SHAPING THE FUTURE

Annual Report 2017

HIGHLIGHTS

	Unit	2017	Change (in %)	2016	2015
Revenue	kEUR	82,494	+2.2	80,707	66,137
Total operating revenue	kEUR	83,346	-7.9	90,476	78,654
Cost of materials	kEUR	-38,575	-21.7	-49,246	-42,265
Cost of materials ratio (as % of total operating revenue)	%	46.3		54.4	53.7
Personnel costs, adjusted*	kEUR	-26,597	+14.0	-23,328	-15,511
Personnel cost ratio, adjusted* (as % of operating revenue)	%	31.9		25.8	19.7
Adjusted EBITDA**	kEUR	1,965	-24.1	2,588***	8,050
Adjusted EBITDA margin** (as % of revenue)	%	2.4		3.2	12.2
Consolidated net result	kEUR	-3,741	-7.4	-3,483	2,160
Earnings per share****	EUR	-0.21		-0.19	0.12
Order intake	Number of units	241	+85.4	130	102
Order intake	kEUR	169,164	+111.5	79,992	61,132
Machines sold	Number of units	113	-4.2	118	93
Of which SLM®800	Number of units	1		0	0
Of which SLM®500	Number of units	20	-16.7	24	16
Of which SLM®280	Number of units	68	+4.6	65	62
Of which SLM®125	Number of units	24	-17.2	29	15

	Unit	12/31/17	Change (in %)	12/31/16	12/31/15
Non-current assets	kEUR	55,276	+35.5	40,789	34,708
Current assets	kEUR	133,101	+60.3	83,043	95,212
Equity ratio	%	49.4		76.9	76.2
Total assets	kEUR	188,377	+52.1	123,833	129,920

* Adjusted in 2017 for a retention bonus totaling kEUR 94, in 2016 for a retention bonus of kEUR 465, in 2015 for retention bonus of kEUR 1,277

** Adjusted in 2017 for a retention bonus of kEUR 94, in 2016 for a retention bonus (see *) and transaction costs of kEUR 564, adjusted in 2015 for expenses and income for a retention bonus of kEUR 1,190

*** In the previous year, equity-accounted joint ventures were shown outside operating results due to their subordinate significance for the operating business

**** Basic (undiluted), calculated with 17,980,867 shares (previous year: 17,980,867 shares)

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SHAPING THE FUTURE

SLM®800 – CURRENTLY THE LARGEST SLM® MACHINE

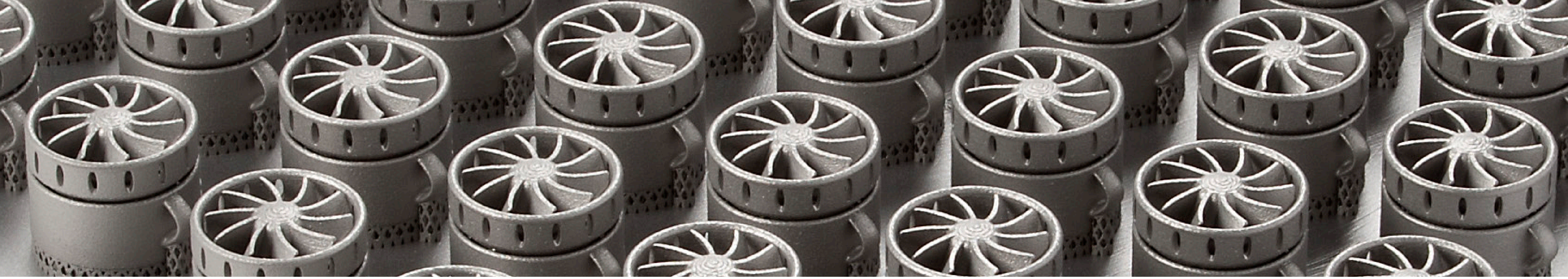
In November 2017, SLM Solutions showcased the new SLM®800 as one of its most significant innovations at the formnext trade fair. Along with to the significantly enlarged construction chamber of the new model, visitors to the trade fair found the degree of automation achievable with the docked removal and unpacking station especially compelling. Once a component has been completed, all process steps, from retrieval from the construction chamber through to removing excess powder, run without the need for manual intervention. For companies intending to use SLM® systems for serial production the fact that up to ten SLM®800 machines can be connected up to a single fully automated removal and unpacking station is especially interesting.

SLM Solutions is already working today on the next generation of machines: A development cooperation for a machine with a construction chamber measuring 600 x 600 mm has been signed with a customer from the automotive sector. This model is to feature more than four lasers working in parallel. The new model is due to be presented at the end of 2019.

SLM Solutions has featured as an exhibitor since 1993 at the formnext trade fair held in November. In 2017, the trade fair registered a 60% increase in visitor numbers with more than 21,000 visitors compared with the previous year, which clearly evidences the rising interest in additive manufacturing technologies.

Technical details of the SLM®800

- Construction chamber of 500 x 280 x 850 mm³
- Laser potential of up to 4 x 700W
- Simultaneous and overlapping lasers
- Integrated powder supply



MILESTONES IN 2017

Cooperation with customers promotes the growing use of SLM® machines for serial production

The growing use of SLM® machines in serial production is the key driver of SLM's growth strategy. The company works closely together with customers with the aim of developing solutions, such as traditional production processes enhanced by SLM® technology, or discovering how parts of the production steps in their current status can be replaced by additive manufacturing processes. SLM Solutions places great emphasis on understanding precisely what challenges companies seeking to use additive manufacturing technologies are facing. In addition, the new and versatile ideas of customers, arising in particular from the huge scope for design when using additive manufacturing processes, are to be integrated as optimally as possible into the solutions.

To this end, SLM Solutions is opting increasingly for fostering long-term and intensive cooperations. In fiscal 2017, a partnership with Divergent 3D, a developer of new structural elements in the automotive industry, was strengthened, and the cooperation with BeamIT, a leading contract manufacturer for the Italian automotive industry, bio-medicine technology and the aviation and space industry was established, among others.

Together with Divergent 3D, SLM Solutions is working on developing systems for application in the automotive environment.

In the context of the cooperation with BeamIT, very successful special parameters were developed in the configuration of multi-laser machines for the use of different metal powders. Through processing nickel-based alloys on SLM® machines in particular, BeamIT was able to realize the unit costs required by the end customer in the manufacturing of a defined component, which enabled the company to win a major contract.

The SLM®800 was also developed as part of a cooperation with a customer. The intensive and ongoing addressing of user-specific requirements from different sectors reinforces the position of SLM Solutions as one of the leading suppliers of additive manufacturing systems for use in serial production.

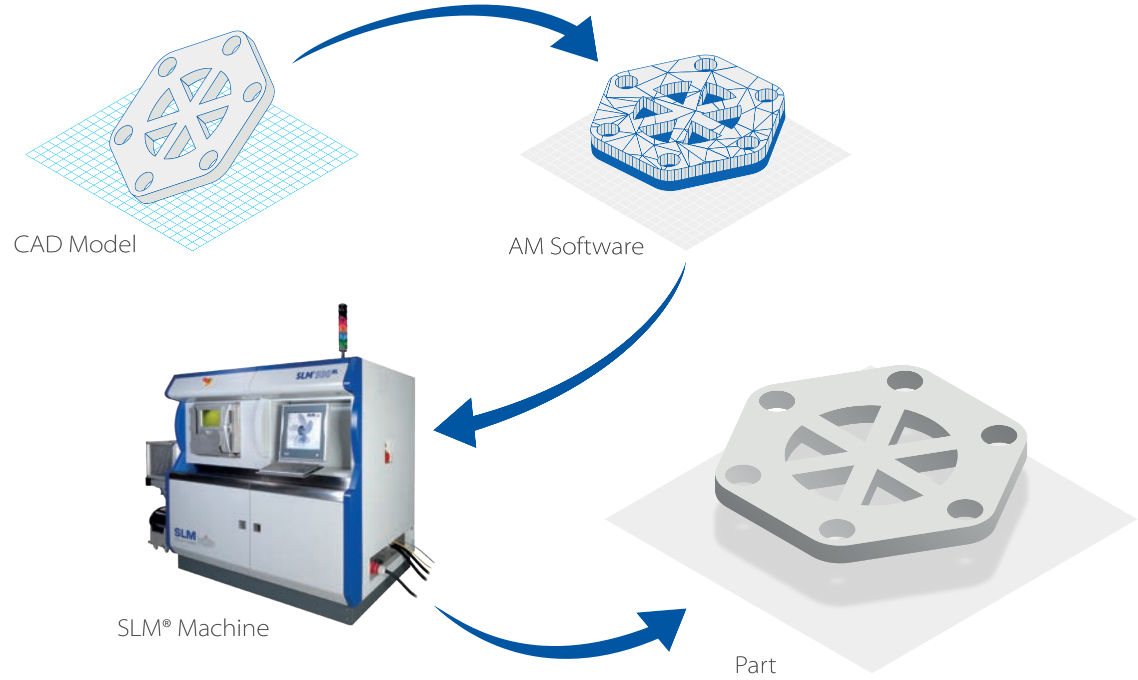
SLM Additive.Designer

SLM Solutions presented the Additive.Designer at formnext 2017. The software incorporates all the functions relevant for the construction and the additive manufacturing of a component, beginning with importing CAD files right through to defining milling strategies in the context of further processing.

The Additive.Designer can import and use CAD formats from construction programs such as Dassaults Catia, Autodesks Inventor, Siemens´NX and PTCs Creo. Intelligent algorithms ensure a minimum of the support material required, which is instrumental in optimizing material consumption and construction time. A precalculation for component costs, taking account of a designated machine, component orientation and the utilization of the construction chamber, among other aspects, permits realistic estimates of the materials, time and outlays of the manufacturing process.

A high degree of data security is guaranteed as the Additive.Designer has been designed as an on-premise solution, although a cloud solution is available as well. Additive.Designer can fundamentally be integrated into a company's own PLM system. In addition, individual processes and work phases can be optionally stored on the server, which reduces the calculation times necessary for increasingly complex applications.

The software is part of the extensive Additive. Intelligence Suite and is being developed as part of the joint venture with Austrian CADS GmbH and will be brought to market maturity much faster than originally expected.



RELOCATION IN 2018: NEW COMPANY HEADQUARTERS IN LÜBECK-GENIN

The completion of the SLM Solutions Group's newly built headquarters planned for April 2018 represents an important milestone in the growth trajectory of the company. Over the past year, many significant goals were achieved on schedule to reach this goal: The shell of the building has been completed, and the interior finishing in the administration wing of the building and in the offices in the manufacturing zone is already at an advanced stage. The new company headquarters will combine the various parts of the company spread across several buildings within the location of Lübeck during its first growth phase under one roof.

An aerial view from a south-westerly direction shows the application center in the foreground where demo machines exhibit the application potential of SLM® technology. Shipment, final acceptance and the production building are adjoined to the left of this part of the building. The administrative wing with the main entrance can be seen on the right.

The view from the east shows the research and development center in front. Incoming goods and the materials warehouse are visible in the background.

In planning the new location, meticulous attention was given to ensuring that the individual areas of the company, from research and development through to production and onto shipment, all mesh together in an efficient way in the layout, with intention of further optimizing processes and cooperation between the various departments.

SLM Solutions will be able to manufacture around 500 machines a year in its new premises in single-shift operation. In addition, the plot of land is so large that an extension would double production capacity.

All in all, SLM Solutions invested EUR 25 million in its new premises, in the land and in erecting the building, with the Federal State of Schleswig-Holstein providing a grant to finance part of these measures. More than 400 people will be employed at the new company headquarters in Lübeck-Genin.

TO THE SHAREHOLDERS

INTERVIEW WITH THE MANAGEMENT BOARD


Uwe Bögershausen, CFO


Dr. Axel Schulz, CSO

Mr Bögershausen, Mr Schöneborn, how has the market for additives manufacturing technology developed in 2017 from the perspective of SLM Solutions?

Uwe Bögershausen (UB): Our perception is that the market for additive manufacturing technology has developed very well, also over the past year. Interest in our machines has increased enormously, which enabled us to raise our order intake by 111.5% to EUR 169 million by the end of 2017. Interested parties are becoming increasingly aware of the advantages of the additive manufacturing process, most notably the possibility of reducing unit costs in the manufacturing of especially complex components.

Henner Schöneborn (HS): In their meetings with potential customers, our sales team has noticed that a growing number of companies are investigating the option of integrating additive manufacturing procedures into their production processes. We have the impression that our multi-laser technology is clearly perceived as top of the market as it is ideal for use in serial production.

How has SLM Solutions been able to benefit from this?

UB: Over the period from June to November 2017 we signed four framework agreements with various customers, which means we will sell a total of at least 150 machines in the coming years. As far as we know, these are the largest agreements that our still young sector has ever concluded. We take this success as a clear signal that SLM Solutions is ideally positioned to benefit from the growth opportunities offered in our industry. For the first time in the history of SLM Solutions we began the New Year with a really full order book: we already have revenue of around EUR 40 million in our books from the framework agreements for the current fiscal year 2018.

Why didn't these good framework conditions have more of a positive impact on the figures for fiscal 2017?

UB: Especially in the first half of the year, customers were very reticent when the time came to sign an agreement, despite their great interest in our machines. Many of them wanted to wait and see how SLM Solutions would develop following the General Electric's failed takeover attempt. We have had to work on gradually winning back the trust of market participants. This we did with great success, but it ultimately led to the signing of agreements being postponed toward the end of the year. As a result, there was a distortion in revenue from fiscal 2017, and we had to revise our forecast downward.

What is your take on the revenue of EUR 82.5 million and adjusted EBITDA of EUR 2 million achieved in fiscal 2017?

UB: We set ourselves a higher revenue target and we were not particularly happy about not achieving our forecast. Nevertheless, EUR 82.5 million represents growth of somewhat more than 2% compared with the previous year. We were therefore successful in more than just closing the revenue gap from the first half of the year when we dropped 13.5% below the first six months of 2016. In the second half of 2017, we generated an increase in revenue of 18.7% compared with the previous year. Our growth rate is therefore moving in the right direction again. We intend to keep up this momentum in the new fiscal year. Due to the lack of revenue, we were unable to achieve adjusted EBITDA targeted under the forecast. The positive aspect is that we delivered an adjusted EBITDA margin of 21% in the fourth quarter of 2017. Overall, the adjusted EBITDA margin came in at 2.7% in fiscal 2017.

What steps were particularly important in encouraging customers away from their reticence?

UB: This mainly took the form of long-term cooperations entered into with BeamIT from Italy and Divergent 3D from the US, the placement of a convertible bond in a volume of EUR 58.5 million in October 2017, which strengthened our financial standing, and the market launch of the SLM® 800 at formnext in November. We believe that these measures have enabled us to prove that SLM Solutions is very well positioned to operate successfully in the market, also as an independent company.

Dr. Schulz, you have been Chief Sales Officer at SLM Solutions since February 1, 2018. What areas of the company does your executive portfolio cover and what is your view of the coming fiscal year 2018?

Dr. Axel Schulz (AS): At this point may I first express my thanks for the warm welcome I have received in the company and the many good and trust-based discussions during my first weeks here. I am greatly looking forward to actively participating in shaping the company's future. Along with sales, marketing and business development also fall within my remit. In addition, responsibility for our entire After-Sales segment, and therefore for Service and the Metal Powder segment, also belong to my executive portfolio. SLM Solutions had to overcome many hurdles in 2017 and experienced a strong uptrend in the second half of the year. I am convinced that the positive development of SLM Solutions is set to accelerate considerably on this basis in the near future.

Despite a difficult first half year and the downward revision of the forecast in 2017, the share price rose by around 47%. The highest Xetra closing price so far in the history of SLM Solutions was achieved on January 4, 2018 when the share price reached EUR 49.00. Following publication of the preliminary figures for 2017 and revenue guidance for 2018, however, the share price declined at the start of February 2018. What do you think caused these developments?

UB: We think that our shareholders can be very happy with the performance of the SLM® share in 2017. We would not, however, like to discount the possibility that one or other of the investors are still factoring in considerations concerning upside potential from a takeover. With our figures for the fiscal year ended, there is a possibility that, at the start of 2018, we were unable to fulfil all the short-term expectations associated with our share at the end of the previous year. We are nevertheless convinced that our long-term growth prospects remain intact and that SLM Solutions is a healthy and well positioned company.

Intact growth prospects are a good prompt: By 2022, you anticipate revenue of EUR 500 million and an EBITDA margin of 20% for SLM Solutions. What are the key factors in enabling this goal to be achieved?

UB: The key factor for achieving the revenue target of EUR 500 million by 2022 is the growing number of companies that use additives manufacturing technology in their serial production. We expect this trend to drive an increase in the number of machines that customers want per order. We also assume that we will increasingly sell production-oriented machines equipped with large construction chambers and four lasers in this context. These machines are of a high quality, which is reflected in the unit price.

The completion of our new location in Lübeck-Genin is another key factor allowing us to cover the manufacturing a growing number of machines with our operations. We will be raising our production capacity there to 500 machines a year in a single-shift operation. In addition, our Lübeck-Genin site already has enough land for us to double our capacity.

Realising our targeted revenue growth of EUR 500 million by 2022 is the most important lever in achieving an EBITDA margin of 20%. Our new location also plays an important role here: when planning the new building, we paid meticulous attention to designing the premises so as to ensure that our processes mesh as efficiently as possible, from research and development right through to production.

What role do cooperations play, for instance the agreements signed in March 2017 with Divergent 3D and in June 2017 with BeamIT?

UB: Speaking strategically, the cooperation agreements signed with BeamIT and Divergent 3D are very important. We want to be as close as possible to our customers and the users of our machines in order to cater to their requirements in the best possible way. We have already achieved gratifying results in both these cooperations in recent months. For instance, with BeamIT, a contract manufacturer for automotive industry, for biomedical technology and the aviation and space industry in Italy, we developed very successful specific parameters for configuring multi-laser machines for the use of various different metal powders. Through processing IN metal alloys on SLM® machines in particular, BeamIT was able to realize the unit costs required by the end customer in the manufacturing of a specific component, which enabled the company to win a major contract.

HS: Together with Divergent 3D, we are working on developing hardware and software solutions for use in industrial mass production and for curtailing time to market.

What research and development activities have been planned in the coming years?

HS: The fact that we want to sell mainly production-oriented machines for use in serial production also plays an important role in our research and development strategy. With the development and market launch of the new SLM® 800 that features the largest construction chamber of all our machines so far, we have taken an important step in this direction. We also have a huge competitive advantage in our multi-laser technology that we intend to build on. This means that we take development stages into account in our machine models to accommodate even bigger construction chambers that can house more than four lasers at the same time. Our aim is to present a machine with a construction platform of 600 x 600 millimetres to the public by the end of 2019. We have already signed a cooperation with a customer in the automotive industry with a view to developing this kind of machine. Around EUR 10 to 15 million from the funds received from the convertible bond are to be invested in research and development projects.

Henner Schöneborn, CTO

What other priorities are on SLM Solutions' agenda in fiscal 2018?

UB: We felt the consequences of General Electric's failed takeover attempt last year most clearly in our US business as well. The topic was more critically received there than in other regions. Since then, we have been working on winning back trust also in the US, and our intention is to start afresh there in 2018.

AS: In addition, we want to reinforce our presence in the important Asian market. We are planning to open a new branch in Beijing as well in the current fiscal year in order to position ourselves even better in China from a sales and service perspective.

HS: We also want to open our new company headquarters in Lübeck-Genin in the spring of 2018, which will mark a key milestone in the history of SLM Solutions. The new site is tangible evidence of our company entering the next stage in its growth.

Against this backdrop, what is your forecast for fiscal 2018?

UB: We are convinced that SLM Solutions has now put all ripples of General Electric's failed takeover attempt firmly behind it. We therefore assume that we will achieve revenue in the triple-digit million range in fiscal 2018 for the first time in the history of the company. To be more specific, we forecast revenue of around EUR 125 million and an EBITDA margin of in a 12% to 13% corridor.

MANAGEMENT BOARD MEMBERS

Uwe Bögershausen (CFO), Henner Schöneborn (CTO), Dr. Axel Schulz (CSO)

Uwe Bögershausen, CFO

Uwe Bögershausen (*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 at the Wiesbaden-based company CSC Ploenzke AG, before becoming project manager at Roland Berger in the period up to 2006. From 2006 until 2010, Bögershausen held the position of CFO at aleo Solar AG, Prenzlau, where he most notably supported the company's IPO. From 2010, he was Managing Director at Derby Cycle Beteiligungs GmbH, becoming CFO at Derby Cycle AG following its IPO, a position that he held until 2012. In September 2013, Bögershausen joined SLM Solutions Holding as Head of Finance before becoming CFO of SLM Solutions as part of its transition into a stock corporation in 2014. His contract runs until June 2019.

Henner Schöneborn, CTO

After graduating in mechanical engineering from Cologne College of Applied Sciences, Henner Schöneborn (*1963) went on to qualify in technical operating management at the Cologne European Academy. Before joining SLM Solutions, one of the positions he held was as a product manager at the Stuttgart-based tool machine technology company Hahn & Kolb. He has been working for SLM Solutions and its predecessor company since 1993, and is able to draw on almost three decades of industry experience as well as proven expertise in the field of metal-based additives and subtractive manufacturing technologies. Schöneborn has been responsible on SLM Solutions Management Board for "Corporate Development and Innovation" since July 2014, and has a contract through to June 2018. Since February 2017, he has also been responsible for SLM Solutions Software GmbH, the joint venture in Perg, Austria.

Dr. Axel Schulz, CSO

Dr. Axel Schulz (*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 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 of 2015 and 2018, Dr Schulz acted as CEO of Putzmeister, a mechanical engineering company based in Aichtal. Prior to this position, he worked as Executive Vice President at FIRMA LAP Laser Applications. Dr Schulz possesses extensive experience in the areas of sales, business development, as well as in building up and expanding after-sales businesses. Dr Schulz joined the Management Board of SLM Solutions in February 2018. He is responsible for Sales, Marketing, Business Development, Service and for the 3D Metals segment. His contract runs until 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,

Metal-based Additive Manufacture (AM), a sector significantly influenced by SLM Solutions, is now being widely adopted in mass production in industrial sectors such as aerospace, energy production, automobile manufacture and medical engineering.

This innovative production technology is supported within SLM Solutions Group AG by integrating proprietary software development with our joint venture partner CADS and the intensive development of a new generation of machines in order to meet the wishes of the market even more efficiently and productively.

As the first product in this series, we were able to present a working version of the SLM® 800 at the 2017 formnext trade fair in Frankfurt. The size of the components was one of the highlights of the entire trade fair and resulted in a major order on the spot.

This generation of machines will in future be completed by an SLM® system exhibiting an installation space of 600 x 600 mm and fitted with 8 - 16 lasers.

This will enable us to secure our position as the technology leader in the global market.

We will pursue our goals purposefully by expanding our own sales network and constantly strengthening our R&D Department.

The worldwide market is expected to grow by 30 to 50% over the next few years.

Thanks to our new headquarters in Lübeck-Genin which we will move into in May 2018, we have sufficient capacity to meet the needs of the market.

Together with the Management Board and Supervisory Board, I look forward to overseeing the continued growth of our company, and I wish us all every success in this endeavor.

Continuous dialogue

During the past 2017 fiscal year, the Supervisory Board of SLM Solutions Group AG conscientiously

Hans J. Ihde, Chairman of the Supervisory Board

performed the tasks that are incumbent upon it according to the law and the company's bylaws. It consulted with the Management Board on an ongoing basis regarding the operational management of the company, and supervised the 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 current business progress.

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.

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.

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 Supervisory Board Chairman and the Management Board were also in close contact for the purpose of continuous information outside the scope of Supervisory Board meetings.

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

Overview of topics covered by the Supervisory Board

The meeting on June 2, 2017, focused on the general course of business, a review of the Annual General Meeting, the current status of the search for a CEO, and the presentation of financing options. In this context, the Management Board tabled the topic of a convertible bond as a possible source of financing.

In the meeting on August 30, 2017 the 2017 forecast was presented with possible scenarios. The Supervisory Board gave its unanimous approval to the preparation of a convertible bond. Furthermore, a unanimous decision was made in this meeting on establishing a representative office in France.

The meeting on October 17, 2017 concerned a summary on the topic of the convertible bond and the subsequent discussion on the strategy of deploying fresh capital. The growth market of China was elaborated on and the topic of powder discussed in detail.

In the Supervisory Board meeting on December 7, 2017, the resolution on founding a subsidiary in Italy was unanimously approved and the new business plan of SLM Solutions Software GmbH was presented. The key points of the 2018 budget were presented and discussed. At the Supervisory Board's suggestion, the budget was reworked. It was then presented in a telephone conference on January 24, 2018, and ratified by the Supervisory Board.

On March 1, 2018, the Supervisory Board held a strategy meeting. In this meeting, the Supervisory Board gave an opinion assessing the efficiency of its supervisory activities and in particular their verification. In addition, deliberations concentrated mainly on the company's strategic alignment and on discussing measures.

At the accounts meeting on March 21, 2018, the Supervisory Board concerned itself mainly with reviewing the separate and consolidated financial statements for the 2017 fiscal year and with the results of the audit conducted by auditors PricewaterhouseCoopers.

Audit committee meetings

The audit committee met four times during the reporting period. The meetings were held in connection with the publication dates of the consolidated financial statements. On May 2, 2017, aspects of the accounting of the unaudited interim financial statements for the first quarter of 2017 were discussed. On August 3, 2017 and November 3, 2017, the committee reviewed the financial statements for the report on the first half of 2017 as well as the interim report for the third quarter 2017 respectively. At the audit committee meeting on March 14, 2018, the auditor's audit report and documents relating to financial statements were subjected to in-depth preliminary examination. The external auditor participated in this meeting in order to explain its audit activities.

Corporate Governance

On March 14, 2018, the Management and Supervisory Boards of SLM Solutions Group AG issued a declaration of conformity required under Section 161 of the German Stock Corporation Act (AktG) pertaining to the recommendations of the German Government Commission's "German Corporate Governance Code" in the version dated February 7, 2017. Although no significant adaptations were made to the Corporate Governance Code during the period under review, the Management and Supervisory Boards focused on compliance with the German Corporate Governance Code.

Audit of the separate and consolidated financial statements

The Annual General Meeting (AGM) elected Pricewaterhouse Coopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover, as the company's auditor on June 2, 2017. It audited the separate annual financial statements of SLM Solutions Group AG and the consolidated financial statements as of December 31, 2017, as well as the separate and Group management report and furnished them with unqualified audit opinions. The Supervisory Board was convinced of the auditor's indepen-dence and of the individuals acting for the auditor.

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

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

At the accounts meeting on March 21, 2018, the Supervisory Board approved the separate and consolidated financial statements, along with the separate and Group management reports for the 2017 fiscal year, including disclosures pursuant to Section 315 (4) of the German Commercial Code (HGB). The separate annual financial statements for the 2017 fiscal year have therefore been adopted pursuant to Section 172 of the German Stock Corporation Act (AktG).

The Supervisory Board concurred with the Management Board's proposal relating to the application of the net loss included in retained earnings. The net loss included in retained earnings is to be carried forward to a new account.

On behalf of the Supervisory Board, I would like to thank the Management Board members, as well as all SLM Solutions Group staff for their continuing commitment and outstanding work during the past fiscal year. Thanks are also due to our shareholders, who invested their confidence and trust in us as part of our IPO and over the further course of the year. With regard to the challenges of the new fiscal year, the Supervisory Board continues to wish the company every success.

Lübeck, March, 21 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	Faster SPA, Supervisory Board member (until January 2017) 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	Investment manager	Expertum Holding GmbH, 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	Viscom AG, Supervisory Board Chairman
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

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 and has been part of the TecDAX technology stock index since March 2016.

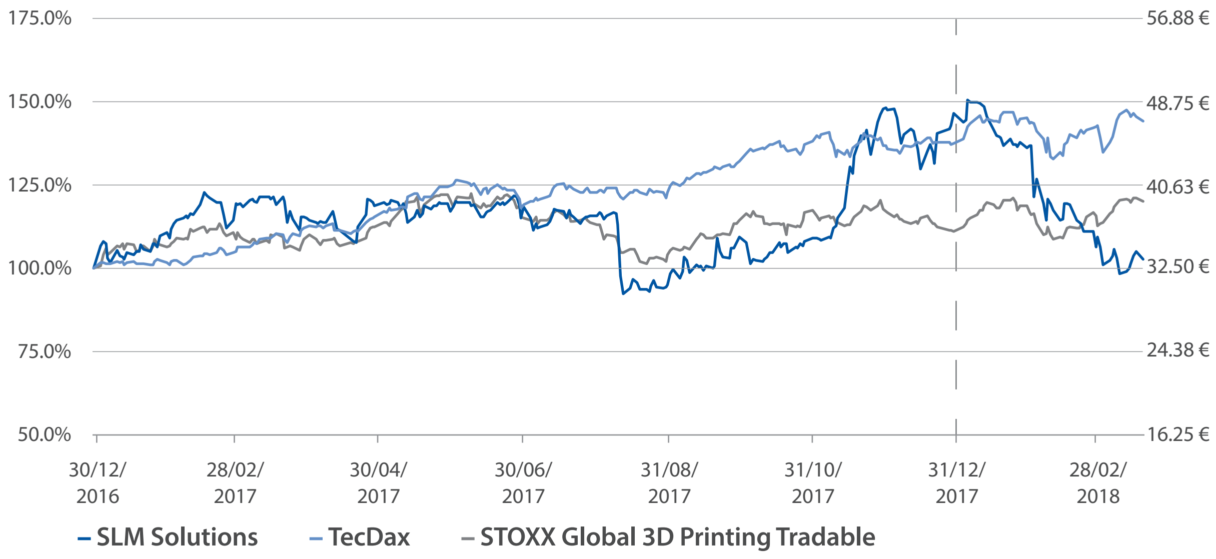
The share price performed very well overall during the twelve months of the 2017 fiscal year. The closing price of EUR 47.75 on December 29, 2017 was 46.9% higher compared with that of December 30, 2016 (EUR 32.50). Since the company's IPO in May 2014, the share price has soared by more than 165%, from EUR 18 to EUR 47.75.

As of December 29, 2017, market capitalization totaled EUR 858.6 million based on 17,980,867 shares in circulation (December 30, 2016: EUR 584.4 million).

Overall, the SLM share recorded again outperformed the benchmark industry index STOXX Global 3D Printing Tradable (+11.1%) and the TecDAX price index (+37.7%).

The average number of SLM Solutions Group AG shares traded daily on the Xetra trading system stood at 44,410 in 2017.

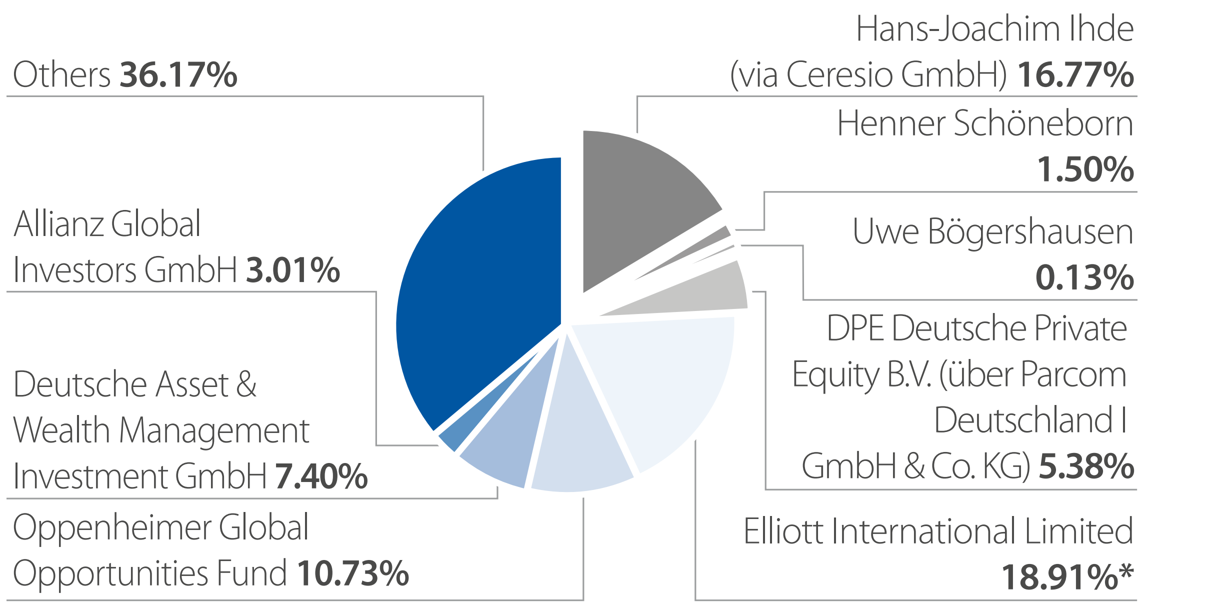
Share price chart (as of: March 19, 2018)



Key data (as of: March 19, 2018)

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	TecDAX
Initial listing	9 May 2014
Placing price in EUR	18.00
Closing price in EUR on 29 December 2017	47.75
Closing price in EUR on 19 March 2018	33.40
Number of shares	17,980,867 ordinary no par value bearer shares

Shareholder structure (as of: February 23, 2018)



* Shares attributed to Mr. Paul E. Singer from Elliot International Limited through the subsidiary Cornwall GmbH & Co. KG (18.91 %)

Analysts

The performance of the SLM Solutions share is currently being covered by seven analysts. At the time of this report's publication, the analysts generally recommended holding our share.

Institute	Analyst	Date	Rating	Share price target (EUR)
Berenberg	Gerhard Orgonas	02/05/2018	Hold	40.00
BHF-BANK	Thomas Effler	11/10/2017	Neutral	35.00
CANACCORD Genuity	Bobby Burleson	09/22/2017	Hold	35.00
Commerzbank	Adrian Pehl	01/18/2018	Hold	39.00
Deutsche Bank	Uwe Schupp	02/02/2018	Buy	55.00
equinet Bank	Cengiz Sen	02/03/2018	Sell	27.50
HSBC	Philip Saliba	12/12/2017	Hold	43.00

Based on analyst ratings available on the cut-off date (March 22, 2018)

Investor relations

Since its IPO SLM Solutions has maintained intensive dialog with the capital market. The Management Board of SLM Solutions sets great store in communicating frequently and transparently with the company's shareholders and stakeholders and in informing them continuously about the company's development and growth. This is also to be ensured through the regular publication of announcements of relevance to the company (such as new order intake or the foundation of joint ventures), detailed financial reporting, and continuous personal contact with investors, analysts, journalists and the interested public. The Management Board and staff responsible for the Investor Relations of SLM Solutions Group AG also regularly take part in capital market conferences and present the business model and strategy of SLM Solutions at road shows in Europe and in North America. Between April 4 and 7, meetings took place with investors in the context of a road show organized by investment bank equinet in Frankfurt, London, Edinburgh and Copenhagen On April 20 and 21, further meetings, organized by Deutsche Bank, were held with investors in Paris and Helsinki, Investor discussions on the east coast of the US were also arranged by Deutsche Bank between May 2 and 5. From May 15 to 19, SLM Solutions took part in a road show organized by investment bank Canaccord in San Francisco and Los Angeles (US). SLM Solutions attended an investor conference of Deutsche Bank in Berlin on June 21. On August 15 and 16, SLM Solutions participated in a road show in London together with the BHF-ODDO bank, followed by another road show with equinet from August 21 to 25 in Luxembourg, Frankfurt, Cologne, Düsseldorf, Munich and Zurich. SLM Solutions made a company presentation at an investor conference organized by Berenberg in Copenhagen on August 30. Talks with investors took place at the Commerzbank Sector Conference in Berlin on August 31. On November 2 and 3, SLM Solutions went on a road show organized by equinet in London and Oslo. From November 14 to 17, SLM Solutions presented its latest version of its additive manufacturing systems at the formnext trade fair, and combined this event with offering investors the opportunity of meeting the Management Board. SLM Solutions and Management Board members also participated in the equity capital forum in Frankfurt (November 27 to 29). At the start of 2018, SLM Solutions was available to answer questions from investors and analysts at the ODDO investment bank's investor conference in Lyon. Another HSBC conference in which SLM Solutions participated was held on February 6 in Berlin.

In addition, meetings were arranged with investors at the company's headquarters in Lübeck. Interested providers of capital, investors and analysts can find more information, which is updated on a running basis, on our website at www.slm-solutions.com under the Investor Relations heading. Along with financial reports, mandatory notifications and corporate news, visitors to our website can also access road show and analyst presentations. Telephone conferences with webcasts are held when we publish our quarterly results, and the recordings are subsequently available as downloads from 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 third Annual General Meeting in the media docks Lübeck on June 2, 2017, SLM Solutions Group AG shareholders resolved on the discharge of the Management and Supervisory Boards for the 2016 fiscal year and elected the external auditor for the 2017 fiscal year. The management of the company affirmed the outlook for the current year at the Annual General Meeting. Details of the voting results and the presentation of the Management Board can be viewed on the company's website.

Financial calendar

05/09/2018	Q1 Report 2018
06/22/2018	Annual General Meeting (Lübeck)
08/09/2018	H1 Report 2018
11/08/2018	9M Report 2018

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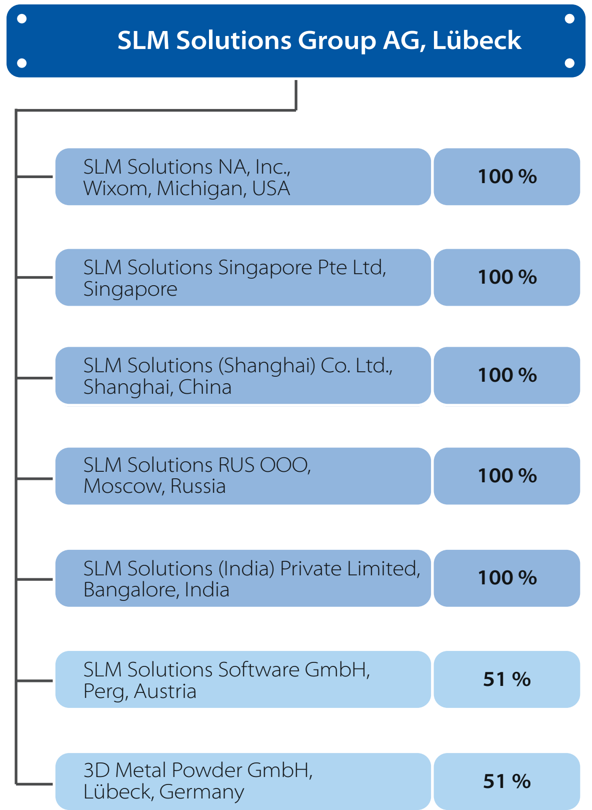
GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT for the fiscal year 2017

Basis of the Group

Group structure

SLM Solutions Group AG (SLM AG), headquartered in Lübeck, Germany, had five wholly owned subsidiaries and two joint ventures as of December 31, 2017. SLM Solutions Group AG operates within the Group as the only production location and is in charge of large parts of the operational and administrative tasks as well as product development within the Group. It also coordinates the global sales activities. The subsidiaries based in Singapore, US, China, Russia and India promote local sales activities in their allocated geographical regions. In addition, they also provide services for customers. The company in India was established on March 8, 2017.



SLM Solutions Group AG holds a stake of 51% in the capital stock of Austrian-based SLM Solutions Software GmbH. Among other things, this company focuses on the development of special software that facilitates the optimal design of parts for additive manufacturing.

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

SLM Solutions (Italy) SRL was founded in Milan, Italy, on February 2, 2018, and SLM Solutions (France) SAS in Paris, France, on March 1, 2018. The companies operate as sales and services companies and are wholly owned subsidiaries of SLM Solutions Group AG.

Employees

Full-time equivalents (FTE)	12/31/17	12/31/16
Research and development	81	64
Sales	75	66
After Sales	56	49
Production	118	116
Administration	40	37
Total	**370**	**332**
of which Europe	323	292
of which USA	30	26
of which Asia	18	14

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 – the SLM®125, SLM®280, SLM®500 and the SLM®800 – which are differentiated according to the size of the construction chamber and the number 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 aluminium, 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 being developed further on an ongoing basis and equipped with new functions. The new design of the SLM®280 series version and the new SLM®800 system were showcased at formnext 2017.

The business was divided into two operating segments in the period under review:

- The **Machine Sales segment** encompasses the development and production as well as the marketing and sale of machines 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 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 intend-ed 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 moulds or tools are required. SLM Solutions' patented multi-laser technology underscores the company's technology leadership. 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 and low levels of stocks. In the design and development of new parts, 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. 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 manufacturers improve production by applying new construction princi-

[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

ples, implementing digital technologies and by integrating processes along the entire value chain.[2]

SLM Solutions' **customers** operate in a wide range of different sectors, including aerospace, mechanical engineering, tool construction and the automotive industry, medical technology and the energy sector. A differentiation can be made among 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 (including Germany).

SLM Solution's machine business is subject to the **seasonal fluctuations** typical of 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 intends 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 the product range to include products less subject to fluctuations, such as consumables (powder) and software.

Targets 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 secure and extend its technology leadership in the metal-based additive manufacturing business. Its intellectual property rights portfolio is optimized on an ongo-ing 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. SLM Solutions also cooperates with research institutes and universities in order to further develop its technology, and to enable it to be deployed for increasingly new applications from all sectors.
- SLM's aim is to evolve 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 from Austria serves to develop special construction software in house. This software is intended to facilitate the optimal design of components for additive manufac-turing and indirectly contribute to further propagating additive product methods by breaking down the barriers to entry. The software development represents an opportu-nity to cater even better to the requirements of customers' construction work.
- In addition, SLM Solutions is committing more strongly to the business with metallic powders, which is the input material for production using SLM Solutions' selective laser melting systems: The expansion in the powder business together with 3 D Metal Powder GmbH is also intended to be established as a second pillar of business in addition to machine sales, and should contribute to mitigating the seasonality of the Group typical of the industry on a revenue and earnings level. The manufacturing process of the metal powder necessitates special know how and quality assured processes to obtain a high quality end product, which is remunerated accordingly by the market. Given 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 long-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 cooperations based in different regions. The company is constantly reinforcing its presence though 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

Management 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. This key indicator ex-cludes national particularities 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, **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 the internal management and control system, the SLM Solutions Group AG's Management Board is kept informed at regular intervals about internal key performance indicators. These mainly comprise:

- 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 are key components of SLM Solutions' business success. Further market potential in the industrial manufacturing area is increasingly tapped by progress made with multi-laser technology. The company commands an extensive portfolio of intellectual property rights, including patents and licenses for selective laser melting technology and the hull-core imaging process.

As a selective laser melting pioneer, SLM Solutions benefits from worldwide cooperation ventures with universities and research institutions, some of which are subsidized by public-sector funding – in Germany, for example, by the Federal Ministry for Economic Affairs and Energy (BMWi) and the Federal Ministry of Education and Research (BMBF). In Singapore, SLM Solutions has been conducting development work into selective laser melting technology in cooperation with Nanyang Technical University (NTU) since September 1, 2014. Investments in research and development focus on the areas of construction chamber expansion, process improvement, materials research, the endurance and reliability of our selective laser melting systems, further improvements to build rates and software development. Moreover, a further focus is on the increasing networking of industrial manufacturing processes ("Industry 4.0").

The research and development department of SLM Solutions consisted of 81 FTEs (full-time equivalents) as of December 31, 2017 (previous year: 64 FTE). Research and development expenses totaled kEUR 9,078 during the reporting period (previous year: kEUR 8,414). Of these expenses, kEUR 3,132 was capitalized in fiscal 2017 (previous year: kEUR 3,460). The level of depreciation on capitalized development costs in fiscal 2017 amounted to kEUR 1,279 (previous year: kEUR 1,180).

Economic and business report

Macroeconomic situation in the target markets

The economic environment in the important home market of Germany was hallmarked by strong economic growth in 2017. According to the figures of the German Statistical Federal Office, the price-adjusted gross domestic product (GDP) rose 2.2% in 2017 in comparison with the previous year. Germany's economy has therefore grown for the eighth year in a row. Positive growth stimulus emanated mainly from within the country in 2017: Private consumption increased by a price-adjusted 2.0% in a year-on-year comparison. Public spending saw below-average growth of 1.4%. In 2017, gross fixed capital formation in particular recorded an above-average increase of +3.0% compared with the year-earlier period. Construction investments climbed by +2.6%. Capital expenditure, especially on machines and equipment and vehicles, exceeded the previous year by 3.5% on a price-adjusted basis. Other facilities, including expenditure on research and development, among other things, also increased by 3.5% compared with the level in 2016. All in all, gross investments that also comprise changes in inventories along with gross fixed capital formation, grew by a price-adjusted 3.6% compared with the previous year. German exports expressed as an average for 2017 reported another increase: price-adjusted exports of goods and services were 4.7% higher than in the year-earlier period. Imports grew at a faster rate over the same period (+5.2%). The resulting net export, meaning the difference between exports and imports contributed an imputed +0.2 percentage points to GDP growth.[3]

The Kiel Institute for the World Economy expects Germany's gross domestic product to grow at a rate of 0.3 percentage points to 2.5% in 2018. Against the backdrop of significant capacity utilization above the norm, Germany's economy is therefore moving by leaps and bounds toward an economic boom. The upswing is underpinned by a broad basis. Private consumption is set to expand vigorously on the back of high income growth. Given the ongoing favourable financing conditions, the construction boom will hold steady even if capacity bottlenecks lead to an increase in construction costs. Exports are likely to receive additional impetus from the strong upswing of the global economy. Finally, there are growing signs that companies are overcoming their financial procrastination and that capital expenditure will develop into another mainstay of the upswing, backed by high capacity utilization and excellent business prospects. The healthy flow of tax income boosted by the economy is resulting in high budget surpluses of around 1.5% in relation to the gross domestic product. However, as the sharp increase in income is only a temporary phenomenon, and considerable burdens are on the cards for the budgetary framework from demographic change, scope for additional spending is very limited. The International Monetary Fund (IMF) is expecting global economic growth of 3.9% in 2018. This is comparable with the 3.8% achieved in 2017. This development is driven by the recovery of large emerging markets such as Brazil and Russia whose economies had meanwhile shrunk.[4]

The IMF views economic growth in Europe as being on track and estimates that Europe will increasingly evolve into the engine of the global economy. Back in its October outlook, the IMF had raised its forecast for Europe significantly and consequently anticipates growth of 2.4% for the Eurozone in 2017. In 2018, the assumption is that Eurozone growth will contract marginally to 2.3%.

[3] Statistisches Bundesamt, Deutsche Wirtschaft wächst auch im Jahr 2017 kräftig, Pressemitteilung vom 11. Januar 2018
[4] Institut für Weltwirtschaft, Kieler Konjunkturberichte, Weltkonjunktur im Winter 2017

Changes in the US tax policy are stimulating business activity. The IMF has therefore significantly raised its forecast for the years 2017 and 2018. Growth of 2.3% in 2017 and 2.5% in 2018 has now been predicted for the US economy.

According to the IMF, Russia's economic growth stood at 1.7% in 2017, and 1.8% has been forecast for 2018.

Along with the US and Germany, the IMF also views China's growth prospects more optimistically. The world's second-largest economy is likely to have grown by 6.4% in 2017 and will increase by 6.6% in 2018.

Market for additive manufacturing

SLM Solutions operates in the very attractive global **growth market for additive manufacturing processes**. In their most recent industry report 2017, experts from Wohlers Associates anticipate growth of 17.4% for the overall global market. The growth rate over the last 28 years stands at an impressive 25.9%. CAGR over the past four years comes in at 28.0%. The market volume is forecast at USD 9.5 billion in 2018, USD 16.2 billion in 2020 and USD 26.2 billion by 2022.

Growth opportunities predicted for the area of metal additive manufacturing are particularly attractive: According to Wohlers Associates, the number of **machines sold** worldwide in this submarket rose by 18.4% in 2016, which corresponds to 957 machines compared with 808 machines in 2015. The global market volume in the field of **metallic consumables** expanded by 43.9% in 2016 to USD 126.8 million.[5] According to a global survey of 900 companies from 12 countries by the auditing and consulting firm EY, 52% of those surveyed named metal as the most important input material in relation to introducing additive production systems, well ahead of polymers (31%) or ceramics (6%).[6]

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, according to Roland Berger strategy consultants.[7] Moreover, additive manufacturing processes are now said to be mature enough for use in serial production. From a technical point of view, this degree of development is indicated, among other things, by the option of being able to use up to four lasers at the same time to produce a part.

[5] Wohlers Associates, Annual Worldwide Progress Report 2017, April 2017
[6] 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
[7] Roland Berger, Additive Manufacturing – a game changer for the manufacturing industry?, November 2013

Business progress

SLM Solutions received orders for 241 machines during the 2017 fiscal year (previous year: 130 machines). This represents an increase of 85.4% compared with 2016, which includes 150 machines ordered on the basis of framework agreements with delivery periods of between 15 and 36 months.

The machines ordered in 2017 were worth kEUR 169,164 in total. This represents an increase of 111.5% compared to the previous year period (kEUR 79,992). The amount of the order value is mainly determined by the product mix in the orders placed in the context of framework agreements that will only be fixed when the machines are requested.

In the 2017 fiscal year, the "Machine Sales" segment, which encompasses machine sales and accessories, contributed revenue of kEUR 73,345 (previous year: kEUR 69,675) and therefore 88.9% of group revenue (previous year: 86.3%). The "After Sales" segment, which comprises service revenue, sales of replacement parts and sales of merchandise, generated revenue of kEUR 9,149 in 2017 (previous year: kEUR 11,032) and therefore 11.1% of consolidated revenue (previous year: 13.7%).

SLM Solutions forged ahead with the international expansion of the company by opening an office in Bangalore, India, on March 8, 2017. This branch office bolsters sales and service in the promising growth market of Asia.

The second Annual General Meeting of SLM Solutions Group AG was held on June 2, 2017. During this meeting, the shareholders ratified the actions of the company's Management Board and Supervisory Board for the 2016 fiscal year and elected the external auditor for the 2017 fiscal year. The voting results were subsequently published on the company's website.

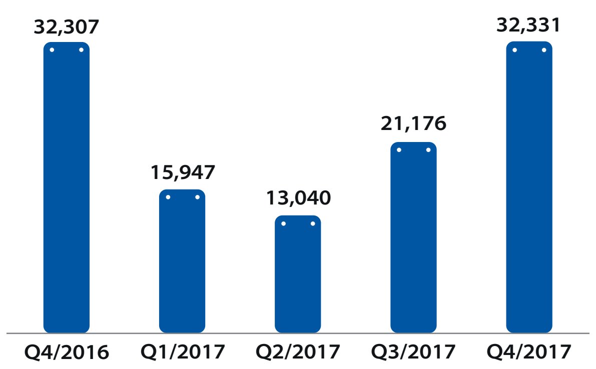
SLM Solutions has made the strategic decision necessary for expanding production of remaining in Germany. The move within the company's home city of Lübeck, from the Roggenhorst business park to the Group's new head office in the Genin Süd business park, has been planned for mid-2018. A piece of land of around 17 acres was acquired in 2015. A building to house production, warehouse facilities and the administration was built on a gross surface area of 25,000 square metres, with the capacity for extensions, and with a direct connection to the highway.

In terms of orders, the first half of 2017 was impacted by the exceptional events in the second half of 2016 and ultimately remained behind schedule. In the second half of the year, the company made up good ground in fulfilling the original expectations that were, however, not fully met. The Management Board views the development of business in the second half of the year as very positive and sees it as an end to the sideways trend in orders in a year-on-year comparison. The general interest in the technology continues to grow and the industrial relevance is undeniable. Customer purchasing behaviour has moved away from placing individual orders toward signing framework agreements instead, which provides a better basis for planning in respect of procurement, production and revenue for SLM Solutions.

Results of operations

The consolidated revenue of SLM Solutions Group AG increased by 2.2% to kEUR 82,494 in the 2017 fiscal year (previous year: kEUR 80,707). Of the revenue, 88.9% stems from the company's core business in the sale of laser melting systems (previous year: 86.3%). This segment's revenue rose by 5.3% to kEUR 73,345 (previous year: kEUR 69,675). Revenue of kEUR 9,149 (previous year: kEUR 11,032) was generated in the After Sales segment, representing a contribution of 11.1% overall (previous year: 13.7%). This segment encompasses all sales not included in machine sales and mainly comprises sales of consumables, replacement parts and service agreements.

Revenue development (kEUR)



The revenue forecast in fiscal 2017 that was reduced in November to around kEUR 90,000 was therefore not achieved. Originally SLM Solutions had predicted revenue of between kEUR 110,000 and kEUR 120,000. Due to the protracted aftermath of the failed takeover attempt by General Electric in October 2016, this forecast had to be revised downward in the second half of 2017.

Total operating revenue (the sum of sales revenue, inventory changes and other own work capitalized) of kEUR 83,346 was up by 7.9% compared with the previous year (kEUR 90,476). Improved processes in production and procurement are reflected here in the paring down of inventories. The reduction of kEUR 2,279 in the inventories of finished goods and work in progress was therefore way below the increase in inventory in the year-earlier period (previous year: kEUR 6,309). Changes in work performed by the company and capitalized stood at kEUR 3,132, a level approximating the previous year (kEUR 3,460).

Other operating income came in at kEUR 1,948, which is somewhat higher than in 2016 (kEUR 1,539). This largely consists of the release of provisions and income from currency fluctuations.

The cost of materials declined by 21.7% to kEUR 38,575 (previous year: kEUR 49,246) due to purchasing negotiations and economies of scale. The cost of materials ratio (as a percentage of total operating revenue) came in at 46.3% which was partly due to a reduction in inventories and far below the previous year (previous year: 54.4%).

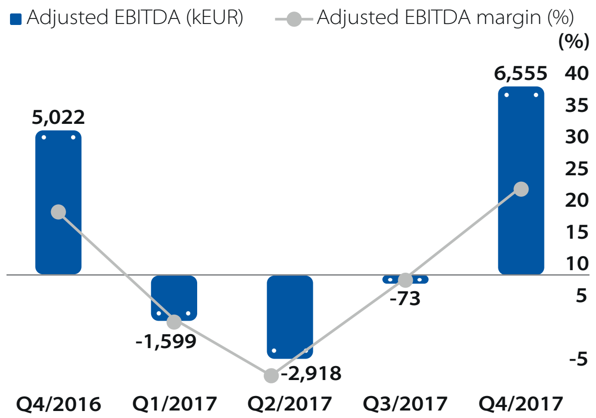
The increase in personnel to 370 full-time equivalents (FTEs) as of the reporting date of December 31, 2017 (December 31, 2016: 332 FTEs) was the reason for the rise in adjusted personnel costs by 14.0% to kEUR 26,597 (previous year: kEUR 23,328). The adjusted personnel cost ratio (as a percentage of total operating revenue) therefore came in at 31.9% (previous year: 25.8%). The 2017 fiscal year was adjusted for personnel costs of kEUR 94 for the three-year employee retention bonus program set up for the IPO in 2014 (previous year: kEUR 465). On an unadjusted basis, personnel costs for fiscal 2017 stood at kEUR 26,691 and were therefore 12.2% higher than the previous year's figure of kEUR 23,793.

Other operating expenses totaled kEUR 18,094 in 2017 and were therefore 6.8% up on the previous year figure of kEUR 16,936. Material positions consisted of exchange rate differences, sales commissions as well as trade fair and marketing costs.

Due to the operating character of equity-accounted joint ventures, earnings from equity-accounted companies are shown as part of EBITDA (adjusted and unadjusted) and therefore also of EBIT, in contrast to the previous year. Figures for the previous year have been adjusted accordingly.

EBITDA (earnings before interest, taxes, depreciation and amortisation), adjusted for the effects resulting from the retention bonus amounting to kEUR 94, totalled kEUR 1,965 during the reporting period (previous year: kEUR 2,588). The adjusted EBITDA margin (as a percentage of revenue) came in at 2.4% in fiscal 2017 (previous year: 3.2%). The positive adjusted EBITDA margin forecast in November 2017 in the single-digit region was achieved. Originally, management had anticipated an increase in the adjusted EBITDA margin for 2017 year on year, however the company was unable to realize this primarily due to the lower revenue growth in the first half of the year. On an unadjusted basis, EBITDA stood at kEUR 1,871 in 2017 (previous year: kEUR 1,560), while the corresponding margin came in at 2.3% (previous year: 1.9%).

Adjusted EBITDA (kEUR) and EBITDA margin (%)



Depreciation and amortization rose by 32.7% to kEUR 6,887 compared with the previous year (kEUR 5,190). This figure includes amortization relating to purchase price allocations (PPA) totaling kEUR 1,282, similar to the previous year. In particular, level of depreciation and amortization was impacted by the rise in investment in the previous year focused on technical systems and machines.

The operating result (EBIT) came in at kEUR -5,015 in the 2017 fiscal year (previous year: kEUR -3,631). The EBIT margin (as a percentage of revenue) stood at -6.1% in the reporting period and had therefore substantially deteriorated compared with the previous year (-4.5%).

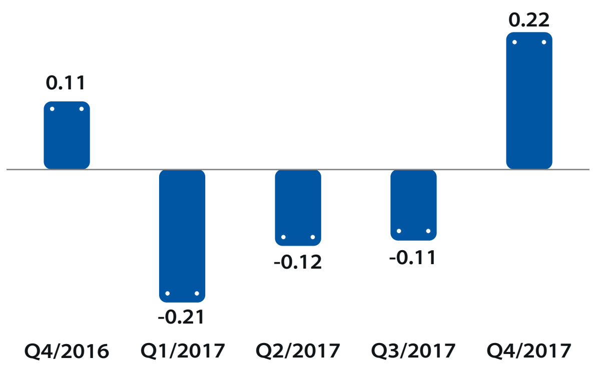
The financial result came in at kEUR -996 in fiscal 2017 (previous year: kEUR -662). The figure consists of interest expenses of kEUR -1,015 (previous year: kEUR -194) and interest income of kEUR 19 (previous year. kEUR 13). In 2016, income from investment of kEUR -481 was disclosed in the financial result. Income from investments stems from SLM Solutions Soft-ware GmbH and 3D Metal Powder GmbH in which SLM Solutions Group AG holds 51% of the share capital respectively. In fiscal 2017, income from investments was reclassified under operating profit or loss.

Tax income stood at at kEUR 2,272 for the 2017 fiscal year (previous year: kEUR 364).

The net result for the period after taxes totaled kEUR -3,741 in fiscal 2017 (previous year: kEUR -3,483). This corresponds to basic and diluted earnings per share of EUR -0.21 (previous year: EUR -0.19). The convertible bond issued could have a diluting effect but in fact does not currently do so due to anti-dilution on the basis of the negative annual results.

The earnings per share figures provided in this paragraph are calculated based on 17,980,867 shares in circulation.

Earnings per share (undiluted) (EUR)



Financial position

The cash flow from operating activities stood at kEUR -8,984 in fiscal 2017, reflecting a decline compared with the previous year figure (kEUR -6,283). This was mainly due to the negative net result for the 2017 fiscal year.

Cash outflows as part of the investment activity of kEUR -21,418 were recorded in 2017, up on the previous year (kEUR -13,696). The cash outflow relating to the property purchase in Lübeck totaling kEUR -13,619 is included in cash outflows of kEUR -17,883 for investments in intangible assets and property, plant and equipment (previous year: kEUR -14,398). As in the previous year, additional investments in the reporting period were dedicated to application-oriented technology for the Machine Sales segment, which was reported in part under own work capitalized.

Through the issuing of a convertible bond in 2017, the cash flow from financing activities posted kEUR 74,460, which is incomparably higher than the previous year (kEUR -33).

Cash and cash equivalents (less fixed rental deposits with a term of more than three months totaling kEUR 31) came in at kEUR 63,682 as of December 31, 2017 (December 31, 2016: kEUR 19,997).

The company has received a commitment for lines of credit (current account and guarantees) totaling kEUR 9,500, which was only used to secure the guarantees in an amount of kEUR 4,020 due to the upbeat liquidity situation.

Net assets

The total assets of the SLM Solutions Group AG stood at kEUR 188,377 as of December 31, 2017 (December 2016: kEUR 123,833).

Non-current assets of kEUR 55,276 had increased as of the reporting date compared with the previous year (December 31, 2016: kEUR 40,789). In contrast to the previous year, property, plant and equipment of kEUR 32,491 constituted the largest portion of non-current assets (December 31, 2016: kEUR 18,360). Investments in the new building were the main reason for this increase. On the reporting date, kEUR 16,473 had already been paid as a down-payment. The investment project is likely to be completed in May 2018 with a total volume of kEUR 20,825.

Intangible assets of kEUR 21,950 mainly comprise the laser technology and capitalized development costs (December 31, 2016: kEUR 22,005). The interests in the joint ventures as well as a loan to 3 D Metal Powder GmbH totaling kEUR 730 (previous year: kEUR 371) were reported in financial assets.

Current assets came in at kEUR 133,101 on the reporting date (December 31, 2016: kEUR 83,043), with a share of 70.7% in the total assets (previous year: 67.1%). The increase in their overall share was attributable to the higher level of in cash and cash equivalents of kEUR 63,712 (December 31, 2016: kEUR 20,028). Trade receivables of kEUR 38,741 were higher than in the previous year (December 31, 2016: kEUR 29,145). Inventories of kEUR 27,513 dropped below the year-earlier figure (December 31, 2016: kEUR 31,107).

The company's equity had declined to kEUR 93,133 by the reporting date in a year-on-year comparison (December 31, 2016: kEUR 95,202). The equity ratio dropped to 49.4% (December 31, 2016: 76.9%). The debt ratio rose in return to 50.6% as of the reporting date (December 31, 2016: 23.1%). This change was attributable to the convertible bond issued in October 2017 that was largely reported as borrowed capital, and finance for the new building in Lübeck-Genin. The issue volume of the convertible bond is EUR 58.5 million. The bond can be initially converted to 1,379,760 new or existing bearer shares. The initial conversion price is EUR 42.3987 corresponding to a premium of 28.0% over the reference price. The bond bears interest at the rate of 5.5% p.a. and matures on October 11, 2022. The accrued interest for the bond as of December 31, 2017 is shown under liabilities to banks and has a residual term of under one year. The convertible bond has both equity and debt components. The conversion right constitutes equity. Embedded derivatives in the form of termination rights do not have to be reported separately.

Expenses resulting from exchange rate differences amounting to kEUR 1,880 (previous year: kEUR 346) with inverse income from exchange rate differences amounting to kEUR 441 (previous year: kEUR 915) had a negative effect on earnings, thereby contributing to the fall in the equity ratio.

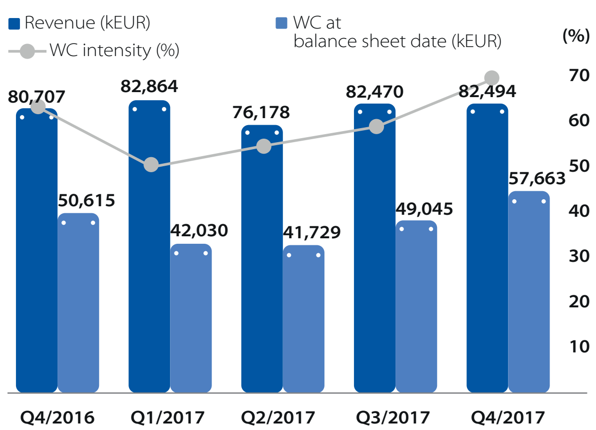
Non-current liabilities of kEUR 77,034 far exceeded the previous year's figure (December 31, 2016 kEUR 7,793). This increase was attributable to the financial liabilities of kEUR 70,718 (December 31, 2016: kEUR 0). This sum total reflects financing through the convertible bond in a volume of kEUR 54,713 as well as funding of the new building in Lübeck-Genin in an amount of kEUR16,005. Loans for the new building mature on March 31, 2027. Repayments are made in 31 equal, successive quarterly instalments of kEUR 500 starting on June 30, 2019. First mortgages have been registered for these liabilities on the Estlandring property in Lübeck on behalf of the banks extending the loans.

Deferred tax liabilities fell to kEUR 200 (December 31, 2015: kEUR 1,566). Pension liabilities of kEUR 5,294 remained at the previous year's level (December 31, 2016: kEUR 5,112). Non-current provisions came in at kEUR 821, which is lower than in the year before (December 31, 2016: kEUR 1,114).

Current liabilities posted kEUR 18,210 on the reporting date, below the previous year's figure of kEUR 20,839. Current provisions of more than kEUR 2,559 (December 31, 2016: kEUR 2,494) mainly consisted of provisions for warranty and maintenance services, as in the previous year. Trade payables and other liabilities came in at kEUR 10,365 on the reporting date, below the 2016 figure (December 31, 2016: kEUR 12,004). Other financial liabilities of kEUR 5,286 dropped below the year-earlier figure (December 31, 2016: kEUR 6,071). No tax provisions had been formed as of the reporting date (December 31, 2016: kEUR 269).

Working capital totaled kEUR 57,663 on the reporting date (previous year: kEUR 50,615). In relation to the annual revenue of kEUR 82,494 (previous year: kEUR 80,707), this resulted in working capital intensity of 69.9% (previous year: 62.7%). Trade receivables, inventories and trade payables were all included in the calculation for working capital on the reporting date of December 31, 2017.

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 an important safeguarding instrument but also helps the company to achieve its objectives.

This risk management system evolves continuously and is largely based on a **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 managed systematically as part of an annual **risk inventory.** This allows adverse developments of particular significance for the company's financial position and performance to be countered in good time.

SLM Solutions acknowledges that handling business risks forms the core of all entrepreneurial activity. In accordance with German Accounting Standard (DRS) 20, the term **"risk"** is understood to refer to the possibility of negative future changes to a company's financial position, 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 AG 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. Ap-propriate countermeasures are initiated if risks are identified.

Central risk responsibility lies with the Management Board. The Management Board has appointed a risk management officer who supports the Board in the area 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 account-ing 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 analysed continuously in relation to their relevance and effects for the annual financial statements, and the resultant changes are inte-grated 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 group-wide guidelines and procedures that are set out in a manual, as well as for the proper and timely running of their accounting-related processes and systems. Central contacts at SLM Solutions 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 included in the scope of consolidation. Specially trained staff who use recognized consolidation software solutions perform the consolidation measures, carry out certain coordination work, and monitor regulations relating to timing and processes. The staff supervise the system-technical controls and supplement them with manual audits. The principle of dual control, which minimizes the risk of fraudulent activity, is generally applied. Certain approval processes must be run through during the entire financial accounting process. The managers of the local companies bear responsibility for local implementation and supervision of the internal controlling system.

The internal controlling system is developed on a running basis and adapted to the company's strong growth. A backlog of documentation and entering of updates into the technical system cannot be excluded 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 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 event risk and the degree of its impact.

The criterion "degree of impact" is based on the assessment of the valuing party. The valuation is a gross figure.

The following categories have been defined for this:

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

The "event risk" dimension allows the risk assessment to be categorised - in relation to the likelihood of occurrence within one year:

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

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

In total, 116 (previous year: 117) risks to SLM Solutions were identified as of December 31, 2017.

None of these risks was considered a threat to the company as a going concern.

In total, ten (previous year: nine) 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 event risk and a high risk effect.

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

More intense competition or the entry of new competitors onto the market could lead to SLM Solutions losing market shares, as well as to an increase in price-led pressure and a corresponding reduction in margins. SLM Solutions maintains its competitive advantage 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.

Personnel recruitment, development and retention of qualified personnel

This risk was assessed as having a medium (previous year: high) event risk and, as before, a high risk effect.

SLM Solutions operates in a technologically sophisticated and demanding market. Consequently, SLM Solutions depends on the recruitment, development and retention of qualified managers and staff. That is why the appreciation of employees is a key component of the corporate culture and an element of leadership at SLM Solutions. SLM offers its employees attractive training, promotion and personal development options.

Product defects

This risk was assessed as having a medium (previous year: high) event risk and, as before, a high risk effect.

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 im-plemented as countermeasures..

Counterfeits and replica products

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

New competitors might copy the SLM® brand or otherwise emulate our products, which would cause us loss of revenue and damage the company's reputation. SLM Solutions screens the market very intensively and attentively and takes rigorous steps against possible infringements.

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 event risk and a high risk effect.

The growth planned by SLM Solutions might be slower than planned. The event risk of this risk has been considered "medi-um", 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 growth phase might not be realized in future.

Overheating

This risk was assessed for any potential action for the first time as of December 31, and was seen as having a medium event risk and a high risk effect.

The growth planned by SLM Solutions might be considerably faster than planned. The probability of this risk occurring is rated as "medium". The impact of this risk, however, would be great as, for instance, organization structures would not be able to grow quickly enough, production capacities might be insufficient and SLM Solutions might not be able to recruit enough personnel. The potential impact regarding production capacities is significantly reduced through the move to the new production building in Lübeck-Genin. The processes and the organization structures are subject to regular monitoring in order to counteract adverse developments at an early stage Moreover, the Management Board was strengthened through Dr Axel Schulz joining it as of February 1, 2018. The management and control of the company is now on a broader footing. Measures and strategies are currently being developed in SLM Solutions' personnel department in order to be prepared even if requirements for personnel increase sharply.

Expiry of patents

As before, this risk was assessed as having a high event risk and a medium risk effect.

Over the course of the next few years, various basic patents on SLM technology are due to expire. The expiry of the basic patents facilitates access to the technology for new competitors. SLM Solutions is using targeted technology and innovation management to counter this. SLM Solutions is investing in the further development of products and technologies as well as in securing intellectual property rights.

The two risks, namely contractual risks and good governance, were assessed last year with as a high event risk with a high risk impact. In 2017, there is no longer a need for action here as the relevant management and control measures have been set in place.

Financial risks

SLM Solutions is also subject to risks arising from financial instruments. Default risks also arise from receivables due from customers, as payment terms that are typical of the sector are agreed. SLM Solutions operates active receivables manage-ment, and applies valuation allowances where required that take into account up-to-date credit information about individ-ual customers and receivables' term structures.

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

Due to its good liquidity position, SLM Solutions is currently not subject to any liquidity risks, or only to liquidity risks can be classified as low.

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 processed 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 2017 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 affiliated and associated companies. The bank loans were agreed at a fixed interest rate of up to 1.2% as they serve the purpose of financing construction 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.

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

As part of its admittance to the TecDAX on March 21, 2016, SLM Solutions gained opportunities which offer improved visibility for the company in respect of international investors. Due to the placement of a convertible bond in October 2017, SLM Solutions also has sufficient free funds to gradually implement its own growth strategy.

Market and sector opportunities

SLM Solutions benefits from 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 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 after-sales 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 that 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 2018 on the following **underlying economic and sector-related assumptions:**

- According to its latest figures from January 2018, the International Monetary Fund (IMF) anticipates that the global economy will grow at a faster rate than the previous year: expansion of 3.9% is forecast. Similarly high growth of 2.3% is anticipated in the **Eurozone** (previous year: 2.4%).[8]
- In the most important individual market of **Germany**, the Kiel Institute for the World Economy is expecting growth of 2.5% for 2018 (previous year: 2.3%).[9]
- In the growth regions defined by SLM, in which the international expansion is being promoted, the IMF anticipates growth of 2.5% in the **US** (previous year: 2.3%), a slight flattening in the region of China to 6.1% in 2019 (previous year: 6.4%) and a 0.1% rise in economic output in Russia to 1.8% (previous year: 1.7%).[10]
- The Wohlers Report that is published once a year and reports on the **global 3D print sector**, along with an assessment of the market, sees huge growth potential above all in the area of additive manufacturing technology applied to in-dustry: In 2022, a global market volume of USD 26.2 billion is predicted, three times the volume of the market in 2017 (USD 8.8 billion).[11]
- On the back of a recent industry survey, the market research institute Gartner assumes that the number of delivered 3D printing machines in the "powder bed fusion" field will grow by 47.2% per year through to 2019.[12] SLM Solutions is also very confident regarding the market potential. Its aim is to further expand its position as technology leader.

- Rising consolidated revenue of between kEUR 110,000 and kEUR 120,000 was forecast the fiscal 2017 year. Due to the subsequent effects of the takeover offer in 2016, this forecast had to be revised downward by 18-25% in the fourth quarter of 2017. At EUR 82.5 million, consolidated revenue fell short of the first forecast and also of the revised forecast. Management anticipates a return to the strong growth track of previous years in fiscal 2018. Due to the good position of the technology on the market, consolidated revenue of kEUR 125 million is anticipated, which is considerably higher than the previous year's forecast and the revenue of EUR 82.5 million actually achieved in 2017. The forecast revenue growth is budgeted to be equally strong in both segments.
- For fiscal 2017, an adjusted EBITDA margin (in relation to consolidated revenue) of 10-13% was forecast. Following the correction in the fourth quarter of 2017, a positive adjusted EBITDA margin in the single-digit range was anticipated. In 2017, the Group achieved an adjusted EBITDA margin of 2.4% but fell short of the original forecast but was nevertheless within the corrected target corridor . In terms of the forecast for revenue in fiscal 2018, the Management Board anticipates an adjusted EBITDA margin (in relation to consolidated revenue) of 12-13%, which roughly corresponds to the original forecast for 2017 but is considerably above the adjusted EBITDA margin effectively achieved in 2017.
- The original forecast of EUR 11 million to EUR 15 million for adjusted EBITDA originally anticipated for fiscal 2017 was not achieved. Adjusted EBITDA came in at EUR 2.0 million in 2017 and was positive in line with the correction to the forecast. Adjusted EBITDA in fiscal 2018 will lie within the range indicated for the adjusted EBITDA margin between EUR 15 million and EUR 16 million, which therefore considerably exceeds the revised 2017 forecast and is also higher than the forecast originally planned. By comparison

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

with the adjusted EBITDA achieved in 2017 of EUR 2.0 million, the adjusted EBITDA for 2018 will rise appreciably according to the forecast. The adjusted EBITDA margin (absolute and relative) will improve significantly in both segments but remain negative in the After Sales segment.

- The cost of materials ratio declined notably in 2017 compared with the previous year due to sustained success in negotiations and economies of scale. In fiscal 2018, a slight improvement is anticipated compared with the actual cost of materials ratio in fiscal 2017. The forecast for the previous year with a suitably reduced ratio was easily exceeded in the actuals, and the forecast for 2018 is therefore predicting a slight improvement by comparison.
- The personnel cost ratio in fiscal 2017 notably exceeded the year-earlier figure. The forecast originally provided for a suitably lower ratio that was not achieved, however, due to strategic additions to the workforce in relation to planned revenue. The personnel cost ratio in 2018 is set to improve markedly in comparison with the previous year as strategic additions to the workforce were already made in 2017.

Corporate governance

The German Corporate Governance Code (DCGK) comprises nationally and internationally recognized guidelines for good and responsible corporate governance and control. The Management and Supervisory boards of SLM Solutions Group AG are expressly committed to these standards, and endeavor to implement them within the company. The aim is to establish transparency and expand trust among capital market participants, employees, customers and the public. The following corporate governance report that has been prepared by the Management and Supervisory boards (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 and Supervisory boards.

Corporate governance group declaration pursuant to Section 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.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 accord-ing 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 Solu-tions Group AG is currently composed of three members: Uwe Bögershausen (Chief Financial Officer, Henner Schöneborn ("Corporate Development and Innovation" executive portfolio) and Dr. Axel Schulz (Chief Sales Officer).
- The Supervisory Board of SLM Solutions Group AG 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 is currently composed of six members: Hans-Joachim Ihde (Chairman), Peter Grosch (Vice Chairman), Lars Becker, Klaus J. Grimberg, Bernd Hackmann and Volker Hichert. At its meeting on March 24, 2014, the Supervisory Board of SLM Solutions elected an audit committee and a presiding committee. The presiding committee consists of the Supervisory Board chair, the deputy chair and a further member elected by the Supervisory Board. It focuses particularly on the appointment and dismissal of Management Board members, and the CEO's appointment, with the signing, 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. On the date when the presiding committee was appointed, it was also authorized to take the Supervisory Board's place in making all decisions connected with the IPO and the capital increase, to pass resolutions, to implement actions, and to issue and receive statements in order to be able to act with greater flexibility within a tight time-frame ahead of the IPO. The audit committee supervises the financial accounting process, including the efficacy of both the internal controlling system and the risk management system. The audit committee discusses quarterly reports, and handles questions relating to compliance and reporting to the Supervisory Board. The committee also prepares for the Supervisory Board review of the

separate annual financial statements, the management report and the proposal for the application of unappropriated retained earnings, as well as the consolidated financial statements and Group management report. In this context, the audit committee has the auditor provide it with an in-depth view of the company's financial position and performance. It concerns itself with questions relating to the auditor's required independence, the issuing of the audit mandate to the auditor, the setting of audit focal points and agreeing the auditor's fee.

Shareholders and AGM

The shareholders of SLM Solutions Group AG exercise their rights at shareholders' general meetings. Each ordinary share carries the same voting right. The Annual General Meeting makes decisions on the tasks 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 chair 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 2017 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 2, 2017 elected PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft as the auditor of the separate and consolidated financial statements for the 2017 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, WKN: 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)
01/03/2017	Dr. Markus Rechlin	Discretionary sell order	92,876	at least 32.00	at least 2,972,032.00
02/16/2018	Hans-Joachim Ihde	Sale	1,312,200	34.88	45,769,536.00

	Directly held shares	Indirectly held shares	Total interest
Party			
Management Board			
Uwe Bögershausen	0.13%	-	0.13 %
Henner Schöneborn	1.50%	-	1.50%
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)

The pooling agreement hitherto existing between Mr Hans-Joachim Ihde (via Ceresio GmbH) and Messrs Henner, Fabian and Roman Schöneborn was rescinded effective February 21, 2018.

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

1. Share capital composition: 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 other-wise 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 24.07% of the company's voting rights as of December 31, 2017, 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, 2017: On the basis of notices received regarding significant voting right shares in accordance with Section 40 (previous year: Section 21) of the Securities Trading Act (WpHG) and transactions conducted by persons with managerial responsibilities in accordance with Section 26 WpHG (previous year: 15 a 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*	3,399,710	18.91 %
Oppenheimer Global Opportunities Fund	1,929,347	10.73 %

* Shares are attributed via the subsidiary Cornwall GmbH & Co. KG (18.91 %)

4. Shares with special rights conveying controlling powers do not exist.

5. A voting rights control of the share capital by participating employees does not exist.

6. Statutory regulations and bylaw provisions concerning the appointment and recall from office of members of the Management Board and 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 Manage-ment 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 can consist of one or several 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 if good justification exists.
- 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, 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 Section 4 (5) of the by-laws, the Management Board is authorized to increase the share capital by up to EUR 6,907,100.00 wholly or in part, once or in several stages by April 16, 2019 with the approval of the Supervisory Board by issuing up to 6,907,100 new bearer shares against cash payments and/or contributions in kind (Approved Capital 2014). As a general rule, shareholders must be granted subscription rights. Under conditions described in more detail in Section 4 (5), however, the Management Board is authorized to rule out shareholders' statutory subscription rights with the approval of the Supervisory Board.
- Moreover, the company's share capital has been conditionally increased in accordance with Section 4 (6) of the bylaws by up to EUR 6,907,100.00 through the issue of up to 6,907,100 new bearer shares (Condi-tional Capital 2014). The conditional capital increase serves to grant shares to the holders or creditors of convertible bonds and/or bonds with warrants which are issued by April 16, 2019 (inclusive) by the company or any company at home or abroad in which the company directly or indirectly holds a majority share of the votes and capital, on the basis of the authorization contained in the resolution adopted by the AGM dated April 17, 2014 under Item 4.1 of the agenda. The new shares will be issued at the conversion or option price to be determined in accordance with the aforementioned authorization resolution adopted by the AGM on April 17, 2014. In October 2017, the company's Management Board with the approval of the Supervisory Board made use of the authorization issued to it by the AGM on April 17, 2014 and issued convertible bonds with a total par value of EUR 58,500,000.00 (the "2017/2011 convertible bonds"). They will be due for repayment on October 11, 2022 unless they are converted beforehand. With an initial conversion price of EUR 42.3987 per new share, the 2017/2022 convertible bonds are currently convertible to up to around 1,379,759 new shares which can be issued from the 2014 Conditional Capital.
- In accordance with a resolution adopted by the AGM on April 17, 2014, the company is also authorized by the detailed provisions of this resolution to acquire treasury shares of up to 10% of the share capital in existence at the time of the resolution by the end of April 16, 2019, i.e. max. 1,381,420 treasury shares, and to reissue or withdraw them.

8. Significant agreements do not 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 2016. The existing employment contracts were complemented 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. 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. As in 2016, this was approved as a cash payment program and is shown under share-based remuneration for the 2017 reporting year.

A performance-related pension commitment exists for Henner Schöneborn from his long-term work as a manager at SLM Solutions GmbH, which amounts to a provision of kEUR 1,119 as of December 31, 2017 (previous year: KEUR 1,034). 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 2017 fiscal year is made up as follows:

Management Board compensation

in kEUR	Dr. Rechlin	Mr. Bögershausen	Mr. Schöneborn	Total
Fixed compensation 2017	17	250	245	512
Fixed compensation 2016	270	250	230	750
Performance-based compensation 2017	0	0	0	0
Performance-based compensation 2016	90	90	38	218
Share-based compensation 2017	3	47	118	168
Share-based compensation 2016	59	59	0	118
Additional benefits 2017	1	9	18	28
Additional benefits 2016	9	8	18	35
Total remuneration 2017	**21**	**306**	**381**	**708**
Total remuneration 2016	**428**	**407**	**286**	**1,121**
Retirement benefits 2017	0	0	85	85
Retirement benefits 2016	0	0	92	92

Total payments of kEUR 306 were made to the former CEO in fiscal 2017. For the following year, total compensa-tion granted will amount to kEUR 135.

The performance-based compensation contains an agreed bonus and is explained in more detail in Note 30.

Both of the following tables present the allocations granted for the 2017 fiscal year, including the achievable maximum and minimum compensation in the case of variable components as well as the payments received by the Management Board members, in line with the requirements of the German Corporate Governance Code.

Granted allocations

in kEUR	Fixed com-pen-sation	Fringe benefits	Total	Perfor-mance-based com-pensati-on	LTI*	Total	Retire-ment benefits	Total compen-sation
Dr. Rechlin								
Target amount 2017	17	1	18	6	3	27	0	27
Target amount 2016	270	9	279	100	59	438	0	438
Minimum amount 2017	17	1	18	0	0	18	0	18
Maximum amount 2017	17	1	18	8	9	35	0	35
Mr. Bögershausen								
Target amount 2017	250	9	259	100	47	406	0	406
Target amount 2016	250	8	258	100	59	417	0	417
Minimum amount 2017	250	9	259	0	0	259	0	259
Maximum amount 2017	250	9	259	130	150	539	0	539
Mr. Schöneborn								
Target amount 2017	245	18	263	75	118	456	42	498
Target amount 2016	230	18	248	50	0	298	40	338
Minimum amount 2017	245	18	263	0	0	263	42	305
Maximum amount 2017	245	18	263	98	150	511	42	553

* Long-term incentive program with an annual maximum allocation of EUR 150 thousand. This allocation will be converted into shares as of 10 July 2017, with a maximum value of EUR 54 each.

Payments

in kEUR	Dr. Rechlin		Mr. Bögershausen		Mr. Schöneborn	
	2017	2016	2017	2016	2017	2016
Fixed compensation	17	270	250	250	245	230
Fringe benefits	1	9	9	8	18	18
Total	**18**	**279**	**259**	**258**	**263**	**248**
Performance-based compensation	0	90	0	90	0	38
Retention bonus	0	0	261	261	0	0
Total	**18**	**369**	**520**	**609**	**263**	**286**
Retirement benefits	0	0	0	0	42	40
Total compensation	**18**	**369**	**520**	**609**	**305**	**326**

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 allocated on an annual basis on July 10, based on the development 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 pay-out for the issued SAR exists two years later, providing no extraordinary events occur, i.e. the payment entitlement for the year 2015/2016 becomes valid on July 20, 2018. The amount of the pay-out is then determined by multiplying the total number of SARs issued by the Company's share price on the day their payment entitlement becomes valid. The Supervisory Board intends to make the pay-out 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 expenses recognized for Dr. Markus Rechlin for the 2017 fiscal year amount to kEUR 266 (previous year: kEUR 144), kEUR 266 for Mr Bögershausen (previous year: kEUR 144) and kEUR 65 for Mr Schöneborn (previous year: kEUR 0).

As the "Retention Bonus Program" expired in 2017, there is no need for any provision for Uwe Bögershausen for fiscal 2017 (previous year: kEUR 232).

The shareholders' meeting decides on the compensation for members of the Supervisory Board: and its committees. In line with a resolution on 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 Chair receives double this rate and the Deputy Chair 1.5 times the rate. Compensation for members of the chairman's committee amounts to kEUR 5 each and that of the audit committee kEUR 7.5 with the Chair of each committee receiving twice the respective rate.

Supervisory Board compensation

in kEUR	2017	2016
Compensation for Supervisory Board activities	238	162
Total	**238**	**162**

Besides the compensation for his work on the Supervisory Board, Mr Ihde received compensation of kEUR 125 (previous year: kEUR 131) as part of a consultancy contract with SLM AG. Mr Grimberg received kEUR 2 in the course of consultancy work.

There were no further compensation agreements for members of the Supervisory Board in fiscal 2017.

CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

CONSOLIDATED INCOME STATEMENT
for the fiscal year from 1 January 2017 to 31 December 2017

in kEUR	Note	2017	2016
Revenue	10	82,494	80,707
Changes in inventories of finished goods and work-in-progress		-2,279	6,309
Other work performed by the Company and capitalized	19	3,132	3,460
Total operating revenue		**83,346**	**90,476**
Cost of materials	8	-38,575	-49,246
Gross profit		**44,771**	**41,230**
Personnel costs	9	-26,691	-23,793
Other operating income	11	1,948	1,539
Other operating expenses	12	-18,094	-16,936
Profit or loss from equity-accounted companies*		-63	-481
EBITDA		**1,871**	**1,560**
Depreciation, amortization and impairment losses	19.20	-6,887	-5,190
Earnings before interest and taxes (EBIT)		**-5,015**	**-3,631**
Other interest income		14	12
Interest income from shareholder loans		5	1
Interest and similar expenses	13	-1,015	-194
Earnings before taxes (EBT)		**-6,012**	**-3,812**
Taxes on income	14	2,272	364
Other taxes		0	-36
Net profit/loss for the period		**-3,741**	**-3,483**
Net profit/loss for the period allocated to the owners of the parent company		-3,741	-3,483
Number of shares in millions		18.0	18.0
Earnings per share (basic) in EUR		-0.21	-0.19
Earnings per share (diluted) in EUR		-0.21	-0.19

* shown last year outside of operating profit or loss.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the fiscal year from 1 January 2017 to 31 December 2017

in kEUR	Note	2017	2016
Net profit / loss for the period		**–3,741**	**-3,483**
Income / expenses not to be reclassified to profit or loss in the future:			
Actuarial gains and losses	25	– 33	-392
Income / expenses to be reclassified to profit or loss in the future:			
Income / expenses from currency conversion	25	-277	73
Other comprehensive income		**– 310**	**-319**
Consolidated total comprehensive income		**– 4,051**	**-3,803**
Attribution of comprehensive income:			
Shareholders of SLM Solutions Group AG		– 4,051	-3,803

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2017

in kEUR	Note	12/31/2017	12/31/2016
Assets			
Cash and cash equivalents	15	63,712	20,028
Trade receivables	16	38,741	29,145
Other financial assets	18	9	92
Inventories	17	27,513	31,107
Current tax receivables		979	182
Other current assets and other current financial assets	18	2,146	2,489
Total current assets		**133,101**	**83,043**
Intangible assets	19	21,950	22,005
Property, plant and equipment	20	32,491	18,360
Equity-accounted investments		474	120
Other investments		256	251
Other current assets and other current financial assets		105	53
Total non-current assets		**55,276**	**40,789**
Assets (total)		**188,377**	**123,833**
Equity and liabilities			
Trade payables and other liabilities	22	10,365	12,004
Other financial liabilities	21	5,286	6,071
Tax provisions		0	269
Provisions	24	2,559	2,494
Total current liabilities		**18,210**	**20,839**
Financial liabilities held for trading	4	70,718	0
Pensions and similar obligations	23	5,294	5,112
Deferred tax liabilities	14	200	1,566
Provisions	7	821	1,114
Total non-current liabilities		**77,034**	**7,793**
Subscribed share capital		17,981	17,981
Additional paid-in capital		87,023	85,041
Consolidated loss for the period included in retained earnings		-10,899	-7,158
Other reserves		-972	-662
Total equity	25	**93,133**	**95,202**
Equity and liabilities (total)		**188,377**	**123,833**

CONSOLIDATED STATEMENT OF CASH FLOWS

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

in kEUR	2017	2016
Net profit/loss for the period	-3,741	-3,483
Depreciation, amortisation and impairment losses	6,887	5,190
Interest expenses	1,015	194
Interest income	-19	-13
Taxes on income	-2,272	-364
Non-cash expenses	305	1,422
Changes in assets and liabilities	-10,120	-11,213
Inventories	3,594	-9,443
Receivables	-9,684	-2,804
Pensions and similar obligations	182	-48
Payables	-1,047	2,149
Provisions	-91	-1,966
Other liabilities	-1,489	-3,162
Other assets and liabilities	-1,585	4,063
Income taxes paid	-1,039	-91
Net cash flows from operating activities	**-8,984**	**-6,283**
Cash outflows for investments in intangible assets and property, plant and equipment	-17,883	-14,398
Investments in development costs	-3,132	-3,460
Cash outflows for investments in equity-accounted companies	-417	-601
Cash outflows for investments in financial assets	-5	-251
Interest received	19	13
Cash inflows from financial assets as part of short-term financial management	0	5,002
Net cash flows from investing activities	**-21,418**	**-13,696**
Cash inflows for loans	16,005	0
Cash inflows for convertible bond	58,500	0
Interest payments	-45	-33
Net cash flows from financing activities	**74,460**	**-33**
Net increase (decrease) in cash and cash equivalents	44,058	-20,012
Change in financing funds due to exchange rate changes	-374	120
Financing funds at the start of the reporting period	20,028	39,920
Financing funds at the end of the reporting period*	63,712	20,028
Rental deposit	-30	-31
Financing funds at the start of the period	**19,997**	**39,888**
Financing funds at the end of the period	**63,682**	**19,997**

* For reconciliation of cash and cash equivalents according to the statement of financial position see Note 15).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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. 2016	**17,981**	**85,041**	**-3,675**	**-343**	**99,004**
Consolidated net result			-3,483		-3,483
Changes in equity from foreign currencies				73	73
Equity changes arising from actuarial gains/losses				-392	-392
Balance as of 31 Dec. 2016	**17,981**	**85,041**	**-7,158**	**-662**	**95,201**
Balance as of 1 Jan. 2017	**17,981**	**85,041**	**-7,158**	**-662**	**95,201**
Consolidated net result			-3,741		-3,741
Changes in equity from foreign currencies				-277	-277
Equity changes arising from actuarial gains/losses				-33	-33
Equity component of convertible bond		1,982			1,982
Balance as of 31 Dec. 2017	**17,981**	**87,023**	**-10,899**	**-972**	**93,133**

SLM Solutions Group AG, Lübeck

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS as of 31 December 2017

Note 1) Information about the Company

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

SLM AG is a company based in Germany and is headquartered at Roggenhorster Strasse 9c, 23556 Lübeck/Germany, being registered under commercial register sheet number 13827 at Lübeck District Court.

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

The preparation of the consolidated financial statements was completed on March 19, 2018 and will likely be approved by the Supervisory Board for publication on March 21, 2018.

Note 2) Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis and are presented in thousands of euros (kEUR). Minor differences in figures can occur as the result of commercial rounding.

Note 3) Group of fully consolidated entities

Subsidiaries

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

Subsidiaries are consolidated from the point in time at which the Company gains control over the subsidiaries and until the point in time at which the Company's control ends. As part of this, the results from the subsidiaries acquired or sold during the course of the year are recorded accordingly from the actual date of acquisition until the actual disposal date in the consolidated income statement and the Group's other comprehensive income. SLM AG controls an investee when it is exposed or has rights to variable financial returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, applying consistent accounting and measurement policies. To the extent required, the annual financial statements of the subsidiaries are adjusted to align the accounting and measurement methods with the methods used within the Group. All internal Group assets, liabilities and equity, expenses and income, unrealized gains and losses resulting from intra-group transactions, and dividends, are eliminated within the framework of consolidation.

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

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

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

The group of fully consolidated entities was extended to include the subsidiary in Bangalore, India, set up on March 8, 2017.

Joint arrangements

Joint arrangements comprise contractual arrangements through which two or more persons jointly conduct business activities, and which have agreed joint control in relation to such activities. A distinction is to be made in this context between jointly controlled operations and joint ventures. The rights and obligations of the parties involved comprise the decisive characteristic in this context. If such rights and obligations exist in relation to the individual assets and liabilities of the joint arrangement, a jointly controlled operation exists. If such rights and obligations exist in relation to the net assets, a joint venture exists.

On May 26, 2014, SLM concluded a cooperation agreement with Singapore-based Nanyang Technological University (NTU), which runs until August 18, 2019. This entailed agreeing close cooperation in research and development activities in additive manufacturing technologies. Both parties are to contribute their respective expertise in this context. The cooperation agreement comprises joint activity relating to research, and the development of intellectual property. Both parties provide staff who jointly conduct the operating activities. The main business headquarters is located in Singapore.

Due to a lack of existing interests in net assets, this cooperation venture comprises a joint operation. The assets and liabilities of the joint operation, as well as any associated profit elements, are included proportionately in the consolidated financial statements of SLM AG to the extent that the contractual partners possess rights and obligations in relation to them. The joint operation was provided with its own assets, to which SLM AG still holds the rights and which will therefore continue to be accounted. Income and expenditure from joint operations are recorded in profit/loss, providing they relate to said assets and/or are attributable to SLM AG.

Joint Ventures

According to the equity method, interests in associated companies or joint ventures are to be included in the consolidated statement of financial position at their cost of acquisition, and said interests are to be adjusted for changes to the interest of the Group in the profit or loss and other income of the associated company or joint venture after the date of acquisition. Losses recorded at an associated company or a joint venture which exceed the interest of the Group in this associated company or joint venture are not recorded.

Although SLM AG holds an interest of 51 %, no control exists for these companies, as shareholders' resolutions require unanimity.

3 D Metal Powder GmbH, Lübeck, was set up in 2016 and has not yet developed any significant operations. The company is showing subscribed capital of kEUR 25, equity of kEUR 6 and earnings of kEUR -14 with total assets of kEUR 522. The essential core task of the cooperation is the development, production and finishing steps of metallic special powders. The joint venture will enable the production of tailor-made consumables for users of SLM® machines. This enables the company to respond optimally to individual customer requirements.

SLM Solutions Software GmbH, Perg, Austria, was set up in 2016 and shows share capital of kEUR 35, equity of kEUR 909 and total assets of kEUR 1,447. In fiscal 2017, capital of kEUR 417 was added to this operating investment. The purpose of this investment is to pursue the development of design software which facilitates the development of components for users by enabling customers to make maximum use of the major freedom afforded them in component geometry — one of the significant benefits of additive production procedures.

Due to the operating character of equity-accounted joint ventures, earnings from equity-accounted companies are shown as part of EBITDA and therefore also of EBIT, in contrast to the previous year.

Note 4) Summary of significant accounting policies

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

Foreign currency translation

Foreign subsidiaries of SLM Solutions have defined their national currency as their functional currency. The assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated applying the spot exchange rate at the end of the reporting period. The consolidated income statement is translated by applying the average monthly exchange rates. Differences as a result of such translation are recorded directly in other comprehensive income and accrued directly in equity.

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

Currency	**12/13/ 2017**	**12/13 2016**	**Fiscal year 2017**	**Fiscal year 2016**
U.S. Dollar	1.199	1.054	1.184	1.107
SG Dollar	1.602	1.523	1.594	1.582
CNY	7.804	7.320	7.807	7.350
RUB	69.392	64.300	69.409	74.222
INR	76.606	-	76.066	-

Transactions that are not denominated in an entity's functional currency are recognized by applying the spot exchange rate on the date when the underlying transactions are initially recognized. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are translated to the functional currency applying the spot exchange rate prevailing on that date. Gains and losses from these foreign currency translations are recognized in profit or loss. Equity is valued at the historical spot rate.

Revenue recognition

Revenue is recognized to the extent that the economic benefits will accrue to the Group, and such revenue can be reliably measured, irrespective of when the payment is rendered. Revenue is measured at the fair value of the consideration received or to be received, taking into account contractually defined payment terms, and excluding taxes.

Income from the sale of goods is recognized when the significant risks and rewards entailed in ownership of the goods have transferred to the buyer, usually on provision of the goods on delivery. The criterion of ownership transfer can be modified through agreements. In the case of bill-and-hold sales, these are sales transactions in which the legal ownership is transferred to the buyer, although the asset is only delivered to the buyer at a later date at his request. The income is realized after all the following criteria have been met:

- the delivery must be made on a separate instruction from the buyer
- the delivery is probable
- the asset must be available at the time the income is realized and kept ready for the buyer
- the buyer has explicitly agreed to the suspensive terms of delivery
- the terms of payment applicable in normal business transactions must be agreed.

Government grants

In the normal course of its business, the Group receives government grants for its development activities. Government grants are recognized when it is reasonably certain that the conditions attached to the grants are met, and that the grants will be received. Grants awarded for the purchase or the production of property, plant and equipment (grants related to assets) are offset against the cost of the respective assets as soon as the development is finished, thereby reducing future depreciation and amortization charges accordingly. Grants obtained for purposes other than property, plant and equipment (income-related grants) are reported in the consolidated income statement as other income in the period when such grants are received.

Product-related provisions

Provisions for estimated costs relating to product warranties and maintenance are recognized on the date the revenue is recognized. The estimates are based on historical empirical data for warranty costs. In the case of new products, expert opinions and industry data are also taken into consideration in estimating product warranty provisions.

Research and development costs

SLM is a highly innovative group, and consequently focuses on research and development. Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge are expensed as incurred.

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

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

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

Intangible assets

The development costs for new technologies and products are capitalized as intangible assets, provided the recognition criteria of IAS 38 are met. Acquired intangible assets with an ascertainable useful life are recorded at cost less accumulated amortization and impairment losses. Intangible assets acquired as part of a business combination are recorded separately from goodwill and measured at fair value on the date of acquisition. In the following periods, just like the individual acquired intangible assets, they are recorded at cost less accumulated amortization and impairment losses. Capitalized development costs, as well as all other intangible assets, are amortized straight-line from the commencement of utilization over the expected product life-cycle, which normally amounts to four years. Amortization charges applied to intangible assets are disclosed under depreciation, amortization and impairment losses in the consolidated income statement. The Group has no intangible assets with indefinite useful lives.

The intangible assets' useful lives are as follows:

Fundamental technology assets	15 years
Customer base	10 years
Order book position	1 year
Other intangible assets	4 to 5 years

Tangible assets

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

Depreciation is based principally on the following useful lives:

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

Possible shorter useful lives due to the planned relocation in the 2018 fiscal year were accounted for accordingly.

Where indications of impairment exist, and where the recoverable amount is less than cost, the assets are written down to the recoverable amount.

Impairment of property, plant and equipment, and intangible assets

The Company reviews property, plant and equipment, and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount has become impaired. Intangible assets that cannot yet be utilized are also tested annually for impairment. Recoverability of assets is measured by comparing the carrying amount of the asset to its recoverable amount, which comprises the higher of the assets' value-in-use and its fair value less costs of disposal. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, impairment testing is performed at the level of the cash-generating unit to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets or cash-generating unit exceeds their recoverable amount. The assets' value-in-use corresponds to the present value of their estimated future cash flows. If indications exist that the reasons for the impairment no longer exist, an examination is conducted as to whether full or partial reversal of an impairment loss is required.

Income taxes

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

Current taxes are measured on the basis of the profit or loss during the fiscal year as calculated applying local tax regulations. This also takes into account expected and rendered additional tax payments or tax refunds for previous years. Potential tax risks and uncertain tax claims are valued using the best possible estimate.

Under the liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities as recognized in the financial statements, and their taxable base value (tax base). The effect of a change in tax rates is recognized in the income statement in the period when the new laws are enacted or substantively enacted unless related to items directly recognized in equity.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unutilized tax losses, and unutilized tax credits, can be offset. Deferred taxes relating to items recognized directly in equity are also recognized directly in equity. One special rule applies here for the capitalization of deferred tax assets on loss carryforwards. These are only to be capitalized if it is highly likely that sufficient taxable profit will be available to offset losses in future.

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

Inventories

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

Defined benefit plans

SLM only grants plans that are not covered by capital, and measures claims deriving from defined benefit plans by applying the projected unit credit method. In determining the net present value of the future benefit entitlement for services already rendered (defined benefit obligation – DBO), SLM takes into account future compensation and bene-fit increases if the employee's final benefit entitlement at regular retirement age depends on future compensation or benefit increases.

SLM recognizes actuarial gains and losses (resulting from an adjustment to the discount rate, for example) in full, and net of tax, in other comprehensive income in the year in which they occur.

Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Additions to provisions and reversals are generally recognized in the consolidated income statement.

Financial instruments

Financial instruments are contracts that result in the origination of a financial asset at one contractual party, and in the origination of a financial liability or an equity instrument at the other contractual party. The Company's financial instruments primarily comprise cash and cash equivalents, trade receivables and other financial assets. SLM holds no financial instruments that classify as "held to maturity", "fair value through profit and loss" or "available for sale". The Company's financial liabilities chiefly comprise trade payables and other financial liabilities. SLM does not exercise the option to designate financial assets or financial liabilities as at fair value through profit or loss on initial recognition (fair value option). Financial instruments are recognized on their trading date. Financial instruments are derecognized when no more rights to the cash flows exist.

Financial instruments are recognized when SLM becomes a contractual party to the instrument.

Financial instruments are measured at fair value on initial recognition. If the financial instruments are not measured at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition or issue of financial instruments are recognized. Subsequent measurement depends on their categorization.

An impairment loss is recognized if objective indications exist that impairment has already occurred as a consequence of an event occurring after first-time recognition of the asset, and such a loss-incurring event has effects on its estimated future cash flows.

Cash and cash equivalents

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

Loans and receivables

Financial assets categorized as loans and receivables are initially measured at fair value and then at amortized cost applying the effective interest method, less any impairment losses. The Company examines whether substantial evidence exists of impairment following initial recognition (in other words, it is highly probable that the borrower will become insolvent or the obligor is in considerable financial difficulties). The Company determines the extent of the impairment on the basis of expected future cash flows. Impairment losses on trade and other receivables are generally recorded 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. The bond can be initially converted to 1,379,760 new or existing bearer shares. The initial conversion price is EUR 42.3987 corresponding to a premium of 28.0% over the reference price. The bond bears interest at the rate of 5.5% p.a. and matures on October 11, 2022. The accrued interest for the bond as of December 31, 2017 is shown under liabilities to banks and has a residual term of under one year.

The convertible bond has both equity and debt components. The conversion right constitutes equity.

Embedded derivatives in the form of termination rights do not have to be reported separately. Liabilities to banks also show the loans taken out for the new construction in Genin amounting to EUR 16.0 million. The loans mature on March 31, 2027. Repayments will be made in 31 equal, successive quarterly instalments of kEUR 500 beginning on June 30, 2019. There are therefore no liabilities with a residual term of less than one year, while the figures for residual terms of 1 to 5 years and of over 5 years are EUR 7,502,355 and EUR 8,502,645 respectively. First mortgages have been registered for these liabilities on the Estlandring property in Lübeck on behalf of the banks extending the loans.

Financial liabilities are measured at cost applying the effective interest method.

SLM does not deploy any derivative financial instruments.

Leasing

A leasing relationship refers to an agreement in which the lessor transfers the right to use an asset to a lessee for an agreed period in return for a payment or a series of payments. The issue of allocating the rental property depends on whether the relationship is finance leasing or operating leasing. In the case of finance leasing, all risks and opportunities connected with the ownership of the rental property are essentially transferred. The right of ownership can be transferred in this case. Operating leasing is a leasing relationship that does not represent a finance leasing agreement. SLM is both a lessor and a lessee as part of its business activities.

Note 5) New financial reporting regulations

Compared with the consolidated financial statements of SLM Solutions Group AG as of December 31, 2016, the following changes to standards and interpretations required mandatory application for the first time in the fiscal year under review:

IAS 7 Statement of Cash Flows Disclosure Initiative

The IASB published changes to IAS 7 regarding the statement of cash flows on January 29, 2016 as part of its initiative to improve disclosure obligations. They are intended to improve information on companies' financing activities. According to these changes, companies will in future have to make extended disclosures on the movement of any debt items in the balance sheet during the reporting period for which associated payments have been shown in the statement of Cash Flows in the „cash flow from financing activity" or will be shown in future. Extended disclosures will also have to be made on the movement of the carrying value of financial assets for which associated payments are also to be shown in the cash flow from financing activity. For example, this includes

- cash changes resulting from changes in the cash flow from financing activity
- changes resulting from the takeover or loss of control of subsidiaries or other operations
- effects of exchange rate fluctuations
- changes resulting from changes in fair values as well as
- other changes.

IAS 7 regulations are generally relevant for the SLM Solutions. However, there have been no major changes to the information disclosed in the previous year resulting from their initial application.

IAS 12 Recognition of deferred tax claims for unrealized losses

On January 19, 2016, the IASB adopted changes to IAS 12 Income Taxes with regard to the recognition of deferred tax assets on unrealized losses as well as further clarifications for determining taxable income. With these changes, the IASB is clarifying that write-downs on debt instruments measured at their fair value lead to the recognition of deferred tax assets for unrealized losses if the taxable value corresponds to the cost of acquisition. The recognition of deferred taxes in the statement of comprehensive income depends on the underlying items. Deferred taxes on items shown in other comprehensive income are therefore also recorded in other comprehensive income. With IAS 12.29 and IAS 12.29A, the IASB is further clarifying the determination of taxable income to be applied to the recoverability of deferred tax assets. If it is probable that an asset can be realized at above its carrying amount, corresponding return flows are to be expected and must therefore be taken into account in determining future taxable income. In determining the taxable income for assessing recoverability, the effect of reversing temporary differences in the underlying asset itself must not be taken into account.

These regulations contained in IAS 12 are generally relevant for SLM Solutions. However, there have been no changes from the previous year resulting from their first-time application.

Annual IFRS improvements (2014 to 2016 cycle) with regard to IFRS 12, IAS 28 and IFRS 1.

On December 8, 2016, the IASB published the annual improvements in the 2014 to 2016 IFRS cycle. It relates to the following standards:

IFRS 1: First-time adoption of IFRS — cancellation of limited exemptions due to their expiry (to be applied from January 1, 2018)

This regulation does not affect SLM Solutions as it was not using any of the exemptions covered there.

IFRS 12: Clarification of the applicability of the standard to certain interests held for sale, distribution or as discontinued operations.

This regulation does not affect SLM Solutions as no interests are held matching this definition.

IAS 28: Investments in associates and joint ventures — clarification that the option to choose the accounting treatment of corresponding investments must be exercised on the basis of each individual investment in an associate or joint venture on initial recognition. (to be applied from January 1, 2018)

This clarification does not affect SLM Solutions as the low number of investments and joint ventures were already subject to individual assessment.

Further new standards and interpretations which are not yet mandatory and which form part of the current area of application for SLM Solutions:

The following new or changed standards and/or interpretations have already been adopted by the IASB but have not yet acquired binding force or have not yet been included in European law. SLM Solutions has not applied these regulations in advance.

IFRS 9 Financial instruments

The IASB standard "IFRS 9 - Financial Instruments", published on July 24, 2014, is a three-phase project aimed at replacing "IAS 39 - Financial Instruments: Recognition and Measurement". The standard regulates the classification and measurement of financial instruments, the accounting of impairments to financial assets as well as the account of hedging relationships. The standard is mandatory for EU users of IFRS for fiscal years commencing on or after January 1, 2018.

SLM Solutions is current analyzing the impacts of the application of IFRS 9, however no material impacts on the financial position and performance of the Group are anticipated.

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 previous standards on revenue "IAS 18" and "IAS 11". This standard stipulates when and how much revenue is to be recorded. According to this standard, revenue is only realized when the customer receives the power of disposal over the agreed goods and services, and is able to gain benefits from these. Set criteria are used to differentiate between time-related and period-related fulfilment of performance. In addition, further disclosures are to be made in the notes which provide the addressees of the financial statements with more informative and relevant information. The standard is mandatory for EU users of IFRS for fiscal years from January 1, 2018.

The existing contracts were analyzed, existing service agreements with customers identified and the separate service components which are only realized at a later date, were separately evaluated. The period-related components received to date with the main service relate to maintenance and service contracts with different total and residual terms to 12/31/2017 as well as differing performance commitments. The level of consideration is determined by estimate. Overall, this is expected to lead to a variance of EUR 1 to 2 million in the revenue realized for obligations until 2021 at the latest. Equally, obligations arising from these contracts previously shown under liabilities will also have to be adjusted. A reduction proportional to the revenue realized is expected. A cumulative effect of up to EUR 1 million is expected before taking deferred taxes into consideration, and this amount will be recognized in retained earnings. Additional disclosures are to be expected in the Notes.

IFRS 16 Leases

The standard "IFRS 16 - Leases" published by the IASB on January 13, 2016 replaces the previous standards and interpretations on leasing relationships "IAS 17", "IFRIC 4", "SIC-15" and "SIC-27", and implements one single accounting model for leasing relationships for lessees. According to this, all leasing relationships are to be accounted as utilization rights and liabilities from leasing agreements in the statement of financial position, unless the leasing period totals 12 months or less, or it relates to a low-value asset (one choice possible for each relationship). In contrast, the lessor will continue to differentiate between an "operating lease" and "financing lease". The standard is mandatory for fiscal years commencing on or after January 1, 2019.

SLM Solutions is currently analyzing the effects from the amendments to the standard on the financial position and performance of the Group. A slight extension of the statement of financial position is anticipated in the low single-digit euro millions as the operating lease relationships currently disclosed in the notes are to be recognized as utilization rights and leasing liabilities in the statement of financial position. Expenses incurred for previous operating lease relationships will no longer be recorded as leasing expenses in future. The new regulations lead to amortization on the utilization rights and interest expenses, and as a result SLM Solutions expects corresponding shifts within profit/loss, accompanied by a slightly positive impact on EBIT or EBITDA.

IFRS 2: Changes to the classification and measurement of share-based remuneration

The changes to IFRS 2 relating to share-based remuneration adopted by the IASB on June 20, 2016 clarify the classification and measurement of share-based payment. In particular, this relates to the impact of vesting conditions on the fair value in payments to be settled in cash.

Its application in 2018 will not have any major impact on the accounting treatment for the share-based remuneration of members of SLM Solutions' Management Board as there will not be any need for adjustments based on current knowledge.

IFRIC 22: Foreign currency transactions and advance consideration

The IASB's IFRS IC passed a new interpretation of IFRIC 22 Foreign Currency Transactions and Advance Consideration on December 8, 2016. This states that the transaction time of every advance payment must be determined individually and a separate exchange rate applied even if there are several such payments for one transaction.

Application of this interpretation in 2018 will not have any impact on the accounting treatment of advance payments at SLM Solutions as no changes will have to be made based on current knowledge.

IFRIC 23: Uncertainty over Income Tax Treatments

The IFRS issued its final interpretation of IFRIC 23 on June 7, 2017 and it will be compulsory to apply it to fiscal years starting on or after January 1, 2019 provided it is endorsed by the EU. IFRIC 23 must be applied to taxable profits (or tax losses), tax bases, tax losses not yet used, unused tax credits and tax rates if there is uncertainty with regard to income tax treatment if they are assessed in accordance with IAS 12. The basic assumption is that a tax authority is entitled to and has knowledge of all the relevant information.

SLM Solutions is currently reviewing whether first-time application will affect the accounting treatment of income taxes, but it is not expecting any major impact on its current accounting practice.

Further new standards and interpretations which are not yet mandatory and which currently do not represent any use case for SLM Solutions:

Issue date	Standard / interpretation	Amendment / new standard	Amendment / new regulation	EU adoption date
December 8, 2016	IFRS 17	Insurance contracts	Fiscal years beginning on or after January 1, 2021, earlier application only in conjunction with IFRS 9 and IFRS 15	no
December 8, 2016	Amendment to IAS 40	Transfer of property held as a financial investment	Fiscal years commencing on or after January 1, 2018	no

Note 6) Estimates and assumptions

To prepare the consolidated financial statements, estimates and assumptions are required to a certain degree that affect the measurement and presentation of assets, liabilities, and of income and expenses. In doing so, all available information is taken into account. Basic assumptions and estimates relate to the capitalization of development costs, measurement of intangible assets, the determination of useful economic lives, the calculation of deferred tax claims, the extent to which receivables have retained their value, the recognition and measurement of provisions, as well as sensitivity analyses performed in accordance with IFRS 7.

Of particular importance are also estimation uncertainties resulting from the current tense interest situation, which relate to the amount of the reported pension provisions. For example, the values that actually result may differ from the estimates.

In the case of provisions, particularly provisions for warranties and reworking, variances can occur from the actual expenses for warranties and reworking incurred, as the provisions are determined on the basis of empirical data. In the process, the warranty and/or reworking costs per machine are quantified and used as the measurement basis for the machines under warranty or machines in reworking at the turn of the year.

New information is taken into account as soon as it is available. As of the date when these consolidated financial statements were prepared, it was assumed that no significant changes had arisen 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 bonus agreement concluded in 2014 stipulated that starting with the IPO, for each year of employment over a period of three years an entitlement exists for selected employees and one member of the Management Board to a retention bonus that relates at least to the average share price during the 3-month period following initial issue, although it can also correspond to the current share price on the respective bonus exercise date. When the initial commitment is made, the basic entitlement is determined for the next three years after successful initial listing. An identical entitlement exists for twelve months in each case. The individual entitlement is based on the respective work performance pro rata temporis with expiry of every contractual year. The pay-out entitlement when a tranche falls due is in each case one third of the originally committed amount (i.e. kEUR 943 per tranche). Outstanding entitlements lapse if an employee leaves the company before the end of the period.

An entitled employee receives three commitments that provide for service period conditions of one, two and three years. Expenses are then offset for every individual commitment depending on the fulfilment of service period conditions. The following system therefore applies for offsetting expenses in relation to time:

	12 months	24 months	36 months
Tranche 1	100 % (of tranche 1)		
Tranche 2	50% (of tranche 2)	50 % (tranche 2)	
Tranche 3	33% (of tranche 3)	33% (of tranche 3)	33% (of tranche 3)

According to the bonus agreement, the beneficiaries were obligated in 2014 to contribute the bonus entitlement as part of a non-cash capital increase against the granting of shares in SLM AG, and to hold them for a period of at least twelve months. A commitment with agreed equity settlement existed. With the resolution of the Supervisory Board in May 2015, the obligation to make a contribution in exchange for the granting of shares was cancelled and the program was reclassified in terms of its fulfilment type as a pure cash payment program.

The program expired in the 2017 fiscal year, and all obligations were paid in full (previous year: kEUR 835 was recognized as a provision).

As of December 31, 2017, personnel costs of kEUR 94 (previous year: kEUR 465) were recognized for the retention bonus in the consolidated financial statements.

Measurement of the payment obligation as of 12/31/2017:

in kEUR	First tranche	Second tranche	Third tranche
Fair value	0	0	0
Expense in the 2017 fiscal year	0	0	94

Measurement of the payment obligation as of 12/31/2016:

in kEUR	First tranche	Second tranche	Third tranche
Fair value	0	0	940
Expense in the 2016 fiscal year	0	151	314

Note 8) Cost of materials

in kEUR	2017	2016
Raw materials and consumables used	37,043	46,829
Cost of purchased services	1,532	2,417
	38,575	**49,246**

Note 9) Personnel costs

The average number of FTEs employed in the 2017 fiscal year was as follows: 295 employees, 38 shop floor workers and 26 interns (previous year: 269 employees, 30 shop floor workers and 26 interns). Payments to publicly defined pension plans amounts to kEUR 1,374 (previous year: kEUR 1,113).

in kEUR	2017	2016
Wages and salaries	23,138	20,762
Social security contributions and expenses for optional benefits	3,431	2,931
Expenses for pension plans	122	100
	26,691	**23,793**

Note 10) Revenue

in kEUR	2017	2016
Sales of machines with accessories	73,345	69,675
Sale of retail products	4,838	4,736
Spare parts and services	4,311	6,295
	82,494	**80,707**

The categorization of revenue has been adjusted to match the current segment reporting.

The category "Machine sales and accessories" corresponds with the "Machine Sales" segment, which contains all sales included within a machine order. The categories "Sales of merchandise including powder in After Sales business" and "Replacement parts and services in After Sales business" together make up the "After Sales" segment.

Note 11) Other operating income

Other operating income is categorized as follows:

in kEUR	2017	2016
Currency gains	441	569
Government grants	37	54
Payments in kind to employees	268	213
Release of liabilities	819	359
Reimbursements from insurance	36	4
Other	347	340
	1,948	**1,539**

SLM has received government grants for various development projects. Where such subsidies relate to capitalized and completed development projects, they are deducted under the "Other work performed by the Company and capitalized" item. Where capitalized development projects have not been completed, the government grants that have been received are reported under liabilities.

All subsidies are granted conditional on corresponding cost documentation. No unfulfilled conditions or contingencies relate to these grants.

Note 12) Other operating expenses

in kEUR	2017	2016
Distribution expenses	4,823	4,370
Operating expenses	4,411	5,273
Administrative expenses	1,876	2,530
Expenses for offices	1,841	1,588
Travel expenses	2,227	2,281
Vehicle expenses	621	535
Receivables management	1,973*	16
Others	322	343
	18,094	**16,936**

* In particular, expenses include exchange rate differences in the amount of kEUR 1,880

Note 13) Interest and similar expenses

in kEUR	2017	2016
Pension-related interest expenses / income	88	106
Finance costs	41	29
Interest expenses from bank loans	126	4
Interest from convertible bond	757	0
Others	4	55
Interest expenses	**1,015**	**194**

Note 14) Taxes on income

The major components of income tax expense for the fiscal years ended December 31, 2017 and 2016 are as follows:

Composition of tax income

in kEUR	2017	2016
Current income taxes		
Current income tax expenses	73	97
Tax expenses/income from previous years	-103	276
	-30	373
Deferred taxes		
Origination and reversal of temporary differences	-651	283
Recognition of tax loss carryforwards	-1,591	-1,020
Income tax according to income statement	**-2,272**	**-364**
Comprehensive income		
Deferred taxes recognized directly in other comprehensive income:		
Actuarial gains / losses from pension provisions	15	191
Income taxes recognized in comprehensive income	**15**	**191**

Deferred taxes totaling kEUR 15 (previous year: kEUR 191) incurred on the income and expenses on other comprehensive income, were recorded in other comprehensive income (actuarial loss).

Income taxes paid amounted to kEUR 73 in 2017 (previous year: kEUR 97). Income taxes amounting to kEUR 103 were refunded for previous years (previous year additional payment of kEUR 276).

In Germany, the calculation of current tax is based on a corporate tax rate of 15 % and a solidarity surcharge thereon of 5.5 %, for all distributed and retained earnings. In addition to corporate taxation, trade tax is levied on profits earned in Germany. As the German trade tax is a non-deductible expense, the average trade tax rate amounts to 15.75 % and the combined tax rate totals 31.575 % (previous year: 31.575 %). Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

For foreign subsidiaries, current taxes are calculated based on local tax laws and applicable tax rates in individual foreign countries. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. The tax rates applicable to Group companies for deferred taxes vary between 17 % (previous year 17%) and 25% (previous year 34%), and for current taxes, they are unchanged from the previous year in varying between 17% and 34%.

The commercial loss carryforwards can only be offset against profits of following years to a limited extent depending on the respective national taxation laws. In addition, the options for offsetting against future profits is also limited by time. This results in the following situation for deferred taxes. Loss carryforwards totaling kEUR 589 (previous year: kEUR 641) were estimated to be non-usable overall. Of this amount, kEUR 0 will expire within a period of 20 years (previous year: kEUR 522), and kEUR 142 within five years (previous year: kEUR 43). Loss carryforwards of kEUR 447 can be used indefinitely (previous year: kEUR 75). The actual income tax expense in the current fiscal year is reduced by kEUR 147 due to the use of tax losses from earlier periods not previously taken into account.

The following table presents a reconciliation between tax expense and profit before tax multiplied by the domestic tax rate for the fiscal years ended December 31, 2017 and 2016.

Reconciliation

in kEUR	**2017**	**2016**
Pre-tax profit/loss	-6,012	-3,812
Expected income tax calculated at 31.575% (2016: 31.575%)	1,898	1,204
Tax effects resulting from:		
Non-tax-deductible expenses	-133	-141
Tax rate variances	25	74
Tax-free income	140	3
Adjustments to tax loss carryforwards/temporary differences	286	-550
Income taxes from previous years	103	-276
Miscellaneous	-47	50
Income tax	**2,272**	**364**

The following overview reconciles deferred taxes with the underlying items in the statement of financial position:

Gross table

in kEUR	**12/31/2017**	**12/31/2016**
Intangible assets	-6,795	-6,790
Tangible assets	334	176
Other non-current assets	-674	-258
Loss carryforwards	6,067	4,475
Pension obligations	787	808
Provisions	81	16
Payables	0	6
Sum of deferred tax assets/liabilities	**-200**	**-1,567**
Presentation in the statement of financial position:		
Deferred tax assets	7,269	5,481
Netted against deferred tax liabilities	-7,269	-5,481
Deferred tax assets according to consolidated statement of financial position	**0**	**0**
Deferred tax liabilities	7,469	7,048
Netted against deferred tax assets	-7,269	-5,481
Deferred tax liabilities according to consolidated statement of financial position	**200**	**1,567**

Of the deferred income tax claims, kEUR 203 (previous year: kEUR 220) is due within one year. Of the deferred income tax obligations, kEUR 403 (previous year: kEUR 109) is due within one year.

Note 15) Cash and cash equivalents

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

in kEUR	**12/31/2017**	**12/31/2016**
Bank balances	63,681	19,993
Cash on hand	1	4
Fixed term deposits	30	32
	63,712	**20,028**

In order to derive cash and cash equivalents as disclosed in the statement of cash flows, fixed-term deposits amounting to kEUR 30 were excluded. The fixed-term deposits are of limited availability, as they serve as security for rental contracts.

Note 16) Trade receivables

in kEUR	12/31/17	12/31/16
Trade receivables	39,147	29,400
Valuation allowances	-406	-255
	38,741	**29,145**

Changes in valuation allowances are as follows:

in kEUR	Impairment
01/01/16	**396**
Addition	232
Utilisation / Release	– 373
12/31/16	**255**
Addition	270
Utilisation / Release	– 119
12/31/17	**406**

The requirement for an impairment is analyzed at each reporting date on an individual basis. Valuation allowances are applied if a business partner encounters unanticipated financial difficulties, for example. The individually impaired receivables' term structure is as follows:

in kEUR	2017	2016
Up to 3 months	0	0
3-6 months	406	255

In addition, a large number of low-value receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual historical data.

The due date analysis of trade receivables is as follows as of December 31:

				Overdue, but not impaired		
in kEUR	Total	Impaired receivables	Neither overdue nor impaired	< 31 Days	31 – 60 Days	> 60 Days
2017	**39,147**	1,408	25,886	3,662	770	7,422
2016	**29,400**	149	8,814	5,960	5,499	8,977

As of 31 December 2017, no indications of credit risk existed relating to receivables, whether overdue or impaired.

Note 17) Inventories

in kEUR	12/31/2017	12/31/2016
Raw materials and supplies	8,895	7,055
Work in progress	7,946	9,355
Finished goods and merchandise	10,331	14,600
Advance payments made	341	97
	27,513	**31,107**

Raw materials and supplies, work in process, and finished goods and merchandise held for resale are valued at the lower of cost and net realizable value. In fiscal 2017, kEUR 857 (previous year: kEUR 725) was recognized as an inventory expense shown at the net realizable value.

Note 18) Other assets

Other current assets comprised the following:

in kEUR	12/31/17	12/31/16
VAT receivables	550	965
Receivables from collaboration agreement with NTU	395	365
Others*	1,201	1,158
	2,146	**2,489**

* 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, 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	-1,279
Patents, licences and similar rights	268	264	-1	895	1,426	-576	850	-318
Acquisition in connection with a merger	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
Order book	249	0	0	0	249	-249	0	0
Intangible assets	**29,657**	**2,976**	**-278**	**127**	**32,482**	**-10,532**	**21,950**	**-2,879**

in kEUR	Cost of acquisition or production costs as of January 1, 2016	Additions	Disposals	Transfers	Cost of acquisition or production costs as of December 31, 2016	Cumulative depreciation as of December 31, 2016	Carrying amount as of December 31, 2016	Depreciation in fiscal 2016
Capitalized development costs	7,181	3,111	0	-12	10,280	-2,018	8,262	-1,180
Patents, licences and similar rights	425	0	-292	135	268	-258	11	-114
Acquisition in connection with a merger	19,109	0	0	0	19,109	-5,377	13,732	-1,282
Laser technology	18,123	0	0	0	18,123	-4,832	13,291	-1,208
Customer base	737	0	0	0	737	-296	441	-74
Order book	249	0	0	0	249	-249	0	0
Intangible assets	**26,715**	**3,111**	**-292**	**123**	**29,657**	**-7,653**	**22,005**	**-2,576**

The total amount of research and development costs incurred in the 2017 fiscal year before capitalization is kEUR 9,078 (previous year: kEUR 8,414). kEUR 3,132 (previous year: kEUR 3,460) of this expense was capitalized in fiscal 2017. The level of depreciation on capitalized development costs in fiscal 2017 was kEUR 1,279 (previous year: kEUR 1,180).

Note 20) Property, plant and equipment

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	4.563	4	0	0	4.567	0	4.567	0
Technical machines and equipment	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 on property, plant and equipment	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**

in kEUR	Cost of acquisition or production costs as of January 1, 2016	Additions	Disposals	Transfers	Cost of acquisition or production as of December 31, 2016	Cumulative depreciation as of December 31, 2016	Carrying amount as of December 31, 2016	Depreciation in fiscal 2016
Land	4,225	338	0	0	4,563	0	4,563	0
Technical machines and equipment	7,592	4,130	-2,278	0	9,444	-2,959	6,485	-1,643
Furniture and office equipment	3,501	1,762	-101	637	5,799	-2,015	3,784	-970
Advance payments on property, plant and equipment	75	4,292	-78	-761	3,528	0	3,528	0
Property, plant and equipment	**15,393**	**10,522**	**-2,457**	**-124**	**23,334**	**-4,975**	**18,360**	**-2,614**

The property shown in property, plant and equipment in the statement of financial position amounting to kEUR 4,567 serves as collateral for the registered mortgages amounting to kEUR 16,005. The level of capitalized borrowing costs as of December 31, 2017 amounted to kEUR 42.

Note 21) Other financial liabilities

Other financial liabilities all have a remaining term of no more than a year and break down as follows:

in kEUR	12/31/17	12/31/16
Commission / bonus payments	3,866	2,474
License payments	430	1,280
Legal and consultancy costs	156	182
Other personnel costs	0	1,610
Customers with credit balances	131	435
Others	702	91
	5,286	**6,071**

Liabilities were shown for the retention bonus amounting to kEUR 835 in the previous year and kEUR 0 as of December 31, 2017, and liabilities for commissions amounting to kEUR 775 were shown in other personnel costs.

Moreover, material obligations exist from the Lübeck Genin new build investment project from a general contractor agreement signed in 2016 totaling kEUR 20,825, of which kEUR 16,473 had already been made as a down payment as of the reporting date.

Note 22) Trade payables and other liabilities

in kEUR	12/31/17	12/31/16
Trade payables	8,591	9,637
Other liabilities	1,774	2,367
	10,365	**12,004**

Other liabilities are non-financial in their nature and all have a remaining term of no more than a year. They break down as follows:

in kEUR	12/31/17	12/31/16
Advances received	1,055	1,861
Public funds	0	93
Other personnel costs	28	835
Wage tax liabilities	301	318
Social security contributions	33	48
Others	357	1,555*
	1,774	**4,711**

* This item essentially contains provisions from warranties and credit balances in customer accounts

Note 23) Pensions and similar obligations

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

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

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.

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

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

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

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

The net interest cost is recognized under interest expenses in the consolidated income statement.

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

The losses recorded in the fiscal year were overwhelmingly created by the effects of changes in interest rates.

The pension obligations are reported as follows in the consolidated statement of financial position:

in kEUR	2017	2016
Present value as of January 1	**5,112**	**4,375**
Expenses for pension entitlements	122	100
Interest expenses	88	106
Pension payments	-76	-53
Actuarial gains and losses	48	584
Present value as of December 31	**5,294**	**5,112**
Plan assets	0	0
Pension provision in statement of financial position	**5,294**	**5,112**

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

	2017	2016
Interest rate	1.93%	1.72%
Increases in income	2.50%	2.50%
Pension adjustments	1.70%	1.70%
Employee turnover rate	1.00%	1.00%

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

	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 (2017)	-942	1,242	804	-660	179	-163
Effect on DBO (2016)	-959	1,280	795	-651	203	-183

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

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

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

According to the analysis of the expected due dates of the outstanding pension payments, the following amounts will prospectively be paid out during the next ten years

in kEUR	2017	2016
up to one year	80	58
between 2 and 5 years.	334	288
between 5 and 10 years.	690	532
probable payments in the next 10 years	**1,104**	**878**

Note 24) Provisions

Provisions developed as follows:

in kEUR	01/01/2017	Utilization / Reclassifica-tion	Release	Addition	12/31/2017
Long-term provisions					
Warranty provisions	826	826	0	328	328
LTI	288	0	0	205	493
	1,114	**826**	**0**	**533**	**821**
Short-term provisions					
Warranty provisions	1,599	773	0	1,405	2,231
LTI	0	0	0	328	328
Others	895	895	0	0	0
	2,494	**1,668**	**0**	**1,733**	**2,559**

There is a warranty provision for machines sold in 2016 and 2017. It is based on past empirical data relating to the number of repairs and product returns in relation to the warranty periods agreed. The warranty provision is calculated based on information currently available, and the deadlines already take account of the adjustments in accordance with IAS 15. The provision for warranties is expected to be used up within the next two years.

With regard to LTI remuneration and the provision which applies exclusively to the Management Board, we refer to Note 30.

Note 25) Equity

Subscribed capital
All shares have been fully paid in. All shares comprise ordinary shares.

By AGM resolution of April 17, 2014, the Management Board is authorized, with Supervisory Board assent, to increase the share capital by April 16, 2019 by up to a total of 6,907,100 new ordinary bearer shares against cash or non-cash capital contributions.

The share capital is conditionally increased by a resolution passed by the AGM of April 17, 2014, by up to EUR 6,907,100 through issuing up to 6,907,100 new ordinary bearer shares.

By way of resolution of the Shareholders' General Meeting of March 20, 2014, the company's share capital was increased from company funds by EUR 13,732,940.00, from EUR 81,260.00 to EUR 13,814,200.00. After converting into a public stock corporation and issuing shares as part of the IPO, the subscribed capital as of December 31, 2014 was divided into 17,980,867 fully paid ordinary registered no par bearer shares each with a notional value of EUR 1.00. They carry one voting right each and are entitled to dividends. In the 2017 fiscal year, no shares were issued, meaning that 17,980,867 shares were still in circulation as of December 31, 2017.

The Group's aims with regard to capital management lie in securing the company as a going concern in order to continue to provide its owners with income, and other stakeholders with the payments or services to which they are entitled. A further objective is to optimize the capital structure in order to minimize capital costs. Although the capital structure is currently dominated by equity given the recent occurrence of the IPO, the targeted deployment of debt funding in the future cannot be excluded, including in the context of an acquisition, for example.

The Group can also adapt the capital structure through other instruments where required. These include dividend payments to owners, capital repayments to owners, the issuing of new shares, or the sale of interests in assets.

Given the IPO's recent occurrence, the Group monitors its capital on the basis of its equity ratio, which comprises the relationship between equity and total assets. Both figures are derived from the figures as recognized in the consolidated statement of financial position.

The Group's strategy consists in normalizing its relatively high equity ratio over the course of the coming years, and raising an appropriate level of debt funding, including for acquisitions, for example. The company issued a convertible bond in October 2017 (cf. Note 4).

The equity ratio as of December 31, 2017 and December 31, 2016 was measured as follows:

in kEUR	2017	2016
Equity	93,133	95,202
Total assets	188,377	123,833
Equity ratio	**49.44%**	**76.88%**

Earnings per share (undiluted)

Basic (undiluted) earnings per share are calculated by dividing the earnings that are attributable to the parent company's shareholders by the average number of shares in issue during the fiscal year.

	2017	2016
Number of shares in issue as of January 1	17,980,867	17,980,867
Number of shares in issue during the fiscal year	0	0
Weighted average number of shares in issue	**17,980,867**	**17,980,867**

	2017	2016
Consolidated net profit/loss attributable to parent company shareholders (in kEUR)	-3,741	-3,483
Weighted average number of shares in issue	17,980,867	17,980,867
Basic (undiluted) earnings per share in EUR	**-0.21**	**-0.19**

Earnings per share (diluted)

As in the previous year, the diluted earnings correspond with the undiluted earnings. The convertible bond issued could have a diluting effect, but in fact does do so at present due to anti-dilution on the basis of the negative annual results.

Other comprehensive income

Other comprehensive income comprises actual gains and losses, and exchange rate translation differences.

in kEUR	2017	2016
Net profit	**-3,741**	**-3,483**
Income / expenses not reclassified to income statement in the future		
Actuarial losses from pensions	-48	-584
Deferred taxes on actuarial losses	15	191
Income / expenses to be reclassified to income statement in the future		
Exchange rate differences	-277	73
Other comprehensive income after tax	**-310**	**-319**
Consolidated comprehensive income	**-4,051**	**-3,803**

The exchange rate differences included in total comprehensive income were as follows:

in kEUR	Reconciliation of currency translation differences
01/01/2017	169
Translation SLM Solutions NA, Inc.	-243
Translation SLM Solutions Singapore Pte	6
Translation SLM Solutions (Shanghai) Co. Ltd.	-24
Translation SLM Solutions RUS OOO	-15
Translation SLM Solutions (India) Private Limited	0
12/31/2017	-107

Capital reserve

The capital reserve as of December 31, 2017 totaled kEUR 87,023 (previous year: kEUR 85,041).

Consolidated loss for the period included in retained earnings

The consolidated loss for the period included in retained earnings amounting to kEUR -10,899 (previous year: kEUR -7,158) consists of the consolidated net profit/loss for 2017 amounting to kEUR -3,741 (previous year: kEUR -3,483) as well as the loss carryforward of kEUR -7,158 (previous year: kEUR -3,675).

Other reserve

Other reserves amount to kEUR -972 as of December 31, 2017 (previous year: kEUR -662) and consist of the actuarial losses from the pension provision and deferred taxes in the amount of kEUR -865 (previous year: kEUR -831) and currency translation items in the amount of kEUR -107 (previous year: kEUR 169).

Note 26) Leasing

Obligations from operating leasing as lessee

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

As of December 31, 2017, future minimum payment obligations under non-cancellable operating leases are as follows:

in kEUR	2017	2016
Under 1 year	1,529	1,748
Between 1 and 5 years	1,862	2,167
More than 5 years	0	43

Total operating lease expenses for the fiscal years 2017 and 2016 amounted to kEUR 1,942 and kEUR 2,079 respectively. These relate exclusively to amounts for minimum lease payments, while no contingent lease payments or payments from subleases exist.

SLM has entered into no leases with variable lease payments.

Future rental income from operating leasing relationships as lessor

In the 2017 fiscal year, the Group still has two operating leasing agreements for one machine each from the selective laser melting field.

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

in kEUR	up to 1 year	Between 1 and 5 years	Total
Rental machine 1	65	0	65
Rental machine 2	169	169	338
Total	234	169	403

Receivables from finance leasing relationships as lessor

The Group has a total of three (previous year 1) existing finance leasing agreements for machines and accessories from the selective laser melting field in which the ownership rights for the leasing object are automatically transferred to the lessee at the end of the contractual period. The carrying amount of the receivable at the time of conclusion of contract totaled kEUR 1,147 and decreases pro rata by the repayment amount of the monthly rental payments making a grand total of kEUR 25. A right of return exists after 12 or 24 months. Below is a breakdown of the receivables from the leasing business by their remaining term as well as reconciliation with the gross leasing receivables:

in kEUR	2017	2016
Under 1 year	298	168
Between 1 and 5 years	563	226
More than 5 years	0	0
Total	**861**	**394**

in kEUR	Up to 1 year	Between 1 and 5 years	Over 5 years	Total 2017	Total 2016
Future instalments	298	563	0	861	394
+ on-guaranteed residual value	0	0	0	0	0
= Investment value	298	563	0	861	394
Minimum leasing payments	**298**	**563**	**0**	**861**	**394**

No impairments exist for uncollectible outstanding minimum leasing payments.

Sale-and-Lease-Back

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

Note 27) Additional disclosures about financial instruments

SLM utilizes the following classes of financial instruments:

- Loans and receivables
- Financial liabilities measured at amortized cost

Cash and cash equivalents, trade receivables and other financial assets are attributed to loans and receivables.

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

The following table presents the fair values and carrying amounts of financial assets and financial liabilities recognized at cost, or at amortized cost:

	Fair value		Carrying amount	
in kEUR	**2017**	**2016**	**2017**	**2016**
Loans and receivables	102,462	49,265	102,462	49,265
Financial assets	256	251	256	251
Financial liabilities measured at amortized cost by the effective interest method	13,877	15,033	13,877	15,033

Except for a fixed term deposit of kEUR 30, SLM has complete discretionary power over its cash and cash equivalents. These fixed-term deposits serve as collateral for contractual obligations arising from leased buildings.

The fair value of the cash and cash equivalents, the receivables as well as the other current financial liabilities largely corresponds with the carrying amount.

Net gains (losses) on financial instruments are as follows:

	Net gain		Net loss	
in kEUR	**2017**	**2016**	**2017**	**2016**
Loans and receivables as well as financial liabilities measured at amortized cost by the effective interest method	484	607	151	90

Net losses on loans and receivables include changes in valuation allowances, gains or losses on derecognition, currency translation, as well as recoveries of amounts previously written-off. No net profits from financial assets exist in the fiscal year. The net gains (losses) deriving from financial liabilities measured at amortized cost applying the effective interest method arise from interest payments.

Note 28) Financial risk management

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

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

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

- Risk of insufficient funds to finance ongoing expansion
- Risk that outstanding trade receivables and other trade receivables prove uncollectible
- Risk of rising exchange rates in the USA, Asia and other non-euro countries
- Risk of interest rate increases
- Non-adherence to financial covenants

Risk concentration

Cluster risks do not exist at SLM AG in general, as its sales are to be characterized as very broadly diversified both regionally and in relation to customers and products. The identifiable trend towards multi-machine orders, where customers order several machines as part of a single order, could result in comparatively higher receivables positions with individual customers. The company counters this trend through further diversification of its customer base, and greater monitoring of related receivables positions. Normal instruments such as prepayments and other hedging instruments are also utilized for these types of orders.

Liquidity risk

SLM AG monitors its liquidity on a regular basis. SLM AG pursued its medium-term goal of guaranteeing continuity of funding and sustainable liquidity through the use of bank overdrafts, bank loans, debentures, finance and operating leases as well as shareholder loans, by issuing a convertible bond in October 2017.

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

in kEUR	12/31/2017 Trade payables and other liabilities	Other financial liabilities	12/31/2016 Trade payables and other liabilities	Other financial liabilities
Within one year	8,591	5,286	9,637	6,232
More than one year	0	0	0	0

Credit and default risk

Credit default risk comprises the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from trade receivables), and from its financing activities, including deposits with banks. The maximum credit and default risk corresponds to the carrying amount of the financial assets.

Before every sale exceeding defined thresholds, the management of SLM AG checks the respective counterparty's creditworthiness. Moreover, legal title remains with SLM AG until full payment is received. Prepayments by customers and the deployment of commercial letters of credit comprise further risk-reducing measures.

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

Currency risk

SLM AG mostly acquires raw materials and supplies in Euros. A significant proportion of sales transactions are also concluded in foreign currencies, particularly USD, Singapore and China, which means that SLM AG is subject to exchange rate risks which could impact the profitability of the company. However, hedges are not currently deemed to be required. In the 2017 fiscal year, SLM AG has not had recourse to any foreign currency swaps or comparable instruments to hedge variable exchange rates. The management of SLM AG reserves the right to implement alternative measures if exchange rates become sustainably disadvantageous, or if total risk exposure necessitates such measures.

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

in kEUR	Change in USD exchange rate	Effect on profit before tax	Effect on equity
2017	10%	1.428	978
	– 10%	-1.271	-870
2016	10%	1.421	972
	– 10%	-1277	-874

in kEUR	Change in SGD exchange rate	Effect on profit before tax	Effect on equity
2017	10%	1.540	1.054
	– 10%	668	457
2016	10%	-477	-326
	– 10%	-965	-661

in kEUR	Change in CNY exchange rate	Effect on profit before tax	Effect on equity
2017	10%	-557	-385
	– 10%	-789	-546
2016	10%	198	137
	– 10%	-178	-123

in kEUR	Change in RUB exchange rate	Effect on profit before tax	Effect on equity
2017	10%	124	86
	– 10%	90	63
2016	10%	6	4
	– 10%	-5	-3

in kEUR	Change in INR exchange rate	Effect on profit before tax	Effect on equity
2017	10%	-52	-52
	– 10%	-52	-36
2016	10%	0	0
	– 10%	0	0

Interest rate risk

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

SLM deploys no derivative financial instruments or hedging instruments.

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

Note 29) Presentation of segment reporting pursuant to IFRS 8

Presentation of reportable segments

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

The Company has made the "Machine Sales" and "After Sales" segments reporting elements for the Management Board and Supervisory Board, and therefore identified them as reportable segments. The "Machine Sales" segment encompasses the development and production as well as the marketing and sale of machines together with accessories (according to order intake) for selective laser melting. Transactions with machine-related services, sales of replacement parts and accessories as well as the sale of merchandise are reflected in the "After Sales" segment.

These two segments formed the basis of segment reporting in the year under review.

The two aforementioned segments comprise all of SLM's activities in the 2017 fiscal year.

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

Segment reporting for the 2017 fiscal year:

in kEUR	Machine Sales	After Sales	Total
Revenues	**73,345**	**9,149**	**82,494**
Expenses	-61,060	-19,469	-80,529
EBITDA*	**12,285**	**-10,320**	**1,965**
Depreciation and amortization			-5,605
PPA- amortization			-1,282
Interest income			-997
Taxes on income			2,272
Adjusted costs*			-94
Net profit/loss for the period			**-3,741**

* adjusted for retention bonus of kEUR 94

Segment reporting for the 2016 fiscal year:

in kEUR	Machine Sales	After Sales	Total
Revenues	**69,675**	**11,032**	**80,707**
Expenses	62,590	15,047	77,637
EBITDA*	**7,085**	**-4,015**	**3,070**
Depreciation and amortization			-3,908
PPA- amortization			-1,282
Interest income			-662
Taxes on income			328
Adjusted costs*			-1,029
Net profit/loss for the period			**-3,483**

* Adjusted for the retention bonus totaling kEUR 465 and transactions costs of kEUR 564

Besides amortization, there were no major non-cash expenses in the reporting year (previous year: kEUR 431 in connection with retention bonus).

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

Segment revenue distribution:

Geographic information

in kEUR	2017	2016
Germany	23,976	19,423
Asia / Pacific	23,272	20,529
European countries (EU excl. Germany)	19,638	19,110
United States of America	19,203	21,235
Other countries	1,704	1,848
	87,793	**82,145**
Bonus/rebates/discounts	-5,299	-1,438
	82,494	**80,707**

The revenue information provided above relates to customers' locations.

Note 30) Related party disclosures

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

Management Board members and related parties:

- Dr. Markus Rechlin (was dismissed from the Management Board by the Supervisory Board on January 23, 2017)
- Uwe Bögershausen
- Henner Schöneborn
- Dr. Axel Schulz (was appointed to the Management Board by the Supervisory Board on February 1, 2018)

Supervisory Board members and related parties:

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

Related parties to the SLM Group comprise the following:

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

No shareholder exerts direct control. Thanks to their share of subscribed capital, the existing shareholders (Parcom Deutschland I GmbH & Co. KG and its shareholder and managing director, Mr. Henner Schöneborn, as well as Ceresio GmbH and its shareholder and managing director), can exert significant influence over the company, and exercise notional control at shareholders' general meetings depending on the present majority.

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

in kEUR	Total amount in the 2017 fiscal year	Outstanding items as of December 31, 2017	Total amount in the 2016 fiscal year	Outstanding items as of December 31, 2016
Type of business				
Goods provided	8	0	198	4
Services received	54	0	90	90
Lendings	417	417	251	251
Advance payments	76	76	0	0

There were no transactions with related parties on non-market terms in the fiscal year.

The management consists of the Management and Supervisory boards. Management compensation is as follows:

Compensation of the Supervisory Board members of SLM AG:

The Supervisory Board of SLM AG was appointed effective as of April 1, 2014.

in kEUR	Supervisory Board compensation 2017	Aufsichtsrats-vergütung 2016
Mr. Ihde	60	54
Mr. Grosch	43	36
Mr. Hackmann	33	18
Mr. Grimberg	40	18
Mr. Hichert	30	18
Mr. Becker	33	18
Total	**238**	**162**

Besides compensation for his Supervisory Board work, Mr. Ihde received payment of kEUR 125 (previous year: kEUR 131) as part of a consultancy agreement with SLM AG. Mr. Grimberg received kEUR 2 as part of consulting work (previous year: kEUR 4).

No other compensation for the Supervisory Board members was paid in the 2017 fiscal year.

Compensation for members of the Management Board 2017:

in kEUR	Salaries and other short-term benefits (non-performance-related)	Performance-related compensation	Share-based compensation	Pension benefits	Termination benefits
Mr. 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**

* kEUR 261 from Retention Bonus

Compensation for members of the Management Board 2016:

in kEUR	Salaries and other short-term benefits (non-performance-related)	Performance-related compensation	Share-based compensation	Pension benefits
Mr. Rechlin	279	115	144	0
Mr. Bögershausen	258	115	405	0
Mr. Schöneborn	248	68	0	91
Total	**785**	**298**	**549**	**91**

A performance-based bonus was agreed with the Management Board which is set and determined after the approval of the consolidated annual financial statements.

No provision was formed for the 2017 fiscal year.

The provision for benefit entitlements for related persons totaled kEUR 1,119 as of December 31, 2017. TEUR 85 was added during the fiscal year.

Since 12/18/2015, an agreement for a share-based compensation system has been in place for the Management Board members Dr. Markus Rechlin and Mr. Uwe Bögershausen. There has been an equivalent compensation system in place for Henner Schöneborn since 08/03/2017. This program offers virtual stock (SAR), the basis for the issuance of which is the increase in the share price over the past year. At the start of the period, the Supervisory Board sets levels regarding how many SARs are issued for what price increases. The maximum value of this interest is EUR 150,000 p.a.. The pay-out is made 2 years after the issuance of each SAR at the share price applicable for payment, capped at a maximum of EUR 54.00. The agreement provides the right to settle the interest in shares, however the Supervisory Board only intends to settle in cash. As a result, the amount is accounted as cash-settled. The expenses recorded in the period amounts to kEUR 597, and the level of the provision as of December 31, 2017 amounts to kEUR 885. The expenses recognized in the previous year in the same period matched the provision, coming to kEUR 288.

The valuation of the fair value of the liability totaling EUR 1,150 was determined using a Monte Carlo method.

There are also provisions for related persons amounting to kEUR 185 as of December 31, 2017.

Note 31) Auditor's fee

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

in kEUR	2017	2016
Auditing of financial statements	183	122
Other certification services	0	5
Tax advisory services	29	73
Other services	0	0
Total	**212**	**200**

The audit services mainly comprise the fees for auditing the consolidated financial statements as well as for the audits of SLM Solutions Group AG prescribed in law. Tax advisory services were also rendered, relating in particular to preparing the tax return including a calculation of the deferred taxes as well as support provided when the convertible bond was issued.

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

SLM AG has issued the declaration required by Section 161 of the German Stock Corporation Act (AktG), 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

Dr. Axel Schulz was appointed to the company's Management Board with effect from February 1, 2018. As the CSO, he will be responsible for the domains of Sales, Marketing, Business Development, Service and 3D Metals, and besides sales he will also be in charge of the After Sales segment.

SLM Solutions (Italy) S.r.l. Milan was set up in February 2018 and SLM Solutions (France) SAS; Paris was set up in March 2018; both as a 100% subsidiary with a share capital of kEUR 25.

No further events have occurred between the balance sheet date and the date of the preparation of these consolidated financial statements that have a significant effect on the Group's financial position and performance.

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 19, 2018

Uwe Bögershausen	Henner Schöneborn	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 20, 2018:

„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, 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2017, and the 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, 2017. We have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB 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 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, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017, 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 the above mentioned statement on corporate governance referred to above.

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") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) 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, 2017. 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 and recoverability of development costs
2. Accounting treatment of the convertible bond

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 and recoverability of development costs

a. Development costs amounting to EUR 8.7 million (4.6% 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. Development costs are measured on the basis of cost and the recoverable amount. The SLM Group tests development costs for impairment when there are indications of impairment or at least once annually, provided that the costs have not yet been amortized. The carrying amount of the relevant asset is compared with the corresponding recoverable amount in the context of the impairment test. The Group's corporate planning, which takes the development projects into account, serves as the basis of measurement. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The measurement of the capitalized development costs is, firstly, of great significance for the assets, liabilities, and financial performance of the Group in terms of amount and, secondly, involves considerable scope for judgment on the part of the executive directors, since the use of models and assumptions creates material uncertainties due to the estimates required for the measurement exercise. Against this background, this matter was of particular significance in the context of our audit.

b. As part of our audit, we reviewed the methodology employed for the purposes of capitalizing, measuring and testing the development costs for impairment, among other things. In doing so, we reviewed the capitalization requirements in accordance with IAS 38 and also assessed the plausibility of the cost allocation keys determined in this context. After matching the future cash inflows used for the calculation against the Group's corporate planning as well as the other assumptions made with regard to the development projects, we assessed the appropriateness of the calculation, in particular by comparing it with general and sector-specific market expectations. We discussed the assumptions made specifically for the purposes of testing the development costs for impairment with the specialist departments responsible and reviewed their appropriateness. As part of our audit procedures, we found that the calculated recoverable amounts are higher than the carrying amounts capitalized on December 31, 2017. In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of properly measuring the development costs.

c. The Company's disclosures on the capitalization and recoverability of development costs are contained in Note 4 and Note 19 of the notes to the consolidated financial statements.

2. Accounting treatment of the convertible bond

a. On October 11, 2017, SLM Solutions Group AG issued an unsecured, senior convertible bond. The total principal amount of this convertible bond amounts to EUR 58.5 million (31.1% of total assets) and entitles the bearer to convert it into no-par value ordinary bearer shares. The notes carry a fixed coupon of 5.5% p.a. until maturity. The coupon is paid in arrears on a quarterly basis. The bond matures on October 11, 2022. The present value of the coupon and principal payments (taking into account the expected payment dates) was recognized as a financial liability upon initial recognition. The difference to the fair value of the instrument as a whole is recognized as equity. Of the convertible notes – less transaction costs and accounting for deferred taxes –, EUR 2.0 million was recognized as capital reserves and EUR 54.4 million as financial liabilities. The allocation of the bond into a liability and an equity component upon initial recognition has an impact on the Group's capital structure. Due to this circumstance, the size of the bond and its complexity, this matter was of particular importance for our audit.

b. As part of our audit, we, with the assistance of internal specialists, critically assessed the terms and conditions of the notes and evaluated whether the convertible bond constitutes a contract within the meaning of IAS 32.13 that must be recognized in SLM Group AG's consolidated financial statements as a financial liability and as an equity component in accordance with IAS 32.28. For the equity component, we, inter alia, assessed to what extent the requirements under IAS 32.16 were met and whether the substance of the contractual terms and conditions of the notes suffices to classify an own component separately as equity. The classification of the convertible bond as a compound financial instrument by the Company's executive directors and the value-based allocation of the equity and debt components are comprehensible and substantiated.

c. The Company's disclosures on the convertible bond are contained in Note 4 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB, which we obtained prior to the date of our auditor's report.

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 2, 2017. We were engaged by the supervisory board on August 3, 2017. We have been the group auditor of 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."

Imprint

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Pictures

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Financial calendar

05/09/2018	Q1 Report 2018
06/22/2018	Annual General Meeting (Lübeck)
08/09/2018	H1 Report 2018
11/08/2018	9M Report 2018