



INNOVATIVE IMPULSES

Q1 Report 2020





Letter from the Board

Dear shareholders, customers, stakeholders and employees,

Despite the unprecedented macroeconomic headwinds brought on by the COVID19 pandemic, we continued to make good progress in the first quarter of 2020 in capturing market share and continued reversing our financial trend from last year. We see customers continue to gain confidence in our technology and engage more actively with us on their future plans.

Throughout the start of 2020 we have spent a lot of time discussing with our customers their additive adoption roadmap. Many customers, specifically in the aviation and aerospace industries, have a clear roadmap to increase additive adoption. SLM is well positioned with its multi-laser products to meet our customers' needs and to support them in the execution of their additive manufacturing strategies. We are encouraged by what we are seeing and with our strategy to industrialize the current products line and the launch of the next generation, we expect to be able to transition to the next phase of the additive adoption. On March 26, we have signed an agreement with our largest shareholder Cornwall GmbH & Co KG, a company advised by Elliott Management (UK) Limited, in which Cornwall has undertaken to backstop a series of convertible bond offerings that will provide additional funding to SLM of up to EUR 60 million. We plan to issue the first tranche of new convertible bonds in the amount of EUR 15 million in July 2020. SLM's shareholder and holders of the existing convertible bond will have subscription rights to participate in the offering of this first tranche.

In spite of the encouraging development of our business in the last two quarters, raising capital and ensuring liquidity is vital for SLM, especially against the backdrop of the uncertainties the COVID19 pandemic has cast over economies across the globe and it is unclear how long this market environment will persist. While our first quarter was strong in terms of revenue generation, we started to feel the implications of the COVID19 pandemic in markedly lower order intake. The resulting economic slowdown hits some of SLM's key end markets like the aircraft, the aeroengines and the oil&gas industries.

We have made significant progress in building and strengthening the organization by hiring highly experienced leaders. The new talent is well equipped to build a strong winning business and to position us as industry leader. On June 1, Dirk Ackermann will join us as CFO and complete the senior management team at SLM. Dirk joins from General Electric's Corporate Audit Staff where he was a senior finance manager.

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



Meddah Hadjar
Lübeck, May 6, 2020

Highlights

	Unit	Q1 / 2020	Q1 / 2019	Change
Revenue	kEUR	17,848	7,336	143.3
Total output	kEUR	18,451	8,956	106.0
EBITDA	kEUR	-3,023	-8,124	62.8
EBITDA margin	%	-16.9	-110.7	93.8 pts.
Period result	kEUR	-6,099	-7,704	20.8
Earnings per share*	EUR	-0.31	-0.39	20.5
Order intake	Units	7	7	0,0
Order intake	kEUR	2,946	3,502	-15.9
Order backlog**	Units	29	11	163.6
Order backlog**	kEUR	23,687	7,071	235.0

* Undiluted and diluted calculated with 19,778,953 shares

** Order backlog at March 31, 2019 excluding 128 machines from frame contract with a value of kEUR 97,503 which are terminated in Q2/2019

Business performance

SLM generated total revenues of kEUR 17,848 in the first quarter of 2020 (Q1/2019: kEUR 7,336) of which kEUR 13,496 was generated by the segment "Machine Business" (prior year kEUR 4,060), representing 75.6% of total revenue (prior year: 55.3%). The segment "After Sales Business" generated revenue of kEUR 4,352 (previous year: 3,276), a 32.8% increase over the previous year's level.

In the quarter we were able to fulfil some the purchase orders secured in Q3 and Q4 2019 and recorded revenue in total for 22 machines compared to 7 machines in the previous year quarter. Also, the mix of machines sold improved in favour of larger, multi laser machines in the quarter.

Orders

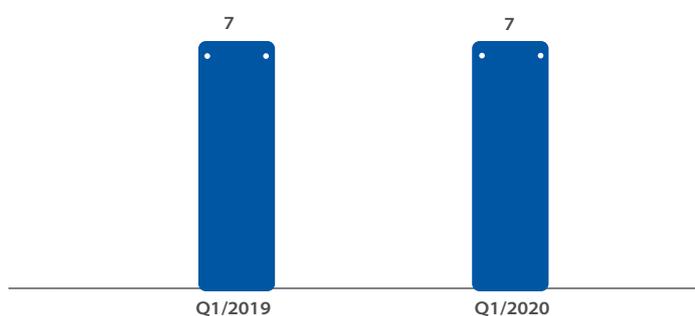
During the first quarter of 2020 SLM Solutions secured orders for 7 machines (order value of kEUR 2,946), compared with 7 machines in Q1/2019 (kEUR 3,502). The order value in total as well as the average value per order decreased by 16%, due primarily to product mix.

The order intake in the first quarter of 2020 was as follows: three SLM®125s and four SLM®280s. In terms of revenue, the mix was as follows: two SLM®125s, seventeen SLM®280s and three SLM®500s were invoiced in the first quarter of 2020.

The order backlog as of March 31, 2020 comprised 29 machines with a total value of kEUR 23,687. This represented a 235.0% increase in backlog value compared to the 11 machines with a value of kEUR 7,071 as of March 31, 2019. This increase is still based on the solid performance in terms of orders in Q4 2019, especially in the Americas region.

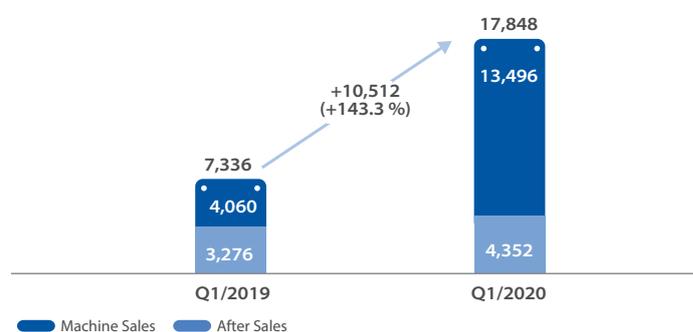
Order intake Q1 / 2020

(Number of Machines)



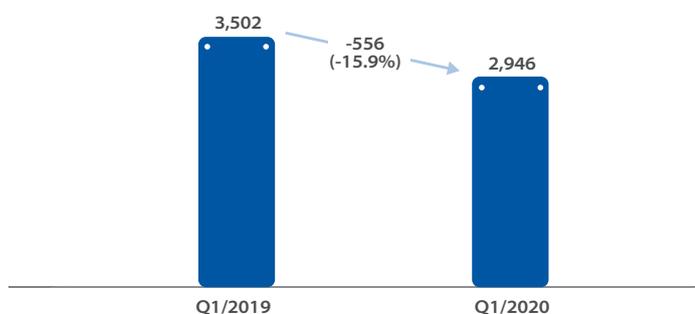
Consolidated revenue (segments) Q1 / 2020

(kEUR)



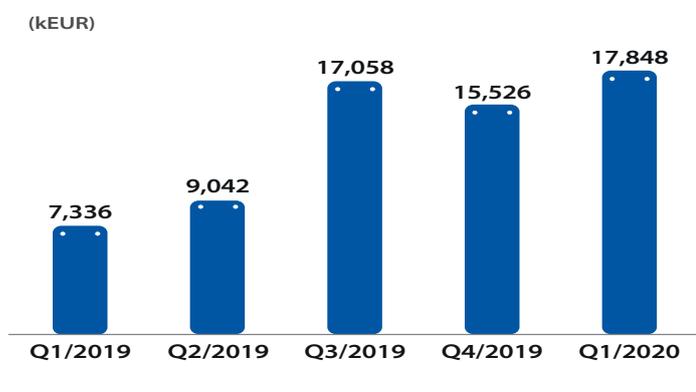
Order Value Q1 / 2020

(Order Value kEUR)



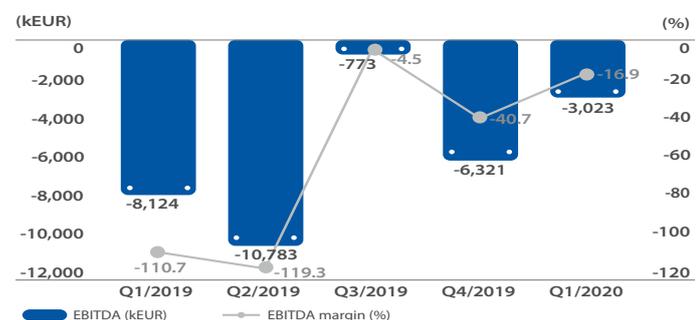
Economic report

Development consolidated revenue



- Group Revenue of kEUR 17,848 for Q1/2020 represented a 143.3% increase from Q1/2019 (kEUR 7,336). The increase was primarily driven by increased machine sales related to the stronger order book in Q4.2019. Compared to Q1/2019 we improved our machine sales in all regions and the machine mix also improved in favour of larger and multi laser machines.
- Total Output of kEUR 18,451 in Q1/2020 was 106.0% above Q1/2019 (kEUR 8,956).
- While the seasonality of the business can lead to fluctuations in quarterly revenue performance, the year-on-year uptick experienced in this quarter is encouraging. The significant changes that have been initiated related to the Company's go-to-market strategy as well as on the production side continue to show positive results.

EBITDA and EBITDA margin



- In Q1/2020, EBITDA improved significantly compared to the prior quarter from kEUR -8,124 in Q1/2019 to kEUR -3,023. EBITDA was positively impacted by the increase in Total Output. Despite the implementation of various cost saving initiatives, increased investments in future growth will likely continue to weigh on profitability and cost structure in the medium term.
- Personnel Expenses increased by 17.5% from kEUR 8,322 in Q1/2019 to kEUR 9,781 in Q1/2020. The increase is primarily related to selected one-time costs for the dissolution the service contract of a former member of the management board and the hiring of qualified personnel to further strengthen the organization.
- The Material Cost Ratio (in relation to Total Output) of 42.9% in Q1/2020 was significantly better than in Q1/2019 (61.4%). In the same quarter of the previous year, pre-production was carried out due to the weaker sales performance, which led to an increase in inventory resulting in a higher cost of materials ratio. The improved ratio in Q1/2020 was largely driven by an improved planning processes, while at the same time building up safety stocks of critical items and materials with long procurement times.

Earnings per share

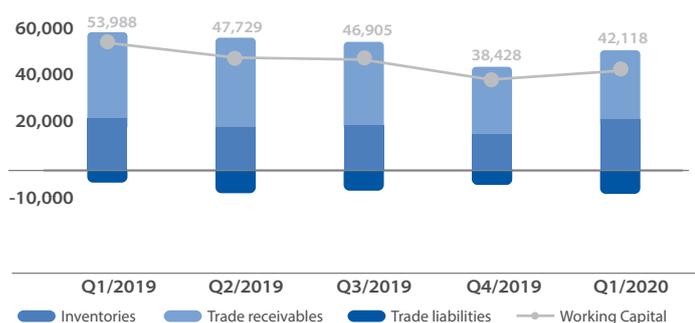
Earnings per share (undiluted; EUR)



- In the first quarter 2020 tax income in the area of deferred taxes were at kEUR 109 and in the first quarter of 2019 at kEUR 3,485 due to the different approach method of taxes on loss carry forwards. This method changed already in Q2/2019.
- In the first quarter 2020 the Net Financial Result of kEUR -6,099 is only slightly improved from Q1/2019 (kEUR -7,704). The improvement effect was diluted by the change in accounting for deferred taxes on loss carry forwards.

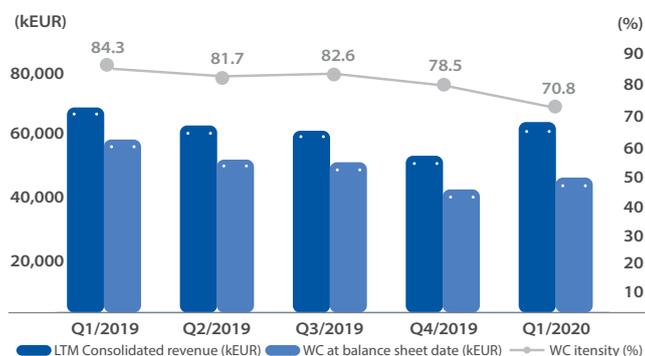
Working Capital

(kEUR)



- Based on an LTM Group Revenue of kEUR 59,474 and a Working Capital of kEUR 42,118 the Capital Intensity as of the reporting date was 70.8%.
- Compared to December 31, 2019 inventories increased slightly by 2.8% to kEUR 29,085 end of March 2020 (December 31, 2019: kEUR 28,281).
- Trade receivables increased by 40.3% to kEUR 21,733 in Q1/2020 compared to December 31, 2019 (kEUR 15,488) which is attributable to the shipments close to end of the quarter and lower payment receipts in March due to the global shutdown caused by the COVID19 pandemic.
- Trade payables increased by 62.9% to kEUR 8,700 in Q1/2020 compared to December 31, 2019 (kEUR 5,341).

Working Capital-Intensity



Cash Position Development

- The cash position at the end of March 2020 was approximately kEUR 20,337, down 20.3% compared to the balance at the end of December 2019 (kEUR 25,523).
- Operating cash flow of kEUR -1,643 through the end of March 2020 was negatively impacted by a significant portion of revenues being generated in the second half of the quarter and delays in payments due to the global shutdown of the COVID19 pandemic. As a result, we saw an increase in accounts receivables by kEUR 6,245. Accounts payables have increased by kEUR 3,360 in the quarter.

COVID 19 and Subsequent Events

Since the end of the reporting period and until the conceptual completion of this report on May 6, 2020 we took initial steps to adjust operations to meet the more adverse operating environment that has resulted from the COVID19 pandemic and the governmental measures and lockdowns to fight the pandemic. We had a mandated 13 day company holiday for most of our German based employees between March 30, 2020 and April 17, 2020. We put in place all necessary health and safety measures to ensure workplace safety in our facilities. We were granted a forgivable loan by the US government that covers some of our employment related costs in the United States as part of the COVID19 relief efforts. Otherwise no significant events have occurred which may have implications on the revenue, financial performance or financial position of the company since March 31, 2020.

Business Forecast

The company continues to closely monitor the development of the COVID 19 situation and its implications for SLM's business. Travel restrictions and limited customer availability drove a noticeable delay in order intake in Q1 which has continued into Q2. In addition, the economic implications for some of our customers, in particular in the aerospace and in the oil&gas end markets, have also resulted in a slowing order intake. Visibility on the implications of the various government measures implemented across the globe to fight COVID 19 remains limited and we have yet to fully see the impact that they will have on our business. From a business perspective, we expect the impact of COVID19 to continue through Q2 and potentially even longer, which will likely lead to more significant disruptions in our business. Due to the heightened uncertainty resulting from COVID 19 we are not yet able to provide reliable guidance as to SLM's business performance for the full year 2020. The executive board will continue to monitor the situation and update the shareholders, customers and employees accordingly.

Events

June 16, 2020	Annual General Meeting (virtual)
August 13, 2020	H1 Report 2020
November 05, 2020	9M Report 2020

Consolidated income statement (January 1 to March 31, 2020)

in kEUR	01/01/– 03/31/2020	01/01/– 03/31/2019	01/01/– 12/31/2019
Revenue	17,848	7,336	48,962
Increase/ decrease of finished and unfinished stock on hand	-420	646	-7,524
Other activated contributions	1,023	974	3,368
Total output	18,451	8,956	44,806
COGS	-7,914	-5,500	-20,896
Gross Profit	10,537	3,456	23,910
Payroll	-9,781	-8,322	-31,871
Other operational income	691	708	1,635
Other operational expense	-4,468	-3,855	-19,234
Proceeds from associated companies	-1	-111	-442
EBITDA	-3,023	-8,124	-26,001
Depreciation	-2,184	-2,121	-8,659
Operational result (EBIT)	-5,207	-10,245	-34,660
Interest received	14	94	176
Interest and similar expenses	-1,016	-1,037	-4,152
Earnings before tax (EBT)	-6,208	-11,188	-38,636
Tax payable	109	3,485	-8,419
Result for the period	-6,099	-7,704	-47,055
Shares on issue (Mio.)	19.8	19.8	19.8
EPS (EUR)*	-0,31	-0,39	-2,38

* undiluted and diluted calculated with 19,778,953 shares

Consolidated statement of comprehensive income (January 1 to March 31, 2020)

in kEUR	01/01/– 03/31/2020	01/01/– 03/31/2019	01/01/– 12/31/2019
Result for the period	-6,099	-7,704	-47,055
Income and expenditure in future not to be reclassified into P&L Account			
Actuarial Profit and Loss	0	0	-730
Income and expenditure in future to be reclassified into P&L Account			
Income/expenses from currency conversion	-595	65	130
Other comprehensive income			
Group overall result	-595	65	-600
Allocation of overall result	-6,694	-7,639	-47,655
Shareholders of SLM Solutions Group AG	-6,694	-7,639	-47,655

Consolidated balance sheet

in kEUR	03/31/2020	03/31/2019	12/31/2019
Assets			
Cash on hand	20,337	38,109	25,523
Accounts receivables	21,733	22,069	15,488
Other financial assets	346	0	345
Inventories	29,085	36,429	28,281
Other non-financial assets	3,974	2,868	1,817
Current tax receivables	55	885	475
Total current assets	75,529	100,358	71,929
Intangible assets	25,676	23,742	24,288
Tangible assets	37,582	37,172	39,136
Companies accounted for by equity method	1	1,265	0
Other financial assets	140	375	525
Other non-financial assets	717	0	717
Deferred tax assets	42	9,152	43
Total non current assets	64,158	71,706	64,708
Total assets	139,687	172,064	136,637
in kEUR	03/31/2019	03/31/2018	12/31/2018
Equity and liabilities			
Trade payables	8,700	4,510	5,341
Financial liabilities	2,094	1,714	2,085
Other financial liabilities	360	905	451
Other non-financial liabilities	10,237	3,539	4,054
Provisions	5,210	4,482	5,293
Tax provisions	0	210	23
Total current liabilities	26,601	15,361	17,246
Financial liabilities	63,962	66,281	64,098
Pensions and similar obligations	6,890	5,722	6,719
Other financial liabilities	1,369	0	1,256
Other non-financial liabilities	344	204	425
Provisions	139	70	139
Deferred tax liabilities	2,561	0	2,240
Total non-current liabilities	75,265	72,277	74,877
Subscribed share capital	19,779	19,779	19,779
Additional paid-in capital	98,225	98,225	98,225
Consolidated loss for the period included in retained earnings	-77,436	-31,981	-71,337
Reserves	-2,748	-1,597	-2,153
Total equity	37,820	84,426	44,514
Equity and liabilities (total)	139,687	172,064	136,637

Consolidated cash flow statement

in kEUR	01/01/- 03/31/2020	01/01/- 03/31/2019	01/01/- 12/31/2019
Net profit/loss for the period	-6,099	-7,704	-47,055
Depreciation, amortisation and impairment losses	2,184	2,252	8,659
Interest expenses	1,016	1,037	4,152
Interest income	-14	-94	-176
Income tax	-109	-3,485	8,419
Non-cash expenses	1	111	442
Change in assets and liabilities	1,378	9,458	28,440
Inventories	-804	334	8,482
Accounts receivable	-6,245	12,688	19,268
Pensions and similar obligations	171	168	1,165
Liabilities	3,553	-5,330	-4,500
Provisions	-84	-8	872
Other liabilities	3,490	429	3,144
Other assets and liabilities	1,297	1,177	7
Income taxes paid	0	0	833
Other changes in current assets	0	0	-260
Net cash inflow / (outflow) from operating activities	-1,643	1,576	3,453
Cash outflows for investments in intangible assets and property, plant and equipment	-995	-2,107	-9,482
Investments in development costs	-1,023	-974	-3,368
Cash outflows for investments in joint ventures	0	-200	-200
Cash outflows for investments in financial assets	0	-1	0
Interest received	2	2	36
Net cash inflow / (outflow) from investment activities	-2,015	-3,280	-13,015
Capital injection by shareholders	0	13,000	13,000
Cash outflows for loans	-333	0	-963
Repayment of leasing liabilities	-109	-131	-850
Interest payments	-982	-1,003	-3,985
Net cash inflow / (outflow) from financing activities	-1,424	11,866	7,202
Net increase(decrease) in cash and cash equivalents	-5,083	10,162	-2,360
Change in financing funds due to exchange rate changes	-104	160	97
Cash and cash equivalents at the start of reporting period	25,523	27,786	27,786
Cash and cash equivalents at the end of reporting period	20,337	38,109	25,523

Consolidated statement of changes in equity

in kEUR	Subscribed share capital	Capital reserve	Consolidated loss for the period included in retained earnings	First time application reserve	Foreign exchange equalization reserve	Other reserves	Equity
Balance as of 01/01/2019	17,981	87,023	-24,281	-632	-51	-953	79,087
Change of Equity by first use of IFRS				-26			-26
Consolidated group result			-7,704				-7,704
Change in equity from foreign currency					65		65
Change of equity from capital increase	1,798	11,202					13,000
Balance as of 03/31/2019	19,779	98,225	-31,981	-658	14	-953	84,426
Balance as of 01/01/2020	19,779	98,225	-71,337	-549	79	-1,683	44,514
Consolidated group result			-6,099				-6,099
Change of equity from foreign currency					-595		-595
Balance as of 03/31/2020	19,779	98,225	-77,436	-549	-516	-1,683	37,820

Segment Reporting

The structure of the reportable segments has not changed compared with the previous year. The Board has identified the segments "Machine Business" and "After Sales Business" as the core business activities for the internal reporting system. In the segment "Machine Business" machines from the sector Selective Laser Melting, including options such as powder screening plant and other peripheral equipment are being considered. In the segment "After Sales Business" Service, spare parts, commodities together with powder, training and the installation of machines are taken into account.

01/01/2020 - 03/31/2020			
in kEUR	Machine Business	After Sales Business	Total
Revenue	13,496	4,352	17,848
Expenses	-16,054	-4,817	-20,871
EBITDA	-2,558	-465	-3,023
Depreciation, amortisation and impairment losses			-2,184
Interest result			-1,001
Taxes on income			109
Net profit/loss for the period			-6,099

01/01/2019 - 03/31/2019			
in kEUR	Machine Business	After Sales Business	Total
Revenue	4,060	3,276	7,336
Expenses	-9,341	-6,119	-15,460
EBITDA	-5,281	-2,843	-8,124
Depreciation, amortisation and impairment losses			-2,121
Interest result			-943
Taxes on income			3,485
Net profit/loss for the period			-7,704

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



Meddah Hadjar
SLM Solutions Group AG



Sam O'Leary, Chief Operations Officer (COO)

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Publisher

SLM Solutions Group AG

Estlandring 4
23560 Lübeck
Germany

Phone.: +49 (451) 4060-3000

Fax: +49 (451) 4060-3250

E-Mail: info@slm-solutions.com

www.slm-solutions.com

IR-Contact

SLM Solutions Group AG

Julia Stargardt

Tel.: +49 (451) 4060-4208

E-Mail: IR@slm-solutions.com

www.slm-solutions.com

Layout, Editor & Design

SLM Solutions Group AG

Estlandring 4
23560 Lübeck
Germany

Phone: +49 (451) 4060-3000

Fax: +49 (451) 4060-3250

E-Mail: info@slm-solutions.com

www.slm-solutions.com

Photos

SLM Solutions Group AG