

On December 31, 2018, the total assets of SLM Solutions Group AG stood at kEUR 169,925 (December 31, 2017: kEUR 188,377).

Non-current assets totaled kEUR 67,202 on the reporting date and thus above the previous year's value (December 31, 2017: kEUR 55,276). Like in the previous year, property, plant and equipment accounted for the largest parts of non-current assets and amounted to kEUR 36,432 (December 31, 2017: kEUR 32,491). Investments made in the new construction were the main reason for this increase. The company concluded this investment project in May 2018.

Intangible assets of kEUR 23,523 consist mainly of laser technology and capitalized development costs (December 31, 2017: kEUR 21,950). The shares in joint ventures and loans to the company 3 D Metal Powder GmbH totaling kEUR 1,175 were recognized in financial assets (December 31, 2017: kEUR 730).

Current assets stood at kEUR 102,723 on the reporting date (December 31, 2017: kEUR 133,101). They had a share of 60.5% in the total assets (previous year: 70.7%). Main reason for this change were the liquid funds which had fallen to kEUR 27,786 (December 31, 2017: kEUR 63,712). Trade accounts receivable totaled kEUR 34,757 and were thus below the figure from the year before (December 31, 2017: kEUR 38,741). Inventories stood at kEUR 36,763 and were far higher than in the year before, due to the increase in inventories (December 31, 2017: kEUR 27,513).

The Group's equity fell compared to the previous year and totaled KEUR 79,087 on the reporting date (December 31, 2017: kEUR 93,133). Likewise, the equity ratio dropped slightly to 46.5% (December 31, 2017: 49.4%). In contrast, the debt ratio rose to 53.5% on the reporting date (December 31, 2017: 50.6%).

Long-term debt fell below the previous year's level and amounted to kEUR 71,129 (December 31, 2017: kEUR 77,034). Main reason for this decline is the full repayment of a loan of kEUR 5,335 (December 31, 2017: kEUR 0). The two remaining loans for the new construction have a term until March 31, 2027. They will be repaid in 31 equal quarterly instalments of kEUR 333, starting on June 30, 2019. First-rank mortgages on the Estlandring property in Lübeck were registered in favor of the lending banks for these liabilities. In addition, this item discloses the convertible bond. The issue volume of the convertible bond is EUR 58.5 million. Initially, this convertible bond can be converted to 1,379,760 new or existing bearer shares. The initial conversion price is EUR 42.3987, which corresponded to a premium of 28.0% above the reference rate. The bond bears interest of 5.5% p.a. and has a term until October 11, 2022. The convertible bond contains both equity and borrowed capital components. And the conversion right represents equity. Any embedded derivatives in form of termination rights are not liable for separation.

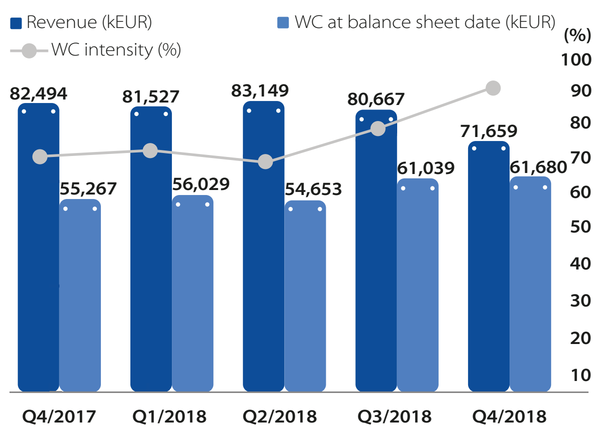
Deferred tax liabilities fell to kEUR 0 (December 31, 2017: kEUR 200). Pension obligations stood at kEUR 5,554 and were thus at the previous year's level (December 31, 2017: kEUR 5,294). Non-current provisions totaled kEUR 70 and were thus below the figure of the year before (December 31, 2017: kEUR 821).

Current debt amounted to kEUR 19,710 on the reporting date and were thus above the previous year's value of kEUR 18,210. Current provisions of kEUR 4,490 (December 31, 2017: kEUR 2,596) included, like in the previous year, mainly provisions for warranty and maintenance services. Trade accounts payable stood at kEUR 9,840 on the reporting date and thus slightly below the level in the year before (December 31, 2017: kEUR 10,987). Other financial liabilities of kEUR 1,714 exceeded the level of the previous year (December 31, 2017: kEUR 635) and non-financial liabilities totaled kEUR 3,459 and were thus far below the level of the year before of kEUR 3,992. The company created tax provisions of kEUR 205 (December 31, 2017: kEUR 0).

On the reporting date, the working capital amounted to kEUR 61,680 (previous year: kEUR 55,267). In relation to the annual revenue of kEUR 71,659 (previous year: kEUR 82,494), this results in a working capital intensity of 86.1% (previous year: 69.9%). Trade accounts receivable, inventories and trade accounts payable were included in the calculation of the working capital as of the reporting date, December 2017.

Shifts occurred under current debt compared to the previous year, where adaptations were also made to the previous year. These shifts are explained in Notes 21 and 22 of the Notes.

Working Capital (%)



Opportunities and risks

Management system for opportunities and risks

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

This risk management system evolves continuously and is largely based on a so-called **nine-cell matrix,** in which both the **probability of risk occurrence** and the risk impact are divided into the three categories of low, medium and high. This ranking method (risk ranking sequence) is readily comprehensible, creates a high degree of risk transparency, and provides an easy visual overview. The risk policy principles are set out in a **risk manual** that defines and describes the risk management process. This manual is reviewed frequently and revised when required and is binding on the SLM Solutions Group AG and its subsidiaries. All relevant risks are identified, quantified, communicated and controlled systematically as part of an annual **risk inventory.** This allows adverse developments of special significance for the company's financial position and performance to be counteracted in good time.

SLM Solutions acknowledges that handling business risks forms the core of all entrepreneurial activity. In accordance with the 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, while the term **"opportunity"** pertains to the possibility of positive future changes to a company's financial position. In relation to the company, risk is defined as the risk of events or actions preventing SLM Solutions Group from achieving its objectives, and/or from successfully implementing its strategy. All decisions that can influence the company's current and future position are subjected to the weighing up of related opportunities and risks. The company's current business position and its resultant risks are discussed at regular management meetings. Appropriate countermeasures are initiated if risks are identified.

The Management Board holds the main responsibility for the company's risks. It appointed a risk management officer who supports the Management Board in the field of risk management.

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

Internal controlling and risk management system in relation to the Group financial accounting process (report pursuant to Section 315 (4) of the German Commercial Code (HGB)

SLM Solutions Group AG has an internal controlling and risk management system relating to the Group financial accounting process in which appropriate structures and processes are defined, and which is implemented within the 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 compliance with legal standards, accounting standards and internal instructions on accounting. Amendments to laws and financial accounting standards, as well as other promulgations, are analyzed continuously in relation to their relevance and effects for 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, segregation of executive and controlling functions, and compliance with operating 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 groupwide guidelines and procedures that are set out in a manual, as well as for the proper and timely running of their accounting-related processes and systems. Central contacts at SLM Solutions Group AG support the local companies in the entire financial accounting process. The financial accounting process entails implementing measures that ensure that the annual financial statements comply with 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 which are included in the scope of consolidation. Specially trained staff who use recognized consolidation software solutions perform the consolidation measures, carry out certain reconciliation work, and monitor regulations relating to timing and processes. The staff supervise the system-technical controls and supplement them with manual audits. The four-eyes-principle, which minimizes the risk of fraudulent activity, is generally applied. Certain approval processes must be complied with during the entire financial accounting process. The managers of the local companies bear responsibility for local implementation and supervision of the internal control system.

The internal control system is subject to permanent further development and adapted to the company's growth. 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. With sufficient certainty, it nevertheless prevents corporate risks from having a significant impact.

Risk profile

The various risks that have been identified and quantified are allocated to the risk areas.

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

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

The level of a risk can be defined according to the probability of occurrence and the degree of its impact.

The criterion "degree of impact" is based on the assessment of the valuing party and is based on the effects on EBITDA. The assessment is made on the basis of the gross figure. The following categories have been defined:

- Low (up to EUR 250,000)
- Medium (more than EUR 250,000)
- High (more than EUR 2,000,000)

The "probability of occurrence of the risk" dimension allows the risk assessment to be categorized - in relation to the likelihood of occurrence within one year - into:

- Low (up to 33%)
- Medium (more than 33 % to 66%)
- High (more than 66 % to 99%)

The various risks that have been identified and quantified are allocated to the risk areas.

SLM Solutions identified a total of 169 (previous year: 116) risks as of December 31, 2018, where no risks exist which threaten the existence of the company as a going concern.

In total, eight (previous year: ten) risks were identified as being action-relevant. These individual risks are described in the following, together with the countermeasures introduced.

Seasonal fluctuation

This risk was assessed as having a high probability of occurrence and a high impact.

In an effort to reduce the risk of seasonal fluctuations, SLM Solutions is increasing its mix within the customer portfolio of production companies, service centers and research institutions. In addition, the company is continuing to expand its After Sales business which is less affected by these fluctuations.

More intense competition

This risk was still assessed as having a medium probability of occurrence and a high impact.

More intense competition or the entry of new competitors onto the market could lead to SLM Solutions losing more market shares, as well as to an increase in price-led pressure and a corresponding reduction in margins. SLM Solutions maintains the competitive advantage which it believes it has and raises the market entry barrier for third parties by permanently investing in the development of new components and machines and further developing the technology already established on the market.

Product defects

This risk was still assessed as having a medium probability of occurrence and, as before, a high impact.

In addition to the direct costs incurred, damage to the company's reputation, which could lead to the loss of customers in the short to medium term, could result from the assertion of warranty claims, claims stemming from damage to persons or property, product liability or similar claims. Among other things, a service database and regular quality meetings were implemented as countermeasures.

Counterfeits and replica products

This risk was still assessed as having a medium probability of occurrence and a high impact.

Certain risks and restrictions exist for SLM Solutions in connection with possible production disruptions. If production operations are disrupted, the timely delivery of products might not be guaranteed in the short term, which could result in either additional costs or a loss of revenue, compounded by damage to the company's image in the medium term. SLM Solutions is working on plans for possible scenarios, allowing alternatives to be set in motion if disruptions occur.

Disruptions to production operations

This risk was assessed as having a medium event risk and a high risk effect.

Certain risks and restrictions exist for SLM Solutions in connection with possible production disruptions. If production operations are disrupted, the timely delivery of products might not be guaranteed in the short term, which could result in either additional costs or a loss of revenue, compounded by damage to the company's image in the medium term. SLM Solutions is working on plans for possible scenarios, allowing alternatives to be set in motion if disruptions occur.

Failure or slowdown in the growth strategy

This risk was assessed as having a medium probability of occurrence and a high impact.

The growth planned by SLM Solutions might be slower than planned. The probability of occurrence of this risk has been considered as being "medium", however the effects would be high as the expected effects of fixed cost degression would not be achieved and the investments already made in the current phase might not be realized in future.

Financial risks

SLM Solutions is also exposed to risks arising from financial instruments. Default risks also arise from receivables due from customers, as it agrees on payment terms that are typical of the sector. SLM Solutions operates active receivables management and applies valuation allowances where required, that take into account up-to-date credit information about individual customers and the ageing structure of receivables.

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

SLM Solutions is exposed to currency risks due to the international nature of its business. The manufacturing and sale of the products result in cash flows in different currencies and in different amounts. The significant cash flows are handled in euros. Revenue is also partly invoiced in US dollars, Singapore dollars and Chinese yuan. Exchange rate changes can have a significant effect on the consolidated net result. The deployment of hedging instruments as part of hedging is decided upon on a case-by-case basis, however no such instruments were deployed in the 2018 fiscal year.

SLM Solutions currently has a low interest rate risk. Receivables from customers in the context of interest-bearing instalment agreements only exist to a minor extent. Interest rate risk averse agreements customary in the market have been agreed with the holding companies and affiliated companies. The bank loans were agreed at a fixed interest rate of up to 1.2% as they serve the purpose of financing new constructions and are therefore covered by corresponding collateral. The interest rate agreed on the convertible bond is below the reference debt of a comparable bond, excluding the convertible component, so that the risk is also viewed as low.

Inability to use business opportunities

This risk has been included for the first time and is allocated a high probability of occurrence and a medium impact.

The company might be unable to use business opportunities since it has insufficient or not the right sales and marketing activities. It is exposed to the risk that we are not sufficiently recognized in the market and might not be considered in inquiries and/or tenders. SLM Solutions will newly establish its sales and marketing activities and has already started the relevant restructuring work in the year 2018. For instance, the marketing will focus on different contents and a Key Account Management will be introduced.

Opportunities

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

Capital market-related opportunities

SLM Solutions' quotation at the capital market provides it with the future opportunity to obtain financial means through the capital market, insofar as such are needed.

Market and sector opportunities

SLM Solutions benefits from its self-claimed technology leadership in selective laser melting when competing with other additive manufacturing system producers. The deployment of multiple laser technology and constant unit cost reduction allow major productivity enhancements to be achieved, which makes the utilization of the machines especially attractive to industrial serial manufacturing. SLM Solutions has continuously increased production capacities and can therefore respond quickly to the requirements of the market.

Customer and sales opportunities

Proximity to customers in connection with the monitoring and addressing of problems generates trust-based relationships over the course of years, as well as additional sales potential. By investing the proceeds from the convertible bond issued in October 2017 in the expansion of international sales as well as in research and development, SLM Solutions can consistently further improve its own products' safety and set standards within its own sector.

Opportunities related to intellectual property

SLM Solutions can draw on many years of experience with the selective laser melting technology that the company applies, which, from the company's point of view creates high market entry barriers for competitors. Some of this technology's pioneers are employed at SLM Solutions, and their expertise helps SLM Solutions to retain this advantage, and also expand it to some extent.

Corporate opportunities

By recruiting qualified and motivated staff in the areas of research and development, as well as service and sales, growth opportunities arise for SLM Solutions in the sale of machines as well as in aftersales business. The cooperation in the powder field allows SLM Solutions to expand its business with consumables and extend its own value creation chain.

Overall statement on the opportunity and risk situation

The risks monitored relate to both segments of the company. The Management Board continues to regard the company's overall risk position as appropriate and as not constituting a threat to the company as a going concern. The market for metal-based systems for additive manufacturing is generally intact and remains attractive due to the growth opportunities it offers. The SLM Solutions Group is well positioned technologically, its production systems are sufficient and state-of-the-art, capital backing enables further growth, and its staff form a highly qualified and successfully performing team. The Management Board therefore regards the company as well positioned for future market growth and development. Despite the greatest care, the possibility of significant risks that have not been identified to date exerting a negative effect on our business development and trends cannot be entirely excluded. No risks which could endanger the company as a going concern are currently identifiable.

Forecast

The SLM Solutions Group is basing its forecast for 2019 on the following **underlying economic and sector-related assumptions:**

- In its recent figures published in December 2018, the International Monetary Fund (IWF) expects that the growth of the **global economy** will remain below the previous year' level: it forecast a growth of 3.4%. In Europe, concerns about the debt sustainability of Italy, delays regarding the reforms in France and, last but not least, a possible no-deal Brexit might cause the economy to develop weaker than expected.[12]
- In **Germany**, the most important individual market, the Institute for the World Economy in Kiel, Germany, expects a growth rate of 1.8% for the 2018 year (previous year: 1.5%).[13]
- In the growth regions defined by SLM, which pursue an international expansion, the IWF expects a slight decrease of 2.5% in the **US** (previous year: 2.9%), a weakening in the region of China to 6.1% in the year 2019 (previous year: 6.6%) and an economic trend increasing by 0.1 percentage points to 1.7% in Russia (previous year: 1.6%).[14]
- The Wohlers Report which is published every year and reports on the **global 3D printing sector** by making a market assessment, sees huge growth potential mainly in the field of additive manufacturing processes applied in the industry: for 2023, they expect that the worldwide market volume will more than triple compared to 2017 (USD 7.3 billion) and will rise to USD 28.6 billion.[15]
- The Federal Ministry for Economy and Energy still considers Germany as leading in the key area of additive manufacturing (3D printing).[16] SLM Solutions also considers the market potential with high confidence and wishes to further expand its claimed position as technology leader.

Forecast of the company:

- The company had forecast a group revenue of kEUR 125,000 for the 2018 fiscal year. In the 4th quarter of 2018, this forecast needed to be downgraded twice to a percentage in the two-digit range below the group's revenue of 2017 (EUR 82.5 million) due to delays which occurred regarding the call-offs under the frame agreements concluded in 2017. While the group revenue of EUR 71.7 million remained below the first forecast, it was still within the level of the second forecast. For the 2019 fiscal year, the management once again expects a growth rate. Given the still good position of the technology in the market, the company expects a group revenue of EUR 95 million which is clearly below the previous year's forecast, but also significantly above the actual revenue the company achieved of EUR 71.7 million for 2018. The forecast revenue growth in percent is planned to be equally strong in the two segments.
- The company forecast for the 2018 fiscal year an adjusted EBITDA margin (in relation to the group revenue) of 12-13%. After the second correction in the 4th quarter of 2018, it expected an adjusted EBITDA margin in the two-digit negative range. In 2018, the group achieved an adjusted EBITDA margin of -9.8%, which was slightly above the corrected forecast. For the forecast revenue in the 2019 fiscal year, the Management Board assumes to achieve an adjusted EBITDA margin (in relation to the group's revenue) of 0% which greatly deviates from the forecast for 2018 but seems to be far more realistic after the results of the 2018 fiscal year.
- The original forecast for the 2018 fiscal year of EUR 15 million to EUR 16 million for the adjusted EBITDA could not be upheld. The adjusted EBITDA amounted to EUR 7.0 million in the negative for 2018 which corresponds to the corrected range of the forecast. The adjusted EBITDA of the 2019 fiscal year will amount to a balanced EBITDA and will thus be significantly

[12] Institut für Weltwirtschaft, Kieler Konjunkturberichte Welt, Nr. 49 (2018/Q4)
[13] Institut für Weltwirtschaft, Kieler KonjunkturberichteDeutschland, Nr. 50 (2018/Q4)
[14] Institut für Weltwirtschaft, Kieler Konjunkturberichte, Weltkonjunktur im Winter 2018 Nr. 49 (2018/Q4)
[15] Wohlers Associates, Annual Worldwide Progress Report 2018, April 2018
[16] Bundesministerium für Wirtschaft und Energie, Nationale Industriestrategie 2030, Februar 2019

above the corrected forecast of 2018 and far below the originally planned forecast. In comparison to the achieved adjusted EBITDA for 2018 of EUR -7.0 million, the adjusted EBITDA for 2019 will rise strongly, according to the forecast. The adjusted EBITDA margin (absolute and relative) will improve strongly in both segments but will remain in the negative for the After Sales segment.

- In the 2018 fiscal year, the cost of materials ratio rose noticeably compared to the previous year, due to the increase in inventories. The Group expects a significant improvement in the 2019 fiscal year compared to the actual cost of materials ratio of 2018, since it plans to largely only produce based on orders received. The previous year's forecast with a slight improvement was missed by far based on actual numbers, and the forecast for 2019 speaks of an essential improved compared to that.
- The personnel expense ratio in the 2018 fiscal year was noticeably higher than in the year before. The group had originally forecast a significantly improved ratio which was, however, not achieved, due to the sales figures which were too low. The personnel expense ratio of 2019 will slightly improve compared to the previous year, since the group generally plans no new recruitments.

Corporate governance

The German Corporate Governance Code (DCGK) comprises nationally and internationally recognized guidelines for good and responsible corporate governance and control. The Management Board and the Supervisory Board 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 participants, employees, customers and the public. The following corporate governance report that has been prepared by the Management Board and the Supervisory Board (as per Code Item 3.10) describes the company's significant corporate governance structures. It also includes a report on the compensation scheme for the Management Board and the Supervisory Board.

Corporate governance group declaration pursuant to Sections 289 et seq., 315d of the German Commercial Code (HGB)

The corporate governance group declaration 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 under the "Investor Relations" heading as part of "Corporate Governance": https://slm-solutions.com/de/investor-relations/corporate-governance/pflichtdokumente. It also contains the statement on the proportion of women.

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

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

Management and Supervisory board working methodology

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

- The **Management Board** manages SLM Solutions Group AG under its own responsibility and is its legal representative. The Management Board is obligated to pursue the company's interests as well as to enhance the company's sustainable value. To this end, it develops the company's strategic orientation, coordinates it with the Supervisory Board and ensures that it is implemented. The Management Board discusses the status of strategy implementation with the Supervisory Board at regular intervals. Moreover, it ensures compliance with statutory provisions and the company's internal guidelines, including by Group companies (compliance). The Management Board's reporting duties are set out comprehensively according to their type and content in the Management Board's rules of business procedure. The Supervisory Board appoints the Management Board and sets its compensation. The Management Board of SLM Solutions Group AG currently consists of three members: Uwe Bögershausen (CFO), Dr. Axel Schulz (Sales, Service and Marketing) and Dr. Gereon W. Heinemann (Research and Development, Supply Chain).
- The **Supervisory Board** consults with and supervises the Management Board in its managerial activities in accordance with the statutory provisions and the company's bylaws. It appoints the Management Board and is entitled to recall its members from office for justified reasons. The Management Board provides the Supervisory Board with frequent, up-to-date and comprehensive information, especially relating to basic corporate planning questions, as well as about the company's financial position and performance, profitability, and business trends and development. The Supervisory Board of SLM Solutions Group AG currently comprises six members: Hans-Joachim Ihde (Chairman), Peter Grosch (Vice Chairman), Lars Becker, Klaus J. Grimberg, Bernd Hackmann and Volker Hichert. SLM Solutions' Supervisory Board has created a presiding committee, an audit committee and a nomination committee.
- The **presiding committee** consists of the Supervisory Board's chairman, the vice chairman and one more member elected by the Supervisory Board. Members of the presiding committee are currently Hans-Joachim Ihde (Chairman), Peter Grosch and Volker Hichert. It focuses particularly on the appointment and dismissal of Management Board members, and the CEO's appointment, with the conclusion, amendment and termination of employment contracts with Management Board members, as well as with the Management Board compensation scheme's structure, including significant contractual elements and the overall compensation of individual Management Board members.
- The **audit committee** comprises three members elected by the Supervisory Board. These are currently, Klaus J. Grimberg (Chairman), Lars Becker and Bernd Hackmann. The audit committee supervises the financial reporting process, including the effectiveness of the internal control system and the effectiveness of the risk management system. It discusses the quarterly reports and addresses issues of compliance and reporting to the Supervisory Board. In addition, it prepares the audit of the Financial Statements, the Management Report

and the proposal on profit appropriation as well as the Consolidated Financial Statements and the Group Management Report by the Supervisory Board. For this purpose, it receives detailed explanations on the view of the audits on the net asset and financial situation as well as the result of operations. It deals with questions of the necessary independence of the auditor, engages the auditors with the audit, specifies focus points of the audit and agrees on the audit fees.

- The **nomination committee** consists of the Chairman of the Supervisory Board and other members of the presiding committee. These are currently Hans-Joachim Ihde (Chairman), Peter Grosch and Volker Hichert. The nomination committee proposes suitable candidates to the Supervisory Board for them to be elected during the Annual General Meeting and will, therefore, become active for the first time in the run-up of the ordinary General Meeting of 2019 during which elections for Supervisory Board members will be held.

Shareholders and AGM

The shareholders of SLM Solutions Group AG exercise their rights at the Annual General Meetings. Each ordinary share carries the same voting right. The Annual General Meeting makes decisions on the duties allocated to them under the law, including the appropriation of earnings, the discharge of the Management and Supervisory boards, the auditor's appointment, the election of Supervisory Board members, bylaw amendments and capital measures. As a matter of principle, the Supervisory Board's chairman presides over the Annual General Meeting. In order to assist shareholders in exercising their rights personally, the requisite documents are published online once the convening invitations to the meeting have been dispatched. Shareholders can authorize a proxy to exercise their voting rights in line with their instructions.

Financial accounting and auditing

The financial accounting of the consolidated financial statements for the 2018 fiscal year is based on the principles of International Financial Reporting Standards (IFRS), as applicable in the European Union, as well as on additional provisions pursuant to Section 315e (1) of the German Commercial Code (HGB). The separate financial statements are prepared according to the regulations of the German Commercial Code (HGB) and the regulations of the German Stock Corporation Act (AktG). The AGM on June 22, 2019 elected PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft as the auditor of the separate and consolidated financial statements for the 2018 fiscal year. The Supervisory Board issued the audit mandate. Before the proposed election, the Supervisory Board obtained a declaration of independence from the auditor.

Transparent communication

The Management Board is of the opinion that responsible and value-creating corporate governance is distinguished by setting up efficient structures as well as especially by open communication and a high degree of transparency on the part of the company. For this reason, SLM Solutions Group AG sets itself the objective of informing investors, analysts and other interested parties openly, quickly and correctly. Extensive information that is continuously updated is available for this purpose on the website of SLM Solutions Group AG under the Investor Relations heading. This is supplemented by an investor relations electronic mailing list through which interested parties receive the latest corporate news via email. Frequent road shows in Europe and North America, as well as conference calls to accompany publication of quarterly and annual report are also conducted.

Directors' dealings and shareholdings

Pursuant to Article 19 of the Market Abuse Directive (Marktmissbrauchsverordnung), directors (and their related parties) of a company that is listed on the Regulated Market must inform the respective issuer and the German Federal Financial Supervisory Authority (BaFin) if they buy or sell shares or related financial instruments worth more than EUR 5,000 over the course of a calendar year.

During the year under review or by the time the financial statements were prepared, the following transactions requiring mandatory reporting in the share of SLM Solutions Group AG (ISIN: DE000A111338, SIN: A11133) were recorded, which can also be accessed under the Investor Relations heading of the company's website:

Date	Party	Transaction type	Number of shares	Price per share (in EUR)	Total volume (in EUR)
11/20/2018	Dr. Gereon W. Heinemann	Purchase	2,000	9.95	19,900.00

As of: February 20, 2019	Directly held shares	Indirectly held shares	Total interest
Party **Management Board**			
Uwe Bögershausen	0.13 %	-	0.13 %
Dr. Gereon W. Heinemann	0.01 %	-	0.01 %
Supervisory Board			
Hans-Joachim Ihde (via Ceresio GmbH)*	-	16.77 %	16.77 %

* Attribution via Ceresio GmbH, Lübeck, Germany, pursuant to Section 34 (1) Clause 1 item 1 of the German Securities Trading Act (WpHG)

Disclosures required under takeover legislation pursuant to Section 315a (1) of the German Commercial Code (HGB)

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

2. Ceresio GmbH, one of whose owners is the company's Chairman of the Supervisory Board Hans-Joachim Ihde, and which was holding around 16.77% of the company's voting rights as of December 31, 2018 committed to a customary lock-up of 12 months on February 16, 2018 towards the lead bank for the placement in the wake of the sale of a portion of its shares as a result of which its holding in Solutions Group AG fell to around 16.77%. The Management Board is not aware of any further 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, 2018: on the basis of notices received regarding significant voting right shares in accordance with Sec. 40 (previous year: Sec. 21) of the German Securities Trading Act (WpHG) and transactions conducted by persons with managerial responsibilities in accordance with Sec. 26 of WpHG (previous year: 15 a of WpHG) and Art. 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:

	Number of voting rights	Share of voting rights
Hans-Joachim Ihde (via Ceresio GmbH, Lübeck, Germany)	3,015,887	16.77 %
Elliot International Limited*	4,112,191	22.87 %

* Shares are attributed via the subsidiary Cornwall GmbH & Co. KG (22.87 %)

4. No shares with special rights conveying controlling powers exist.

5. No voting rights control of the share capital by participating employees exists.

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

- The appointment and recall from office of Management Board members is regulated in Sections 84 and 85 of the German Stock Corporation Act (AktG). Accordingly, the Supervisory Board appoints Management Board members for a maximum of five years. Reappointment or extension of period of office, in each case for a maximum of five years, is permitted. Pursuant to Section 6 of the Company's bylaws, the Management Board must consist of at least two individuals. The Supervisory Board appoints Management Board members according to the provisions of the German Stock Corporation Act (AktG) and determines the number of Management Board members. The Supervisory Board can appoint one member to be the Management Board Chair (CEO). Pursuant to Section 84(3) of the German Stock Corporation Act (AktG), the Supervisory Board can revoke both Management Board appointments and the Management Board Chair (CEO) appointment for a good reason.
- Sections 133 et seq., 179 et seq. of the German Stock Corporation Act (AktG) set out statutory regulations for bylaw amendments. These require AGM approval in a resolution, as a matter of principle. AGM resolutions require a majority comprising at least three quarters of the share capital represented when resolutions are passed. The bylaws can determine another share capital majority, although only a larger share capital majority applies for an amendment to the Company's business purpose.

7. Powers of the Management Board particularly with regard to the option of 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 Art. 4 (5) of the by-laws, the Management Board is authorized to increase the share capital by up to EUR 8,990,433.00, wholly or in part, once or in several stages by April 16, 2023 with the approval of the Supervisory Board by issuing up to 8,990,433 new bearer shares against cash payments and/or contributions in kind (Authorized Capital 2018). As a general rule, shareholders must be granted subscription rights. Under conditions described in more detail in Art. 4 (5) of the by-laws, however, the Management Board is authorized to exclude shareholders' statutory subscription rights with the approval of the Supervisory Board.
- Moreover, the company's share capital has been conditionally increased in accordance with Art. 4 (6) of the bylaws by up to EUR 8,990,433.00 through the issue of up to 8,990,433 new bearer shares (Conditional Capital 2018). The conditional capital increase serves to grant shares to the holders or creditors of convertible bonds and/or bonds with warrants which were or will be issued until June 21, 2023 (inclusive) by the company or any entity in Germany or abroad in which the company holds, directly or indirectly, a majority share of the votes and capital, on the basis of the authorization contained in the resolution adopted by the AGM dated June 22, 2018 under Item 6 of the agenda. It will only be performed, insofar as the above-mentioned convertible bonds and/or bonds with warrants have actually been used or will be used or if conversion obligations arising from such bonds have been or will be fulfilled and unless other forms of settlement have been or will be applied for service. New shares will be issued pursuant to the above-mentioned authorization resolution of the Annual General Meeting of June 22, 2018, at the conversion or option price to be determined. The new shares will participate in the profits from the start of the fiscal year in which they arise due to the exercise of conversion or option rights or by the fulfillment of conversion obligations; deviating from that, the Management Board may, insofar as permitted, determine, with the consent of the Supervisory Board, that the new shares will participate in the profit from the beginning of the fiscal year for which, at the time of the exercise of the conversion or option rights or the fulfillment of the conversion obligation, no resolution has been adopted by the AGM on the appropriation of the total earnings. The Management Board is authorized to determine any other details of the performance of the conditional capital increase. The Supervisory Board is authorized to adapt the wording of Art. 4 of the company's by-laws according to the issue of the new shares under the Conditional Capital 2014/2108. The same shall apply insofar as the authorization 2018 has not been exercised during its term or will not be authorized or if the relating conversion or option rights or the conversion obligations have been cancelled or will be cancelled upon expiry of the exercise periods or in any other way.

8. No significant agreements exist on the part of the Company that are subject to a change of control as a consequence of a takeover offer.

The company has compensation agreements that have been entered into with Management Board members or employees for the instance of a change of control.

Compensation

The compensation scheme for the Management and Supervisory boards of SLM Solutions Group AG is based on the respective individuals' responsibilities and tasks, and in the existing variable components for the Management Board takes into account the company's financial and business position. The Supervisory Board consults about and approves the Management Board's compensation. The current compensation structure was set in the employment contracts that were extended in 2017 and 2018. The existing employment contracts were supplemented in the 2015 fiscal year by a long-term incentive program (LTI) that was extended in 2017 to include the employment contract of Mr. Henner Schöneborn and in 2018 to include the employment contracts of Messrs. Dr. Axel Schulz and Dr. Gereon W. Heinemann. Compensation for individual members of the Management Board comprises both fixed and variable components, in compliance with the German Corporate Governance Code. In 2015, the so-called "Retention Bonus Program" was granted as a component with a long-term incentive effect, and it expired in the 2017 fiscal year. It was disclosed under share-based remuneration for the 2017 reporting year.

A performance-related pension commitment exists for Mr. Henner Schöneborn from his long-term work as a manager at SLM Solutions GmbH, which amounts to a provision of kEUR 1,208 as of December 31, 2018 (previous year: kEUR 1,119). The pension commitment basically corresponds to the commitments granted to other employees and provides for retirement, invalidity and widow/widower pensions. The level of retirement and invalidity pensions amounts to 15% of pensionable compensation (last gross salary excluding incidental compensation), and, after the expiry of a waiting period of 10 years of service, increases by 1% for every further year of service up to a maximum of 35%.

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

Compensation paid to Management Board members for the 2018 fiscal year is made up as follows:

Management Board compensation

in kEUR	Dr. Rechlin	Mr. Bögershausen	Mr. Schöneborn	Dr. Schulz	Dr. Heinemann	Total
Fixed compensation 2018	0	300	125	275	125	825
Fixed compensation 2017	17	250	245	0	0	512
Performance-based compensation 2018	0	0	0	0	0	0
Performance-based compensation 2017	0	0	0	0	0	0
Share-based compensation 2018	0	0	0	109	116	225
Share-based compensation 2017	3	47	118	0	0	168
Additional benefits 2018	0	11	6	14	5	36
Additional benefits 2017	1	9	18	0	0	28
Total remuneration 2018	**0**	**311**	**131**	**398**	**246**	**1,086**
Total remuneration 20167	**21**	**306**	**381**	**0**	**0**	**708**
Retirement benefits 2018	0	0	45	0	0	45
Retirement benefits 2017	0	0	85	0	0	85

The company granted the former Management Board member a total compensation of kEUR 135 in the 2018 fiscal year (previous year: kEUR 306).

The performance-based compensation includes an agreed bonus and is explained, in detail, in Note 30 of the Notes.

The two tables below disclose the benefits granted for the 2018 fiscal year pursuant to the requirements of the German Corporate Governance Code, including the maximum and minimum achievable compensation for the variable compensation components and the realized inflows of the Management Board members.

Granted allocations

in kEUR	Fixed compensation	Fringe benefits	Total	Performance-based compensation	LTI*	Total	Retirement benefits	Total compensation
Dr. Rechlin								
Target amount 2018	0	0	0	0	0	0	0	0
Target amount 2017	17	1	18	6	3	27	0	27
Minimum amount 2018	0	0	0	0	0	0	0	0
Maximum amount 2017	0	0	0	0	150	150	0	150
Mr. Bögershausen								
Target amount 2018	300	11	311	100	0	411	0	411
Target amount 2017	250	9	259	100	47	406	0	406
Minimum amount 2018	300	11	311	0	0	311	0	311
Maximum amount 2018	300	11	311	130	150	591	0	591
Mr. Schöneborn								
Target amount 2018	125	6	131	50	0	181	0	181
Target amount 2017	245	18	263	75	118	456	42	498
Minimum amount 2018	125	6	131	0	0	131	42	173
Maximum amount 2018	125	6	131	65	150	346	42	388
Dr. Schulz								
Target amount 2018	275	14	289	100	109	498	0	498
Target amount 2017	0	0	0	0	0	0	0	0
Minimum amount 2018	275	14	289	0	0	289	0	289
Maximum amount 2018	275	14	289	130	150	569	0	569
Dr. Heinemann								
Target amount 2018	125	5	130	100	116	346	0	346
Target amount 2017	0	0	0	0	0	0	0	0
Minimum amount 2018	125	5	130	0	0	130	0	130
Maximum amount 2018	125	5	130	130	150	410	0	410

* Long-term incentive program with an annual maximum grant of kEUR 150. This grant will be converted in shares on July 10, 2018 and paid out with a maximum value of EUR 54 each.

Payments

in kEUR	Mr. Dr. Rechlin		Mr. Bögershausen		Mr. Schöneborn		Mr. Dr. Schulz		Mr. Dr. Heinemann	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed compensation	0	17	300	250	125	245	275	0	125	0
Fringe benefits	0	1	11	9	6	18	14	0	5	0
Total	**0**	**18**	**311**	**259**	**131**	**263**	**289**	**0**	**130**	**0**
Performance-based compensation	0	0	0	0	0	0	0	0	0	0
Share-based compensation	191	0	191	0	0	0	0	0	0	0
Retention Bonus	0	0	0	261	0	0	0	0	0	0
Total	**191**	**18**	**502**	**520**	**131**	**263**	**289**	**0**	**130**	**0**
Retirement benefits	0	0	0	0	45	42	0	0	0	0
Total Compensation	**191**	**18**	**502**	**520**	**176**	**305**	**289**	**0**	**130**	**0**

Please note regarding the tables that Mr. Dr. Rechlin retired from the Management Board on January 23, 2017 and Mr. Schöneborn on June 30, 2018.

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

The rights are granted on an annual basis on July 10, based on the performance of the share price during the previous year period. As part of this, the relevant reference prices are set by the Supervisory Board based on the share prices from May/June respectively. The entitlement to a payout for the issued SAR arises two years later, providing no extraordinary events occur, i.e. the payment entitlement for the year 2016/2017 becomes valid on July 20, 2019. The amount of the payout is then determined by multiplying the total number of SARs issued by the Company's share price on the day their payment entitlement arises. The Supervisory Board intends to make the payout in cash. If the share price on this day is 200% above the starting price used of EUR 18.00, then this is capped at a share price of EUR 54.00.

The share-based income recognized in the 2018 fiscal year for Mr. Dr. Markus Rechlin is kEUR 100 (previous year: expenses of kEUR 266), for Mr. Bögershausen kEUR 100 (previous year: expenses of kEUR 266), and for Mr. Schöneborn it is kEUR 105 (previous year: expense of kEUR 65). A share-based expense arises in 2018 for Mr. Dr. Axel Schulz of kEUR 3 and for Mr. Dr. Gereon W. Heinemann of kEUR 16.

The Annual General Meeting decides on the compensation for members of the Supervisory Board: and its committees. In line with a resolution of June 2, 2017, members of the Supervisory Board receive a fixed compensation of kEUR 25 per member payable after the conclusion of the fiscal year in addition to reimbursement of their expenses. The chairman receives double this rate and the vice chairman 1.5 times the rate. Compensation for members of the presiding committee amounts to kEUR 5 each and that of the audit committee kEUR 7.5, with the chairman of each committee receiving twice the respective rate.

Supervisory Board compensation

in kEUR	2018	2017
Compensation for Supervisory Board activities	238	238
Total	**238**	**238**

Besides the compensation for his work on the Supervisory Board, Mr Ihde received compensation of kEUR 21 (previous year: kEUR 125) as part of a consultancy contract with SLM AG. This consultancy contract was terminated with effect on March 01, 2018. Mr Grimberg received no additional compensation in the 2018 fiscal year (previous year: kEUR 2).

No other compensation agreements were concluded with members of the Supervisory Board in the 2018 fiscal year.

CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

CONSOLIDATED INCOME STATEMENT
for the fiscal year from 1 January 2018 to 31 December 2018

in kEUR	Note	2018	2017
Revenue	10	71,659	82,494
Increase in inventories of finished goods and work-in-progress		9,399	-2,279
Other own work capitalized	19	3,355	3,132
Total operating revenue		**84,413**	**83,346**
Cost of materials	8	-44,805	-38,575
Gross profit		**39,608**	**44,771**
Personnel expenses	9	-29,811	-26,691
Other operating income	11	3,225	1,948
Other operating expenses	12	-20,838	-18,094
Profit or loss from companies carried at equity		-224	-63
EBITDA		**-8,040**	**1,871**
Depreciation and amortization	19.20	-6,545	-6,887
Earnings before interest and taxes (EBIT)		**-14,586**	**-5,015**
Other interest income		10	14
Interest income from shareholder loans		5	5
Interest and similar expenses	13	-4,098	-1,015
Earnings before tax (EBT)		**-18,669**	**-6,012**
Income tax	14	5,287	2,272
Net profit/loss for the period		**-13,382**	**-3,741**
Net profit/loss for the period attributable to the owners of the parent company		-13,382	-3,741
Number of shares in millions		18.0	18.0
Basic earnings per share in EUR		-0.74	-0.21
Diluted earnings per share in EUR		-0.74	-0.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the fiscal year from 1 January 2018 to 31 December 2018

in kEUR	Note	2018	2017
Net profit/loss for the period		**-13,382**	**-3,741**
Income/expenses not to be reclassified to profit or loss in the future:			
Actuarial gains and losses	25	-89	-33
Income/expenses to be reclassified to profit or loss in the future:			
Income/expenses from currency conversion	25	57	-277
Other comprehensive income		**-32**	**-310**
Consolidated total comprehensive income		**-13,415**	**-4,051**
Attribution of comprehensive income:			
Shareholders of SLM Solutions Group AG		-13,415	-4,051

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2018

in kEUR	Note	12/31/2018	12/31/2017
Assets			
Cash and cash equivalents	15	27,786	63,712
Trade receivables	16	34,757	38,741
Other financial assets	18	0	9
Inventories	17	36,763	27,513
Current tax receivables		885	979
Other assets	18	2,533	2,146
Total current assets		**102,723**	**133,101**
Intangible assets	19	23,523	21,950
Property, plant and equipment	20	36,432	32,491
Financial investments carried at equity		913	474
Other financial assets		261	256
Other assets		375	105
Deferred tax assets		5,698	0
Total non-current assets		**67,202**	**55,276**
Total assets		**169,925**	**188,377**
Equity and liabilities			
Trade accounts payable*		9,840	10,987
Other financial liabilities*	21	1,714	635
Other non-financial liabilities*	22	3,459	3,992
Tax provisions		205	0
Provisions*	24	4,490	2,596
Total current liabilities		**19,710**	**18,210**
Financial liabilities	4	65,174	70,718
Pensions and similar obligations	23	5,554	5,294
Other non-financial liabilities		331	0
Deferred tax liabilities	14	0	200
Provisions	7	70	821
Total non-current liabilities		**71,129**	**77,034**
Subscribed share capital		17,981	17,981
Additional paid-in capital		87,023	87,023
Consolidated loss for the period		-24,282	-10,899
Other reserves		-1,636	-972
Total equity	**25**	**79,087**	**93,133**
Equity and liabilities (total)		**169,925**	**188,377**

* The Group's current liabilities were further broken down in the above presentation compared to the previous year. The previous year's figures were adapted accordingly to improve their comparability in the Statement of Financial Position. Changes are presented, in detail, in the Notes 21, 22 and 24 to the items of the Statement of Financial Position.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the fiscal year from 1 January 2018 to 31 December 2018

in kEUR	2018	2017
Net profit/loss for the period	-13,382	-3,741
Depreciation and amortisation	6,545	6,887
Interest expenses	4.098	1,015
Interest income	-15	-19
Income tax	-5,286	-2,272
Non-cash expenses	232	305
Changes in assets and liabilities	-6,490	-10,120
Inventories	-9,250	3,594
Accounts receivables	3,985	-9,684
Pensions and similar obligations	260	182
Liabilities	-1,147	-1,047
Provisions	-41	-91
Other liabilities	513	-1,489
Other assets and liabilities	-811	-1,585
Income taxes paid	-113	-1,039
Net cash inflow / outflow from operating activities	**-14,412**	**-8,984**
Cash outflows for investments in intangible assets and property, plant and equipment	-8,974	-17,883
Investments in development costs	-3,355	-3,132
Cash outflows for investments in joint ventures	-671	-417
Cash outflows for investments in financial assets	-5	-5
Interest received	9	19
Net cash inflow / outflow from investment activities	**-12,996**	**-21,418**
Cash inflow from loans	0	16,005
Cash outflow due to loans	-5,335	0
Cash inflow for convertible bond	0	58,500
Interest paid	-3,331	-45
Net cash inflow / outflow from financing activities	**-8,666**	**74,460**
Net increase (decrease) in cash and cash equivalents	-36,074	44,058
Exchange-related changes in financing funds	148	-374
Liquid funds at the start of the reporting period	63,712	20,028
Liquid funds at the end of the reporting period*	27,786	63,712
Rental deposit	0	-30
Financing funds at the start of the period	**63,682**	**19,997**
Financing funds at the end of the period	**27,786**	**63,682**

* For a reconciliation of the cash and cash equivalents according to the Statement of Financial Position, please refer to Note 15.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the fiscal year from 1 January 2017 to 31 December 2018

in kEUR	Subscri-bed capital	Capital reserve	Consolida-ted loss for the period included in retained earnings	Other reserves	Total equity
Balance as of 1 Jan. 2017	**17,981**	**85,041**	**-7,158**	**-662**	**95,201**
Consolidated net profit / loss			-3,741		-3,741
Equity changes arising from foreign currencies				-277	-277
Equity changes arising from actuarial gains / losses				-33	-33
Equity share from convertible bond		1,982			1,982
Balance as of 31 Dec. 2017	**17,981**	**87,023**	**-10,899**	**-972**	**93,133**
Changes in equity under IFRS 9 and 15 as of 01/01/2018				**-632**	**-632**
Balance as of 1 Jan. 2018	**17,981**	**87,023**	**-10,899**	**-1,604**	**92,501**
Consolidated net profit / loss			-13,382		-13,382
Equity changes arising from foreign currencies				57	57
Equity changes arising from actuarial gains / losses				-89	-89
Balance as of 31 Dec. 2018	**17,981**	**87,023**	**-24,281**	**-1,636**	**79,087**

SLM Solutions Group AG, Lübeck

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS as of 31 December 2018

Note 1) Information about the Company

The accompanying Consolidated Financial Statements constitute the consolidated accounts of SLM Solutions Group AG ("the Company" or "SLM AG") with registered office in Lübeck, Germany, and its subsidiaries (jointly referred to as "the Group"). SLM AG is the ultimate parent company of the group of companies.

SLM AG is a Germany-based company with headquarters in Lübeck/Germany and is registered with the Commercial Register of the Amtsgericht (Local Court of) Lübeck under HRB 13827.

The Group is active in the field of metal-based additive manufacturing technology. For information on subordinated companies, please refer to Note 3.

The preparation of the Consolidated Financial Statements was completed on March 20, 2019 and will probably be submitted to the Supervisory Board for approval on March 25, 2019.

Note 2) Basis of preparation

These Consolidated Financial Statements were prepared in compliance with the International Financial Reporting Standards as adopted by the European Union and the supplementary applicable provisions of the German Commercial Code (HGB), pursuant to Sec. 315e (1) of German Commercial Code (HGB).

The consolidated accounts were prepared on the basis of amortized, historic cost (of acquisition or production) and are presented in thousands of EUROS (kEUR). Minor differences might arise due to rounding.

Note 3) Group of fully consolidated entities

Subsidiaries

These Consolidated Financial Statements comprise the financial statements of SLM Solutions Group AG and of the subsidiaries controlled by that company.

The Group consolidates subsidiaries from the time at which the company gains control over the subsidiary and until the time when the company ceases to have such control. The company records earnings of the subsidiaries acquired or sold in the course of the year in the Income Statement and the other consolidated net profit/loss from the effective date of the actual acquisition until the date of their effective disposal. Entities are considered to be under control, if SLM AG is exposed to or has rights to variable economic returns from its participation in the subsidiary and has the ability to exert influence on such returns of the subsidiary due to this power of determination over such entity.

The subsidiaries prepare their Financial Statements over the same reporting period as the parent company and apply the same accounting and valuation principles. All intra-group assets, liabilities and equity, expenses and income, non-realized profits and gains from transaction within the Group as well as dividends are eliminated during consolidation.

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

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

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

The number of consolidated companies was expanded by the subsidiaries in Italy and France which were founded on February 09 or March 01, 2018, respectively.

Joint Arrangements

Joint arrangements are contractual arrangements in which two or more parties have joint control of an economic activity and have agreed on a joint control over of this activity. A joint arrangement is either a joint operation or a joint venture. The classification depends on the rights and duties of the parties to the arrangement. If the parties have joint control of the individual assets and liabilities of the joint arrangement, it is a joint operation. If the parties have control of the net assets of the arrangement, it is a joint venture.

On May 26, 2014, SLM concluded a cooperation agreement with the Singapore-based Nanyang Technological Universi-ty (NTU) with a term until August 18, 2019. They agreed on a close cooperation in research and development activities focusing on so-called "additive manufacturing" technologies. For this purpose, the expertise of both parties shall be combined. In their cooperation agreement, the parties agreed on a joint activity regarding the research and development of intellectual property. Both parties provide personnel which will jointly perform the operative activities. The headquarters are located in Singapore.

This cooperation is a joint operation, due to lack of shares in net assets. The assets and liabilities of the joint operation shall be disclosed in SLM AG's Consolidated Financial Statements on a pro-rata basis, insofar as the parties have rights and obligations to such, the same applies to the profit components associated therewith. The joint operation was provided with own assets, in which SLM AG continues to hold rights, so that it will continue to be accounted for. The Group records any income and expenses arising from the joint operation in the Income Statement, insofar as such relate to these assets or are to be attributed to SLM AG.

Joint Ventures

The at-equity method requires that shares in associated companies or joint ventures shall be included in the Consolidated Statement of Financial Position at cost (of acquisition), adjusted by changes of the Group's share in the profit or loss and the other result of the associated company or joint venture after the acquisition date. Losses of associated companies or joint ventures which exceed the Group's share in this associated company or joint venture, will not be recorded.

The companies are not under control, since shareholder resolutions may only be passed unanimously, although SLM AG holds 51% of the shares.

3DMetal Powder GmbH, Lübeck, was founded in 2016 and has not yet developed essential business activities. This company has a subscribed share capital of kEUR 25, equity of kEUR -7 and an annual result of kEUR -14 in view of total assets of kEUR 526. The key mission of the cooperation are development, manufacturing and refining steps of special metal powders. Objective of this joint venture is to enable the manufacturing of tailor-made consumables for the users of SLM® machines. It enables the company to perfectly cater for the individual requirements of its customers.

SLM Solutions Software GmbH, Perg/Austria, was founded in 2016 and has a share capital of kEUR 635, equity of kEUR 139 and total assets of kEUR 854. In the 2018 fiscal year, this operating investment was provided with capital in the amount of kEUR 671. Purpose of this investment is the joint development of a construction software facilitating its users the development of components by enabling users to make optimum use of the big freedoms of component geometry - one of the most important advantages of additive manufacturing processes.

Given the operating character of the joint ventures which are carried at equity, the result of companies carried at equity is disclosed as part of EBITDA and thus also of EBIT.

Note 4) Summary of Significant Accounting and Valuation Principles

The accounting and valuation principles set out below have been applied uniformly to all periods disclosed in these Consolidated Financial Statements.

Currency translation

Foreign subsidiaries of SLM Solutions each defined the national currency of their country as their functional currency. Assets and liabilities of foreign subsidiaries whose functional currency is not the Euro, are translated at the spot exchange rate prevailing at the end of the reporting period. The Consolidated Income Statement is translated by applying monthly average exchange rates. Differences arising from such translation are recorded directly in other comprehensive income and accrued directly in equity.

The following exchange rates were used in the Consolidated Financial Statements:

	12/13/	12/13	Annual average	Annual average
Currency	**2018**	**2017**	**2018**	**2017**
U.S. Dollar	1.145	1.199	1.181	1.184
SG Dollar	1.559	1.602	1.593	1.594
CNY	7.875	7.804	7.807	7.807
RUB	79.715	69.392	74.053	64.409
INR	79.730	76.606	80.727	76.066

Any transactions performed in any other than the company's functional currency are recognized by applying the spot exchange rate prevailing on the date when the underlying transactions is recognized for the first time. At the end of the reporting period, any financial assets and liabilities denominated in foreign currency will be translated at the spot exchange rate prevailing on such date. Gains and losses arising from such currency translation are recognized in profit or loss. Equity is translated at the historical spot rate.

Revenue recognition

SLM recognizes revenue from the sale of machines and accessories as well as spare parts, merchandise and consumables as well as of machine-related services. SLM adopts IFRS 15 for the first time for the fiscal year which will start on January 1, 2018. The first-time adoption will result in changes in the recognition of revenue arising from the service and maintenance contracts concluded in the previous year in connection with the machine sales and the previous accounting under IAS 18.

For the transition to the new standard, SLM applies the simplification options granted under IFRS 15 that contracts which have already been fulfilled on December 31, 2017 were not newly assessed according to IFRS 15 (C7).

Non-realized sales from service and maintenance agreements were determined on the customer's level with a volume of EUR 1.2 million and deferred as of January 1, 2018. For the year 2018, they amounted to EUR 0.7 million, for 2019 to EUR 0.3 million and for the subsequent years EUR 0.2 million which will be recognized through profit and loss in the relevant periods.

The estimated costs associated with these service and maintenance contracts which have, so far, been recognized under provisions for guarantee services, were reduced for the still existing agreements with a volume of EUR 0.8 million, also as of January 1, 2018.

Taking into account deferred taxes of EUR 0.1 million, this resulted in a change of equity as of January 1, 2018 of EUR 0.2 million. In relation to the diluted and undiluted outstanding shares, that amounts to EUR 0.015 per share.

Upon conclusion of a contract, SLM verifies the goods or services promised to the customer under the contract and any promise to transfer an individual good subject to wear or deferred service. In general, goods and services, the transfer of which to the customer was promised, will explicitly be specified in the contract concluded with the customer. SLM identifies, upon conclusion or commence of the contract whether the performance obligation will be satisfied on a one-off basis or on an ongoing basis. If the performance obligation is not fulfilled on an ongoing basis, the company is deemed to fulfil the performance obligation on a one-off basis. For this purpose, SLM observes the provisions regard-ing transfer of control. SLM recognizes revenue when it complied with or fulfilled its obligation since it transferred the contractually specified good or the service or asset to the customer. Any asset will be deemed transferred, when the customer has obtained control. For SLM this means, in particular, the delivery of machines and accessories, spare parts and metal powder. Sales revenue is generally recognized when the goods were sent from the Group's warehouse.

The contracts generally contain neither variable compensations nor estimates or financial components. Advance payments or final payments fall due upon placement of the order, prior to the delivery and finally after the installation on site. A warranty of 12 months is agreed in such contracts.

An entity is deemed to transfer the power over a good or service on an ongoing basis, thus fulfills its performance obligations and recognizes revenue, when it meets one of the following criteria:

- the customer can benefit from the performance or uses the performance as it is fulfilled;
- the performance creates or enhances an asset (e.g. work in progress) and the customer gains control over the asset as the asset is created; or
- the performance creates an asset which has no alternative use for the entity and the entity has an enforceable right to payment for performance completed to date.

For SLM, these are, in particular, rental, service and maintenance contracts. The revenue arising will be distributed and received over the term of the contracts, taking into account possible special performance or interest effects in compliance with the terms.

Government grants

The Group receives government grants for development activities in the ordinary course of business. It recognizes government grants when it is reasonably certain that the preconditions for receiving such grants are met and the grants will be provided. Grants provided for purchasing or manufacturing property, plant and equipment (grants related to fixed assets) will be set off against their cost of acquisition or capitalized development costs of the assets concerned, as soon as the development is completed and thereby reducing their future depreciation and amortization. Grants obtained for any other purpose than for property, plant and equipment (performance-related grants) are recognized as income in the Consolidated Income Statement in the period in which the Group incurs the related expenses.

Product-related provisions

Provisions for probable expenses for product warranties are recognized on the date the revenue is recognized. Estimates are based on historical values for the warranty costs. For new products, estimates regarding provisions for product warranty are also made by considering expert opinions and sector data.

Research and development costs

SLM is a highly innovative Group and consequently focusses on research and development. Costs incurred for research activities undertaken with the objective of obtaining new scientific and technical knowledge, are expensed as incurred.

Expenses for development activities, the findings of which will be applied to a plan or design for new or substantially improved products and processes are capitalized, if

(1) the development costs can be measured reliably, if the product or the process;
(2) are technically; and
(3) economically feasible;
(4) the future economic benefit is probable; and
(5) SLM wishes to complete the development and to use or sell the asset; and
(6) has the funds necessary to do so.

Capitalized costs comprise the expenses directly attributable to preparing the asset for use, such as costs of material as well as direct and indirect labor costs. Such capitalized costs are disclosed under "Intangible assets". Other costs of development constitute expense for the period.

Intangible assets

The Group capitalized development costs for new technologies and products as intangible assets, insofar as the criteria set out in IAS 38 are met. Acquired intangible assets with an identifiable useful life are disclosed at cost of acquisition, less accumulated amortization. Intangible assets acquired as part of a business combination will be recognized separately from any goodwill and measured at fair value on the acquisition date. In subsequent periods, they are measured at cost (of acquisition), less accumulated amortization and impairments, in the same manner as individual acquired intangible assets. Capitalized development costs are subject to systematic straight-line amortization, like all other intangible assets, beginning from the start of their utilization, over the expected useful life of the product which normally amounts to four years. Amortization of intangible assets is disclosed in the Consolidated Income Statement under depreciation and amortization. The Group has no intangible assets with indefinite useful lives.

Useful lives of intangible assets are:

Fundamental technology assets	15 years
Customer base	10 years
Other intangible assets	4 to 5 years

Property, plant and equipment

Property, plant and equipment that is subject to wear and utilized by the Company for more than one year, is measured at cost of acquisition or production, less accumulated depreciation and impairment. Property, plant and equipment is subject to straight-line depreciation over the useful life. Borrowing cost is considered as part of the cost of acquisition or production pursuant to IAS 23, insofar as qualified assets exist. Costs of maintenance and repair are recognized as expenses as incurred. Gains and losses from the disposal of assets are disclosed in the Consolidated Income Statement under other operating income and expenses.

Scheduled depreciation is mainly made according to the following useful lives:

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

If assets show indications for an impairment and if the recoverable amount is below the amortized costs of acquisition or production, assets are written down to their recoverable amount.

Impairment of property, plant and equipment, and intangible assets

The company tests property, plant and equipment and other intangible assets for impairment, whenever events or circumstances occur which indicate an impairment of a carrying amount. In addition, intangible assets which are not yet usable are tested annually for impairment. The impairment of assets is tested by comparing their carrying amount to their recoverable amount which is the higher of the assets' value in use, its fair value, less costs to sell or the market capitalization at the relevant reporting date. If assets do not generate any inflow of cash which is largely independent of those of other assets or groups of assets, the impairment test is made on the level of the cash generating units to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized will be disclosed in the amount by which the carrying amount of the assets or the cash-generating units exceeds their recoverable amount. The value in use of assets corresponds to the current value of their probable future cash inflows regarding a planning period of five years. The weighted average capital cost (WACC) were compiled on the basis of the current market values or the higher value derived from the market capitalization,, in order to determine the fair value for the fiscal year. If there are indications that the reasons for the impairment no longer exist, an examination is conducted as to whether a complete or partial reversal of the impairment loss is required.

Income taxes

The income tax expense for the period comprises the actual and deferred taxes. The Group recognizes taxes in the Income Statement, unless they relate to items which are directly recognized in equity or other comprehensive income. In this case, taxes will also be recognized in equity or other comprehensive income.

Actual taxes are calculated based on the profit or loss during the fiscal year as calculated by applying local tax provisions. Expected or rendered additional tax payments or tax refunds for previous years are also taken into account. Potential tax risks and uncertain tax claims are valued using the best possible estimate.

Deferred tax assets are created pursuant to the liability method which result from differences between the values for the existing assets and liabilities forming the basis in the Consolidated Financial Statements and the values recognized under tax laws (tax base). Effects resulting from a change in tax rates are recognized in the Income Statement of the period in which new tax laws are enacted or substantively enacted, unless they relate to positions disclosed directly under equity.

Deferred tax assets are recognized to the extent as it is probable that future income will be available against which the deductible temporary differences, unutilized tax losses and unutilized tax credits can be set off. Deferred tax assets relating to items posted directly in equity are also disclosed directly in equity. One special rule applies here to the capitalization of deferred tax assets on loss carryforwards. Such shall be capitalized also if it is highly probable that sufficient taxable profits will be available to set off losses in future.

Deferred tax assets and liabilities will be set off, if a legally enforceable claim exists to set off deferred tax assets against deferred tax liabilities, and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax office for the same taxable entity or for different taxable entities, if the balance is to be settled on a net basis.

Inventories

Inventories are measured at cost or at the net realizable value, whichever is lower on the reporting date. Cost (of acquisition) is generally determined on the basis of an average value or by applying the first-in/first-out method. Cost of production of laser melting systems contain the direct cost of materials and labor as well as the applicable manufacturing overheads, including cost of depreciation. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Defined benefit plans

SLM only provides unfunded plans and measures the claims under defined benefit plans by applying the projected unit credit method. In the determination of the net present value of the future benefit entitlement for services already rendered (pension claim), SLM takes into account future increases in wage and pension, if an employee's benefit entitlement at regular retirement age depends on the future increases of wages and pensions.

SLM recognizes actuarial gains and losses arising, for example, from an adaptation of the discount rate, under other comprehensive income, in the period in which they arise.

Provisions

The company discloses provisions in the Statement of Financial Position, if it has as present legal or constructive obligation as a result of a past event, which will probably result in an outflow of economic benefits and the amount of which can be reliably estimated. Additional provisions and the reversal of provision are recognized in the Consolidated Income Statement.

Financial instruments

Financial instruments are contracts which give rise to a financial asset for one contract party and to a financial liability or an equity instrument in another contract party. Financial instruments of the Company consist mainly of cash and cash equivalents, trade receivables and other assets. Financial liabilities of the Company comprise mainly financial liabilities which combine non-current liabilities due to banks, including convertible bonds, trade accounts payable and other financial liabilities which relate mainly to current liabilities due to banks, from personnel obligations and commissions. SLM does not exercise its option right to initially recognize financial assets or financial liabilities at fair value through profit and loss (Fair Value Option). Financial instruments are recognized using trade date accounting. And the Company derecognizes financial instruments if it no longer holds any rights in the cash flows.

Financial instruments are recognized at the time SLM becomes a contract party to the instrument.

And financial instruments are measured at fair value on their initial recognition. If financial instruments are not disclosed at fair value through profit and loss, the transaction costs that are directly attributable to the acquisition or issue of financial instruments will be disclosed. Any subsequent measurement is made depending on the categorization.

For its trade accounts receivable and assets, SLM applied the simplified model of expected credit losses, as required under IFRS 9, and it applied the general model of expected credit losses - for its debt instruments accounted for at amortized cost and the debt instruments carried at fair value not affecting net income. All debt instruments of the Group are subject to a low default risk, both at the beginning and at the end of the reporting period.

The analysis of trade accounts receivable and other assets resulting from similar contracts showed that these have generally the same risk characteristics.

There is a general market risk which is restricted to the currency risk at SLM. The Group is exposed to transactional foreign currency risks to the extent that quotations of currencies in which sales or purchase transactions or accounts receivables and credit transactions are made are not the functional currency of SLM, i.e. the euro. Essential transactions are made in the country's currency, so that this risk is considered to be low. Therefore, cash flows are not hedged by financial instruments.

A general default risk applies insofar as customers fail to comply with their financial obligations. The default risk exists mainly with regard to trade accounts receivable. The Group's default risk is mainly influenced by individual characteristics of its customers.

The estimates regarding the expected credit losses depend on the intrinsic value and the ageing structure of the trade accounts receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other highly liquid investments with a maturity of not more than three months at the time of acquisition. They are measured at cost.

Loans and receivables

Financial instruments categorized as loans and receivables, are initially measured at fair value and subsequently at amortized cost by applying the effective interest method, less any impairment losses. The Company verifies whether an impairment is probable after the initial recognition (i.e. whether it is very probable that the borrower becomes insolvent or that the borrower is in significant financial difficulties). The Company determines the extent of the impairment on the basis of the expected future cash flows or the credit and market risks. Impairments of trade receivables are generally disclosed in separate allowance accounts. Loans and receivables with a term of more than one year are discounted.

Financial liabilities

SLM issued a convertible bond on October 11, 2017. The issue volume is EUR 58.5 million. Initially, the convertible bond can be converted to 1,379,760 new or existing bearer shares. The initial conversion price is EUR 42.3987 which corresponds to a premium of 28.0% over the reference price. The bond bears interest at a rate of 5.5% p.a. and matures on October 11, 2022. The accrued interest for the bond on December 31, 2018 is disclosed under other financial liabilities and has a residual term of less than one year.

The convertible bond contains both equity and borrowing components. And the conversion right constitutes equity.

Other financial liabilities disclose the credits raised for the new construction in Genin, in the amount of EUR 10.7 million (previous year: EUR 16.0 million), plus interest liabilities of kEUR 700 (previous year: kEUR 700). One loan was prematurely repaid in 2018. The other loans have a term until March 31, 2027. They will be repaid in 31 consecutive equal quarterly instalments of kEUR 333, beginning on June 30, 2019. Therefore, the Company recognized liabilities with a residual term of less than one year in the amount of EUR 1.7 million, of 1 to 5 years of EUR 5.4 million and of more than 5 years in the amount of EUR 4.3 million. First ranking mortgages in favor of the borrowing banks were registered on the Estlandring property in Lübeck for these liabilities.

Financial liabilities are measured at amortized costs according to the effective interest method.

SLM uses no derivative financial instruments.

Leasing

A lease is a contract under which the lessor transfers to the lessee the right to use an asset for an agreed period against a payment or a series of payments. The issue of allocating the rental property depends on whether a lease is an operating lease or a finance lease. A finance lease applies if it transfers substantially all the risks and rewards incidental to ownership of the leased property. The ownership right can be transferred as well. A lease is classified as operating lease if it does not meet the criteria for being classified as finance lease - in the sense of a negative delimitation. SLM acts both as lessor and lessee as part of its business activities.

Note 5) New financial reporting regulations

The disclosure of the Group's current liabilities was broken down in more detail compared to the previous year. For that purpose, the figures disclosed in the previous year were adapted accordingly to improve their comparability. Details of the changes are presented in Notes 21, 22 and 24 to the items of the Statement of Financial Position.

IFRS 9 Financial instruments

The standard "IFRS 9 - Financial Instruments" published by the IASB on July 24, 2014, is a three-phase project to replace "IAS 39 - Financial Instruments: Recognition and Measurement". The standard provides for the classification and measurement of financial instruments, the accounting of impairments of financial assets and hedge accounting.

For its trade accounts receivable and assets, SLM applied the simplified model of expected credit losses, as required under IFRS 9, and it applied the general model of expected credit losses - for its debt instruments accounted for at amortized cost and the debt instruments carried at fair value not affecting net income. All debt instruments of the Group are subject to a low default risk, both at the beginning and at the end of the reporting period.

SLM Solutions applied the classification and measurement of trade receivables according to this standard on January 1, 2018 for the first time. The adjusted amounts were recognized at kEUR -286 under equity, not affecting net income by observing deferred taxes.

In detail:

Recognized on January 1, 2018:

Reserves of trade receivables	kEUR 418
Deferred tax assets in reserves	kEUR 132

IFRS 15 Revenue from contracts with customers and associated clarifications

The standard "IFRS 15 - Revenue from Contracts with Customers" published by the IASB on May 28, 2014, replaces the former standards on revenue "IAS 18" and "IAS 11". This standard provides at which time and to which amount revenue is to be recognized. It defines that revenue shall be recognized as the control over the agreed goods and services is transferred to the customer and the latter is able to use the benefits related to the assets. A differentiation is to be made between the satisfaction of performance obligations over time or at a point in time.

The Company analyzed existing contracts, identified existing performance contracts with customers, and the independent performance components which will only be recognized at a point in time in the future have been measured separately. The components relating to a performance over time which have been received with the main payment, relate to maintenance and service contracts with different total and residual terms until 01/01/2018 as well as differing promised performances. The amount of consideration was determined by an analysis. In turn, obligations arising from these contracts which had been disclosed under liabilities so far, were adapted, as well.

SLM Solutions measured the maintenance and service contracts and their opposed performance obligations under liabilities for the first time on January 1, 2018 according to this standard. Adapted figures were recognized with kEUR -263 under equity, without affecting net income and by taking into account deferred taxes.

In detail:

Recognized as of January 1, 2018:

Reserves for advance payments received	kEUR 1,198
Provisions for guarantee and maintenance in reserves	kEUR 814
Deferred tax assets in reserves	kEUR 121

Recognized with effect on net income in 2018:

Advance payments received to revenue	kEUR 658
Deferred taxes to deferred tax assets	kEUR 465

As of 12/31/2018

Advance payments received	kEUR 540, of which for 2019: kEUR 336
Deferred tax assets	kEUR 171, of which for 2019: kEUR 106

Contract liabilities comprise mainly advance payments received. These consist of both advance payments received on orders, the above explained deferral of revenue for maintenance contracts as of 1/1/2018 and period-relaed revenue received in the current fiscal year.

in kEUR	**12/31/2018**	**12/31/2017**
IFRS 15 deferral 1/1/2018	540	0
Advance payments on orders	286	1,212
Deferral of maintenance contracts	23	61

IFRS 2: Changes in the Classification and Measurement of Share-Based Payments

The changes to IFRS 2 on Share-based Payments, which were approved by the IASB on June 20, 2016 clarify the classification and measurement of share-based payments. That relates, in particular, to the effects of vesting conditions on the fair value of payments to be settled in cash.

The adoption in 2018 had no essential effects on the accounting of share-based payments provided to the directors of SLM Solutions.

IFRIC 22: Foreign currency transactions and advance consideration

On December 8, 2016, the IFRS IC of the IASB approved the new interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration. It provides that the date of transaction, including the separate exchange rate, must be determined individually and for each advance consideration, even if several apply to one transaction.

This adoption in 2018 had no essential effects on the accounting of advance considerations in SLM Solutions.

IFRS 16 Leases

The Standard "IFRS 16 - Leases" published by the IASB on January 13, 2016, replaces the former standards and interpretations on leases "IAS 17 ", "IFRIC 4", "SIC-15" and "SIC-27" and implements one uniform accounting model for leases to be applied by lessees. It requires that lessees recognize any and all leases as right-of-use assets and lease liabilities in their statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value (each an option right). The lessor shall continue to classify leases as "operating lease" or "finance lease". The standard requires mandatory adoption for fiscal years beginning on or after January 1, 2019.

SLM Solutions currently analyzes the effects arising from changes of this standard on its asset, financial situation and the result of operations. It expects a slight extension of the Statement of Financial Position in the lower one-digit million Euro range, since operating leases which are currently disclosed in the Notes shall then be recognized as right-of-use-assets and lease liability in the Statement of Financial Position. Any expenses arising for former operating leases will, in the future, no longer be recognized as lease expenses. The new regulations will result in a depreciation of the rights of use and interest expense, so SLM Solutions expects corresponding shifts in the Income Statement, associated with a slightly positive effect on the EBIT or EBITDA.

IFRIC 23: Uncertainty over Income Tax Treatments

On June 7, 2017, the IFRS published the final interpretation IFRIC 23 which is to be applied obligatorily to fiscal years beginning on or after January 1, 2019, insofar as the EU endorsed its application. IFRIC 23 is to be applied to taxable profits (or tax losses), tax bases, unused tax losses, unused tax credits and tax rates, where there is uncertainty over income tax treatments under IAS 12. The Company is to assume that a tax authority has both the right to and knowledge of all relevant information.

SLM Solutions is currently verifying whether the first-time adoption will have an effect on the accounting of income tax but does not expect any substantial effects on its current accounting practice.

Other new standards and interpretations which are not yet mandatory and of which SLM Solution currently believes that they will not be applicable to it:

First time adoption	New or changed standards and interpretations
January 01, 2019	Prepayment Features with Negative Compensation (Amendments to IFRS 9)
	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
	Annual Improvements 2015-2017 - several standards
January 01, 2020	Amendments to references to the conceptual framework in IFRS standards
January 01, 2021	IFRS 17 Insurance Contracts

Note 6) Estimates and assumptions

The preparation of the Consolidated Financial Statements requires, to a certain extent, the use of estimates and assumptions that affect the presentation of the assets, liabilities, income and expenses. In doing so, all available information is taken into account. Fundamental assumptions and estimates relate to the capitalization of development costs, the measurement of intangible assets, the determination of the useful life, the calculation of deferred tax assets, the impairment of receivables, the recognition and assessment of provisions and the sensitivity analysis performed according to IFRS 7.

Of special importance here are also the uncertainties regarding estimates resulting from the currently tense interest situation which also relate to the amount of the pension provisions disclosed. Therefore, actual values might deviate from these estimates.

For provisions, in particular, the provisions for warranties, deviations might arise in comparison to the expenses for warranties which actually arise later, since the provisions are determined on the basis of empirical data. The need for creating provisions for warranty per machine will be quantified and used as basis of assessment for the machines still in warranty at the turn of the year.

The measurement of these positions is highly dependent on the estimate regarding the future capital flows and the discount rates used and thus subject to insecurities.

New information is taken into account, as soon as it is available. At the time of preparation of the Consolidated Financial Statements, the Company does not expect significant changes compared with the assumptions and estimates.

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

Retention Bonus

The Company was obliged to pay a bonus of kEUR 94, for the last time in 2017, due to a bonus agreement concluded in the year 2014. In 2018, no further payments needed to be made under the bonus program.

Note 8) Cost of materials

in kEUR	**2018**	**2017**
Expenses for raw materials, consumables and supplies and for purchased goods	42,180	37,043
Costs of purchased services	2,625	1,532
	44,805	**38,575**

Note 9) Personnel costs

The average number of full time equivalents (FTE) employed in the 2018 fiscal year - divided in six employee groups - was as follows: 3 Board of Directors members, 81 in Sales, 64 in After Sales, 87 in R&D, 105 in Production, 44 in Administration and 20 trainees / interns. (previous year: 3 Board of Directors members, 68 in Sales, 51 in After Sales, 70 in R&D, 106 in Production, 35 in Administration and 26 trainees / interns). In the 2018 fiscal year, payments to public benefit plans amounted to kEUR 1,583 (previous year: kEUR 1,374).

in kEUR	2018	2017
Wages and salaries	25,684	23,138
Social security contributions and expenses for voluntary aid payments	3,918	3,431
Expenses for pension plans and employee provisions	209	122
	29,811	**26,691**

Note 10) Revenue

in kEUR	2018	2017
Sale of machines, including accessory	56,274	67,698
Sale of merchandise, including powder	5,064	4,921
Spare parts and services	10,321	9,875
	71,659	**82,494**

Revenue arising from the sale of machines, incl. accessories and the sale of merchandise, including spare parts and powder was recognized in relation to a point in time. The revenue arising from the rendering of services, in particular, under multi-year maintenance contracts, constitute revenue relating to a period which is deferred in the item "advance payments received" on an accrual basis (contract liabilities). For details, please refer to the table in Note 5.

The classification of revenue has been adapted to the current segment reporting.

The category of "sale of machines, with accessory" corresponds to the segment of "Machine Business" which comprises machines, as well as screening machines, options and additional equipment. The categories of "Sale of retail products, including powder" plus "Spare parts and services" were combined to the segment of "After Sales Business".

Note 11) Other operating income

Other operating income is categorized as follows:

in kEUR	2018	2017
Currency gains	1,845	441
Government grants	30	37
Benefits in kinds to employees	323	268
Reversal of provisions	722	819
Others	305	383
	3,225	**1,948**

SLM has received government grants for various development projects. Where these grants relate to capitalized and completed development projects, these grants are recognized under the item "Other own work capitalized". For as long as capitalized development projects have not been completed, any government grants received are disclosed under liabilities.

All grants are provided under the condition of the submission of a corresponding cost documentation. The Company has no unfulfilled conditions or uncertainties in connection with these grants.

Note 12) Other operating expenses

in kEUR	2018	2017
Sales expenses	5,094	4,823
Operating expenses	6,274	4,411
Administrative expenses	2,356	1,876
Expenses for office rooms	1,446	1,841
Travel expenses	2,914	2,227
Vehicle costs	681	621
Account receivables management	489	1,973
Others*	1,585	322
	20,838	**18,094**

* In 2018, this includes, in particular, out-of-period expenses for customs imports to the US in the amount of kEUR 1,013.

Note 13) Interest and similar expenses

in kEUR	2018	2017
Pension-related interest expenses / income	102	88
Finance costs	43	41
Interest expenses from bank loans	68	126
Interest from convertible bond	3,882	757
Others	2	4
Interest expenses	**4,098**	**1,015**

Note 14) Taxes on income

The major components of income tax expense for the fiscal years ended on December 31, 2018 and the previous year are as follows:

Composition of tax income

in kEUR	2018	2017
Current income taxes		
Current income tax expense	413	73
Tax expense/income from previous years	0	-103
	413	-30
Deferred taxes		
Recognition and reversal of temporary differences	525	-651
Recognition of tax loss carryforwards	-6,225	-1,591
Taxes on income as disclosed in the Income Statement	**-5,287**	**-2,272**
Comprehensive income		
Deferred taxes recognized directly in other comprehensive income:		
Actuarial gains / losses from pension provisions	41	15
Income tax recognized under comprehensive income	**41**	**15**

Deferred taxes totaling kEUR 41 (previous year kEUR 15) were considered under other income which relate to income and expenses recognized in other income (actuarial loss).

In Germany, the calculation of current tax is based on a corporation tax rate of 15% and a solidarity surcharge on such of 5.5% on any and all distributed income and retained earnings.

In addition to corporation tax, Germany levies trade tax on profits gained. Since trade tax in Germany is a non-deductible expense, the average trade tax rate is, on average, 15.75% and the combined tax rate is 31.575% (previous year 31.575%). Deferred tax assets and liabilities are measured based on the tax rates to be expected for the period in which the asset will be realized, or a debt will be settled.

For foreign subsidiaries, current taxes will be determined on the basis of the provisions under local tax laws and the tax rates applicable in the relevant foreign countries. The Company measures deferred tax assets and liabilities based on the tax rates it expects to apply in the period in which the asset is realized or the liability is settled. The tax rates to be applied by the group company vary for deferred taxes between 17% (previous year 17%) and 27.9% (previous year 25%) and for current taxes they are between 17% and 33.3% and thus unchanged compared with the previous year.

Losses carried forward can be set off with profits of subsequent years only to a limited extend, depending on the specific tax laws of the federal states. In addition, the time during which they can be set off with future profits is limited. That results in the following consequences for deferred taxes: loss carryforwards in the subsidiaries totaling kEUR 162 (previous year: kEUR 589) were estimated as being non-usable.

kEUR 0 (previous year kEUR 142) of which will be forfeit within a period of 5 years, losses carryforwards of kEUR 162 (previous year kEUR 447) are useable indefinitely.

The company capitalized deferred taxes on tax loss carryforwards of kEUR 5,602 (previous year 0) without having any deferred tax liabilities in the same amount. These arose from the SLM AG which is undergoing a loss history. This excess was mainly the result from the net loss for the year 2018 of SLM Solutions Group AG which had already incurred loss carryforwards. The recoverability of these deferred tax assets results mainly from the charge of group allocations to subsidiaries. In addition, SLM AG also plans on having a better operating result. Thus, the profit of SLM AG liable to tax will increase in the subsequent years. This allows for a set-off with tax loss carryforwards of SLM AG and thus ensures the recoverability of the deferred tax assets recognized for such loss carryforwards. The recoverability of these deferred tax assets depends mainly of the realization of the planned profits which is subject to uncertainties due to estimates.

The following table shows a reconciliation between the tax expense and the profit before taxes multiplied by the German tax rate for the fiscal years ending on December 31, 2018 and the previous year:

Reconciliation

in kEUR	2018	2017
Profit/loss before taxes	-18,669	-6,012
Expected income tax calculated at 31.575% (2016: 31.575%)	5,895	1,898
Tax effects resulting from:		
Expenses not deductible for tax purposes	-649	-133
Deviating tax rates	-43	25
Tax-free income	2	140
Adaptations of taxable loss carryforwards	114	286
Income tax from previous years	0	103
Others	-33	-47
Income tax	**5,287**	**2,272**

The actual income tax expense for the current year is reduced by kEUR 86 for the subsidiary in Shanghai, due to the use of tax loss carry-forwards from former periods which have not yet been considered.

The subsidiary in the US has classified as recoverable any loss carry-forwards with deferred taxes of kEUR 92 which had not been classified as recoverable to date.

The following overview shows a reconciliation of the deferred taxes to the underlying items in the Statement of Financial Position:

Gross table

in kEUR	12/31/2018	12/31/2017
Intangible assets	-7,253	-6,795
Tangible assets	417	334
Other assets	-135	-674
Loss carryforwards	12,283	6,067
Pension obligations	900	787
Provisions	2	81
Liabilities	-76	0
Total of deferred tax assets/(liabilities)	**6,138**	**-200**
Presentation in the statement of financial position:		
Deferred tax assets	14,682	7,269
Set-off with deferred tax liabilities	-8,544	-7,269
Deferred tax assets according to consolidated statement of financial position	**6,138**	**0**
Deferred tax liabilities	8,544	7,469
Set-off with deferred tax assets	-8,544	-7,269
Deferred tax liabilities according to consolidated statement of financial position	**0**	**200**

KEUR 417 (previous year: kEUR 203) of the deferred tax assets have a term of less than one year. KEUR 405 (previous year kEUR 403) of the deferred income tax liabilities have a term of less than one year.

Note 15) Cash and cash equivalents

The item cash and cash equivalents disclosed in the Statement of Cash Flows includes cash at banks, cash on hand and fixed-term deposits. In the Statement of Financial Position, they are disclosed combined as "Cash and cash equivalents".

in kEUR	12/31/2018	12/31/2017
Cash at banks	27,783	63,681
Cash on hand	3	1
Fixed term deposits	0	30
	27,786	**63,712**

In order to derive cash and cash equivalents (as disclosed in the Statement of Cash Flows), fixed-term deposits which amounted to kEUR 30 in the previous year, were not taken into account. The fixed-term deposits were only available to a limited extend, since they serve as collateral for rental agreements.

Note 16) Trade receivables

in kEUR	12/31/18	12/31/17
Trade accounts receivable	35,087	39,147
Valuation allowances	-331	-406
	34,757	**38,741**

Changes in relation to value allowances are as follows:

in kEUR	Value allowance
01/01/17	**255**
Addition	270
Consumption/reversal	-119
12/31/17	**406**
Addition	61
Consumption/reversal	-136
12/31/18	**331**

The company created no value allowances for the trade accounts receivables of EUR 28.8 million which were neither overdue nor impaired. Furthermore, the company has overdue receivables of EUR 5.3 million for which no value allowances were made. Insofar as there are no individual indications such as cessation of payment or insolvency of the customer (in this case, 100 % of the receivables would be subjected to value allowances), any receivables which are overdue for more than 6 months will be reduced by value allowances of 10%, those above 12 months by an allowance of 20% and those above 24 months by 40%.

On December 31, 2018, trade accounts receivable subject to value allowances had a gross value of EUR 1.0 million for which value allowances of kEUR 331 were created.

The need for impairment is analysed on each reporting date on an individual basis. Valuation allowances are made, inter alia, if a business partner encounters unexpected financial difficulties. For information on the valuation model, see Note 4.

Note 17) Inventories

in kEUR	12/31/2018	12/31/2017
Raw materials, consumables and supplies	7,431	8,895
Work in progress	13,639	7,946
Finished goods and merchandise	15,250	10,331
Advance payments made	442	341
	36,763	**27,513**

Raw materials, consumables and supplies, finished goods and work in progress as well as merchandise held for resale are valued at the lower of cost and net realizable value. In the 2018 fiscal year, kEUR 895 (previous year: kEUR 857) were recognized as expenses for inventories which were disclosed at their net realizable value.

Note 18) Other assets

An analysis of the other current assets is as follows:

in kEUR	12/31/18	12/31/17
Receivables from sales tax	1,157	550
Receivables from cooperation agreement with NTU	380	365
Others*	996	1,201
	2,533	**2,146**

* Essentially contain advance payments for rents, trade fairs and insurances.

Note 19) Intangible assets

in kEUR	Cost of acquisition or production costs as of January 1, 2018	Additions	Disposals	Transfers	Cost of acquisition or production costs as of December 31, 2018	Cumulative depreciation as of December 31, 2018	Carrying amount as of December 31, 2018	Depreciation in fiscal 2018
Capitalized development costs	11,947	4,361	-1	0	16,307	-4,589	11,718	-1,292
Patents, licences and similar rights	1,426	183	-10	0	1,599	-961	638	-385
Acquisition associated with a business combination	19,109	0	0	0	19,109	-7,941	11,168	-1,282
Laser technology	18,123	0	0	0	18,123	-7,248	10,875	-1,208
Customer base	737	0	0	0	737	-444	293	-74
Orders at hand	249	0	0	0	249	-249	0	0
Intangible assets	**32,482**	**4,544**	**-11**	**0**	**37,015**	**-13,491**	**23,524**	**-2,959**

in kEUR	Cost of acquisition or production costs as of January 1, 2017	Additions	Disposals	Transfers	Cost of acquisition or production costs as of December 31, 2017	Cumulative depreciation as of December 31, 2017	Carrying amount as of December 31, 2017	Depreciation in fiscal 2017
Capitalized development costs	10,280	2,712	-277	-768	11,947	-3,297	8,650	-1,280
Patents, licences and similar rights	268	264	-1	895	1,426	-576	850	-318
Acquisition associated with a business combination	19,109	0	0	0	19,109	-6,659	12,450	-1,282
Laser technology	18,123	0	0	0	18,123	-6,040	12,083	-1,208
Customer base	737	0	0	0	737	-370	367	-74
Orders at hand	249	0	0	0	249	-249	0	0
Intangible assets	**29,657**	**2,976**	**-278**	**127**	**32,482**	**-10,532**	**21,950**	**-2,880**

The total amount of research and development costs incurred in the 2018 fiscal year prior to capitalization amounts to kEUR 9,787 (previous year: kEUR 9,078). kEUR 4,361 of these expenses were capitalized in the 2018 fiscal year (previous year: kEUR 2,712). Depreciation on capitalized development costs amounted to kEUR 1,293 in the 2018 fiscal year (previous year: kEUR 1,279).

Note 20) Property, plant and equipment

in kEUR	Cost of acquisition or production costs as of January 1, 2018	Additions	Disposals	Transfers	Cost of acquisition or production as of December 31, 2018	Cumulative depreciation as of December 31, 2018	Carrying amount as of December 31, 2018	Depreciation in fiscal 2018
Land plots	4,567	3,979	0	16,492	25,038	-252	24,786	-252
Technical machines and plants	15,013	2,589	-4,045	0	13,558	-6,558	6,999	-2,152
Furniture and office equipment	5,347	3,403	-3,223	0	5,528	-1,886	3,642	-1,181
Advance payments made	16,545	951	0	-16,492	1,004	0	1,004	0
Property, plant and equipment	**41,472**	**10,923**	**-7,268**	**0**	**45,127**	**-8,696**	**36,431**	**-3,585**

in kEUR	Cost of acquisition or production costs as of January 1, 2017	Additions	Disposals	Transfers	Cost of acquisition or production as of December 31, 2017	Cumulative depreciation as of December 31, 2017	Carrying amount as of December 31, 2017	Depreciation in fiscal 2017
Land plots	4,563	4	0	0	4,567	0	4,567	0
Technical machines and plants	9,444	6,680	-794	-317	15,013	-5,864	9,150	-2,905
Furniture and office equipment	5,799	664	-1,116	0	5,347	-3,118	2,229	-1,103
Advance payments made	3,528	12,828	0	189	16,545	0	16,545	0
Property, plant and equipment	**23,334**	**20,176**	**-1,909**	**-128**	**41,472**	**-8,982**	**32,491**	**-4,008**

The land property amounting to kEUR 4,567 accounted for under property, plant and equipment serves as collateral of the registered mortgage in the amount of kEUR 16,005.

Note 21) Other financial liabilities

The presentation of liabilities has been changed compared to the year before. The overview below shows the value of the items if the structure had not been expanded.

in kEUR	**12/31/2018**	**12/31/2017 new**	**12/31/2017 old**
Trade accounts payable	9,840	10,987	0
Old: trade accounts payable and other liabilities	0	0	10,365
Other financial liabilities	1,714	635	5,286
Other non-financial liabilities			
- advance payments received	644	1,274	0
- personnel obligations	2,715	2,605	0
- other taxes	100	113	0
	3,459	3,992	0
Tax provisions	205	0	0
Provisions	4,490	2,596	2,559
Current debt	**19,710**	**18,210**	**18,210**

Other financial liabilities all have a residual term of less than one year and include liabilities due to banks of kEUR 1,714 (previous year: kEUR 635).

Note 22) Other Non-Financial Liabilities

Other non-financial liabilities have a residual term of less than one year and break down as follows:

in kEUR	**12/31/18**	**12/31/17**
Advance payments received on orders*	644	1,274
Other taxes	100	113
Other personnel expenses	2,715	2,605
	3,459	**3,992**

* including IFRS 15 adaptations of kEUR 336 (previous year: kEUR 0).

Note 23) Pensions and similar obligations

SLM AG has granted pension commitments to some staff members under their individual agreements. These relate to a defined benefit plan which defines the amounts which employees will receive when they enter retirement, and which depend usually on one or several factors (such as age, service period and salary). Accordingly, employees receive pension benefits from the corporate pension scheme according to the statutes and the guidelines of the company HEK GmbH e. V. (founded on September 29, 1969) of which they have hitherto been members.

Retirement, disability and widow's pensions are paid under the guidelines of May 10, 1971. The payment of retirement pensions starts when member celebrated their 60th (for women) or 65th birthday (for men). A disability pension is paid in case of a premature inability to work or occupational disability.

The retirement or disability pension amounts to 15% of the pensionable remuneration (last gross salary not including fringe benefits) and will increase after expiry of the waiting period of 10 years of service, by 1 percent per additional year of service, up to max. 35%.

The widow's pension amounts to 50% of the pension to which the husband or the wife was entitled or to which they had acquired entitlements.

Commitments are commitments financed by provisions. No pension funds exist. The company settles any due liabilities directly with 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 on the reporting date. The DBO is calculated annually by an independent actuarial expert by applying the project unit credit method. The present value of the DBO is calculated by discounting the expected future outflows of cash by using the yield of first-rank corporate bonds. The corporate bonds are denominated in the currency of the amounts disbursed and have the same maturity as the pension obligations. In countries which have no sufficiently developed market for such bonds, the calculations are based on government bonds.

The level of pension obligations arising from defined benefit plans is calculated on the basis of actuarial assumptions which require estimates. The assumptions relating to life expectancy, discount factor and the expected salary and pension trends are each essential parameters affecting the level of the pension obligation. Actuarial gains and losses arise if the actual values of the parameters of any year are different from the actuarial assumptions made for that particular year.

The current service cost reflects the increase of the benefit obligation which accrued for employees in the reporting period. It is recognized in the Consolidated Income Statements under personnel costs.

Net interest is recognized under interest expense in the Consolidated Income Statement.

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

Pension obligations are disclosed as follows in the Consolidated Statement of Financial Position:

in kEUR	2018	2017
Present value as of January 1	**5,294**	**5,112**
Expense of pension claims	108	122
Interest expense	102	88
Pension payments*	-80	-76
Gains/loss from financial changes	135	48
Gains/loss due to demographic changes	-46	0
Gains/losses to experience-based changes	41	0
Present value as of December 31	**5,554**	**5,294**
Plan assets	0	0
Pension provision in statement of financial position	**5,554**	**5,294**

* The Group expects pension payments in the amount of kEUR 81 for the subsequent year (previous year: kEUR 80).

A duration of 15 years was assumed, and the following bases of valuation were applied to the calculation of the pension obligations:

	2018	2017
Calculatory interest rate	2.02%	1.93%
Increase in income	2.50%	2.50%
Pension adjustments	1.70%	1.70%
Fluctuation quota	1.00%	1.00%

A change of one percentage point of the assumed interest rate would have the following effect on the valuation:

	Interest rate		Income trend		Pension adjustment	
	Increase of one percenta-ge point	**Decrease of one percenta-ge point**	**Increase of one percenta-ge point**	**Decrease of one percenta-ge point**	**Increase of one percenta-ge point**	**Decrease of one percenta-ge point**
Effect on DBO (2018)	-967	1.311	183	-168	868	-653
Effect on DBO (2017)	-942	1.242	804	-660	179	-163

The sensitivity analysis is based on the change of all assumptions by +/- one percentage point and should present the effect on the DBO. In order to calculate the sensitivity of the defined benefit obligation to the actuarial assumptions, the Company uses the same methods which are used to determine the pension provisions in the Statement of Financial Position (the present value of the defined benefit obligation was calculated by using the project unit credit method at the end of the reporting period). The methods and assumptions applied to the sensitivity analysis have not been changed compared with the previous year.

The risks to which the Company is exposed under the defined benefit pension plan are mainly:

- The plan guarantees beneficiaries lifelong pension payments which means that any increase in life expectancy results in an increase of the plan obligations.
- The pension benefit payments depend on inflation, so that a higher inflation rate will lead to higher liabilities (although the plan is protected against extreme inflation by set thresholds).

Note 24) Provisions

Changes in provisions are disclosed below:

in kEUR	01/01/2018	Utilization / Reclassification	Release	Addition	12/31/2018
Non-current provisions					
Provisions for guarantee	328	328	0	0	0
LTI	493	423	0	0	70
	821	**751**	**0**	**0**	**70**
Current provisions					
Provisions for guarantee	2,231	2,219	0	3,183	3,195
LTI	328	253	0	0	75
Others	37	37	0	1,221	1,221
	2,595	**2,509**	**0**	**4,404**	**4,490**

The provision for guarantee was created for machines sold in 2018. It is based on experiential data from the past in relation to the number of repairs and product returns in relation to the agreed terms. The calculation of the provisions for warranty is based on currently available information and the maturities already take into account the adaptations in accordance with IAS 15. It is expected that provisions for warranty will be used up within the next year.

For details on the LTI remuneration and provision which is related exclusively to the Management Board, we refer to Note 30.

Note 25) Equity

Subscribed capital
All shares have been fully paid in. Any and all shares are ordinary shares.

The Shareholders' General Meeting resolved on June 22, 2018, that the authorization of the Management Board contained in Art. 4(5) of the by-laws to increase the Company's share capital once or several times by up to EUR 6,907,100.00 until April 16, 2019 (Authorised Capital 2014) with the consent of the Supervisory Board, will need to be cancelled.

Based on the resolution of the Shareholders' General Meeting of June 22, 2018, the Management Board is authorized to increase the share capital, in whole or in part, once or several times until June 21, 2023, by up to EUR 8,990,433.00 by issuing up to 8,990,433 new bearer shares against cash or contributions in kind (Authorized Capital 2018) with the consent of the Supervisory Board. The shareholders shall generally be granted a subscription right; the statutory subscription rights may also be granted in the manner that new shares will be taken over, in whole or in part, by a credit institution or a consortium of credit institutions defined by the Management Board, including the obligation to offer them to the Company's shareholders for subscription.

The Management Board shall be authorized, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in the following cases:

- in case of capital increases against contributions in kind, in particular, to acquire companies, parts of company or participations in companies;
- in case of capital increases against cash contributions, if the issue amount of the new shares issued excluding the subscription right pursuant to Sec. 186(3) clause 4 of the AktG [German Stock Corporation Act], does not significantly fall below the stock exchange prices of shares belonging to the same class and having the same rights which are already listed and if the prorata amount of the share capital attributable to the new shares issued without subscription right pursuant to Sec. 185(2) sentence 4 of AktG does not exceeds 10% of the share capital existing at the time when this authorization becomes effective and at the time when this authorization is exercised. Shares which were issued or sold in direct or corresponding application of Sec. 186(3) sentence 4 of AktG during the term of this authorization, until the time of its exercise, will be included in this limit of 10% of the share capital; shares which the company issued or might still issue based on convertible bonds or bonds with warrants will also be included in this limit, insofar as the convertible bonds or bonds with warrant were issued during the term of this authorization and until the time of its exercise by correspondingly applying Sec. 186(3) sentence 4 of AktG, excluding the shareholders' subscription right. However, those shares which need to be issued due to the warrant bond issued by the company in October 2017 shall not be included in such limit;
- to avoid fractional amounts;
- insofar as necessary to grant the holders or creditors of conversion rights and/or option rights and/or the holders or creditors of bonds equipped with conversion obligations which were or are issued by the Company or by any German or foreign company in which the Company holds, directly or indirectly, the majority of the votes or of the capital, a subscription right to the extent to which they would be entitled after the exercise of the conversion rights and/or option rights or fulfilment of the conversion obligations.

The total amount of shares which will be issued based on the Authorized Capital 2018, to the exclusion of the shareholders' subscription right, must not exceed a calculatory share of 20% of the share capital, taking into account the other shares of the company which will be sold or issued during the term of the Authorized Capital 2018 to the exclusion of subscription rights or which are to be issued based on the bonds issued after June 22, 2018 without subscription rights, neither at the time when this authorization becomes effective, nor at the time when this authorization is used. But, those shares which need to be issued based on the convertible bonds issued by the company in October 2017 shall not be included in such limit.

The Management Board is authorized to determine, with the consent of the Supervisory Board, the other details of the capital increase and its performance, in particular, the contents of the rights associated with the shares and the conditions of the issue of the shares, including any profit-sharing deviating from the provisions in Sec. 60(2) of AktG. The Supervisory Board will be authorized to adapt the company's bylaws, after the utilization, in full or part, or the expiry of the Authorized Capital, in particular with regard to the level of the share capital and the number of existing shares.

After the transformation of the company to a stock corporation and issue of shares in the course of a public offer, the subscribed capital was divided in 17,980,867 fully paid-in bearer shares with a calculatory par value of one Euro each, on December 31, 2014. They each bear a voting right and a right to receive dividends. No shares were issued in the 2018 fiscal year, so that an unchanged number of 17,980,867 shares is outstanding on December 31, 2018.

The Group's aims in relation to the capital management are to secure the company as a going concern and to provide the shareholders with income and the other stakeholders with the benefits to which they are entitled.

With regard to the notifications and publications of changes in the voting rights in SLM Solutions Group AG pursuant to the Securities Trading Act, reference is made to the commercial law financial statements of SLM Solutions Group AG.

The equity ratio as of December 31, 2018 and December 31, 2017 was determined as follows:

in kEUR	2018	2017
Equity	79,087	93,133
Balance sheet total	169,925	188,377
Equity ratio	**46.5%**	**49.4%**

Earnings per share (undiluted)

The basic earnings per share are calculated by dividing the earnings attributable to the shareholders of the parent company by the average number of shares outstanding during the fiscal year.

	2018	2017
Number of shares outstanding on January 1	17,980,867	17,980,867
Number of shares issued during the fiscal year	0	0
Weighted average number of issued shares	**17,980,867**	**17,980,867**

	2018	2017
Consolidated net profit/loss for the year attributable to the shareholders of the parent company in kEUR	-13,382	-3,741
Weighted average number of issued shares	17,980,867	17,980,867
Basic earnings per share in EUR	**-0.74**	**-0.21**

Earnings per share (diluted)

The diluted earnings per share correspond with the basic earnings as in the year before. The issued convertible bond could have a dilutive effect, but those not, at the moment, due to the anti-dilutive effect arising from the negative annual result.

Other comprehensive income

Other comprehensive income comprises actuarial gains and losses as well as exchange rate translation differences.

in kEUR	2018	2017
Net profit/loss of the period	**-13,382**	**-3,741**
Income / expenses not to be reclassified to the Income Statement in the future:		
Actuarial losses from pensions	-130	-48
Deferred taxes on actuarial losses	41	15
Income / expenses to be reclassified to the Income Statement in the future:		
Exchange rate differences	57	-277
Other comprehensive income	**-32**	**-310**
Consolidated total result	**-13,414**	**-4,051**

Exchange rate translation differences recognized in the comprehensive income were as follows:

in kEUR	Reconciliation of currency translation differences
01/01/2018	-107
Translation SLM Solutions NA, Inc.	67
Translation SLM Solutions Singapore Pte	26
Translation SLM Solutions (Shanghai) Co. Ltd.	-4
Translation SLM Solutions RUS OOO	-32
Translation SLM Solutions (India) Private Limited	-1
12/31/2018	-51

Additionally paid-in capital

On December 31, 2018, the additionally paid-in capital amounts to kEUR 87,023 (previous year: kEUR 87,023).

Consolidated net loss for the period

The consolidated net loss for the period amounting to kEUR -24,282 (previous year: kEUR -10,899) consists of the consolidated net loss for the year of 2018 of kEUR -13,382 (previous year: kEUR -3,741) and the loss carried forward amounting to kEUR -10,899 (previous year: kEUR -7,158).

Other reserves

On December 31, 2018 the other reserves amount to kEUR -1,636 (previous year: kEUR -972) and consist of actuarial losses from the pension provision, including deferred taxes of kEUR -1,585 (previous year: kEUR -865) and exchange rate translation items in the amount of kEUR -51 (previous year: kEUR -107).

Note 26) Leasing

Obligations from operating leasing as lessee

The Group concluded commercial lease agreements on land property, vehicles and IT infrastructure. The lease agreements have an average term of between one and five years. The lease agreement regarding the land property contains a renewal option.

The future minimum payment obligations arising from time-limited lease agreements were as follows on December 31, 2018

in kEUR	2018	2017
Less than 1 year	581	1,529
Between 1 year less than 5 years	735	1,862
More than 5 years	0	0

The entire operating lease expenses for the 2018 and 2017 fiscal years amounted to kEUR 1,779 or kEUR 1,942, respectively. These relate exclusively to amounts for minimum lease payments, while the company has no contingent rent payments and payments from sublease relationships.

SLM has entered no leasing agreements with variable lease payments.

Future rental income from operate leases as lessor

In the 2018 fiscal year, the Group has two running operate lease agreements (previous year: two) for one machine each in the field of selective laser melting.

The Group will generate the following minimum lease payments from the existing operate lease relationships (in kEUR):

in kEUR	up to 1 year	Between 1 and 5 years	Total
Rented machine 1	90	1,361	1,451
Rented machine 2	58	29	87
Total	148	1,390	1,538

Receivables from finance leases as lessor

The company has a total of three (previous year: three) finance leasing agreements regarding machines and accessories in the field of selective laser melting, where the ownership rights to the leased property will automatically be transferred to the lessee at the end of the contractual term. The carrying amount of the receivable at the time of conclusion of the agreement amounted to kEUR 932 and decreased, on a prorata basis, by the settlement part of the monthly rent payments of a grand total of kEUR 19. A right of return exists upon expiry of 12 or 24 months. Below is an analysis of the receivables from the lease transaction according to residual terms and a reconciliation to the gross lease receivables:

in kEUR	2018	2017
Less than 1 year	230	298
More than 1 to 5 years	380	563
More than 5 years	0	0
Total	**610**	**861**

in kEUR	Up to 1 year	Between 1 and 5 years	Over 5 years	Total 2018	Total 2017
Future instalments	230	380	0	610	861
+ on-guaranteed residual values	0	0	0	0	0
= Investment value	230	380	0	610	861
Minimum lease payments	**230**	**380**	**0**	**610**	**861**

No value allowances exist for uncollectible outstanding minimum lease payments.

Sale-and-Lease-Back

The company has no sale-and-lease-back agreements on the reporting date.

Note 27) Additional disclosures on financial instruments

Note 5 shows the effect of the first-time adoption of IFRS 9 on the Consolidated Financial Statements. Comparative values have not been adapted, due to the conversion method selected by the company.

Upon first-time recognition, financial assets are classified to the category decisive for their subsequent measurement, i.e. at amortised cost or at fair value.

SLM classified trade accounts receivable and other financial assets, trade accounts payable and other financial liabilities in the business model of "hold" and thus allocated them to the category "held for sale. Any need for impairment, in particular, regarding trade accounts receivable is presented in the relevant Note. Their carrying amount constitutes an adequate approximation of the fair value.

Cash and cash equivalents consist of cash on hand and, in particular, cash at banks. Insofar as these are denominated in foreign exchange, they are translated to the functional currency EURO on the reporting date. Exchange rate differences are recognised in the period of conversion with effect on net income. Inventories are measured at amortised cost and measured at their carrying amount on the reporting date which also corresponds to the fair value.

Financial liabilities include liabilities due to banks and the convertible bond. The company makes a differentiation between two categories.

On the reporting date, the company has two loan liabilities to finance the new construction. These are repaid from June 2019 in 31 equal instalments on a quarterly basis. Invariable interest obligations customary in the market apply to the loans which each relate to the residual amount of the liabilities. The loans are secured by mortgages. Therefore, the company disclosed the liabilities at their fair value of EUR 8.5 million

The convertible bond was issued on October 11, 2017. The issue volume is EUR 58.5 million. The convertible bond can initially be converted to 1,379,760 new or existing bearer shares. The initial conversion price is EUR 42.3987 which corresponds to a premium of 28.0% above the reference rate. The convertible bond bears interest of 5.5% per year and has a term until October 11, 2022. The convertible bond contains both equity and borrowed capital components. The conversion right constitutes equity. Embedded derivatives in the form of termination rights are not liable to separation. A net present value is recognized for the convertible bond which results from the discount interest rate, derived from quoted yields for bonds with similar terms and similar credit-ratings which are traded on active markets, as issued by the issuing bank. The fair value of the convertible bond amounts to EUR 55.5 million on the reporting date (previous year. EUR 54.7 million). Interest expenses are recognised with effect on earnings in the relevant year.

The net profit (loss) from financial instruments is analysed below:

	Net profit		Net loss	
in kEUR	**2018**	**2017**	**2018**	**2017**
Loans and receivables	1,926	484	75	151
Financial liabilities measured at amortized cost	0	0	291	302

Net profit (losses) arising from loans and receivables include changes in the value allowances, profits and losses from derecognitions, foreign currency translation as well as the addition of amounts previously written down. The company had no net profits from financial assets in the fiscal year. Net profits (losses) from financial liabilities carried at amortized cost according to the effective interest rate method result from interest.

Net profit or losses contain interest rate income of kEUR 15 (previous year kEUR 19) and interest expenses of kEUR 4,098 (previous year kEUR 1,015) which result from financial instruments valued at amortized cost (category AC) and are disclosed in the financial result. In addition, price gains of kEUR 1,845 (previous year kEUR 441) and price losses of kEUR 561 (previous year kEUR 1,880) from currency translations as well as value allowances for expected and occurred losses of kEUR 404 (previous year - kEUR 87) were included in net earnings.

SLM uses no financial instruments measured at fair value.

Note 28) Financial risk management

SLM AG's financial risk management is an essential element of the planning and implementation of business strategies. The principles of SLM AG's financial risk management are set by the Management Board.

Rising market fluctuation levels might result in considerable volatility risks to cash flows and income for SLM AG. The operating business of the Company and its investment and financing activities are affected by changes of the exchange rates, interest rates and commodity prices. In order to optimize the distribution of the financial resources across SLM's operating segments and companies and in order to ensure an optimum return for its shareholders, SLM AG identifies and analyses the financial market risks associated therewith and manages them proactively.

Given its size, SLM AG has not implemented any mathematical or comparable tools to control its financial risks. But, SLM AG has introduced mandatory financial risk management measures which have been installed effectively for several years. The Company identified the following main financial risks:

- Risk of insufficient funds to finance the ongoing expansion;
- Risk that outstanding trade receivables and other receivables prove uncollectible;
- Risk of rising exchange rates in the USA, Asia and other non-EURO countries;
- Risk of interest rate increases;
- Non-compliance with financial obligations.

Risk concentration

SLM AG has generally no cluster risks, as its sales are to be characterized as being broadly diversified both on a regional level and in relation to customers and products. The observable trend towards so-called "multi-machine orders", i.e. where one customer buys several machines at once, might result in comparably higher receivables due from individual customers. The company counteracts this trend by a further diversification of its customer base and an increased monitoring of related receivables positions. In addition, customary instructions such as advance payments and other hedging instruments are used also for this type of orders.

Liquidity risk

SLM AG regularly monitors its liquidity. SLM AG pursued its medium-term objective of using overdraft lines, bank loans, debentures, finance and operate leases as well as shareholders loans in order to ensure the continuity of the financing and a sustainable liquidity, when it issued the convertible bond in October 2017.

SLM AG has taken measure to ensure the financing of its ongoing expansion. In its internal reporting structure, SLM AG introduced working capital ratios and thus regularly supervises the risks of insufficient funds.

The following table contains a summary of the term profile of the Group's financial liabilities, based on contractual, undiscounted payments.

12/31/2018

in kEUR	Liabilities due to banks	Liabilities from convertible bond	Trade accounts payable	Other financial liabilities
Less than one year	1,000	714	9,840	2,935
More than one year to five years	4,000	55,504	0	0
More than 5 years	5,670	0	0	0

12/31/2017

in kEUR	Liabilities due to banks	Liabilities from convertible bond	Trade accounts payable	Other financial liabilities
Less than one year	0	635	10,987	672
More than one year to five years	6,000	54,713	0	0
More than 5 years	10,005	0	0	0

Credit and default risk

The credit risk or default risk is the risk that a counterparty is unable to meet its obligations arising from a financial instrument which might result in a financial loss. The Group is exposed to credit risks from its operating activities (mainly in the form of trade accounts receivable) and from its financial activities, including its deposits with banks. The maximum credit and default risk corresponds to the carrying amount of the financial assets.

If any sale exceeds defined limits, the management of SLM AG verifies the creditworthiness of the counterparty beforehand. Furthermore, SLM AG reserves the title until full payment is received. Another measure to reduce the risk is advance payments from customers and the deployment of commercial letters of credit.

An analyse of the intrinsic value of financial assets which are neither overdue nor impaired shows that no special risks exist regarding the relevant business partners (or any doubtful creditworthiness or experience-related default rates).

Currency risk

SLM AG acquires raw materials and operating material mainly in Euros. A significant proportion of its sales transactions are agreed in foreign currency - in particular, in US Dollar, Singapore Dollar and Chinese Yuan, Russian Rouble and Indian Rupee - so that SLM AG is exposed to exchange rate risks which might impair the Company's profitability. But, hedging transactions are currently not considered to be necessary. In the 2018 fiscal year, SLM AG used no currency swaps or comparable instruments to hedge variable exchange rates. SLM AG's management reserves the right to take measures if exchange rates take negative trends or if such are necessary due to the entire risk exposure.

The following tables show the sensitivity of the Group's earnings before taxes and the Group's equity to any potential change of the exchange rate between US Dollar, SG Dollar, Chinese Yuan, Russian Rouble and Indian Rupee, insofar as the other variables remain unchanged. The risk to which the Group is exposed due to any changes in the exchange rates of all other currency is immaterial.

in kEUR	Change of the US Dollar exchange rate	Effect on profit before taxes	Effect on equity
2018	10%	1,052	727
	-10%	-858	-593
2017	10%	1,428	978
	-10%	-1,271	-870

in kEUR	Change of the SGD exchange rate	Effect on profit before taxes	Effect on equity
2018	10%	1,073	742
	-10%	-1,949	-1,347
2017	10%	1,540	1,054
	-10%	668	457

in kEUR	Change of the CNY exchange rate	Effect on profit before taxes	Effect on equity
2018	10%	174	120
	-10%	-142	-98
2017	10%	-557	-385
	-10%	-789	-546

in kEUR	Change of the RUB exchange rate	Effect on profit before taxes	Effect on equity
2018	10%	38	26
	-10%	-31	-22
2017	10%	124	86
	-10%	90	63

in kEUR	Change of the INR exchange rate	Effect on profit before taxes	Effect on equity
2018	10%	16	11
	-10%	-29	-20
2017	10%	-52	-52
	-10%	-52	-36

Interest rate risk

SLM Solutions is currently exposed to a low interest rate risk. The Company only has limited receivables from customers with an interest-bearing instalment agreement. Loan agreements with risk-averse interest rate agreements customary in the market exist with holding companies and affiliated companies. Bank loans were agreed with fixed interest rates of up to 1.2%. They serve to finance new constructions and are thus supported by corresponding collateral. The interest of the convertible bond is lower than the reference indebtedness of a comparable bond without conversion component, so that the risk may also be considered to be low.

SLM uses no derivative financial instruments or hedging instruments.

SLM's Management Board has identified no essential risk concentrations.

Note 29) Presentation of Reportable Segments According to IFRS 8

Presentation of reportable segments

The type of segmentation is in line with the so-called management approach. It provides that segments shall be defined as corporate divisions of the Company, to which separate financial information is available which the Chief Operating Decision Maker evaluates regularly in the context of allocating resources and assessing services. The decisive factor here is the highest reporting level. The business segments have not been combined.

No changes occurred in comparison with the previous year in the composition of the reportable segments. The Management Board identified the segments of "Machine Business" and "After Sales Business" as main business fields for internal reporting. The "Machine Business" segment comprises machines from the Selective Laser Melting division, and options such as powder sieving stations and other periphery devices. The "After Sales Business" segment consists of the services, spare parts, merchandise and powder as well as training and installation of machines.

In the previous year, the Company considered the "machine sales" and "after sales" segments. In the "machine sales" segment, the company reported on the sale of machines, including all accessory based on the orders at hand. The "after sales" segment reported on the service revenue, the sale of spare parts and merchandise which were not associated with the orders on hand for machines.

The management considers that the new segment approach provides a more transparent and clear presentation of the Company's business development.

In the year under review, the two segments described above formed the basis of the segment reporting and comprised any and all activities of SLM in the 2018 fiscal year.

Central control elements are revenue, the adjusted EBITDA margin and the adjusted absolute EBITDA. Assets or liabilities are not specified separately.

Segment reporting for the 2018 fiscal year:

in kEUR	Machine Business	After Sales Business	Total
Sales revenue	**56,274**	**15,386**	**71,659**
Expenses	-58,727	-19,960	-78,687
EBITDA*	**-2,453**	**-4,575**	**-7,028**
Depreciation			-5,263
PPA depreciation			-1,282
Interest result			-4,084
Income tax			5,287
Adjusted costs*			-1,013
Net profit/loss for the period			**-13,382**

* Adjusted for subsequent payments for imports to the USA of kEUR 1,013

Segment reporting for the 2017 fiscal year:

in kEUR	Machine Business	After Sales Business	Total
Sales revenue	**67,698**	**14,796**	**82,494**
Expenses	-61,518	-19,012	-80,529
EBITDA*	**6,180**	**-4,215**	**1,965**
Depreciation			-5,605
PPA depreciation			-1,282
Interest result			-997
Income tax			2,272
Adjusted costs*			-94
Net profit/loss for the period			**-3,741**

* Adjusted by the retention bonus of kEUR 94

No essential non-cash expenses arose in the reporting year, in addition to depreciation and amortization.

The segment revenue disclosed above relates to revenue from transactions with external customers. No essential transactions exist between the different segments.

The accounting and valuation principles of the reporting segments correspond with the accounting and valuation principles applicable in the Group.

Distribution of segment revenue:

Geographic information

in kEUR	2018	2017
Germany	10,923	23,976
Asia / Pacific	22,988	23,272
European countries (EU excl. Germany)	23,590	19,638
United States of America	17,120	19,203
Other countries	3,685	1,704
	78,306	**87,793**
Bonus/rebates/discounts	-6,647	-5,299
	71,659	**82,494**

The above revenue information relates to the location of the customer.

Note 30) Related party disclosures

Balances and transactions between the Company and its subsidiaries, which are related companies and persons, were eliminated in the consolidation process and are not explained in this Note. For details on the transactions between the Group and other related companies and persons, see below.

Management Board members in 2018:

- Uwe Bögershausen
- Henner Schöneborn (left the company at the end of Jun 30, 2018)
- Dr. Axel Schulz (was appointed to the Management Board by the Supervisory Board on February 01, 2018)
- Dr. Gereon W. Heinemann (was appointed to the Management Board by the Supervisory Board on August 01, 2018)

Supervisory Board members in 2018:

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

Related parties of the SLM Group are:

- Ceresio GmbH
- SLM Solutions Software GmbH
- 3D Metal Powder GmbH

No shareholder exerted direct control. Given their shares in the subscribed capital, the existing shareholders (Parcom Deutschland I GmbH & CO. KG and its shareholders and managing director, Mr. Henner Schöneborn, as well as Ceresio GmbH and its shareholders and managing director) could have exerted an essential influence on the company and could, jointly, have induced a notional control on the Shareholders' General Meeting, depending on the present majority. This notional control does no longer exist at the moment.

The deliveries or services rendered until December 31 or in the fiscal year as well as other transactions in companies carried at equity (here: SLM Solutions Software GmbH and 3 D Metal Powder GmbH) changed as follows compared to the previous year:

in kEUR	**Total amount in the 2018 fiscal year**	**Outstanding items as of December 31, 2018**	**Total amount in the 2017 fiscal year**	**Outstanding items as of December 31, 2017**
Type of transaction				
Services rendered	50	1	8	0
Services received	152	23	54	0
Payments received on equity	671	0	471	0
Lendings	5	261	417	417
Outstanding / called-up contributions	0	100	0	0
Advance payments	0	0	76	76

No transactions with related parties occurred in the fiscal year under other than arm's lengths conditions.

The management consists of the Management Board and the Supervisory Board. The compensation of the management is presented below:

Compensation of the Supervisory Board members of SLM AG:

SLM AG's Supervisory Board was appointed with effect on April 01, 2014.

in kEUR	Supervisory Board Compensation 2018	Supervisory Board Compensation in 2017
Mr. Ihde	60	60
Mr. Grosch	43	43
Mr. Hackmann	33	33
Mr. Grimberg	40	40
Mr. Hichert	30	30
Mr. Becker	33	33
Total	**238**	**238**

In addition to this compensation for his activities as member of the Supervisory Board, Mr. Ihde received a remuneration of kEUR 21 (previous year: kEUR 125) for a consultancy agreement with SLM AG. This consultancy agreement was terminated with effect on March 1, 2018. Mr. Grimberg received no additional compensation (previous year kEUR 2).

No other compensation agreements existed for the Supervisory Board members in the 2018 fiscal year.

Compensation of Management Board members in 2018:

in kEUR	Salaries and other short-term benefits (non-performance-related)	Performance-related compensation	Share-based compensation	Pension benefits	Termination benefits
Mr. Bögershausen	311	0	-185	0	0
Mr. Schöneborn	131	0	-13	45	0
Mr. Dr. Schulz	289	0	18	0	0
Mr. Dr. Heinemann	130	0	16	0	0
Total	**861**	**0**	**-164**	**45**	**0**

Compensation of Management Board members in 2017:

in kEUR	Salaries and other short-term benefits (non-performance-related)	Performance-related compensation	Share-based compensation	Pension benefits	Termination benefits
Mr. Dr. Rechlin	18	-1	17	0	687
Mr. Bögershausen	259	-10	528	0	0
Mr. Schöneborn	263	-35	65	85	0
Total	**540**	**-46**	**610**	**85**	**687**

Please note regarding the tables that Mr. Dr. Markus Rechlin resigned from the Management Board on January 23, 2017 and Mr. Henner Schöneborn on June 30, 2018. Mr. Dr. Axel Schulz joined the Management Board on February 1, 2018 and Mr. Dr. Gereon W. Heinemann on August 01, 2018.

The Management Board was promised a performance-based bonus which will be fixed and determined after an approval of the Consolidated Financial Statements. No provision was created for the 2018 fiscal year.

The provision for pension entitlements for related parties totalled kEUR 1,208 (previous year: kEUR 1,119).

An agreement on a performance-based remuneration system has been in effect since December 18, 2015 for the former Board members Mr. Dr. Markus Rechlin and Mr. Uwe Bögershausen. A corresponding compensation system has been in place since August 03, 2017 for the former Management Board member Mr. Henner Schöneborn. This compensation system was expanded to include the Management Board members Mr. Dr. Axel Schulz on Feb. 1, 2018 and Mr. Dr. Gereon W. Heinemann on Aug. 01, 2018, respectively. This program offers virtual stock appreciation rights (SAR) the basis for the issuance of which is the increase in the stock exchange price over the past year. Prior to the start of the period, the Supervisory Board set levels regarding how many SAR will be issued for which price increases. The maximum value of this interest shall be EUR 150,000 p.a. It will be paid 2 years after the issue of the SAR at the stock market price which applies upon redemption, however capped at a max. of EUR 54.00 (cap). The agreement generally provides for an option right to settle the interest in shares, however, the Supervisory Board itself only provides for a settlement in cash. Therefore, it is accounted for as cash-settled. The expenses of the provision created for that purpose recorded in the period are kEUR 381 and the income by reversal is kEUR 287. The amount of the provision on December 31, 2018 is kEUR 145.

The fair value of the debit of EUR 285 was determined by using the Monte Carlo simulation.

Note 31) Auditor’s fee

The total fees charged by the auditors of the Consolidated Financial Statements amounts to:

in kEUR	2018	2017
Auditing of the Consolidated Financial Statements	227	183
Tax advisory services	3	29
Total	**230**	**212**

The services of the auditors mainly comprise fees for the audit of the Consolidated Financial Statements and the legally prescribed audit of the individual Financial Statements of SLM Solutions Group AG. In addition, the auditors rendered tax advisory services which relate, in particular, to support in the preparation of the tax return, including consulting regarding the deferred taxes.

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

SLM AG has issued the declaration required in Sec. 161 of Aktiengesetz [German Stock Corporation Act] and made it permanently available to the public on the Company’s website (www.slm-solutions.com).

Note 33) Events after the balance sheet date

At the time of preparation of the Consolidated Financial Statements, no events have occurred which might have an essential effect on the Group's net asset and financial situation and the result of operations.

Responsibility statement

We affirm that to the best of our knowledge the consolidated financial statements in accordance with the applicable accounting principles for the annual report give a picture of the Group's assets, financial and earnings position which reflects the actual circumstances, and that the development of the business including the operating results and the position of the Group are portrayed in the group management report so as to give a fair reflection of actual circumstances, and that the opportunities and risks to the foreseeable growth of the Group are described.

Lübeck, March 20, 2019

The Management

Uwe Bögershausen Dr. Gereon Heinemann Dr. Axel Schulz

SLM Solutions Group AG

INDEPENDENT AUDITOR´S REPORT

INDEPENDENT AUDITOR´S REPORT

Reproduction of the auditor's reports

After the completion of our audit, we issued the following unqualified auditor's report dated March 25, 2019:

„INDEPENDENT AUDITOR'S REPORT

To SLM Solutions Group AG, Lübeck

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit 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 at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, 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, 2018. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

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 § 315e Abs. [paragraph] 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 at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, 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 audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [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 Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") 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) point (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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

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, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Capitalization of development costs and recoverability of capitalized development costs
2. Recoverability of long term assets
3. Recoverability of deferred tax assets

Our presentation of these key audit matters has been structured in each case as follows:

a. Matter and issue

b. Audit approach and findings

c. Reference to further information

Hereinafter we present the key audit matters:

1. Capitalization of development costs and recoverability of capitalized development costs

a. Development costs amounting to EUR 11.7 million (6.9% of total assets) are reported in the consolidated financial statements of SLM Solutions Group AG under the balance sheet line item „Intangible assets". The company will capitalize these costs once the requirements under IAS 38 are met. Until amortization begins, developments must be tested for impairment in accordance with IAS 36 at least once a year based on the cash-generating units to which they are allocated. To meet this requirement, over the period from capitalization until completion of development the Company assesses whether the costs incurred are covered by future cash flows. Once amortization begins, an assessment must be carried out at each reporting date as to whether there are indications of impairment. If this is the case, an impairment test must be performed and any impairment loss recognized. The SLM Group generally applies the present value of the future cash flows (fair value less costs of disposal) from the relevant cash-generating units to test these intangible assets for impairment. The fair value less costs of disposal is determined using the discounted cash flow method. This is based on the Group's 5-year financial planning prepared by management. If necessary this planning period will be extended based on the useful lives of the respective asset. The discount rate used is the weighted average cost of capital. The result of this measurement depends to a large extent on management's assessment of future cash inflows and the discount rate used, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

b. As part of our audit, we integrated internal specialists from the field of company valuation into the audit team. With their support, we have among other things traced the methodology for capitalization, valuation and the execution of the impairment test of development costs according to IAS 38. We have reviewed the capitalization requirements in accordance with IAS 38 and also assessed the plausibility of the cost allocation keys derived in this context. After comparison of the future cash inflows used in the calculation with the 5-year financial planning prepared by the legal representatives, which has been approved by the supervisory board for 2019 and acknowledged by the supervisory board for 2020 to 2023, and the other assumptions made with regard to the development projects, we assessed the appropriateness of the calculation in particular by reconciling them with general and industry-specific market expectations. The assumptions made specifically for the purpose of the impairment test of the capitalized development costs were discussed and comprehended by us with the legal representatives and responsible departments. With the knowledge that even relatively small changes in the discount rate used can have a significant impact on the recoverable amount determined in this way, we have also examined the parameters used to determine the discount rate used and have reviewed the calculation scheme. We have also performed our own sensitivity analyses and determined that the recoverable amounts determined are higher than the carrying amounts capitalized as of December 31, 2018. In our opinion, the valuation parameters and underlying valuation assumptions used by the legal representatives are generally suitable for making an appropriate valuation of the capitalized development costs.

c. Company's disclosures on capitalized development costs are contained in notes 4, 11 and 19 in the notes to the consolidated financial statements.

2. Recoverability of long term assets

a. In the consolidated financial statements of SLM Solutions Group AG, "Intangible assets" and "Property, plant and equipment" amounting in total to T€ 59,955 (representing 35,3% of total assets) is reported. An impairment test for these assets (with the exception of development costs not yet amortised) is only required if there are triggering events that indicate that an impairment may exist. The Company has identified certain indicators that may trigger an impairment test in the event of a corresponding negative development. The impairment test compares the carrying amount of the cash-generating unit with the higher of its value in use and fair value less costs of disposal. The cash-generating unit was considered to be equivalent to the Group level, as cash inflows at lower levels are not largely independent of each other. In the first step, the Company carries out the test on the basis of the value in use. The valuation is regularly based on the present value of future cash flows of the cash-generating unit to which the respective assets are allocated. The present value is determined using the discounted cash flow method. The 5-year financial planning prepared by the legal representatives, which has been approved by the supervisory board for 2019 and acknowledged by the supervisory board for 2020 to 2023, is the starting point and is then extrapolated to a perpetual annuity assuming a long-term growth rate. Discounting is performed using the weighted capital costs of the cash-generating unit. The value in use of the cash-generating unit was also compared with the fair value less costs of disposal. This was derived on the basis of the market capitalization of SLM Solutions Group AG as of the balance sheet date. The higher of value in use and fair value less costs of disposal is then compared with the carrying amount of the cash-generating unit to be tested. The result of this valuation depends to a large extent on the assessment of future cash inflows by the legal representatives and the discount rate used, and is therefore subject to considerable uncertainty. Against this background and due to the complexity of the valuation, this matter was of particular significance in the context of our audit.

b. As part of our audit, we integrated internal specialists from the field of company valuation into the audit team. With their support, we have amongst other things traced the methodology for performing the impairment test, we hereby acknowledged that the Group level corresponds to the cash-generating unit to be tested. We assessed the appropriateness of the future cash inflows used in calculating the value in use by, among other things, comparing these figures with the current budgets of the 5-year financial planning prepared by the legal representatives, which has been approved by the supervisory board for 2019 and acknowledged by the supervisory board for 2020 to 2023, and by reconciling them with general and industry-specific market expectations. With the knowledge that even relatively small changes in the discount rate used can have a significant impact on the recoverable amount determined in this way, we have also examined the parameters used to determine the discount rate used and have reviewed the calculation scheme. We have also performed an audit of the determination of fair value less costs of disposal. This applies in particular to the recognition of input factors (Level 1 input in accordance with IFRS 13) and the reconciliation of market capitalization to an enterprise value. We have determined that the carrying amount of the cash-generating unit is sufficiently covered by the fair value less costs of disposal based on market capitalization.

c. Company's disclosures on long term assets are contained in notes 4, 19 and 20 in the notes to the consolidated financial statements.

3. Recoverability of deferred tax assets

a. In the consolidated financial statements of SLM Solutions Group AG deferred tax assets of TEUR 14,682 on tax loss carryforwards and deductible temporary valuation differences are reported. Of this amount, TEUR 12,165 relate to tax loss carryforwards and TEUR 1,981 to deductible temporary differences of SLM AG. Deferred tax assets of TEUR 536 are attributable to the foreign subsidiaries of the Group. These result from their loss carryforwards and their deductible temporary differences. The Management Board of the SLM AG decided to charge expenses of SLM AG to the foreign subsidiaries from the 2019 financial year onwards. In the course of this tax structuring within the meaning of IAS 12.30, taxable profits are reallocated to SLM AG. On this basis, the recoverability of the excess of deferred tax assets in the amount of TEUR 5,602 of SLM AG, which is in a loss history, is determined.
In our opinion, the recoverability of the deferred tax assets was of significant importance in the context of our audit as it depends to a large extent on estimates and assumptions made by the legal representatives and is therefore subject to uncertainties.

b. As part of our audit, we integrated internal specialists from the field of taxation into the audit team. With their support, we assessed the internal processes and controls in place for recording tax matters. Furthermore, with regard to the loss history of SLM AG, we have reviewed and assessed the recoverability forecast of the existing surplus of deferred tax assets.
We have assessed the recoverability of deferred tax assets on loss carryforwards and deductible temporary differences on the basis of internal company forecasts, taking into account the tax structuring mentioned above, with regard to the future taxable income situation of SLM AG and the SLM Group as a whole, and have assessed the appropriateness of the planning basis used.
Based on our audit procedures, we are satisfied that the estimates and assumptions made by the legal representatives are justified and adequately documented.

c. Company's disclosures on deferred taxes are contained in the notes to the consolidated financial statements in sections "Estimates and assumptions" and "Taxes on income", in particular for disclosures in accordance with IAS 12.82.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate governance group declaration pursuant to Section 315d of the German Commercial Code (HGB)" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit 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 audit 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 or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the 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 § 315e Abs. 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 the executive directors are 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, the executive directors are 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, the executive directors are 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, the executive directors are 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 audit 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 § 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 audit 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 control.
- 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 audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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 audit 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 § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit 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 audit 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 the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 audit 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 precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 22, 2018. We were engaged by the supervisory board on August 2, 2018. We have been the group auditor of the SLM Solutions Group AG, Lübeck, without interruption since the financial year 2016.

We declare that the audit 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).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Helmuth Schäfer."

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Pictures

SLM Solutions Group AG

Financial calendar

05 / 09 / 2019	Q1 Report 2019
06 / 25 / 2019	Annual General Meeting (Lübeck)
08 / 08 / 2019	H1 Report 2019
11 / 07 / 2019	9M Report 2019