

INNOVATIVE IMPULSES

9M Report 2019





Address by the Board

Dear shareholders, customers, stakeholders and employees,

Given the soft macroeconomic of the industry this year, we continue to make progress in capturing market share and started reversing our financial trend from earlier this year. We also see customers continue to gain confidence in our technology and engage with us on their future plans.

We have also made significant progress building the organization by hiring highly experienced leaders. The new talent is well equipped to build a strong winning business and will position us to be the industry leader. We will continue to invest in talent in the foreseeable future to reach all levels of the organization.

I have also spent a lot of time discussing with our customers their additive adoption roadmap. Many customers, specifically in aviation and aerospace industry, have a positive roadmap to increase additive adoption and SLM will be well positioned with its multi-laser products to meet customers' needs. We are encouraged by what we're seeing and with our products strategy to industrialize the current products line and the launch of the next product generation, we should be able to transition to the next phase of the additive adoption.

On behalf of the Board I would like to thank all those who continue to support and put their trust in the further development of our company.

Lübeck, November 6, 2019



Meddah Hadjar

Highlights

	Unit	Comparison to previous quarter			Comparison with prior year quarter			Comparison 9M/2019 vs. 9M/2018		
		Q3/2019	Q2/2019	Change	Q3/2019	Q3/2018	Change	9M/2019	9M/2018	Change
Revenue	kEUR	17,058	9,042	+88.7%	17,058	18,694	-8.8%	33,436	48,337	-30.8%
Total output	kEUR	15,673	9,374	+67.2%	15,673	24,733	-36.6%	34,003	59,395	-42.8%
EBITDA	kEUR	-773	-10,783	+92.8%	-773	-516	-50.0%	-19,680	-4,329	-354.6%
EBITDA margin (% of Revenue)	%	-4.5	-119.3	+114.8% -Pts.	-4.5	-2.8	-1.7 % -Pts.	-58.9	-9.0	-49.9 % -Pts.
Period result	kEUR	-3,857	-23,092		-3,857	-2,099		-34,653	-8,366	
EPS*	EUR	-0.20	-1.17		-0.20	-0.12		-1.75	-0.47	
Order intake (No. of units)	machines	24	18	+33.3%	24	29	-17.2%	49	67	-26.9%
Order intake (in value)	kEUR	17,402	17,265	+0.8%	17,402	17,989	-3.3%	38,169	41,277	-7.5%
Order backlog** (No. of units)	machines	24	17	+41,2%				24	18	+33.3%
Order backlog** (in value)	kEUR	18,380	14,644	+25.5%				18,380	12,149	+51.3%

* Undiluted and diluted calculated with 19,778,953 shares (prior year 17,980,867 shares).

** Order backlog at September 30, 2018 excluding 128 machines from frame contract with a value of kEUR 97,503 which are terminated in Q2/2019.

Business Performance

Revenues

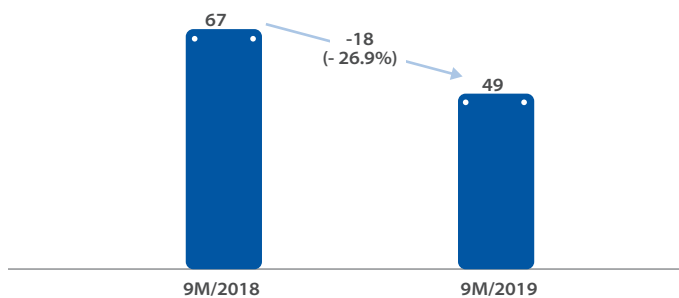
SLM generated total revenues of kEUR 17,058 in the third quarter of 2019 (Q3/2018: kEUR 18,694) of which kEUR 13,363 was generated by the segment "Machine Business" (prior year kEUR 16,024), representing 78.3% of total revenue (prior year: 85.7%). The segment "After Sales Business" generated revenue of kEUR 3,695 (previous year: 2,670), a 38.4% increase over the previous year's level.

Compared to Q2/2019 (kEUR 9,042) revenue significantly increased in Q3/2019 by 88.7%. While SLM's top line had historically always been stronger in the third quarter compared to the first two quarters, this year's Q3 increase was especially significant, given the low existing order backlog at the beginning of the year.

Group revenue for the first nine months of 2019 was kEUR 33,436 and thus 30.8% below that of the previous year period (9M/2018: kEUR 48,337).

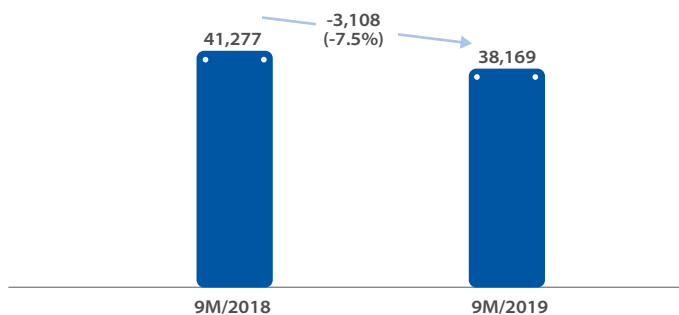
Order Intake 9M / 2019

(Number of Machines)



Order Value 9M / 2019

(kEUR)



Orders

During the third quarter of 2019 SLM Solutions secured orders for 24 machines (order value of kEUR 17,402), compared with 18 machines in Q2/2019 (kEUR 17,265) and 29 machines in Q3/2018 (kEUR 17,989). The order value as well as the average value per order could thus be stabilized on a solid level, underscoring the positive development of the Company during the last two quarters.

The order intake in the third quarter of 2019 was as follows: three SLM®125s, fifteen SLM®280s, four SLM®500s and two SLM®800s were ordered. In terms of revenue, the mix was as follows: two SLM®125s, eight SLM®280s and seven SLM®500s were invoiced in the third quarter of 2019.

The order backlog as of September 30, 2019 comprised 24 machines with a total value of kEUR 18,380. This represented a 25.5% increase in backlog value compared to the 17 machines with a value of kEUR 14,644 as of June 30, 2019.

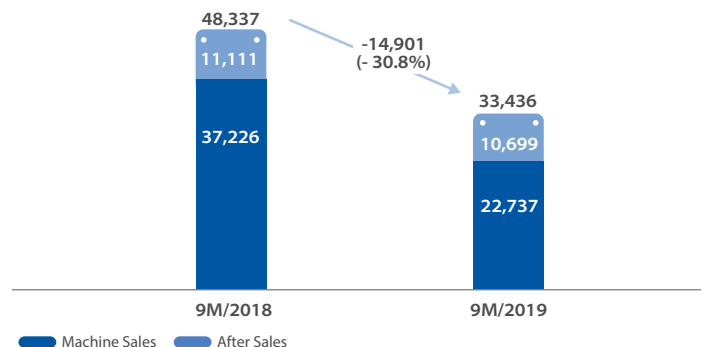
On September 30, 2018 the order backlog consisted of 146 machines with a total value of kEUR 109,652. However, the order backlog back then is not directly comparable with today's backlog given that SLM's new management team has significantly amended the way incoming orders are added to the backlog by, amongst others, assigning lower or later likelihoods to orders stemming from the framework agreements communicated in 2017. As previously announced, the expected orders from these framework agreements, which were previously reported as order intake, were fully removed from the order backlog in Q2/2019. Thus, a total of 128 machines with a value of EURm 97.5 were excluded from order backlog.

Sales Presence

On September 20, 2019, the new sales office was opened in Toronto, Canada.

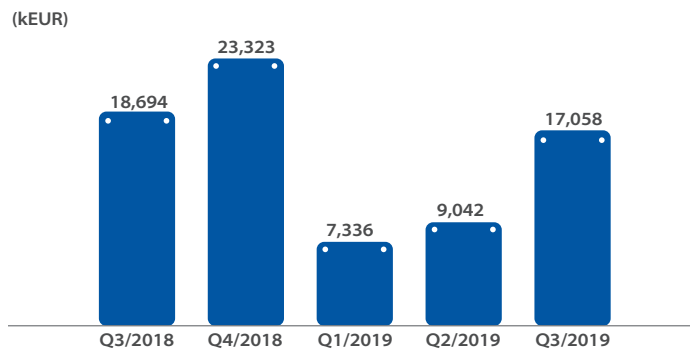
Consolidated revenue (segments) 9M / 2019

(kEUR)



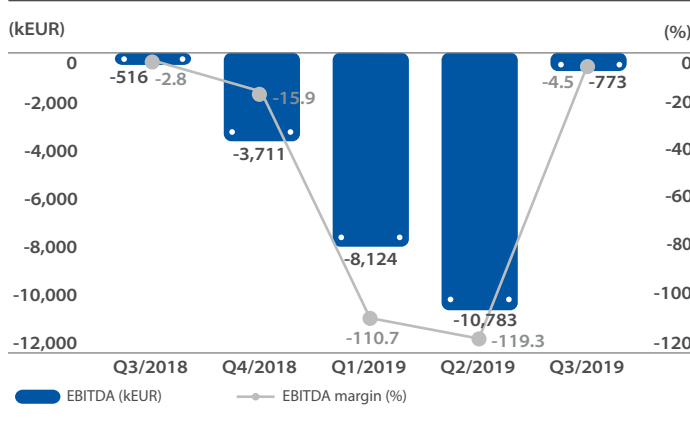
Economic Report

Development of Group Revenue



- Group Revenue of kEUR 17,058 for Q3/2019 represented an 88.7% increase from Q2/2019 (kEUR 9,042). The increase was especially driven by the sale of SLM®500 machines in North America and Europe.
- Compared to the previous year period (Q3/2018: kEUR 18,694), revenue decreased by 8.8% due to fewer sales of SLM®280 machines in Europe.
- Total Output of kEUR 15.673 in Q3/2019 was 67.2% above Q2/2019 but 36.6% lower than in the same period of the previous year (kEUR 24,733). However, the Q3/2018 figures included a substantial change in inventory as the company had produced a significant number on machines with a value of kEUR 5,301 on stock. Given that a build-to-order strategy has been implemented in the meantime, SLM was able to decrease its inventory by kEUR 2,270 by selling from stock, thus reducing the Total Output.
- While the seasonality of the business can lead to fluctuations in quarterly revenue performance, the slight sequential uptick experienced in this quarter is encouraging. The significant changes that have been initiated related to the company's go-to-market strategy as well as on the production side are showing first positive results.

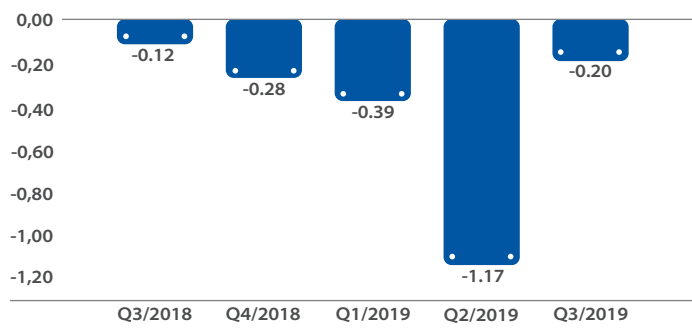
EBITDA and EBITDA Margin



- In Q3/2019, EBITDA improved significantly compared to the prior quarter from kEUR -10,783 in Q2/2019 to kEUR -773 in Q3/2019. Despite the significantly lower Total Output, EBITDA of kEUR -773 was nearly on the same level as in the previous year period (Q3/2018: kEUR -516), due to an improved cost discipline and sales from inventory. Going forward, however, this trend is expected to reverse as increased investments in future growth will likely weigh down on profitability.
- Personnel Expenses decreased by 18.0% from kEUR 9,303 in Q2/2019 to kEUR 7,625 in Q3/2019. The reason for the decrease is related to one-time costs in Q2/2019. Compared to the previous year period Personnel Expenses were largely flat (Q3/2018: kEUR 7,699).
- The Material Cost Ratio (in relation to Total Output) of 39.0% in Q3/2019 was significantly lower than in Q2/2019 (55.3%) and the previous year period (Q3/2018: 48.6%). This reflects the reversal effect of the change in inventories.
- The result from associated companies in the first nine months of 2019 of kEUR -438 also includes the loss from the sale of the shares in SLM Software GmbH in Austria.

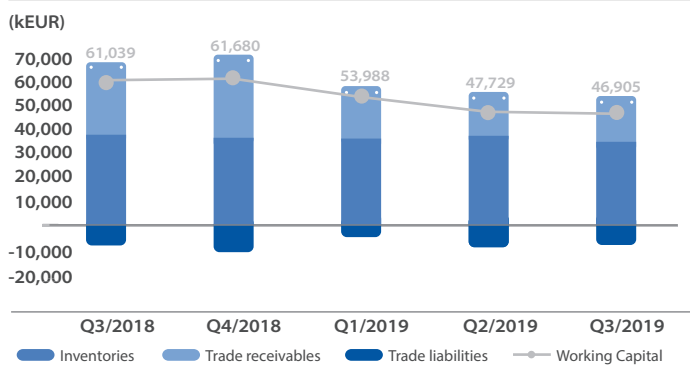
Net Result

Earnings per share (undiluted; EUR)



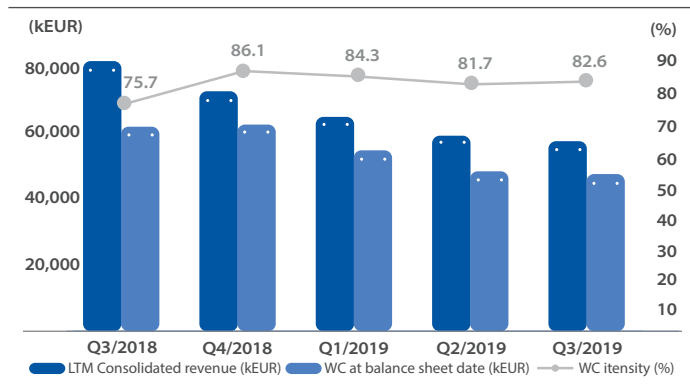
- In the third quarter 2019 the Net Financial Result of kEUR -1,010 is in line with Q2/2019 (kEUR -1,081) and the previous year period (Q3/2018: kEUR -1,014).
- Income taxes of kEUR -5,763 for the first nine months 2019 are not comparable with the previous year period (9M/2018: kEUR 4,172). Contrary to previous years, tax loss carry forwards were only recognized in the amount of the liability surplus of the deferred tax liabilities over the remaining active taxes.
- In the third quarter 2019 tax expense amounted to kEUR -112 with tax income of kEUR 1,295 due to the previous mentioned change in capitalization in the third quarter 2018.
- The net loss of kEUR -3,857 for the third quarter 2019 improved significantly compared to Q2/2019 (kEUR -23,092), but is below for the net loss during the same period in the previous year (Q3/2018: kEUR -2,099) due to the changed approach method of taxes.

Working Capital



- Based on an LTM Group Revenue of kEUR 56,759 and a Working Capital of kEUR 46,905 the Capital Intensity as of the reporting date was 82.7%.
- Compared to Q2/2019 inventories decreased by 6.7% to kEUR 35,067 as of September 30, 2019 (June 30, 2019: kEUR 37,592).
- Trade receivables increased slightly by 5.1% to kEUR 19,280 in Q3/2019 compared to the prior quarter (Q2/2019: kEUR 18,350).
- Trade payables decreased by 9.4% to kEUR 7,442 in Q3/2019 compared to Q2/2019 (June 30, 2019: kEUR 8,213).

Working Capital-Intensity



Supplementary Report

As of December 1, 2019, Sam O'Leary will join the management board of SLM Solutions Group AG as its new Chief Operating Officer. As COO, he will be responsible for Production, Product Development / R & D and Supply Chain Management.

As of January 1, 2020, Frank Hülsmann will join the management board of SLM Solutions Group AG as its new Chief Financial Officer. As CFO, he will be responsible for finance/controllership, corporate finance, investor relations, general administration and legal/compliance.

Upon expiry of the reporting period and until the conceptual completion of this report on November 6, 2019 no significant events have occurred which may have implications on the revenue, financial performance or financial position of the company.

Financial calendar

Date	Event
November 25 and 26, 2019	Eigenkapitalforum
March 26, 2020	Annual report 2019
May 7, 2020	Q1 report 2020
June 16, 2020	Annual General Meeting 2020
August 13, 2020	H1 report 2020
November 5, 2020	9M report 2020

Business Forecast

As announced on July 26, 2019 by the new management board, the Group revenue and adjusted EBITDA margin of the SLM Solutions Group will be significantly lower in 2019 than originally forecasted.

For the fiscal year 2019, the previous management board had expected revenues of EUR 95 million for the Group with the adjusted EBITDA margin to be approximately break-even.

Group Consolidated Profit and Loss Statement (January 1 to September 30, 2019)

in kEUR	01/01/- 09/30/2019	01/01/- 09/30/2018	01/01/- 12/31/2018
Revenue	33,436	48,337	71,659
Increase/decrease of finished and unfinished stock on hand	-2,351	8,977	9,399
Other activated contributions	2,918	2,081	3,355
Total output	34,003	59,395	84,413
COGS	-16,796	-29,720	-44,805
Gross profit	17,207	29,675	39,608
Payroll	-25,249	-21,811	-29,811
Other operating income	1,448	2,037	3,225
Other operating expenses	-12,648	-13,966	-20,838
Proceeds from associated companies	-438	-264	-224
EBITDA	-19,680	-4,329	-8,040
Depreciation	-6,177	-5,122	-6,545
Operational result (EBIT)	-25,857	-9,451	-14,586
Interest received	113	10	15
Interest and similar expenses	-3,146	-3,097	-4,098
Earnings before tax (EBT)	-28,890	-12,538	-18,669
Tax payable	-5,763	4,172	5,287
Result for the period	-34,653	-8,366	-13,382
Shares on issue (Mio)	19.8	18.0	18.0
EPS*	-1.75	-0.47	-0.74

* undiluted and diluted calculated with 19,778,953 shares (9 month 2018 and full year 2018: 17,980,867).

Consolidated Group Result (January 1 to September 30, 2019)

in kEUR	01/01/- 09/30/2019	01/01/- 09/30/2018	01/01/- 12/31/2018
Result for the period	-34,653	-8,366	-13,382
Income and expenditure in future not to be reclassified into P&L Account			
Actuarial Profit and Loss*	0	34	-89
Income and expenditure in future to be reclassified into P&L Account			
Income/Expenses from currency conversion	79	60	57
Other comprehensive income	79	94	-32
Group Overall Result	-34,573	-8,273	-13,415
Allocation of Overall Result			
Shareholders of SLM Solutions Group AG	-34,573	-8,273	-13,415

*The actuarial gains were reduced by deferred tax. At September 30, 2019 the gains and losses are balanced. (September 30, 2018: Actuarial losses were reduced from TEUR 50 by TEUR 16 to TEUR 34 deferred tax.)

Group Consolidated Profit and Loss Statement (July 1 to September 30, 2019)

in kEUR	07/01 /- 09/30/2019	07/01 /- 09/30/2018
Revenue	17,058	18,694
Increase/decrease of finished and unfinished stock on hand	-2,270	5,301
Other activated contributions	885	738
Total output	15,673	24,733
COGS	-6,116	-12,028
Gross profit	9,557	12,705
Payroll	-7,625	-7,699
Other operating income	621	279
Other operating expenses	-3,094	-5,543
Proceeds from associated companies	-234	-258
EBITDA	-773	-516
Depreciation	-1,962	-1,865
Operational result (EBIT)	-2,736	-2,381
Interest received	26	7
Interest and similar expenses	-1,036	-1,020
Earnings before tax (EBT)	-3,746	-3,394
Taxes payable	-112	1,295
Result for the period	-3,857	-2,099
Shares on issue (Mio)	19.8	18.0
EPS undiluted (EUR)*	-0.20	-0.12
EPS diluted (EUR)*	-0.20	-0.12

* Undiluted and diluted calculated with 19,778,953 shares (9 month 2018 and full year 2018: 17,980,867).

Consolidated statement of comprehensive income (July 1 to September 30, 2019)

in kEUR	07/01 /- 09/30/2019	07/01 /- 09/30/2018
Period Result	-3,857	-2,099
Income/expenditure in future not to be reclassified into P&L Account		
Actuarial Profit and Loss	0	0
Income/Expenditure in future to be reclassified into P&L Account		
Income/Expenses from currency conversion	-469	33
Other Overall Result	-469	33
Group Overall Result	-4,326	-2,067
Allocation of Overall Result:		
Shareholders of SLM Solutions Group AG	-4,326	-2,067

Consolidated Balance Sheet

in kEUR	09 / 30 / 2019	09 / 30 / 2018	12 / 31 / 2018
Assets			
Cash on hand	28,114	30,559	27,786
Accounts receivable	19,280	30,562	34,757
Other financial assets	0	140	0
Stock on hand	35,067	38,036	36,763
Current tax receivables	0	1,371	885
Other Assets	2,959	3,109	2,533
Total Current Assets	85,421	103,777	102,723
Intangible assets	26,085	22,692	23,523
Tangible fixed assets	37,611	38,499	36,432
Companies accounted for by equity method	0	765	913
Other financial assets	261	260	261
Other assets	885	1	375
Deferred tax assets	0	4,203	5,698
Total Non Current Assets	64,843	66,422	67,202
Total Assets	150,264	170,199	169,925

in kEUR	09 / 30 / 2019	09 / 30 / 2018	12 / 31 / 2018
Liabilities			
Trade creditors and other liabilities	7,442	7,559	9,840
Other financial liabilities*	3,162	1,427	1,714
Other non financial liabilities*	4,848	3,889	3,459
Accrued tax	4	0	205
Other accruals	4,765	1,506	4,490
Total Current Liabilities	20,222	14,381	19,710
Other financial liabilities	65,538	65,977	65,174
Pension and similar obligations	6,715	5,529	5,554
Other non financial liabilities	204	0	331
Accrued liabilities	71	0	70
Total Non-Current Liabilities	72,528	71,506	71,129
Subscribed capital	19,779	17,981	17,981
Capital reserve	98,225	87,023	87,023
Consolidated group loss	-58,934	-19,265	-24,282
Other reserves	-1,556	-1,427	-1,636
Total Equity	57,514	84,312	79,087
Total Liabilities	150,264	170,199	169,925

* Compared to the same period of the previous year, the short-term liabilities of the Group were further pursued in the presentation. The comparative prior-year reporting period was adjusted accordingly to improve comparability on the balance sheet.

Group Cash Flow Statement

in kEUR	01/01/- 09/30/2019	01/01/- 09/30/2018	01/01/- 12/31/2018
Result of the period	-34,653	-8,366	-13,382
Depreciation	6,177	5,122	6,545
Interest expenses	3,146	3,097	4,098
Interest income	-113	-5	-15
Tax payables	5,762	-4,172	-5,286
Non-cash income/ expenses	438	1,001	232
Changes in assets and liabilities	19,724	-8,710	-6,490
Stock on hand	1,695	-10,523	-9,250
Accounts receivable	15,644	8,180	3,985
Pensions and similar obligations	1,161	235	260
Accounts payable	-2,398	-3,428	-1,147
Accrued liabilities	275	-1,912	-41
Other liabilities	2,119	398	513
Other assets and liabilities	1,227	-1,660	-811
Tax paid	899	-474	-113
Net cash inflow/outflow from operational activities	1,381	-12,506	-14,412
Cash outflow for intangible and tangible assets	-7,267	-9,687	-8,974
Investments in development costs	-2,918	-2,081	-3,355
Cash outflow for investments in Joint Ventures	-200	-563	-671
Cash outflow for investments in financial assets	-4	-4	-5
Interest income	26	5	9
Net cash inflow/outflow from Investment activities	-10,363	-12,331	-12,996
Capital contribution by shareholder	13,000	0	0
Payment of leases	-346	0	0
Interest payment	-2,922	-3,012	-3,331
Repayment of loans	-667	-5,335	-5,335
Net cash inflow/outflow by financing activities	9,065	-8,346	-8,666
Net increase/reduction in cash and cash equivalents	83	-33,183	-36,074
Exchange related changes in the financial resources	245	30	148
Cash at the start of the reporting period	27,786	63,712	63,712
Cash at the end of the reporting period	28,114	30,559	27,786
Financial Resources at the start of reporting period	27,786	63,712	63,682
Financial Resources at the end of reporting period	28,114	30,529	27,786

Statement of changes in Group Equity

in kEUR	Subscribed share capital	Capital reserves	Consolidad- ted balance sheet	Other Reserves	Consolidated equity
Balance as of 01/01/2018	17,981	87,023	-10,899	-972	93,133
Change of Equity by first use of IFRS				-549	-549
Consolidated group result	-	-	-8,366		-8,366
Changes in equity from foreign currency	-	-	-	60	60
Change in equity from actuarial gains and losses	-	-	-	34	34
Balance as of 09/30/2018	17,981	87,023	-19,265	-1,427	84,312
Balance as of 01/01/2019	17,981	87,023	-24,281	-1,636	79,087
Consolidated group result	-	-	-34,653	-	-34,653
Changes of equity from foreign currency	-	-	-	79	79
Change of equity from actuarial gains and losses	-	-	-	0	0
Change of equity from capital contribution by shareholders	1,798	11,202	-	-	13,000
Balance as of 09/30/2019	19,779	98,225	-58,934	-1,556	57,514

Segment Reporting

The structure of the reportable segments has not changed compared with the previous year. The Board has identified the segments "Machine Business" and "After Sales Business" as the core business activities for the internal reporting system. In the segment "Machine Business" machines from the sector Selective Laser Melting, including options such as powder

screening plant and other peripheral equipment are being considered. In the segment "After Sales Business" Service, spare parts, commodities together with powder, training and the installation of machines are taken into account.

01 / 01 / - 09 / 30 / 2019 in kEUR	Machine Sales Business	After Sales Business	Total
Revenue	22,737	10,699	33,436
Expenses	35,023	18,093	53,116
EBITDA	-12,285	-7,395	-19,680
Depreciation			-6,177
Interest result			-3,033
EBT			-28,890
Tax payables			-5,763
Result of the period			-34,653

01 / 01 / - 09 / 30 / 2018 in kEUR	Machine Sales Business	After Sales Business	Total
Revenue	37,226	11,111	48,337
Expenses	-38,612	-14,054	-52,666
EBITDA	-1,386	-2,943	-4,329
Depreciation			-5,121
Interest result			-3,087
EBT			-12,538
Tax payables			4,171
Result of the period			-8,366

Apart from depreciation and tax payables there was no other significant non-operative expenditure. The revenue of the segments as shown represents the revenue generated through sales to external customers.

There are no significant business activities between the segments.



Meddah Hadjar



Dr. Gereon W. Heinemann

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Publisher

SLM Solutions Group AG

Estlandring 4
23560 Lübeck
Germany

Phone.: +49 (451) 4060-3000
Fax: +49 (451) 4060-3250

E-Mail: info@slm-solutions.com
www.slm-solutions.com

IR-Contact

Cometis AG

Georg Grießmann

Unter den Eichen 7
65195 Wiesbaden
Germany

Phone: +49 (611) 20 585 5-61

E-mail: griessmann@cometis.de
www.cometis.de

Layout, Editor & Design

SLM Solutions Group AG

Estlandring 4
23560 Lübeck
Germany

Phone: +49 (451) 4060-3000
Fax: +49 (451) 4060-3250

E-Mail: info@slm-solutions.com
www.slm-solutions.com