1 Company
Success story of a technology pioneer

Development, assembly and sales of machines and integrated system solutions in the field of metal-based additive manufacturing

Lübeck-rooted **German engineering** company with a global reach

**More than 430 FTE** in Germany, Austria, France, Italy, USA, Singapore, Russia, India and China

**IPO in 2014** at Frankfurt Stock Exchange (Prime Standard)

**2017: revenues of EUR 82 million** (2014: EUR 34 million); revenues more than doubled since the year of the IPO

**2018: revenues expected in the range between EUR 90 and 100 million**

**2017: successful placement of a convertible bond of EUR 58 million**; second major capital market transaction in the company's history
Metal-based additive manufacturing: industrial applications
Provider of integrated system solutions – product portfolio

Key products

SLM®280 Production Series

SLM®800

Other

SLM®500

SLM®280

SLM®125
SLM Solutions Group AG has exposure to attractive end markets and has longstanding relationships with blue chip customers.

The market continues the shift from rapid prototyping to industrial applications.

SLM Solutions is well positioned to capitalise on this trend given SLM Solutions‘ technology and customer base.

SLM Solutions Group is already operating in key industries:

- Aerospace
- Automotive
- Tooling
- Healthcare
- Energy
Shareholder Structure (November 22, 2018)

- Hans-Joachim Ihde (via Ceresio GmbH) 16.77%
- Uwe Bögershausen 0.13%
- DPE Deutsche Private Equity B.V. (über Parcom Deutschland I GmbH & Co. KG) 4.67%
- Elliott International Limited 21.05%*
- Allianz Global Investors GmbH 4.9989%
- DWS Investment GmbH 3.52%
- Oppenheimer Global Opportunities Fund mit 5.56%
- Oppenheimer International Small-Mid Company Fund 5.56%
- Others 37.74%

* To interpret the voting rights announcements: Shares attributed to Mr. Paul E. Singer from Elliott International Limited through the subsidiary Cornwall GmbH & Co. KG
2 Technology
Metal-based additive manufacturing: how it works

1. Spreading powder material
2. Selective laser melting
3. Lowering of build chamber and new powder feeding

Repeat until finished
Powder Bed Fusion technology is most relevant for metal 3D printing

### Metal Technologies

<table>
<thead>
<tr>
<th>Technology</th>
<th>Materials</th>
<th>Typical markets</th>
<th>Relevance for metal</th>
<th>Companies with this technology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Powder bed fusion</strong></td>
<td>Metals, polymers</td>
<td>Prototyping, direct part</td>
<td>77%&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>Arcam AB, EOS, Concept Laser, Renishaw, Phenix Systems</td>
</tr>
<tr>
<td>- Thermal energy selectively fuses regions of a powder bed</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>- Key technologies: Selective Laser</td>
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<tr>
<td><strong>Directed energy deposition</strong></td>
<td>Metals</td>
<td>Direct part, repair</td>
<td></td>
<td>TRUMPF, Optomec, DMG Mori</td>
</tr>
<tr>
<td>- Focused thermal energy is used to fuse materials by melting as the material is deposited</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Sheet lamination</strong></td>
<td>Metals, paper</td>
<td>Prototyping, direct part</td>
<td></td>
<td>Mcor Technologies</td>
</tr>
<tr>
<td>- Sheets of material are bonded to form an object</td>
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<tr>
<td><strong>Binder jetting</strong></td>
<td>Metals, polymers, foundry sand</td>
<td>Prototyping, direct part, casting molds</td>
<td></td>
<td>Voxeljet ExOne</td>
</tr>
<tr>
<td>- Liquid bonding agent is selectively deposited to join powder material</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Material jetting</strong></td>
<td>Polymers, waxes</td>
<td>Prototyping, casting patterns</td>
<td></td>
<td>Others</td>
</tr>
<tr>
<td>- Droplets of build material are selectively deposited</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Material extrusion</strong></td>
<td>Polymers</td>
<td>Prototyping</td>
<td></td>
<td>Others</td>
</tr>
<tr>
<td>- Material is selectively dispensed through a nozzle or orifice</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Vat photopolymerization</strong></td>
<td>Photopolymers</td>
<td>Prototyping</td>
<td></td>
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</tr>
<tr>
<td>- Liquid photopolymer in a vat is selectively cured by light-activated polymerization</td>
<td></td>
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</tr>
</tbody>
</table>

<sup>(a)</sup> Powder bed fusion technology accounting for 77% of metal based 3D systems sold as per CODEX Partners analysis

Source: ASTM International Committee F42 on Additive Manufacturing Technologies; Roland Berger, CODEX Partners
Advantages of SLM® technology

Particularly in the production with complex geometries of components additive manufacturing is

- **faster**: build time reduced by up to 90%
- **more efficient**: “bionic geometry”, weight reduction by up to 60%
- **more cost effective**: reduction of component costs by up to 70%
- **more flexible**: “complexity comes for free”, decentralized “on demand” production
Multi-laser technology paves the way for industrial production

Reducing build part costs

- Combining high surface quality with faster builder speed (getting rid of the trade-off)
- Component costs on large SLM® machines can be reduced by two thirds compared with smaller machines
- Trend toward multi-machine orders
Demo Turbine Blade Inc 718

- Material: Inc 718
- Height: 75 mm
- Volume: 22.772 ccm
- Weight: 187g
- Industry: Energy, Aerospace
## Comparison of Demo Turbine Blade Inc 718

<table>
<thead>
<tr>
<th>Data</th>
<th>SLM®280 Single 400W</th>
<th>SLM®280 Twin 400W</th>
<th>SLM®500 Quad 400W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parts/Job</td>
<td>43</td>
<td>43</td>
<td>78</td>
</tr>
<tr>
<td>Time (h)</td>
<td>77:42</td>
<td>41:50</td>
<td>41:28</td>
</tr>
<tr>
<td>Job cost (€)</td>
<td>3.192 €</td>
<td>2.098 €</td>
<td>3.469 €</td>
</tr>
<tr>
<td>Part build time (min)</td>
<td>109</td>
<td>59</td>
<td>32</td>
</tr>
<tr>
<td>Part cost (€)</td>
<td>74,23 €</td>
<td>48,81 €</td>
<td>44,47 €</td>
</tr>
<tr>
<td>Build Rate (cm³/h)</td>
<td>12.6</td>
<td>21.8</td>
<td>42.9</td>
</tr>
</tbody>
</table>
“Complexity comes for free”
Financial Highlights
Profitable growth since IPO

Revenue (EUR million)

- CAGR 2011-2017: 38.0%
- Around 90-100

→ Strong top line growth

Adj. EBITDA (EUR million)

- EBITDA margin in the positive single-digit range

→ Maintaining Profitability

1 According to the adjusted forecast of November 08, 2018
Overview 9M 2018

- YoY revenue slightly decreased by 3.6% to EUR 48.34 mn (9M/2017: EUR 50.16 mn)
- Total Operating Revenue increased by 15.5% to EUR 59.40 mn (9M/2017: EUR 51.41 mn)
- New order intake in value terms (adjusted by Frame Agreements signed in 9M/2017) increased by almost 13% (EUR 4.72 mn) to EUR 41.28 mn (9M/2017: EUR 36.56 mn), order intake without adjustments down by 45.8% compared y-o-y
- Current adjusted order intake (01 January to 07 November 2018) in value terms increased by 14.8% to EUR 43.91 mn
- EBITDA improved by around 10% to EUR -4.33 mn (9M/2017: EUR -4.76 mn), personnel cost ratio decreased from 40.7% to 36.7% compared y-o-y
- New record on sales prospects/leads: EUR 422 mn (28.27% up compared y-o-y)
- Thanks to its advanced technology, **SLM Solutions is very well positioned** to participate in the near- and long-term growth opportunities
Sales prospects further increased

Sales leads/potential business on record level

Further momentum driven by large industrial companies

Existing SLM Solutions’ customers starting to heavily adopt AM in its industrial production processes

Well-prepared with production-oriented machine portfolio

Solutions-based approach combines machines, software, consulting and consumables
High dependency on 4th quarter

Revenue development (EUR mn)

- Revenue in Q3/2018 increased by 27.5% compared to Q2/2018, but decreased by 11.7% compared y-o-y
- Achievement of overall guidance depends highly on the fourth quarter

Revenue of the last twelve months (EUR mn)

- Rolling observation of a full year period more meaningful: cumulative sales revenues for twelve months regularly above EUR 80 mn
After Sales Business with further growth potential

77% of 9M/2018 revenues were generated by machine sales compared to 78% in 9M/2017

23% of 9M/2018 revenues were generated by after sales (including service revenue, replacement parts sales and merchandise sales)

After sales business with further growth potential

Consolidated revenue (by segments; EUR mn)

<table>
<thead>
<tr>
<th></th>
<th>9M/17</th>
<th>9M/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machine</td>
<td>39.1</td>
<td>37.2</td>
</tr>
<tr>
<td>After Sales</td>
<td>11.0</td>
<td>11.1</td>
</tr>
<tr>
<td>Total</td>
<td>50.2</td>
<td>48.3</td>
</tr>
</tbody>
</table>
SLM Solutions received orders for 67 machines in 9M/18 (9M/17: 120, adjusted by Frame Agreements: 60)

Thereof 62.7 % multi-laser machines (9M/17: 53.3%)

Current order intake (Basis: 07 November 2018, adjusted by Frame Agreements) is at EUR 43.91 mn resp. 73 machines vs. EUR 38.25 mn resp. 64 machines compared y-o-y

Average order value remains on higher level
EBITDA improved y-o-y

**Adjusted EBITDA (EUR mn / %)**

- EBITDA margin 9M/2018 with -9.0% improved compared to 9M/2017* with -9.5%
- Lower personnel cost ratio due to continuous process improvement
- Higher cost of materials ratio due to stock-building in preparation of a strong 4th quarter

*adjusted in 2017 for Retention Bonus
Working Capital significantly increased in Q3/2018: EUR 62.71 mn

Increase in Working Capital intensity by 18.2 pts. y-o-y to 77.7% (Q3/2017: 59.5%)

Main reason for increase of Working Capital: Increase of inventories from EUR 34.0 mn in Q3/2017 to EUR 38.0 mn in Q3/2018 and decrease of payables from EUR 11.4 (Q3/2017) to EUR 5.9 mn (Q3/2018)
Outlook
Huge market potential...

Additive manufacturing of metal parts

Global manufacturing industry: 10.5 USD trillion

Current market 500-750 million

<0.01% 1% 2%

200+ billion 100+ billion

1) 2012, Wohlers Associates
Adoption barriers for further growth and how we overcome them

**BARRIERS**

- Missing Know-How in Additive Manufacturing
- Learning curve in using laser melting systems
- New part design – know how, habits, tools
- Certification and quality assurance
- Complexity of machines and solutions
- Learning curve in implementing in production process chain

**SOLUTIONS**

- SLM® machines
- After Sales
- Training & Consulting
- Software tools
- Metal powder
- Other consumables
- Turnkey Solutions
- Financing
- ...
Management outlook 2018 further detailed

- Revenues expected of around **EUR 90 mn to EUR 100 mn**, highly depending on Q4
- **Positive single-digit EBITDA margin** expected
- Pursuing **multiple leads** on new customers and multi-machine orders to capture the momentum

- Long-term Vision of **EUR 500 mn** with a positive EBITDA-Margin of around 20% by year 2022 confirmed, but strategy to be reviewed
- Focus remains on **long-term frame contracts** and collaboration agreements; overall: “tight” and long-term relationship with customers
- Product mix will include **more production-oriented machines**
Investment Highlights

1. Deep rooted additive manufacturing heritage
2. German engineering with a global reach: international expansion in growth markets
3. Enormous addressable market for metal additive manufacturing
4. Technological leadership position due to multi-laser technology
5. Expanding installed base at blue chip customers
7. Clear growth strategy: full-service provider for additive manufacturing
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