SLM SOLUTIONS

ANNUAL REPORT

2020

2020

PUSHING THE LIMITS

A NEW ERA OF MANUFACTURING

CONTENTS

HIGHLIGHTS

	Unit	2020	2019	Change
Revenue	kEUR	**61,759**	48,962	26%
Total Output	kEUR	**64,570**	44,806	44%
EBITDA	kEUR	**-14,781**	-26,001	-43%
EBITDA-Margin	%	**-24%**	-53%	34%
Period Result	kEUR	**-30,252**	-47,055	-36%
EPS	EUR	**-1.53**	-2.38	
Order Intake	kEUR	**46,085**	67,677	
Order Backlog	kEUR	**30,217**	34,978	
Number of Shares		**19,778,953**	19,778,953	

TECHNOLOGY PIONEERS

SLM Solutions is a forward-thinking technology company that has consistently created world firsts in the field of metal additive manufacturing. We have a proud technology heritage as one the core inventors of the process, and continue to push boundaries every day thanks to the creativity of our global workforce, of which >40% are engineers.

The core business of SLM Solutions is to produce and sell machines for the additive manufacturing of metal parts (metal 3D printers). Today, SLM® machines are used for serial production and prototyping in various industries including but not limited to aerospace, automotive, energy, healthcare, tooling as well as research and development. SLM Solutions partners with various leading companies in these industries and thus relentlessly innovating metal-based additive manufacturing.

As an integrated solution provider, SLM Solutions' product portfolio includes not only machines, but also software, metal powder, quality assurance products and consulting. SLM Solutions' experts work with customers at each stage of the process to provide support and knowledge-sharing. Thus, allowing our valued customers to elevate the use of our technology while ensuring their return on investment is maximized.

SLM Solutions Group AG is headquartered in Germany with offices in Canada, China, France, India, Italy, Russia, Singapore and the United States. With a global sales and service network, SLM Solutions is always close to the customer and readily available.

ABOUT US

- SLM Solutions is #1 in the industry of multi-laser machines
- It has been 16 years since the first industrial selective laser melting machine installation
- SLM Solutions has a 100% focus on metal additive manufacturing and alloy development
- SLM Solutions has installed over 650 machines around the world

SELECTIVE LASER MELTING

3D printing metal has become a cost-effective manufacturing alternative for countless applications across a variety of major industries.

The additive manufacturing process begins with a 3D model of the objective to be manufactured. On the base of this data, the object is fused layer-by-layer in a metal powder bed, using one or more simultaneously operating lasers.

Unlike laser sintering, selective laser melting completely melts each layer into the previous in order to create completely dense metal parts.

Compared to traditional manufacturing methods, additive manufacturing enables parts with complex geometric shapes and hollow structures to be produced.

"I realized the potential selective laser melting technology possessed to disrupt traditional metal part design and manufacturing. It was my goal to develop a reliable technology, but to also commercialize a successful product. I am proud of the advancements we've made by partnering with our customers and supporting them to achieve new possibilities with metal using our technology."

Dr. Dieter Schwarze, co-inventor of selective laser melting and chief engineer at SLM Solutions

SLM® MACHINES

The industrial metal additive manufacturing machines of SLM Solutions are available in numerous build envelope sizes and in different configurations. Whether it be a thrust chamber for rocket engines or a hip cup, SLM® machines are tailored to different applications. SLM Solutions is prepared to address different customer needs and be readily available to produce certified parts in series.

SLM Solutions was the first to offer multi-laser systems and is still the proud marked leader in this segment. SLM® machines are equipped with up to 12 lasers working simultaneously in overlapping areas to achieve maximum productivity, speed and reduced costs per part. Further patented innovations ensure highest safety, a consistent high part quality and over all underline the technology leadership of the company. With its patented multi-laser technology, SLM Solutions has a significant competitive advantage in the market.

SLM®125

The SLM®125 is particularly noteworthy for educational institutions and commonly used for medical applications, from prototyping to qualified serial production. Numerous advantages of the technology are combined on one small footprint.

- 125 x 125 x 125 mm build envelope
- 400 W Laser
- Powder handling under inert atmosphere

SLM®280 2.0

The SLM®280 2.0 is ideal for medium to high volume metal part production and prototypes. The machine is used, among others, by small and medium sized enterprises, job shops, R&D and customers with specific requirements to batch separation.

- 280 x 280 x 365 mm build envelope
- Multi-laser (twin)
- Unique dual laser as well as Multi-laser (twin) options

SLM®280 PRODUCTION SERIES

Featuring multiple lasers and high process stability for demanding applications. The machine is especially designed for serial production.

- 280 x 280 x 365 mm build envelope
- Up to 700 W, Multi-laser twin
- Automated powder management

SLM®500

Representing the first quad-laser metal system on the market, the SLM®500 can integrate lasers independently or in parallel to increase build rates by 90% over twin laser configurations. Designed for serial production, exchangeable build cylinder enables shortest possible fire to fire times reducing downtimes of the machine to a minimum. Leading OEMs and Tier 1 suppliers focusing on automotive, energy and aerospace applications are using this machine for prototypes or qualified serial production.

- 500 x 280 x 365 mm build envelope
- Multi-laser: Twin (2x 400W or 2x 700W) Quad (4x 400W or 4x 700W)

SLM®800

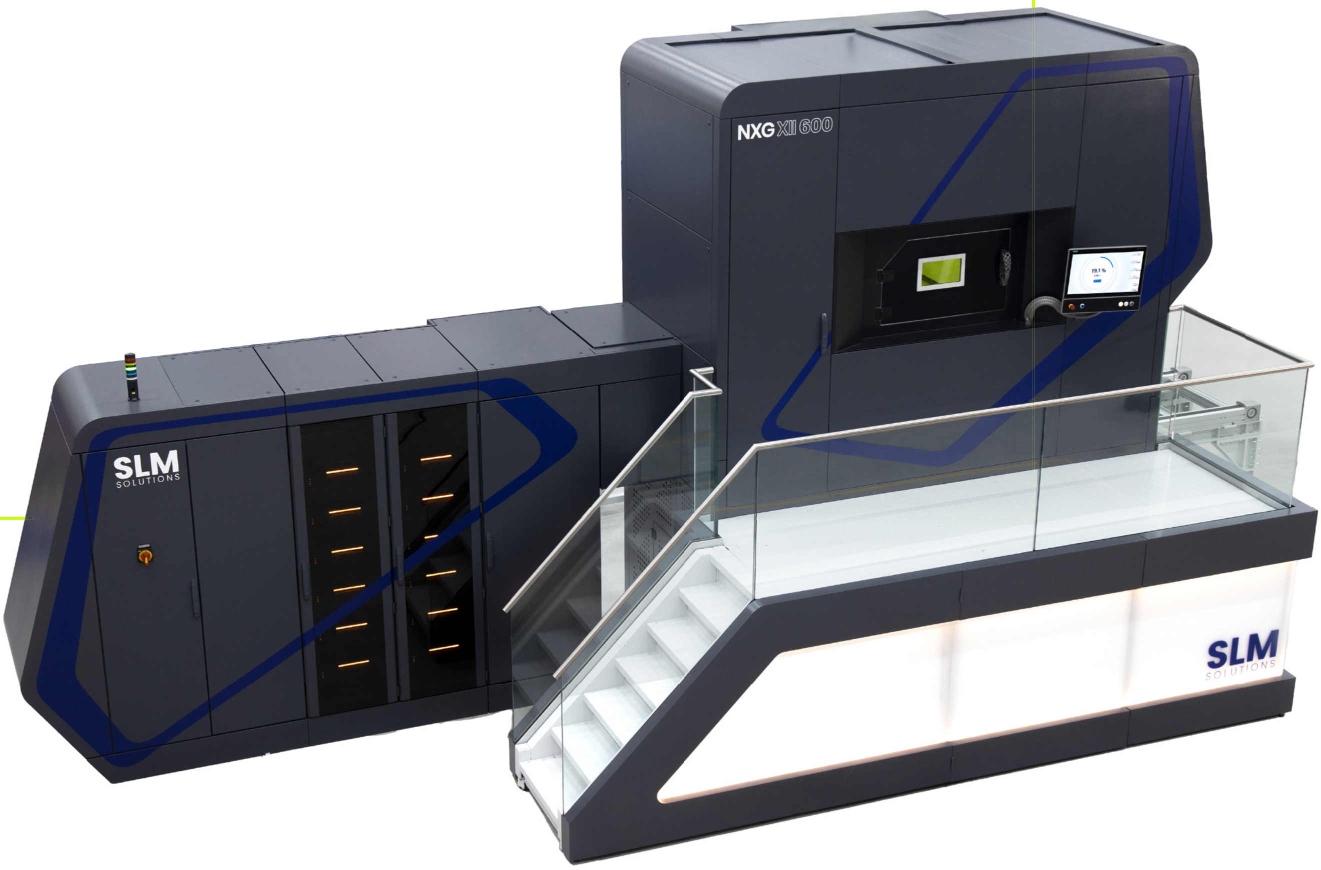
The SLM®800 features an extended z-axis for large-scale production. This gives customers the ability to connect multiple machines via the SLM HUB®, opening new possibilities for serial production. Customers from industries including aviation, space, energy & service bureaus rely on the SLM®800, featuring highest degree of automation.

- 500 x 280 x 850 mm build envelope
- Multi-laser (4x700W)
- Automated depowering, cylinder transport and cool-down in SLM HUB®

NXG XII 600

The NXG XII 600 is equipped with 12 lasers, 1 KW each and a build envelope of 600x600x600 mm. It is designed for serial production for high-volume applications. In a series production part outcome of more than 10,000kg per year can be achieved, independently if single large-scale components or multiple small components are produced per build. The NXG XII 600 offers lowest cost per part and highest throughputs focusing on leading OEMs & Tier 1 suppliers from aerospace, automotive & energy sector.

- 600x600x600 mm build envelope
- 12 lasers with 1KW power
- Variable laser beam diameter



INDUSTRY INSIGHTS

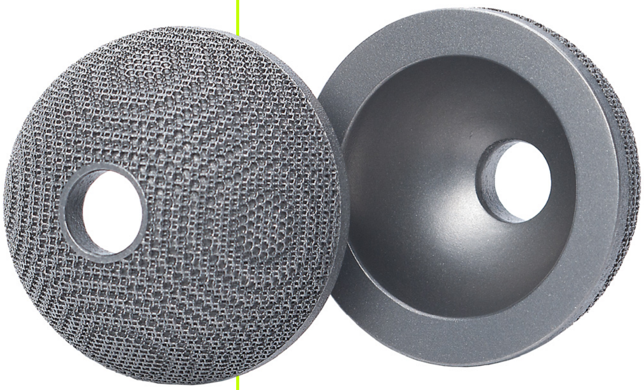
METAL ADDITIVE MANUFACTURING SOLUTIONS FOR HEALTHCARE

Medical device manufacturers are increasingly adopting metal additive manufacturing technology to produce a wide range of medical and dental parts. Selective laser melting is used to manufacture functional prototypes, for the serial production of surgical implants.

This technology gives companies the ability to manufacture new designs of instruments and equipment while being utilized for mass customization, i.e. the production of patient-matched implants and prostheses on a large scale. Dental prosthetic components, orthopedic, spine and cranio-maxillofacial implants are all common applications of the SLM® technology.

Selective laser melting is the ideal production technique to integrate function into medical device components. Such technology allows printing surgical implants with lattice structures designed for enhanced osseointegration and reduced stress shielding. Designs optimized for SLM® process, those custom to patients' anatomy, often create complex, bionic geometries only able to be manufactured with selective laser melting technology. Additionally, SLM Solutions helps to qualify the production of biomedical components while sharing knowledge and best practices to ensure success with selective laser melting.

ORTHOPEDIC HIP IMPLANT



Build Data:

- Machine: SLM®280
- Material: Ti6Al4V
- Layer Thickness: 60µm
- Build Time: 30 Minutes per part

Benefits of utilizing the SLM® Process

- Integration of function, as the lattice can be printed in-process
- Complex geometry build with control over strut size, shape, orientation and overall porosity
- Productivity and cost advantages over conventional manufacturing techniques

ORTHOPEDIC KNEE IMPLANT

Build Data:

- Machine: SLM®280 Twin
- Material: CoCr28Mo6 (ASTM F75)
- Layer Thickness: 30 µm

Benefits of utilizing the SLM® Process

- Integration of functional lattice structure for implant retention
- Complex geometries of personalized implants produced efficiently
- Productivity and cost advantages for patient-matched components

SERVICES

SERVICES AND SOLUTIONS

Services and Solutions have an increasing importance in our overall corporate strategy. Services generate reoccurring revenue and drive innovation through close collaboration with our customer base. The aftermarket continued to make a strong contribution to the success of the company and that of our customers in 2020. The portfolio of machine-related services and products has been and will continue to be consistently expanded and adapted to the needs of our customers in order to enhance this financial performance.

SLM Solutions provides customer-scalable solutions all along the entire customer's journey from their business case over pre-delivery, initial operation, low rate initial production to full rate production phase. The product portfolio includes, among others, benchmark production, production services, consulting, and various additive manufacturing trainings as well as machine services and consumables. We enable customer success, which is defined by their efficient and effective production lines (on top of the singular SLM® machine performance).

In 2020, SLM Solutions was able to restructure the service division by strengthening our team of experts. The division will increase in importance and grow further in the coming years. Customer-specific solutions have been added to the offering of standard service level agreements. This allows us to ensure improved customer success, especially in times where our customers turn to series production AM capabilities. The implementation of further digital systems for even more intensive and direct networking of customer needs with our more than 100 employees reinforces this strategy. The entire organization owns and owes customer success to our end users.

MATERIALS

The raw material of the selective laser melting process is spherical metal powder, usually in a nominal particle size distribution of 10 - 45 or 20 - 63 µm micrometers. SLM Solutions provides a range of high-quality powders including aluminum-based alloys, nickel-based alloys, steels, titanium alloys and most recently copper alloys.

Since the properties of metal powder utilized by SLM® machines significantly impact the achievable results, SLM Solutions established a powder division in 2016. Since, this has allowed us to supply customers with materials that ideally fit selective laser melting machines for qualified serial production. Until today, the division has recorded steady growth and will constitute a growing segment within the company in the future.

SLM Solutions sets high standards in the selection and production of metal powders, working exclusively with audited specialists in order to guarantee the consistent quality of its metal powders. Even for special alloys and small batch sizes, SLM Solutions has qualified strategic partners. In this way, an optimal customer solution is offered for every material and volume requirement.

RESEARCH & DEVELOPMENT

In the past, the company has reinvested a disproportionally high share of its revenues in researching and developing new technologies as well as refining its existing machines and software. As of December 31, 2020, there were 107 members of staff employed (FTE) in Research and Development (R&D). Every day, working on driving the development and innovation of SLM Solutions products forward. At the end of 2020, SLM Solutions held 72 published and still active patent families, increasing SLM Solutions to holding nearly 400 individual IP right publications in various countries. In addition, worldwide SLM Solutions holds 129 granted patents. Coming together, SLM Solutions will continue to rank as the industry trailblazer in technologies.

MISSION STATEMENT:

"As the technology pioneer we create endless possibilities to change the future of manufacturing forever"

WELCOME
TO THE NEW ERA OF ADDITIVE MANUFACTURING

In November 2020, SLM Solutions launched the most productive SLM® machine on the market. With an online-event due to COVID-19, SLM Solutions presented the NXG XII 600, a revolution in metal additive manufacturing.

A TRUE GAME CHANGER IN THE INDUSTRY

The NXG XII 600 features 12 lasers with 1KW power each and a build envelope of 600x600x600 mm. With these features and the ability to manufacture square or round parts, SLM Solutions is opening new applications with a strong presence in the aerospace, automotive and energy sector. Several pre-orders show that the NXG XII 600 could already prove itself meeting customer requirements only months following the launch.

Compared to an SLM® machine in single laser configuration (*SLM®280 single laser system), the NXG XII 600 is twenty times faster, making it the fastest machine on the market.

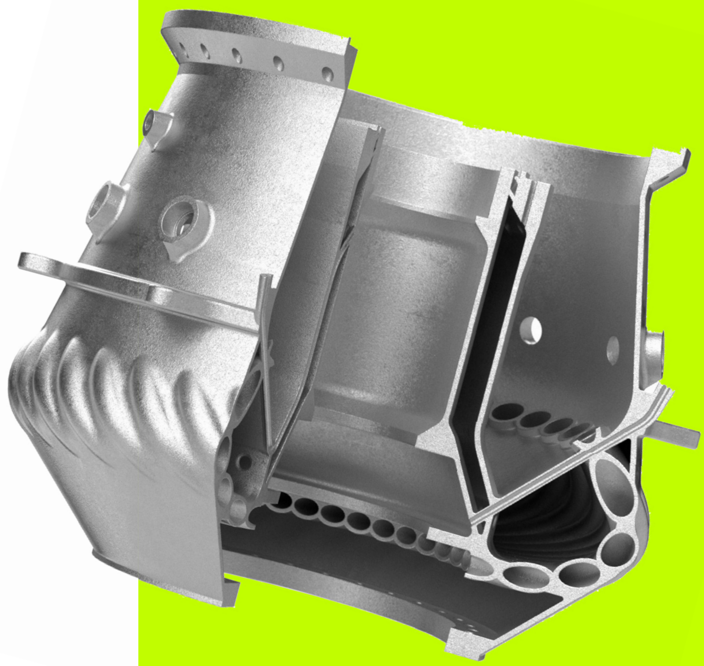
20 TIMES FASTER THAN A STANDARD SINGLE LASER SYSTEM

With the support of technical innovations, along with maximum productivity, the NXG XII 600 is well equipped for series production of large metal parts. The concept of the machine is based on four main principles: Productivity, size, reliability and safety. Proof that the NXG XII 600 is here and ready to order is provided by the components produced on the machine.

DESIGNED FOR SERIAL PRODUCTION

Midframe:

As a result of the exceptionally complex design, parts like the midframe pictured are difficult to manufacture with traditional manufacturing methods. The part, which was used for an application in the aerospace and defense industry, has a diameter of 560.0 x 427.5 mm and was produced in only 69 hours. As a result, a density of 99.5 % was achieved on the total substrate surface. A radically improved use of laser time in the build process enables unrivaled build-up rates. This application shows the speed and productivity of the new 12 laser SLM® machine, the NXG XII 600.



TEAMWORK
@ SLM SOLUTIONS

The NXG XII is a testament to how SLM Solutions is pushing the limits in the additive manufacturing ecosystem. To our employees, this machine reflects years of research and development, being a great milestone for the company.

JONAS,
PRODUCT MANAGER NXG XII 600

"As a product manager, I have been involved in the development of the NXG XII 600 since the beginning of the project. I am impressed by the energy with which the development team has tackled the implementation of the product requirements and created a new generation of machines, which at the same time opens up new areas of application and has increased economic efficiency. I am overwhelmed by the positive feedback and the great interest in the machine since its release in November 2020. In the many discussions with prospective customers and partners, it became clear that we are meeting customer needs in the best possible way."

TEAM-WORK

CHRISTIANE,
TEAM LEAD OPTICS & LASERS

"In the course of the development of our NXG XII 600 we significantly increased the workforce capacity of our already strongly capable optical team. With the multiple skills and fantastic talents, we could master the different challenges to reach an amazing new product: our NXG XII 600."

MARCEL,
TEAM LEAD POWDER & PART HANDLING SYSTEM

„I supervised the construction of the prototypes and the powder transport and I particularly liked the constant technological progress we were able to achieve during the project. The launch was extraordinary, because we first planned with a physical presentation at the Formnext 2020 exhibition and then switched to a video launch during the project due to the pandemic situation. We are impressed by the amount of positive feedback we've received from the AM market and also from our employees."

DANIEL,
SENIOR SYSTEM ENGINEER

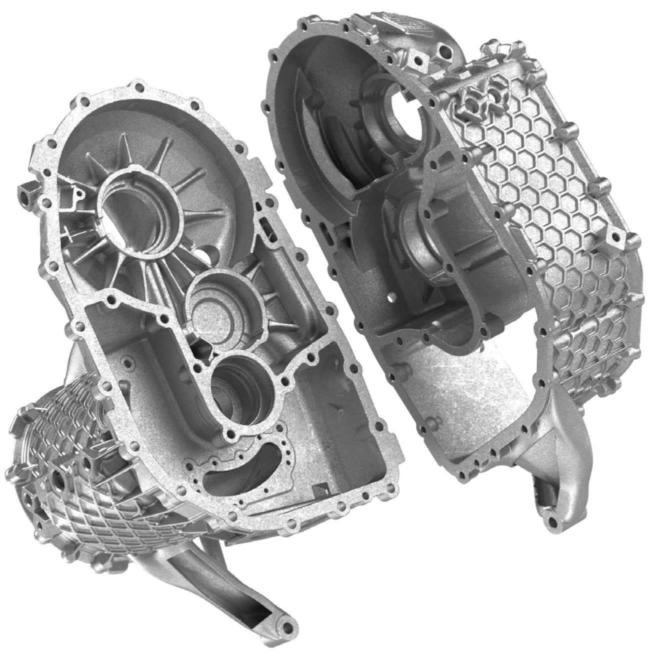
"As a system engineer for the NXG XII 600, I am technically responsible for the project, coordinate a multidisciplinary team and have to ensure, among other things, that the NXG XII 600 meets the high customer requirements. The goal was to build a robust, safe and performant machine and thus bring the industrialization of 3D printing to a new level. The launch event was exciting, thrilling and the consistently positive customer feedback on the NXG XII 600 is a reward for the hard work of the entire team, who I would like to take this opportunity to thank again!"

MORE 2020 NEWS

PORSCHE: E-DRIVE HOUSING PRINTED ON NXG XII 600

One company that has already tested the productivity of the NXG XII 600 is Porsche. The Porsche advanced powertrain engineering department focuses on large powertrain applications, such as E-drive housings, cylinder blocks, cylinder heads etc. in additive manufacturing. In a proof of concept with the NXG XII 600, a complete E-drive housing with an innovative AM Design was successfully printed. Porsche thereby sets high quality demands on the part: A permanent magnet motor with 800 volt operating voltage delivers up to 205 KW (280 hp). The downstream two-stage transmission is integrated in the same housing and drives the wheels with up to 2,100 Newton meters of torque. This highly integrated approach is designed for use on the front axle of a sports car.

All the advantages of additive manufacturing have been implemented in this housing including topology optimization with lattice structures to reduce the weight, functional integration of cooling channels, higher stiffness and reduced assembly time by the integration of parts as well as improvements in part quality. The E-drive unit measures 590 x 560 x 367 mm and was built in only 21 hours on the NXG XII 600.



DEVELOPMENT COOPERATION FOR THE QUALIFICATION OF ALUMINUM PARTS

Honeywell and SLM Solutions achieved an important success in their development collaboration for the qualification of aluminum parts printed with high layer thicknesses. Newly developed parameter sets for aluminum alloy F357, a new beryllium free version of AlSi7Mg0,6 (A357), lead to considerably improved material properties compared to parts produced through die-casting. The work between Honeywell and SLM Solutions, announced in 2019, aims to reduce manufacturing times and costs to produce 3D printed aircraft components that meet the high requirements of the aerospace industry.

ADDITIVE ALLIANCE (MAGNET): FIGHTING AGAINST CORONA

IIn April 2020 SLM Solutions has launched the Additive Alliance Against Corona, an initiative to combine the forces of the Additive Manufacturing industry to fight together against the effects of the Coronavirus. One of the biggest advantages of 3D printing is the rapid response time in being able to produce a product. COVID-19 has been spreading rapidly and fast solutions to save valuable time are required. There are multiple examples of how this network has generated impactful solutions in a very short turnaround time, such as the rapid production of injection molds for the production of face shields to be used by medical professionals and caregivers.

TO THE SHAREHOLDERS

LETTER FROM THE CEO

Dear shareholders, colleagues, customers, and partners,

While the start of a new decade usually brings hope, the world came to an almost complete standstill in 2020. Like most companies, SLM Solutions needed to adopt quickly to the challenges caused by the COVID-19 pandemic. We immediately implemented the necessary steps to ensure the safety of our employees, partners and customers, to maintain our business operations and to continue to push our development projects forward. Despite those unfavorable market conditions, SLM Solutions looks back on an overall successful year. We delivered strong revenue growth and made huge steps forward in our ongoing turn-around process which we started in 2019.

Although two of our key markets, civil aviation and automotive, were significantly impacted by the COVID-19 pandemic, the value proposition of metal additive manufacturing, and our technology remains as strong as ever. Over the last years, an ever-increasing number of companies have built up extensive additive expertise giving the technology a more central role in their product development process and thereby continuously pushing its adoption. In addition, we and the overall industry have worked hard to clear key hurdles on the way to industrialization of metal additive manufacturing. Machine reliability has further improved significantly now matching the requirements of serial production. Moreover, the entire industry together with its customers has been working diligently on standardized classification processes to further push adoption of additive technology. Finally, with the introduction of new, more productive machine generations, metal additive manufacturing has become more cost competitive when compared to traditional manufacturing methods.

As a company, we further clarified our strategic direction over the last year. Overall, we focus our activities on three strategic pillars.

- Technology Leadership - We continue to push the limits of additive manufacturing and thereby expand our technology leadership.
- Operational Excellence - Given our vast industrial experience, we deliver world-class operations.
- Best-in class AM solutions provider – We want to remain the most relevant solutions provider in the complex additive manufacturing ecosystem.

Sam O'Leary, CEO

We have always been the technology leader in our industry. We were the first to introduce a machine based on the powder bed fusion technology in 2003. We launched the first twin-laser and quad-laser systems in 2011 and 2013 respectively. In November, we once again demonstrated our technological leadership. We launched our new, revolutionary machine platform – the NXG XII 600 which is the first machine to enable large-scale serial production using metal additive manufacturing technology. The reactions of our customers so far even exceeded our already very high expectations. The system is currently still in the beta test phase with important customers. We expect that our current production capacities will not be sufficient to meet the foreseeable demand for the NXG XII 600 and subsequent systems.

From an organizational perspective, we were able to further strengthen our management team over the last year. We hired a new CFO, Head of Services, General Counsel, and many more extremely talented individuals with a vast industry experience which will help us to further drive operational excellence across the organization. While we have already made significant strides on our path to world-class operations, we still see significant potential to further improve efficiency and productivity.

We continued to work closely with our customers to push and accelerate adoption of additive manufacturing. For instance, together with Honeywell, we have made significant progress in the qualification of aluminum parts in the aerospace industry which will lead to even more additive manufactured parts within planes in the near future. This is only one of many examples of close collaborations we have created with our customers.

Overall, given the strength of our existing product portfolio, alongside the introduction of our NXG XII 600 platform and the positive feedback from our customers, we strongly believe that we are at an inflection point for the metal additive industry and our company. Over the next years, the metal additive market is expected to grow significantly and enter market segments which were exclusively reserved for traditional manufacturing methods in the past. We are well positioned to not only participate in that growth but drive it proactively by being at the forefront of it by enabling large scale serial production with additive technology.

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.

Sam O´Leary
Chief Executive Officer, SLM Solutions

MANAGEMENT BOARD MEMBERS (as of: 31 December 2020)

Sam O'Leary, Chief Executive Officer (CEO)

Sam O'Leary (*1983) has been Chief Executive Officer (CEO) of SLM Solutions since 20 January 2021. Before assuming the CEO role, he was the COO of SLM Solutions. Mr. O'Leary draws on a high degree of expertise in the fields of development and commercialization of additive production plants, the industrialization of production processes and optimization of supply chains. Before joining SLM, Mr. O'Leary oversaw product management for the Concept Laser Division at General Electric and he was responsible for the development and commercialization of all product systems. Earlier stages in Sam O'Leary's career comprised Alstom/GE and Score Group plc.

Andre Witt, General Counsel and Member of the Management Board

André Witt (*1982) has been Member of the Management Board of SLM Solutions Group AG on an interim basis since January 2021. As General Counsel of SLM Solutions he is responsible for Legal & Compliance as well as the risk management. Prior to this, he served in roles at Siemens Gamesa, Senvion GmbH and E.ON.

Meddah Hadjar, Member of the Management Board (until 31 January 2021)

Meddah Hadjar (*1967) was the Chief Executive Officer (CEO) of SLM Solutions Group AG until 20 January 2021. Mr. Hadjar has a bachelor's degree and a Master of Science degree in Aerospace Technology and commands extensive international experience of management, product management, additive manufacturing and engineering. For over two decades, Mr. Hadjar held key management positions with the US group General Electric, including GE Aviation, GE Oil & Gas and GE Power & Energy divisions.

Frank Hülsmann, Mitglied des Vorstandes (until 31 March 2020)

Frank Hülsmann (*1968) was CFO of SLM Solutions until 2 March 2020. He studied business administration at University-GH Paderborn. Before joining SLM, he was a board member responsible for finance & HR at Delvag Versicherungs-AG in Cologne. Previously, he held various finance positions with Lufthansa AG and Commerzbank AG.

Dr. Gereon W. Heinemann, Member of the Management Board (until 18 February 2020)

Dr. Gereon W. Heinemann (*1970) was member of the executive board of SLM Solutions Group AG until 18 February 2020. He studied Production and Transformation Sciences at ETH Zurich, Global Production Engineering at TU Berlin and obtained his doctorate at ETH Zurich. Extensive operational experience followed at MEWAG AG, at Schlatter Industries AG, at Fritz Studer AG (Körber Group) and also at IRPAD AG before he worked for SLM Solutions.

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

REPORT BY THE SUPERVISORY BOARD

Ladies and Gentlemen,

Despite the global COVID-19 pandemic and the negative implications to some of our key customer industries and the severe restrictions to doing business in general, the fiscal year 2020 was successful for SLM Solutions. The new management team and the significant changes it has introduced since 2019 across the organization and essentially all business processes have started to show very positive initial results. Against the adverse business environment driven by the COVID-19 pandemic, SLM Solutions returned to the growth path, showing a 26% year-over-year revenue growth, higher than any of its listed competitors and at a market leading gross margin of 53%. With the launch of the NXG XII 600 system, SLM Solutions successfully completed its ambitious project to develop a system that will push the entire industry towards powder bed fusion additive manufacturing being an economically superior manufacturing technology for broad ranges of industrial manufacturing.

In the 2020 fiscal year we continued to have some changes on the senior management level. Frank Hülsmann, who was appointed CFO on January 1 2020, unfortunately had to leave the company in March 2020 for health reasons. Our new CFO Dirk Ackermann joined the Company in June 2020. Dr. Gereon Heinemann who formerly was the Company's Chief Technology Officer left the Company in February 2020. At the management board level his responsibilities were taken over by Sam O'Leary who built a strong research and development team from existing and newly hired engineering talent since taken over. Since 20 January 2021 Sam O' Leary is leading the organization as SLM Solutions' new CEO replacing Meddah Hadjar who left the company due to private reasons.

Dr. Nicole Englisch was appointed by the 2020 Annual General Meeting to SLM Solutions´ Supervisory Board, who complements the overall board composition with her strong legal and commercial expertise.

In the 2020 financial year, the Supervisory Board provided ongoing advice to the Management Board on running the company and constantly monitored and reviewed its performance. The yardsticks for doing so are lawfulness, regularity and practicality with the focus on the long-term financial success of the company. The Management Board informed the Supervisory Board regularly, promptly, and extensively about all significant topics for SLM Solutions, especially about the corporate strategy, the status of the implementation of all strategic initiatives, and current business progress. 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 at all times involved in the Management Board's decisions of fundamental importance to the company. Consequently, we 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.

Individual members of the Supervisory Board, in particular its Chairman and the Chairman of the Audit Committee were in close contact with the Management Board for the purposes 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

In total, the Supervisory Board convened eight times for regular meetings during the reporting period. At one meeting, a member of the Supervisory Board was excused for private reasons; all other meetings were held with all members of the Board. Beyond the regular meetings the supervisory board passed time-critical decisions by way of a circular resolution.

On 03 February 2020, the Supervisory Board met to discuss the financial performance in 2019 and to discuss and approve the budget for 2020, of which preliminary versions were already discussed in the last Supervisory

Board meetings of 2019. The Supervisory Board also discussed operational and strategic priorities for 2020, the status of the NXG XII 600 project and risks to the Company stemming from the COVID-19 virus that was spreading in China.

On 24 March 2020, the Supervisory Board met to discuss the annual financial statements and consolidated statements for the 2019 financial year and the audit provided by KPMG as well as the risk management system of the Company. The Supervisory Board further discussed in detail the financing situation of the Company and various financing options as well as operational improvements and intellectual property topics. The Supervisory Board also discussed the impact of the COVID-19 pandemic on SLM Solutions operations and its customers.

On 26 March 2020 the Supervisory Board approved a EUR 60 million, three-tranche convertible bond to be offered by way of a rights offering to all current shareholders and bondholders and a backstop agreement for the offering by its largest shareholder, funds advised by Elliott Advisors (UK).

On 6 May 2020, the Supervisory Board discussed the financial and operational performance of the Company with the management board, also against the backdrop of the developing COVID-19 pandemic. The Supervisory Board furthermore discussed the set up and agenda of the 2020 annual general meeting. In the light of the COVID-19 pandemic the Supervisory Board decided to hold the 2020 annual general meeting in a virtual format. Furthermore, the Supervisory board discussed management compensation and potential new, long-term incentive structures.

On 18 June 2020, the Supervisory Board met after the AGM to review the AGM and discuss the current business and financial performance of the Company.

On 10 September 2020, the Supervisory Board met to discuss the business and financial performance of the Company and finalized discussions on the long-term executive compensation program. The Supervisory Board furthermore discussed with management some of the Company's key risks, including a special focus on cybersecurity risks.

On 9 November 2020, the Supervisory Board met to discuss the business and financial performance of the Company and the new structure of the Company's service business.

On 10 December 2020, The Supervisory Board discussed with management the preliminary budget and funding considerations for 2021. The Supervisory Board also discussed the results of a self-evaluation in relation to the Board's work and effectiveness.

Composition and meetings of committees

The Supervisory Board of SLM Solutions has formed an Executive Committee, an Audit Committee, a Strategy Committee and a Nomination Committee.

Executive Committee

The Executive Committee is composed of the Chairman of the Supervisory Board, his deputy and another member to be elected by the Supervisory Board. The current members of the Executive Committee are Thomas Schweppe (Chairman), Hans-Joachim Ihde and Magnus René. The Executive Committee deals in particular with the preparation of the appointment and dismissal of members of the Management Board and the appointment of a Chairman of the Management Board; with the conclusion, amendment and termination of employment contracts with the members of the Management Board; and with the structure of the remuneration system for the Management Board, including the main contractual elements and the total remuneration of the individual members of the Management Board. The Executive Committee convened four times during the reporting period.

Audit Committee

The Audit Committee consists of three members elected by the Supervisory Board. These are currently Dr. Roland Busch (Chairman), Magnus René and Thomas Schweppe. The Audit Committee monitors the accounting process, including the effectiveness of the internal control system and the effectiveness of the risk management system. It discusses the quarterly reports and deals with compliance issues and reporting to the Supervisory Board. It also prepares the Supervisory Board's examination of the annual financial statements, the management report and the proposal for the appropriation of profits, as well as the consolidated financial statements and the Group management report. In this context, the Audit Committee is informed in detail about the auditors' view of the net assets, financial position and results of operations. It deals with issues relating to the necessary independence of the auditor, the issuing of the audit mandate to the auditor, the determination of the focal points of the audit and the fee agreement.

The audit committee convened four times during the reporting period. All meetings in conjunction with the publication dates of the consolidated financial statements were also held. At the audit committee meeting on 10 March 2020, documents relating both to individual and the consolidated financial statements were subjected to in-depth preliminary examination. The auditor participated in this meeting to explain its audit activities. Aspects of the accounting for the unaudited interim financial statements for the first quarter of 2020 were discussed on 5 May 2020. The documentation for the financial statements for the 2020 half-year report was discussed on 10 August 2020 and for the third quarter 2020 interim report on 03 November 2020.

Strategy Committee

The Strategy Committee, founded in 2019, is composed of three members elected by the Supervisory Board. These are currently Thomas Schweppe, Kevin Czinger and Magnus René. The Strategy Committee deals with issues of fundamental business policy and corporate orientation as well as with projects of significance for SLM Solutions. It advises the Management Board on matters of strategic importance for the company and discusses options for achieving the strategic objectives. The Strategy Committee met once during the reporting period.

Nomination Committee

The Nomination Committee is composed of the Chairman of the Supervisory Board and the other members of the Executive Committee. These are currently Thomas Schweppe (Chairman), Hans-Joachim Ihde and Magnus René. The Nomination Committee proposes suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting. The Nomination Committee met once during the reporting period.

Corporate Governance

On 12 February 2021, the Management and Supervisory Boards of SLM Solutions Group AG issued a declaration of conformity that is required pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the recommendations of the “German Corporate Governance Code” government commission as amended on 20 March 2020. During the reporting period, the Management and Supervisory Boards concerned themselves intensively with corporate governance issues in general and compliance with the German Corporate Governance Code in particular.

Audit of the separate and consolidated financial statements

The AGM elected KPMG AG Wirtschaftsprüfungs-gesellschaft, Hamburg, as the Company’s auditor on 16 June 2020. It audited the separate annual financial statements of SLM Solutions Group AG and the consolidated financial statements as of 31 December 2020, as well as the separate and Group management report, furnishing them with unqualified audit opinions. The Supervisory Board was convinced of the auditor’s independence and of the individuals acting for the auditor.

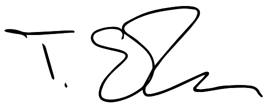
Subsequent to in-depth preliminary examination by the audit committee and explanations of the audit actions by the auditor, the Supervisory Board, following its own review, raised no objections against either the separate financial statements or the consolidated financial statements.

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 responsible auditor 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. Equally, no weaknesses that require reporting were ascertained in relation to the accounting-related internal controlling system.

At the accounts meeting on 23 March 2021, the Supervisory Board approved the separate and consolidated financial statements, along with the separate and Group management reports for the 2020 fiscal year, including disclosures pursuant to Section 315 (4) of the German Commercial Code (HGB). The separate annual financial statements for the 2020 fiscal year have been adopted as a consequence, pursuant to Section 172 of the German Stock Corporation Act (AktG).

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 dedicated work during the past fiscal year. Our thanks are also due to our shareholders, who invested their confidence and trust in us and supported the Company's capital raising efforts. We are convinced that with the aid of the strategic, organizational and personnel changes initiated, we have laid the foundations for the company's long-term, sustained success. While the COVID-19 pandemic is all but over and its longer-term economic impact is yet difficult to determine we are operating in an environment with much more visibility than what was the case a year ago. We are confident that the major changes in global manufacturing and supply chains caused by the COVID-19 pandemic will accelerate the adaptation of Additive Manufacturing into industrial production even further and increase the demand for SLM Solutions' products and systems further.

Lübeck, 19 March 2021



Thomas Schweppe

Chairman of the Supervisory Board of SLM Solutions Group AG

Supervisory Board members in 2020

Member	Profession	Mandate outside of the SLM Group as at December 31, 2020
Thomas Schweppe, Bad Homburg Chairman of the supervisory board	Business Executive	none
Hans-Joachim Ihde, Lübeck	Business Executive	Ovzon AB, Board Director MARE Advisory LLC, Owner
Dr. Nicole Englisch (from 16 June 2020), Starnberg	Lawyer	none
Dr. Roland Busch, Frankenthal	Supervisory board member	Yonder AG, Switzerland, Chairman of the Board of Directors Delvag Versicherungs-AG, Chairman of the Supervisory Board Lufthansa Pension Trust e. V, Member of the Board of Directors Lufthansa Leasing GmbH, Member of the Supervisory Board Lufthansa Technik AG, Member of the Supervisory Board Lufthansa AirPlus Servicekarten GmbH
Kevin Czinger, Los Angeles	Business Executive	none
Magnus René, Boston	Business Executive	Ovzon AB, Managing Director and Board Director Inkbit Inc. Board Director MARE Advisory LLC, Owner

GROUP MANAGEMENT
REPORT

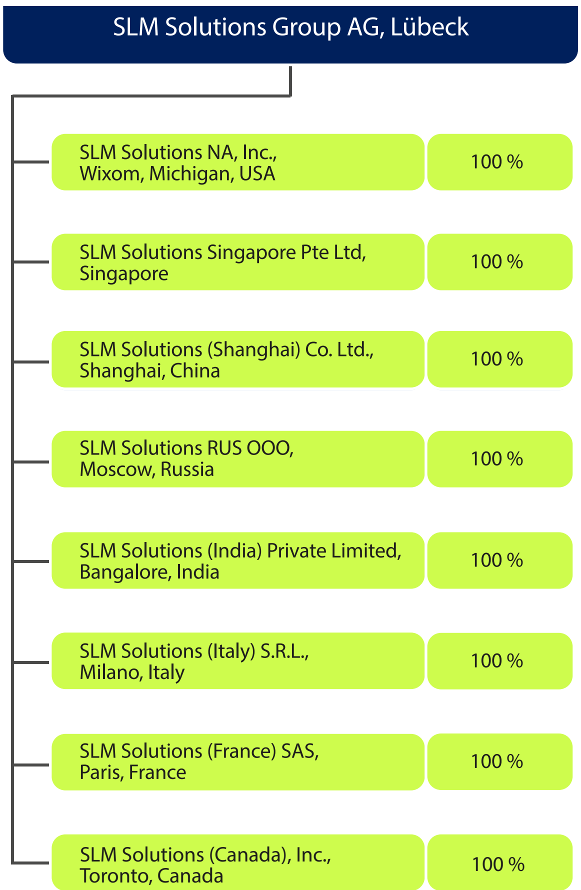
GROUP MANAGEMENT REPORT for the fiscal year 2020

Basis of the Group

Structure

SLM Solutions Group AG (SLM Solutions), headquartered in Lübeck, Germany, had eight wholly owned subsidiaries as of December 31, 2020. SLM Solutions Group AG acts as the only production facility in the Group and is responsible for a large proportion of operating and administrative tasks as well as product development within the Group, and it also coordinates global sales activities. The subsidiaries based in Singapore, the USA, Canada, China, Russia, India, Italy and France promote local sales activities in their allocated geographical regions. In addition, they also provide services for customers.

Until June 30, 2020, SLM Solutions Group AG held 51% of the share capital in the joint venture 3 D Metal Powder GmbH. Located at Estlandring 4 in 23554 Lübeck. The shares were sold in 2020.



As of December 31 2020, SLM Solutions employed 429 people (full-time equivalents), almost a quarter of them in research and development.

Employees

Full-time equivalents (FTE)	**12 / 31 / 20**	**12/ 31 / 19**
Research and development	103	94
Sales	103	93
After Sales	76	76
Production	87	92
Administration	60	50
Total	**429**	**405**
of which Europe	353	331
of which USA	34	36
of which Asia	42	38

Business Model

SLM Solutions, headquartered in Lübeck, Germany, is, in the company's view, 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 SLM®800 – which are differentiated by the size of the build chamber and the number of lasers which can be fitted. The NXG XII 600 was also introduced in November 2020 and has been available for advance ordering since then. Initial deliveries of the NXG XII 600 are expected in the first quarter of 2022.

All systems offered enable direct production of highly complex metal components from a large number of source materials such as aluminium, titanium, cobalt-chrome, IN, tool steel or stainless steel, as well as super alloys. Our systems are capable of processing almost any type of weldable alloy into a finished product. The systems are constantly being further developed and equipped with new functions.

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

- The Machine Business segment encompasses the development and production as well as the marketing and sale of machines and peripheral equipment for selective laser melting. The machines are sold via a global distribution network. This segment currently represents the focal point of the business.
- The After-Sales Business segment is of strategic interest for the Company and is increasingly gaining in importance. It encompasses business with machine-related services, the sales of replacement parts and accessories, as well as the sales of merchandise, consumables and services not related to machines.

The systems of SLM Solutions make use of the technology of selective laser melting. A computer 3D model of the object to be made constitutes the starting point for the additive manufacturing process. This object is melted in layers by applying one or multiple laser beams simultaneously in a metallic powder bed. Parts manufactured in this way meet the highest standards in terms of stability, surface structure and biocompatibility – different requirements are prioritized depending on the intended application.

The consultants Ampower rate selective laser melting as the best-known and leading technology in the field of metal-based additive manufacturing. Of a total of 18 techniques, selective laser melting is ascribed the widest acceptance in industrial manufacturing and the highest degree of technological maturity.[1]

One of the significant benefits of additive manufacturing is its lower level of material consumption compared with conventional manufacturing methods. This approach also creates new degrees of freedom in product design which focuses on and benefits the desired functionalities of the component in question. As a result, additive manufacturing is well suited to producing complex parts, which can be used as prototypes or in series production. In contrast to conventional production methods, complexity is not a cost factor in this type of manufacturing ("complexity comes for free"). The additive manufacturing of metal parts also offers enormous advantages in terms of speed, as no molds or tools are required. SLM Solutions' patented multi-laser technology underlines the Company's technology leadership. Industrial manufacturing processes such as precision cutting are being increasingly supplemented and replaced by laser melting.

According to a study conducted by Ernst & Young in 2019, companies expect to see the greatest benefits from the use of additive manufacturing techniques in three areas: the manufacture of products which meet customer requirements more effectively, a reduction in distribution complexity, transport and stocks as well as more efficient R&D processes thanks to rapid prototyping.[2] According to the results of Ernst & Young's study, experience with additive manufacturing techniques among companies has also increased significantly in the last three years. 26% of the companies surveyed stated in 2019 that they were using additive manufacturing techniques in selected departments or developing business models for using 3D printing methods. In 2016 this figure was just 13%. Only 35% of the companies surveyed indicated that they were still on the starting blocks when it came to additive manufacturing (2016: 76%).[3]

SLM Solutions' customers are active in widely diverging industrial areas, including aerospace, mechanical engineering, tool construction and the automotive industry, medical technology and the energy sector. In terms of the customers for SLM® machines,

1 Ampower (2020), Metal Additive Manufacturing Report 2020 (Digital Edition
2 Ernst & Young (2019), EY's Global 3D Printing Report 2019, p. 9
3 Ernst & Young (2019), EY's Global 3D Printing Report 2019, p. 7)

differentiation can be made between contract manufacturers and end users. SLM Solutions' target markets in addition to Europe (incl. German) include the Northern America and Asia Pacific regions.

SLM Solutions' machine business is subject to seasonal fluctuations typical of the industry: in general, a significant share of 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 intends to mitigate this seasonality in the medium term by further expanding its After Sales business and entering into partnerships as well as by extending its product range to include products such as consumables (powder) and software that are less susceptible to fluctuations.

Targets and strategy

SLM Solutions pursues the objective of securing its claimed position as the technologically leading provider in the metal-based additive manufacturing area over the long term, playing a decisive role in shaping this technology and thereby growing significantly and profitably in the foreseeable future. To this end, SLM Solutions pursues a medium-term growth strategy consisting of three pillars for which interim targets are frequently defined and evaluated:

- SLM pursues the objective of extending the existing technology leadership in the area of metal-based additive manufacturing. To this end, SLM Solutions is investing significant resources in Research and Development (R&D). The intellectual property rights portfolio is continuously optimized, and in the company's view, the R&D team ensures that its technology leadership is extended through a range of different projects. SLM Solutions also cooperates with research institutes and universities to further develop its technology, and to enable it to be deployed for increasingly new applications from all sectors.
- SLM is aiming to evolve into a full-service integrated solutions provider in the field of additive manufacturing and grow into related business areas. For example, in recent years, SLM Solutions has significantly expanded its business activities with metal powders. Closer cooperation with customers is also being driven to ensure that the introduction or expansion of additive manufacturing is successfully implemented in the relevant companies. This is exemplified by the cooperation with Honeywell for the qualification of specific aluminium parts for the aerospace industry.
- In day-to-day operations, SLM Solutions has set the target of optimizing existing processes or introducing new processes, thereby achieving increased efficiency and reduced costs. This culture is referred to as Operational Excellence in professional circles and is driven largely by the newly implemented extended management team, which is characterized by wide-ranging experience in the industry or other industrial companies.

Management system

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

- The Company's revenue trend is the key performance indicator to assess exploitation 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 result before interest, tax, depreciation and amortization (EBITDA) provides us with the best indicator of profitability. This key indicator excludes national particularities relating to tax legislation, the selected financing structure and the intensity of investment in operating business, thereby making it easier for the Company to benchmark itself against international peer group companies.

Research and development

- For years, SLM Solutions has been establishing the pathways for crucial elements of its business success through research and development. Particularly in the field of multi-laser technology where the company claims to be the technology leader, it has proved possible to increasingly leverage market potential in the area of industrial manufacturing. The Company thereby commands an extensive portfolio of intellectual property rights, including patents and licenses predominantly in selective laser melting technology and the hull-core imaging process.

- Global alliances with universities and research facilities allow SLM Solutions to always have its finger on the pulse of the times. This ensures a platform for the successful use of SLM® technology in volume production in various sectors. Investments in research and development concentrate primarily on the areas of productivity increases and robust production systems. Furthermore, the focus is on improvements in the field of material research (e.g. materials that are difficult to shape / process), as well as options for optimizing the total production time of components, as well as the approach to shortening the total production time of a new component. Finally, additive manufacturing is increasingly integrated with other parts of the manufacturing process ("Industry 4.0") which is essential to fully-digitize the overall production process.
- The research and development department of SLM solutions consisted of 103 FTEs (full-time equivalents) on December 31, 2020 (previous year: 94 FTEs).
- Development costs of kEUR 7,128 (previous year: kEUR 3.838) were capitalized in 2020. In addition, development costs of kEUR 8,962 (previous year: kEUR 7,727) were incurred in 2020 that were not capitalized. These also include depreciation on development projects that have already been completed in the amount of kEUR 2.824 (previous year kEUR 2.150).

Economic and business report

Macroeconomic situation in target markets

The Covid-19 pandemic has caused the German economy to shrink significantly. According to initial calculations by the Federal Statistical Office (Destatis), price-adjusted gross domestic product (GDP) in 2020 was 5.0% lower than the figure for the prior year.[4] After a ten-year growth phase, this means that Germany has entered a period of recession. Price-adjusted economic output fell by 9.7% in the manufacturing industry and by 10.4% in the manufacturing sectors[5], which can be explained by the significant economic restrictions caused by the application of pandemic measures by the German government.

The International Monetary Fund (IMF) estimates that the global economy contracted by 3.5% in 2020 compared to the previous year.[6] Economic power declined significantly in the important target markets for SLM Solutions in the USA (-3.4%) and in the Eurozone (-7.2%).[7] Only the Chinese economy was able to post modest growth of 2.3% in 2020.[8]

Market for metal-based 3D printing

SLM Solutions operates in the growth market for metal-based additive production techniques. The consulting firm Ampower puts the global volume of the market for metal-based additive manufacturing for 2019 at EUR 2.0 billion. (2018: EUR 1.5 billion).[9] Of which, more than half (EUR 1.1 billion) was accounted for by production systems (2018: EUR 0.8 billion), EUR 0.5 billion by materials (2018: EUR 0.4 billion) and EUR 0.4 billion by services (2018: EUR 0.3 billion).[10] By comparison with 2018, Ampower is thus reporting growth of the total market volume of 34%.[11]

4 German Federal Statistical Office, Press Release No. 020 dated January 14, 2020
5 German Federal Statistical Office, Press Release No. 020 dated January 14, 2020
6 International Monetary Fund, World Economic Outlook Update – January 2021
7 International Monetary Fund, World Economic Outlook Update – January 2021
8 International Monetary Fund, World Economic Outlook Update – January 2021
9 Ampower (2020), Metal Additive Manufacturing Report 2019 (Digital Edition)
10 Ampower (2020), Metal Additive Manufacturing Report 2019 (Digital Edition)
11 Ampower (2020), Metal Additive Manufacturing Report 2019 (Digital Edition)

According to a study by Ernst & Young, metal-based additive manufacturing techniques are becoming increasingly important on the user side. 65% of the companies surveyed by Ernst & Young in 2019 stated that they see metal as the most important work material in the field of additive manufacturing going forward.[12]

The selective laser melting technology that SLM Solutions applies ranks among the "powder bed fusion" processes that offer greater precision, surface quality and design freedom compared with other 3D printing processes. In addition, the Management Board of SLM Solutions Group AG is convinced that additive manufacturing techniques are now ready for use in series production. From a technical point of view, this degree of development at SLM Solutions Group AG is indicated, among other things, by the option of being able to use up to four lasers at the same time to manufacture a part. In 2020, SLM Solutions introduced a new generation of machine, the NXG XII 600, which provides significantly more in terms of technical options and fields of application.

Business progress

The fiscal year 2020 was characterized by the COVID-19 pandemic and the resulting restrictions for a large part of the key sales markets and industries of SLM Solutions. As consequence, SLM Solutions recorded a decrease in machine orders by 32% to kEUR 46,084 when compared with the previous year (2019: kEUR 67,677). The order book as of December 31 2020 amounts to kEUR 30,217 (previous year: kEUR 34,978). In the second quarter, the company introduced a new process for the regular monitoring and adjustment of the order book, leading to its reduction. Taking this adjustment into account, the order book has remained stable in comparison to the previous year.

The company was able to generate total sales of kEUR 61,759 (previous year: kEUR 48,962).

As a reaction to the pandemic and the associated restrictions as well as uncertainty regarding the further course of business, the company initiated company holidays in the second quarter at its headquarters in Lübeck followed by short-time work which was ended in the third quarter due to a satisfactory order situation. In addition, the company has received a US government grant under the Paycheck Protection Program. Despite the existing restrictions, SLM Solutions has continuously worked on the development of the NXG XII 600, which was officially presented in November.

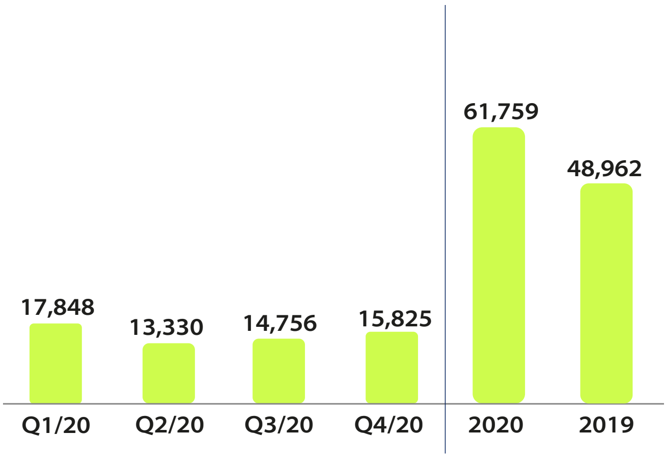
In January 2021, the company announced that Meddah Hadjar would not be renewing his contract as CEO and that he would be resigning his Management Board position on 20 January 2021. Sam O'Leary, previously Chief Operating Officer, was then named as CEO of the SLM Solutions. André Witt, General Counsel for SLM Solutions, was also named as an interim member of the Management Board. At the annual general meeting on June 16 2020, Dr. Nicole Englisch also became a member of the Supervisory Board.

The sixth Annual General Meeting of the Group was held on June 16, 2020. The shareholders approved the conduct of the company's Management and Supervisory Boards for the 2019 fiscal year and elected the auditor for the 2020 fiscal year. The voting results were subsequently published on the Company website. The shareholders also approved the amendment to the bylaws, granting authorization to the Management Board to issue convertible and/or option bonds with the option of excluding the right to subscription, and the change to existing conditional capital 2014/2018.

SLM Solutions Group AG sold its shares in 3 D Metal Powder GmbH, located at Estlandring 4 in 23564 Lübeck, on 06/30/2020. The company held 51% of the shares in the joint venture.

Results of operations

Revenue development (kEUR)



12 Ernst & Young (2019), EY's Global 3D Printing Report 2019, p. 11

SLM Solutions posted consolidated sales of kEUR 61,759 which represented an increase of 26% compared to the previous year (kEUR 48,962). 73% of sales stem from the company's core business, the "Machine Business" segment (previous year: 72%). This segment comprises machines from the Selective Laser Melting division together with options such as powder sieving stations and other peripheral equipment. In the "Machine Business" segment, sales rose to kEUR 45,127 (previous year: kEUR 35,142). The After-Sales Business segment generated sales of kEUR 16,632 (previous year: kEUR 13,821), corresponding to a share of 27% (previous year: 28%). This segment comprises service, spare parts, merchandise along with powder as well as training and installation of the machines.

Total operating revenue (the sum of sales revenue, inventory changes and other work performed by the company and capitalized) of kEUR 64,570 was also well above the figure for the previous year (kEUR 44,806). SLM Solutions was also able to reduce inventories in 2020. This led to a stock reduction of finished goods and work-in-progress of kEUR 2,219 (previous year: kEUR 7,524). Work performed by the company and capitalized amounting to kEUR 5,030 increased by 49% compared to the previous year (kEUR 3,368) due to a focus on development of the NXG XII 600.

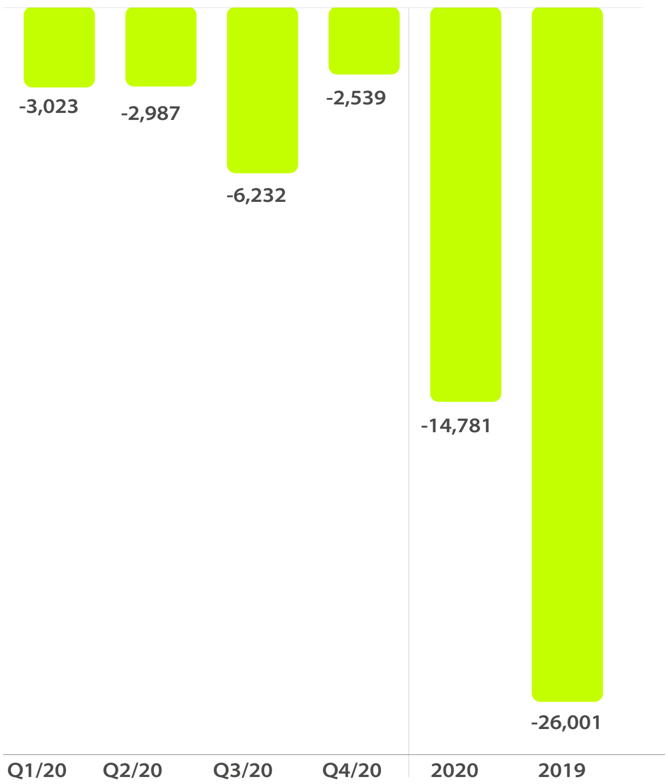
Other operating income came in at kEUR 3,726, significantly higher than in the previous year (kEUR 1,635). The release of provisions was the main driver of this increase with kEUR 1,206. Furthermore, specific value adjustments for receivables were reduced by kEUR 463 due to improved receivables management and the resulting reduction in overdue receivables. The company also received government grants in the USA as part of the Paycheck Protection Program in the amount of kEUR 716.

The cost of materials was kEUR 30,665 which is 47% more than in the previous year (2019: kEUR 20,896). This can be ascribed to the increased total operating revenue. The cost of materials ratio (as % of total operating revenue) of 47% is unchanged from the previous year.

Personnel capacity of SLM Solutions increased to 429 FTEs in the 2020 fiscal year on the reporting date December 31, 2020 (December 31, 2019: 405 FTEs). Due to settlement payments as part of the restructuring of the management team, and bearing in mind the targeted acquisition of highly-qualified employees and executive staff, personnel costs rose by 12% to kEUR 35,637 (previous year: kEUR 31,871). The personnel cost ratio (as % of total operating revenue) was at 55% (previous year: 71%).

Other operating expenses totaled kEUR 16,768 which was 13% below the previous year figure of kEUR 19,234. The reduction was mainly driven by a reduction in travel costs as a consequence of the COVID-19 pandemic as well as a reduction in marketing costs due to the cancellation of a large number of industry trade fairs (e.g. FormNext).

EBITDA (kEUR)



SLM Solutions Group AG is reporting EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) of kEUR -14,781 for the 2020 fiscal year. It was therefore kEUR 11,221 above the figure for the previous year (kEUR -26,001) in the reporting period. The improvement is mainly driven by the sales increase as well as lower one-time effects compared to the previous year. The EBITDA margin (as % of revenue) was -24% for the 2020 fiscal year (previous year: -53%).

Depreciation and amortization of kEUR 8,613 remained at the level of the previous year (previous year: kEUR 8,659).

The operating result (EBIT) was kEUR -23,394 for the 2020 fiscal year (previous year: kEUR -34,660). The EBIT margin (as % of revenue) in the reporting period was -38%, displaying a significant improvement compared to the previous year (-71%).

The financial result of kEUR -4,461 was slightly down compared to the previous year (kEUR -3,976). It comprises interest expenses of kEUR -4,509 (previous year: kEUR -4,152) and interest income of kEUR 48 (previous year: kEUR 176). The increase was largely driven by interest expenses for the convertible bond issued in the second quarter.

Tax expenses of kEUR 2,397 were recorded in the 2020 fiscal year (previous year: tax income of kEUR 8,419). A primary effect in the previous year was the first-time non-recognition of amounts from deferred tax assets exceeding deferred tax liabilities from losses carried forwards.

The net result for the period after taxes totalled kEUR -30,252 for the 2020 fiscal year (previous year: kEUR -47,055). This corresponds to earnings of EUR -1.53 per share (previous year: EUR -2.38). The earnings per share figures provided in this paragraph are calculated based on 19,778,953 outstanding shares (previous year: 19,778,953).

Financial position

The operative cash flow in the 2020 fiscal year was kEUR -3,338 (previous year: kEUR 3,453). The deterioration compared to the previous year is mainly driven by a one-time effect in regard to the reduction of receivables.

In 2020, cash outflows of kEUR -11,155 were recorded as part of investment activity, which is below the level of the previous year (kEUR -13,105). Of this amount, capital expenditure on intangible assets and property, plant and equipment in the 2020 fiscal year came to kEUR 6,160 (previous year: kEUR 9,482). Further investments in the reporting period were partly accounted for by application-driven technology amounting to kEUR 5,030 (previous year: kEUR 3,368) which were recognized in own work capitalized.
Cash flow of kEUR 8,444 was generated from financing activities in the 2020 fiscal year (previous year: kEUR 7,202). The convertible bond of kEUR 15,000 issued in July 2020 thereby overcompensated for principal as well as interest and leasing payments of kEUR 6,556 (previous year: kEUR 5,798). In the previous year, cash flow was significantly affected by a capital increase of kEUR 13,000.

As of December 31, 2020, cash and cash equivalents stood at kEUR 18,864 (December 31, 2019: kEUR 25,523).

Besides the liquid funds, SLM Solutions has access to a surety credit line of kEUR 3,500 (previous year: kEUR 0).

As part of the 2020/26 convertible bond, the company is entitled to a second and third tranche of kEUR 15,000 and 30,000 after certain sales and receivables values specified in the conditions are reached. Alternatively, both tranches can be released with a majority resolution of the creditors of the first tranche.

Net assets

The total assets of SLM Solutions Group AG on December 31, 2020 stood at kEUR 126,247 (December 31, 2019: kEUR 136,637).

Non-current assets of kEUR 67,381 as of the reporting date were slightly up on the previous year (December 31, 2019: kEUR 64,708). As in the previous year, property, plant and equipment of kEUR 38,486 comprised the largest share of non-current assets (December 31, 2019: kEUR 39,136).

Intangible assets of kEUR 28,092 (December 31, 2019, kEUR 24,288) mainly comprise laser technology and capitalized development costs. The increase is primarily connected to investments in the NXG XII 600 machine platform.

Deferred tax assets on December 31, 2020 stood at kEUR 388 (previous year: kEUR 43).

Current assets came in at kEUR 58,866 on the reporting date (December 31, 2019: kEUR 71,929). Their share of total assets fell in the 2020 fiscal year to 47% (previous year: 53%). The main reason for the change was the reduction in liquid funds to kEUR 18,864 (December 31, 2019: kEUR 25,523) as well as the active reduction of inventory to kEUR 20,770 as at December 31, 2020 (December 31, 2019: kEUR 28,281).

The Group's equity fell to kEUR 15,768 as of the closing date (December 31, 2019: kEUR 44,514). The equity ratio decreased to 12% (December 31, 2019: 33%). By contrast, the debt ratio climbed to 88% on the closing date (December 31, 2019: 67%).

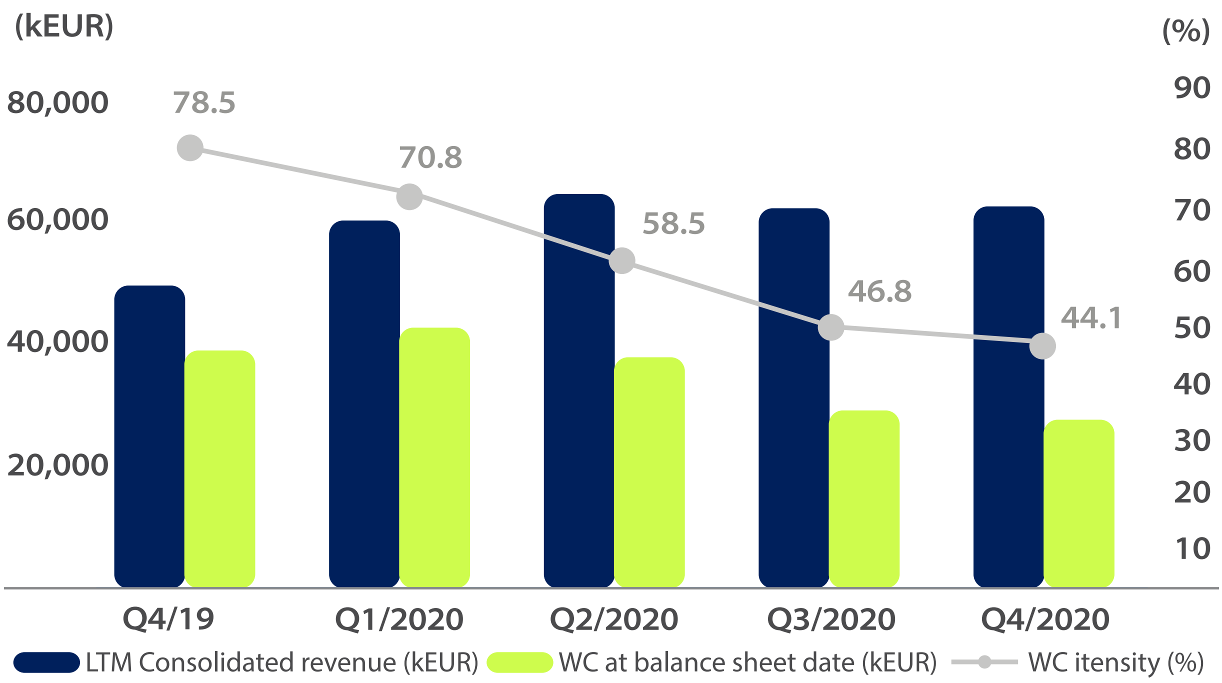
Non-current liabilities increased from the previous year to kEUR 89.859 (December 31, 2019: kEUR 74,877). These include two loans for the construction of the company's new headquarters in Lübeck, which run until December 31, 2026. Repayments will be made in 30 equal, successive quarterly instalments of kEUR 333 and one final instalment of TEUR 133 beginning on June 30, 2019. First rank mortgages have been registered for these liabilities on the Estlandring property in Lübeck on behalf of the banks extending the loans. The convertible bond 2017/22 is also included. 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. The bond bears interest at the rate of 5.5% p.a. and matures on October 11, 2022. The convertible bond has both equity and debt components. The first tranche of the convertible bond 2020/26 issued in July 2020 is also included in this position. The issue volume for the complete bond stands at EUR 60.0 million, which can be issued in 3 tranches of EUR 15.0 million (first tranche), EUR 15.0 million (second tranche) and EUR 30.0 million (third tranche). The initial conversion price for the first tranche is EUR 6.75. The bond bears interest of 2.0% and matures on 09/30/2026. The conversion right for both convertible bonds constitutes equity. Embedded derivatives in the form of termination rights do not have to be reported separately.

Pension obligations of kEUR 6,982 remained at the level of the previous year (December 31, 2019: kEUR 6,719). Long-term provisions of kEUR 875 were above the previous-year level (December 31, 2019: kEUR 139).

Current liabilities came in at kEUR 20,619 on the reporting date, above the previous year's figure (December 31, 2019: kEUR 17,247). Short-term provisions of kEUR 4,304 (December 31, 2019: kEUR 5,293), as in the preceding year, mainly comprised provisions for warranties and servicing. Trade payables came in at kEUR 6,983 on the reporting date, above the figure for the previous year (December 31, 2019: kEUR 5,341). Other financial liabilities of kEUR 2,781 were higher than for the previous year (December 31, 2019: kEUR 2,536) and non-financial liabilities at kEUR 6,522 also exceeded the figure for the previous year of kEUR 4,054. As of the closing date, tax provisions had risen to kEUR 29 (December 31, 2018: kEUR 23).

As of the closing date, working capital of kEUR 27,237 was significantly down on the previous year (December 31, 2019: kEUR 38,428). Working capital intensity calculated with sales of kEUR 61,571 was significantly reduced to 44% (previous year: 79%). The calculation for working capital on the reporting date December 31, 2020 and December 31, 2019 included trade receivables, inventories and trade payables.

Working Capital



Opportunities and risks

Management system for opportunities and risks

SLM Solutions operates in a technologically sophisticated and demanding market that entails both opportunities and risks. SLM Solutions has instituted a number of measures to secure the Company as a going concern and foster its development. The management system for opportunities and risks, which is integrated into all significant corporate processes continuously, forms an important part of these measures. This system helps the Group identify opportunities and risks at an early stage and respond proactively to them. The implementation and upkeep of a risk management system is therefore not only a statutory obligation for listed companies but also meets the objective of recognising all significant or existential risks or opportunities and reporting on them internally. It is largely to be seen as an integral part of the management information and control system.

The risk management system has been completely revised and improved during the previous reporting period. The rules and procedures apply to all companies in the Group in equal measure. Risks are evaluated in two dimensions: by their probability of occurrence (probability of occurrence in percent in relation to one hundred years; example: 10% = once in ten years) and by their effect (effect or potential level of loss in kEUR if the risk occurs). This is a net risk analysis. This means that all measures already successfully implemented which minimise the risk in question are taken into account and the risk to the company actually remaining is analysed. Finally, the risks evaluated are divided into three categories: major (red), significant (yellow) and moderate (green). This ranking method (risk ranking sequence) is readily comprehensible, creates a high degree of transparency, and provides an easy visual overview when displayed as a chart. In addition, the expected loss value (SEW) is calculated for each risk (risk occurrence multiplied by risk impact) in order to be able to rank the risks. This makes it easy to monitor and control risks. As well as evaluating the risk to the current status quo, a target evaluation of the risk can also be carried out (specifically: evaluation of how pronounced the future probability of occurrence and future effect of the risk might be). This permits an outlook to be formed and reveals how risks may change in the future. In addition, the potential effect on the company's reputation for each risk is analysed and separately evaluated. However, only the major risks are to be explained in greater detail with an SEW from a value of kEUR 1,500 in this management report.

The risk policy principles are set out in a risk manual that defines and describes the risk management process. This manual is regularly reviewed and if necessary updated. It is binding on SLM Solutions Group AG and all subsidiaries. All relevant risks are systematically identified, evaluated and communicated internally as part of six-monthly risk inventory. Recommendations for action can be derived from it and target countermeasures initiated and their implementation monitored. In this way, risks can be professionally monitored and controlled. This allows disadvantageous 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 business activity. In accordance with German Accounting Standard (DRS) 20, the term risk[13] is understood to refer to the possibility of negative future changes to a company's financial position, and the term opportunity[14] is understood to refer to the possibility of positive future changes to a company's financial position. In relation to the company, risk is defined as any risk that prevents SLM Solutions from attaining 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 meetings of the Management Board. Appropriate countermeasures are launched if existential risks are identified.

Central risk responsibility lies with the Management Board. The Management Board has appointed a Risk Management Officer who supports the Management Board in the area of risk management.

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

SLM Solutions has an internal controlling and risk management system relating to the financial accounting process in which appropriate structures and processes are defined and implemented within the organisation. The system is designed to ensure that all business processes and transactions are accounted for quickly and correctly, and on a standardised basis. It ensures that statutory standards, accounting regulations and internal accounting instructions are observed. Amendments to laws and financial accounting standards, as well as other promulgations, are analysed continuously in relation to their relevance to and effects on the annual financial statements, and the resultant changes are integrated into the Group's internal systems and procedures.

Along with defined controlling mechanisms, the internal controlling system is also based on system-technical and manual coordination processes, separation between executive and controlling functions, and compliance with working 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 support the local companies in the entire financial accounting process. The financial accounting process entails implementing measures that ensure that the annual financial statements conform to 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 drawing on recognised consolidation software solutions perform the consolidation measures, carry out certain coordination work, and monitor regulations relating to timing and processes. The staff supervise

13 "Risk: Potential future developments or events which may lead to a negative forecast for the company or to a failure to hit its targets" Source: German Accounting Standard No. 20 (DRS 20), page 12
14 "Opportunity: Potential future developments or events which may lead to a positive forecast for the company or to deviation from the target" Source: German Accounting Standard No. 20 (DRS 20), page 10

the system-technical controls, supplementing them with manual audits. The "two sets of eyes" principle, which minimises 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 control system is continuously refined. 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. It nevertheless prevents, with sufficient certainty, corporate risks from having significant impacts.

Risk profile

As part of the ongoing risk inventory, so-called observation areas (risk areas) have been defined for SLM Solutions Group AG in an effort to minimise the organisational workload and better handle these risks. The various risks that have been identified and quantified are allocated to the risk areas. 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

As described above, the level of a risk can be defined according to the probability of its occurrence and the degree of its impact.

The "risk occurrence probability" dimension allows the risk to be assessed as:

- unlikely (up to 10%)
- possible (more than 10% to 50%)
- definitely conceivable (more than 50% to 90%)
- probable (more than 90%)

The substantive definition of the criterion "risk impact" is based on the assessment of the evaluating departments and on its impact on EBITDA in kEUR. The evaluation constitutes a net analysis. The following four levels have been defined in the process:

- low (up to kEUR 300)
- average (more than kEUR 300 to kEUR 1,500)
- high (more than kEUR 1,500 to kEUR 3,000)
- serious (more than kEUR 3,000)

In total, 79 risks to SLM Solutions were identified as of 31 December 2020 (previous year: 101). The four main individual risks with a calculated expected loss value of kEUR 1,500 and above are described below. There are four risks in total.

Financing of further business activities

According to the plans of the group for the next two financial years, a negative earnings situation can be assumed. This can be explained by the continuous investment in research and development as well as the development of new products and the further development and expansion of the service network while the business environment shaped by the pandemic negatively impacts order in-take. As a consequence, liquid funds will probably be used up by the end of the 2021 financial year as planned and the company will therefore need further financial resources which are to be raised as early as in the 2nd quarter of 2021 through the issue of the second tranche of the convertible bond 2020/26. These events and circumstances indicate the existence of a material uncertainty that could represent a risk that could jeopardize the continued existence of the company.

Loss of data through criminal activity with the aid of malware from third parties

The integrity or availability of data or systems could be put at risk by means of malware. As a result of an infection or unauthorised access by third parties (e.g. email communication, phishing), it is conceivable that company / business data or personal data might be lost. One possible result could be that data confidentiality could not be guaranteed. Overall, any such attack leads to a competitive disadvantage, loss of knowledge as well as to damage to reputation and possible compensation claims. The potential level of loss is rated as serious. Various measures have been implemented by the IT Department to mitigate the risk. Specifically, there are regular system updates and backups to save data, consistent patch management, extensive antivirus software and foolproof monitoring of systems and data flows. The IT Department has optimised its internal processes and continues to work on improving the systems and automating the monitoring process. It is also planned to increase staffing levels. The aim is to achieve 24-hour availability in close collaboration with qualified external partners to enable the company to respond as quickly as possible in the event of a potential loss.

Pirate copies and breach of company's own property rights

Newly founded companies could imitate the copyrighted name or logo of the SLM Solutions Group as well as its products. In the past, there have been several companies set up with the name "SLM" or similar designation – particularly in Asia. SLM Solutions Group AG has also registered various patents to protect the technology developed by the company. Competitors could also attempt to imitate the design of the product. The probability of occurrence is rated as definitely conceivable as in the last annual report. The potential loss is rated as high and is manifested in the form of lost profit and increasing risk of customers changing suppliers. The damage to the company's reputation would be very noticeable. SLM Solutions has registered various patents. Suspected breaches of copyright and patent infringements are consequent pursued.

Violation of third-party property rights

The use of technology protected by third parties, which is used unintentionally in our products, could lead to an injunction if the proprietor of the property right is not willing to license and ultimately to impairment of the business activity or even claims for damages. A damage to the company's image cannot be ruled out. Increasing intellectual property rights activity can be observed in the market environment. Despite the very sensitive handling of third-party property rights, an infringement could occur. The probability of occurrence is classified as possible. However, the impact would be severe, so that the overall risk falls into the "material" category. Among other things, regular monitoring of competition registrations counteracts the risk. In some cases, one can proceed against property rights that are allegedly wrongly granted. In addition, there is occasionally a willingness to license among competitors, so that license agreements or so-called cross-license agreements can be agreed. Proceedings are being taken against allegedly wrongly granted property rights.

Opportunities

At SLM Solutions, the risks are recorded, assessed and managed as part of risk management. Opportunity management is not neglected. The company defines opportunities as value enhancement potential that goes beyond (budget) planning. At its core, therefore, it is a question of a possible overachieving of the planning. The potential opportunities are monitored and evaluated so that appropriate measures can be initiated if necessary, for example to make better use of business opportunities. A total of five opportunities were identified at the end of 2020 (previous year: five). These are listed below according to their weighting and are explained in more detail below.

- Company related opportunities
- Technology related opportunities
- Opportunities in the after-sales business
- Opportunities related to the internationalization of sales
- Capital market opportunities

Company related opportunities

If the company intensifies market analyzes as well as sales and marketing activities, business opportunities could be better used. There is a chance that SLM Solutions will be more noticed on the market and receive more inquiries and calls for tenders. SLM Solutions is in the process of strategically realigning itself internally and has already filled management positions in the key areas of sales and marketing accordingly. The aim is to improve internal processes and to strengthen transparency and cooperation within the company in order to better identify and use future business opportunities.

Technology related opportunities

In competition with other manufacturers of additive manufacturing systems, SLM Solutions benefits from the technological leadership in selective laser melting. Through the use of multi-laser technology and the constant reduction of unit costs, large increases in productivity are achieved, which make the use of the machines particularly attractive for industrial series production. There is a chance that SLM Solutions will achieve new sales strength as soon as a new SLM® technology or a new SLM® machine is placed on the market ready for series production.

Opportunities in the after-sales business

Through investments in the expansion of local sales offices worldwide and the resulting proximity to the customer, relationships of trust and additional sales potential grow. There is a chance that SLM Solutions will achieve significant sales successes beyond the expected development.

Capital market opportunities

The listing on the capital market offers SLM Solutions the opportunity to raise funds from the capital market in the future if necessary.

Overall statement on the opportunity and risk situation

The monitored risks relate to all segments of the company. The Management Board continues to regard the company's overall risk position as appropriate. 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 state-of-the-art, and its staff form a highly qualified, powerful team. The Management Board sees the company as well positioned. Despite the greatest care, the possibility cannot be entirely ruled out that significant, hitherto unidentified risks will exert a negative effect on the growth of the business.

Forecast

The IMF expects a significant recovery in the global economy for 2021 and 2022 (2021: 5.5%; 2022: 4.2%), based on the increased availability of vaccines in the second half of 2021 and further fiscal stimulus measures around the world.

Risks for further development of economic growth include increased risk of infection from new variants of the Sars-Cov-2 virus, problems in the production and provision of vaccine doses and the cessation of fiscal stimulus measures.

SLM Solutions Group AG is basing its forecast for 2020 among other things on the following underlying economic and sector-related assumptions:

- According to its latest figures from January 2020, the International Monetary Fund (IMF) is anticipating that the global economy can grow significantly in the most important target markets for SLM: This refers to the USA (5.1%), the Eurozone (4.2%) and China (8.1%).
- The consulting firm Ampower expects the overall global market for metal-based additive manufacturing techniques to grow to EUR 6.9 billion by 2024, which would correspond to an average annual growth of 27.9%. Annual growth of 27.9% in the market for production systems is also anticipated to a volume of EUR 3.7 billion in 2024.[15]
- The Federal Ministry for Economic Affairs and Energy still views Germany as world-leading in the key area of additive manufacturing (3D printing).[16] There are also various government funding options for investment in additive manufacture, such as the Digital.jetzt program from the German Federal Government.[17]
- SLM Solutions is also very confident regarding the market potential and is aiming to further extend the position it claims for itself as a technology leader.

Group forecast

The management of SLM Solutions Group AG issued the following forecast for the 2020 financial year in March 2020:

15 1 Ampower (2020), Metal Additive Manufacturing Report 2019 (Digital Edition)
16 German Federal Ministry for Economic Affairs and Energy, National Industrial Strategy 2030, February 2019
17 German Federal Statistical Office, Guideline for Funding Program "Digital jetzt – Investitionsförderung für KMU", 05/19/2020

- Increase in incoming orders and sales in the mid double-digit percentage range compared to the previous year
- Negative EBITDA in the upper single-digit million range, as well as a negative EBITDA margin (in relation to group sales) in the lower double-digit percentage range
- Improvement of the cost of materials quota in the single-digit as well as the personnel expense quota in the double-digit percentage point range compared to the previous year

Due to the negative development of the global economy as a result of the COVID-19 pandemic and the unclear further development of the sales markets, the forecast was withdrawn by the company in March 2020.

In August 2020, after the effects of the global pandemic could be better estimated, the company forecasted a sales growth of at least 20% compared to the previous year and an EBITDA result of between EUR -13 million and -18 million.The year-on-year sales growth of 26% recorded in 2020 and the EBITDA result of EUR -14.8 million mean that both objectives have been met.

Management is expecting further significant growth for the 2020 fiscal year. Due to the expected recovery of the most important target markets, particularly in the second half of the year, management expects sales growth of at least 15% and at least a slight improvement of the EBITDA as compared to the previous year. In subsequent years, management forecasts a further increase in sales growth due to positive effects from the introduction of the industry-leading NXG XII 600 machine.

To deliver the forecast results, it is critical that the economic and sector-related assumptions occur, particularly with regard to growth rates in the global economy and the additive metal market.

The company is closely monitoring the further development of the COVID19 situation. So far, SLM has taken all necessary precautions to ensure the protection of its employees, customers and its business. At the moment, business operations are continuing more or less as usual, but with a still noticeable reluctance of key customer segments compared to the previous year. However, a further deterioration in the market environment as a result of the COVID19 crisis would also likely lead to major disruptions to the business. The current expectations regarding business performance in 2021 are based on a noticeable improvement in the business environment in the second half of 2021. The Management Board will continue to monitor the situation and inform shareholders, customers and employees accordingly.

Corporate governance

The German Corporate Governance Code (DCGK) comprises nationally and internationally recognized guidelines for good and responsible corporate management, steering and controlling. 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 section 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.

Group declaration on corporate governance pursuant to Sections 289f, 315d of the German Commercial Code (HGB)

Group declaration on corporate governance 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 in the "Investor Relations" area under "Corporate Governance": https:// www.slm-solutions.com/de/investor-relations/ corporate-governance/ pflichtdokumente/. It also contains the declaration on the ratio of women employees to men.

Declaration according to Section 161 of the German Stock Corporation Act

The declaration regarding the recommendations of the German Corporate Governance Code Government Commission in accordance with Section 161 of the German Stock Corporation Act (AktG) has been published on the Company's website at www.slm-solutions.com in the "Investor Relations" area under "Corporate Governance".

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

1. Composition of subscribed capital: the share capital of SLM Solutions Group AG is divided into 19,778,953 no-par value bearer shares. There are no differing classes of shares. Each share carries full voting rights and dividend entitlements. Each share grants one vote at the Annual General Meeting in this context. Shareholders' rights and obligations otherwise derive from the regulations of the German Stock Corporation Act, especially from Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act (AktG).

2. The Management Board is not aware of any 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, 2020: on the basis of notices received regarding significant voting right shares in accordance with Section 33 of the Securities Trading Act (WpHG) and transactions conducted by persons with managerial responsibilities in accordance with Article 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)	2,015,887	10.19%
Elliot Investment Management L.P. (New York, United States of America)*	5,537,706	28.00%
ENA Opportunity Master Fund LP (Cayman Islands)	3,982,996	20.14%
Invesco Ltd. (Hamilton, Bermuda)	2,001,979	10.12%

* Shares are attributed via the subsidiary Cornwall GmbH & Co. KG

There are no shares with special rights conveying controlling powers.

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 the amendment of bylaws:

The appointment and recall-from-office of Management Board members is regulated in Sections 84 and 85 of the German Stock Corporation Act (AktG). Accordingly, the Supervisory Board appoints Management Board members for a maximum of five years. Reappointment or extension of period of office, in each case for a maximum of five years, is permitted. Pursuant to Section 6 of the Company's bylaws, the Management Board must consist of at least two persons. 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.

The amendment of the bylaws is regulated by law in Sections 133, 179 of the German Stock Corporation Act (AktG). 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 a different 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 to 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 bylaws, the Management Board is authorized to increase the share capital by up to EUR 9,889,476.00 wholly or in part, once or in several stages by 24 June 2024 with the approval of the Supervisory Board by issuing up to 9,889,476 new bearer shares against cash payments and/or contributions in kind (Approved Capital 2019). 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 9,889,476.00 through the issue of up to 9,889,476 new bearer shares (Conditional Capital 2014/2018/2020). The Conditional Capital has the purpose of granting shares to owners or creditors of convertible and/or warrant bonds, which have been or will be issued according to the resolution of the General Meeting of April 14, 2014 under agenda item 4.1 up until June 21, 2018 (inclusive) (Authorization 2014) or the authorization in accordance with the resolution of the General Meeting of June 22, 2018 in the modified version by the resolution of the General Meeting of June 16, 2020 up until June 15, 2025 (inclusive) (Authorization 2018/2020) by the Company or a domestic or foreign company, in which the Company directly or indirectly holds the majority of votes and capital. This will only be executed if use has been or is made of the convertible or option rights or the fulfillment of conversion obligations from such bonds and insofar as other forms of fulfillment have not been or are not used. The issue of the new shares will take place at the option price on the basis of the respective conversion or option price to be determined by the respective authorization. The new shares will participate in the profit from the beginning of the fiscal year in which they originate through the exercise of conversion or option rights or the fulfillment of conversion obligations; by way of exception to the above, the Management Board can, if legally permitted to do so and with the approval of the Supervisory Board, determine that the new shares will participate in the profit from the beginning of the fiscal year for which no AGM resolution on the appropriation of retained earnings has been adopted at the time when conversion or option rights are exercised or conversion obligations fulfilled. The Management Board is authorized to define further details for implementing the conditional capital increase. The Supervisory Board is authorized to modify the wording of Article 4 of the company's bylaws to fit the issuing of new shares from Conditional Capital 2014/2018/2020. The same applies if Authorization 2018/2020 has not been or will not be exercised during its term, or the corresponding conversion or option rights and/or conversion obligations have expired or expire due to the expiry of the exercise deadlines or in some other way.

8. The company has no significant agreements conditional on a change of control as a consequence of a takeover offer.

9. Compensation agreements do [not] exist on the part of the Company that have been entered into with Management Board members or employees for the instance of a change of control.

Compensation

The compensation system for the Management Board and Supervisory Board of SLM Solutions Group AG is aligned with the responsibility and tasks of each person and takes the economic situation of the Company into account in the variable components pertaining to the Management Board. The Supervisory Board consults about and approves the Management Board's compensation. The current compensation structure was set in the employment contracts. The existing employment contracts contain a long-term incentive program (LTI). Compensation for individual members of the Management Board comprises both fixed and variable components, in compliance with the German Corporate Governance Code.

A performance-related pension commitment exists for former Management Board member Mr. Henner Schöneborn from his long-term work as a manager at SLM Solutions GmbH, which amounts to a provision of kEUR 1,552 (previous year: kEUR 1,436) on December 31, 2020. The pension commitment basically corresponds with the commitments granted to other employees and provides for retirement, disability and widow/widower pensions. The level of retirement or disability pensions amounts to 15% of pensionable compensation (last gross salary excluding casual emoluments), 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.

In 2020, the expenses recognized in 2020 amount to kEUR 116 (previous year: kEUR 211) and are no longer recognized in the following tables.

No further compensation was granted or paid to former members of the Management Board in 2020.

Compensation paid to Management Board members for the 2020 fiscal year is apportioned as follows:

Management Board compensation in kEUR	**Fixed compensation**		**Performance-based compensation**		**Share-based compensations**		**One-time compensation**		**Fringe benefits**		**Total remuneration**	
Members of the Management Board	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Mr Bögershausen	0	175	0	0	0	0	0	0	0	5	0	180
Dr. Schulz	0	125	0	0	0	0	0	584	0	5	0	714
Dr. Heinemann	50	300	0	0	0	0	400	0	2	9	452	309
Mr. Hülsmann	75	0	0	0	0	0	0	0	8	0	83	0
Mr. Hadjar	550	367	87	0	0	140	49	178	14	7	700	692
Mr. O'Leary	300	25	11	0	0	227	20	102	14	1	345	355
Total	975	992	98	0	0	367	469	864	38	27	1,580	2,250

Regarding the tables, it is to be noted that Mr. Bögershausen and Dr. Schulz left the Management Board in 2019 and that Dr. Heinemann and Mr. Hülsmann left the Management Board in 2020.

Benefits granted to members of the Management Board

Benefits granted	**Dr. Heinemann**				**Dr. Schulz**				**Mr Bögershausen**			
	Target amount	Target amount	Minimum amount	Maximum amount	Target amount	Target amount	Minimum amount	Maximum amount	Target amount	Target amount	Minimum amount	Maximum amount
in kEUR	2020	2019	2020	2020	2020	2019	2020	2020	2020	2019	2020	2020
Fixed compensation	0	300	0	0	0	125	0	0	0	175	0	0
One-off / special payments	125	0	0	125	0	584	0	0	0	0	0	0
Fringe benefits	0	9	0	0	0	5	0	0	0	5	0	0
Total	125	309	0	125	0	714	0	0	0	180	0	0
Performance-based compensation	0	100	0	0	0	0	0	0	0	50	0	0
LTI*	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	125	409	0	125	0	714	0	0	0	230	0	0

* Long Term Incentive program with a maximum annual allocation of kEUR 150. This allocation will be converted into shares on July 10 of the second year thereafter and disbursed with a maximum value of EUR 54 each.

Benefits granted	**Mr. Hadjar**				**Mr. O'Leary**				**Mr. Hülsmann**			
	Target amount	Target amount	Minimum amount	Maximum amount	Target amount	Target amount	Minimum amount	Maximum amount	Target amount	Target amount	Minimum amount	Maximum amount
in kEUR	2020	2019	2020	2020	2020	2019	2020	2020	2020	2019	2020	2020
Fixed compensation	550	367	550	550	300	25	300	300	75	0	75	75
One-off / special payments	199	178	199	199	20	102	20	20	0	0	0	0
Fringe benefits	14	7	14	14	14	1	14	14	8	0	8	8
Total	763	552	763	763	334	128	334	334	83	0	83	83
Performance-based compensation	100	67	0	130	100	8	0	130	0	0	0	0
LTI*	0	140	0	0	0	227	0	150	0	0	0	0
Total remuneration	863	759	763	893	434	363	334	614	83	0	83	83

* Long Term Incentive program with a maximum annual allocation of kEUR 150. This allocation will converted into shares on July 10 of the second year thereafter and disbursed with a maximum value of EUR 54 each.

Benefits paid to members of the Management Board

Benefits paid	**Dr. Schulz**		**Mr Bögershausen**		**Mr. Hadjar**		**Mr. O'Leary**		**Dr. Heinemann**		**Mr. Hülsmann**	
in kEUR	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Fixed compensation	0	125	0	175	550	367	300	25	50	300	75	0
One-off / special payments	0	584	0	0	1	168	22	100	400	0	0	0
Fringe benefits	0	5	0	5	14	7	14	1	2	9	8	0
Total	**0**	**714**	**0**	**180**	**565**	**542**	**336**	**126**	**452**	**309**	**83**	**0**
Performance-based compensation	0	0	0	0	87	0	11	0	0	0	0	0
Share-based compensation	0	0	0	42	0	0	0	0	0	0	0	0
Total remuneration	**0**	**714**	**0**	**222**	**652**	**542**	**347**	**126**	**452**	**309**	**83**	**0**

Members of the Management Board receive a long-term incentive compensation component with cash payment entitlement supplementary to their Management Board employment contract, and it applies for the duration of their service on the 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 100 per Management Board member or kEUR 150.

The rights are allocated on an annual basis on July 20, based on the movement in the share price during the previous-year period. As part of this, the respective 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, e.g. 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 with the Company's share price on the day their payment entitlement becomes valid. 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.

As of December 31, 2020, obligations continue to exist towards Mr. Meddah Hadjar and Mr. Sam O'Leary. For the former Members of the Management Board, the program has either already expired or has been settled upon resignation.

The amounts recognized in profit and loss in fiscal year 2020 are as follows. For Dr. Heinemann, this compensation commitment was settled upon his resignation and the provision made use of correspondingly or the residual amount was recognized as revenue in the amount of kEUR 81 (previous year: expense kEUR 39 within addition). For Mr. Meddah Hadjar, an expense from addition to reserve arises in the amount of kEUR 39 (previous year: kEUR 31) and for Mr. Sam O'Leary in the amount of kEUR 39 (previous year: kEUR 6). The valuation of the fair value of the liability totaling kEUR 219 was determined using a Monte Carlo method.

The shareholders' meeting decides on the compensation for members of the Supervisory Board and its committees. In line with a resolution on 2 June 2017, members of the Supervisory Board continue to 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 5,000 each and that of the audit committee kEUR 7,500 with the Chair of each committee receiving twice the respective rate.

in kEUR	**2020**	**2019**
Compensation for Supervisory Board activities	**226**	226

There were no further compensation agreements with Supervisory Board members in the 2020 fiscal year.

CONSOLIDATED FINANCIAL STATEMENTS

AND RELATED NOTES

CONSOLIDATED INCOME STATEMENT

for the fiscal year from 1 January to 31 December 2020

in kEUR	Note	2020	2019
Revenue	10	61,759	48,962
Reduction / increase in inventories of finished goods and work-in-progress		-2,219	-7,524
Other work performed by the company and capitalized	20	5,030	3,368
Total operating revenue		**64,570**	**44,806**
Cost of materials		-30,665	-20,896
Gross profit		**33,905**	**23,910**
Personnel costs	11	-35,637	-31,871
Other operating income	12	3,726	1,635
Other operating expenses	13	-16,768	-19,234
Profit or loss from equity-accounted companies		-7	-442
EBITDA		**-14,781**	**-26,001**
Depreciation, amortization and impairment losses	20;21	-8,613	-8,659
Operating profit or loss (EBIT)		**-23,394**	**-34,660**
Other interest income		45	171
Interest income from shareholder loans		3	5
Interest and similar expenses	14	-4,509	-4,152
Earnings before tax (EBT)		**-27,855**	**-38,636**
Income tax	15	-2,397	-8,419
Net profit/loss for the period		**-30,252**	**-47,055**
Net profit/loss for the period allocated to the owners of the parent company		-30,252	-47,055
Number of shares in millions		19.8	19.8
Earnings per share (basic) in EUR		-1.53	-2.38
Earnings per share (diluted) in EUR		-1.53	-2.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the fiscal year from 1 January to 31 December 2020

in kEUR	Note	2020	2019
Net profit / loss for the period		-30,252	-47,055
Income / expenses not to be reclassified to profit or loss in the future:			
Actuarial gains and losses	27	-116	-730
Income / expenses to be reclassified to profit or loss in the future:			
Income / expenses from currency conversion	27	-735	130
Other comprehensive income		-851	-600
Consolidated total comprehensive income		-31,103	-47,655
Attribution of comprehensive income:			
Shareholders of SLM Solutions Group AG		-31,103	-47,655

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2020

in kEUR	Note	12/31/ 2020	12/31/ 2019
Assets			
Cash and cash equivalents	16	18,864	25,523
Trade receivables	17	13,449	15,488
Other financial assets	17	0	345
Inventories	18	20,770	28,281
Other non-financial assets	19	5,782	1,817
Current tax receivables		0	475
Total current assets		**58,866**	**71,929**
Intangible assets	20	28,092	24,288
Property, plant and equipment	21	38,486	39,136
Other financial assets	17	208	525
Other non-financial assets	19	207	717
Deferred tax liabilities	15	388	43
Total long-term assets		**67,381**	**64,708**
Total assets		**126,247**	**136,637**
Equity and liabilities			
Trade payables		6,983	5,341
Financial liabilities held for trading	22	2,110	2,085
Other financial liabilities	23	670	451
Other non-financial liabilities	24	6,522	4,054
Provisions	26	4,304	5,293
Tax provisions		29	23
Total current liabilities		**20,619**	**17,246**
Financial liabilities held for trading	22	75,014	64,098
Pensions and similar obligations	25	6,982	6,719
Other financial liabilities	23	1,143	1,256
Other non-financial liabilities	24	13	425
Provisions	26	875	139
Deferred tax liabilities	15	5,832	2,240
Total non-current liabilities		**89,859**	**74,877**
Subscribed share capital		19,779	19,779
Additional paid-in capital		100,584	98,225
Consolidated loss for the period included in retained earnings		-101,589	-71,337
Reserves		-3,005	-2,153
Total equity	27	**15,768**	**44,514**
Equity and liabilities (total)		**126,247**	**136,637**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the fiscal year from 1 January to 31 December 2020

in kEUR	2020	2019
Net profit / loss for the period	-30,252	-47,055
Depreciation, amortisation and impairment losses	8,613	8,659
Interest expenses	4,509	4,152
Interest income	-48	-176
Income tax	2,397	8,419
Non-cash expenses	1	442
Changes in assets and liabilities	11,278	28,440
Inventories	7,510	8,482
Receivables	2,039	19,268
Pensions and similar obligations	263	1,165
Liabilities	1,642	-4,500
Provisions	-387	872
Other liabilities	-846	3,144
Other assets and liabilities	1,057	7
Income taxes paid	-74	833
Other changes in current assets	238	-260
Net cash flows from operating activities	**-3,338**	**3,453**
Cash outflows for investments in intangible assets and property, plant and equipment	-6,160	-9,482
Investments in development costs	-5,030	-3,368
Cash outflows for investments in joint ventures	0	-200
Interest received	35	36
Net cash inflow from investment activities	**-11,155**	**-13,015**
Capital injection by shareholders	0	13,000
Contribution from convertible bond	15,000	0
Payments from loans	-1,308	-963
Repayment of lease liabilities	-893	-850
Interest payments	-4,354	-3,985
Net cash flows from financing activities	**8,444**	**7,202**
Net increase (decrease) of cash and cash equivalents	-6,048	-2,360
Change in financing funds due to exchange rate changes	-611	97
Liquid funds	25,523	27,786
Liquid funds*	18,864	25,523
Financing funds at the start of the period	**25,523**	**27,786**
Financing funds at the end of the period	**18,864**	**25,523**

* For reconciliation of cash and cash equivalents according to the statement of financial position see Note 17).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the fiscal year from 1 January to 31 December 2020

in kEUR	Subscribed capital	Capital reserve	Consolidated loss for the period included in retained earnings	First-time application reserve	Foreign exchange equalisation reserve	Other reserves	Total equity
Balance as at January 1, 2019	**17,981**	**87,023**	**-24,281**	**-632**	**-51**	**-953**	**79,087**
Equity from capital increase	1,798	11,202					13,000
Consolidated net result			-47,055				-47,055
First-time application of IFRS 9 and 15				83			83
Changes in equity from foreign currencies					130		130
Equity changes arising from actuarial gains/losses						-731	-731
Balance as at December 31, 2019	**19,779**	**98,225**	**-71,336**	**-549**	**79**	**-1,684**	**44,514**
Balance as at January 1, 2020	**19,779**	**98,225**	**-71,336**	**-549**	**79**	**-1,684**	**44,514**
Consolidated net result			-30,252				-30,252
Equity from convertible bond		2,358					2,358
Changes in equity from foreign currencies					-735		-735
Equity changes arising from actuarial gains/losses						-116	-116
Balance as at December 31, 2020	**19,779**	**100,583**	**-101,588**	**-549**	**-656**	**-1,800**	**15,769**

SLM Solutions Group AG, Lübeck

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS as of 31 December 2020

Note 1) Information about the Company

The accompanying consolidated financial statements are the consolidated financial statements 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 in 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.

Preparation of the consolidated financial statements was concluded on March 19, 2021 and approved by the Management Board. These will probably be presented to the Supervisory Board for release for publication on March 23, 2021.

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 315e (1) of the German Commercial Code (HGB).

The consolidated financial statements have been prepared on the basis of amortized, historical cost of acquisition or production, 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. The Group exercises control over a company if it is exposed to fluctuating returns from its investment in the company, or it owns rights to such returns and has the ability to influence such returns by means of its control over the company.

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.

The financial statements of the subsidiaries consolidated are prepared for the same reporting period as the parent company, applying consistent accounting and measurement policies. All internal Group assets, liabilities and equity, expenses and income, unrealised 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., Michigan, USA	100
SLM Solutions Singapore Pte, Ltd., Singapore	100
SLM Solutions (Shanghai) Co. Ltd., China	100
SLM Solutions RUS OOO, Russia	100
SLM Solutions (India) Private Limited*, India	100
SLM Solutions (Italy) S.R.L., Italy	100
SLM Solutions France) SAS, France	100
SLM Solutions (Canada) Ltd., Canada	100

* The scope of consolidation remains unchanged in comparison to the previous year.

Unchanged in comparison to the previous year.

The main responsibility of the subsidiaries is to provide sales activities and services for the Group in the particular region.

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 are most significant 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 net assets, a joint venture exists.

On May 26, 2014, SLM concluded a cooperation agreement with Singapore-based Nanyang Technological University (NTU) to run until August 18, 2019. This entailed entering into a close cooperation agreement in respect to research and development activities in additive manufacturing technologies. Both parties contributed their respective expertise in this context. The cooperation agreement comprised joint activity relating to research, and the development of intellectual property. Both parties provided staff who jointly conducted these 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 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 for. Income and expenditure from joint operations are recorded in the profit/loss account, providing they relate to said assets and/or are attributable to SLM AG. The company was wound up in 2020 and final compensation payments were made in January 2021.

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 together with their cost, and said interests are to be adjusted for changes to the interest of the Group in terms of 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.

No control as per IFRS 10 applies to the companies, although SLM AG holds a 51% stake, as shareholder resolutions require unanimity.

The holdings in 3 D Metal Powder GmbH Lübeck, founded in 2016, were sold in the 2020 fiscal year.

Note 4) Explanation 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.

Non-financial assets

The carrying amounts of the Group's non-financial assets – with the exception of inventories and deferred tax assets – are reviewed on every closing date to establish whether there are any signs of impairment. Should this be the case, the recoverable amount of the asset is estimated. Impairment losses are recognized in the profit or loss account.

An impairment loss is only reversed if the carrying amount of the asset does not exceed the carrying amount which would have been determined less depreciation or amortization if no impairment loss had been recognized.

Assets held for sale

Long-term assets or disposal groups comprising assets and liabilities are held for sale if it is highly likely that they will be realized mainly through sale and not through continued use.

In general, such assets are shown at their carrying amount or fair value less sales costs whichever is the lower. Impairment losses incurred on first-time classification as held for sale, and later gains or losses as a result of their revaluation are recognized in the profit or loss account.

Intangible assets and property, plant and equipment are no longer subject to systematic depreciation, and every equity-accounted participating company is no longer accounted for by the equity method as soon as they are classed as held for sale.

Financial instruments

Recognition and initial measurement

Trade receivables are recognized at the time when they arise. All other financial assets and liabilities are recognized for the first time on the trade date when the company becomes a contracting party in accordance with the provisions of the applicable contract.

A financial asset (apart from a trade receivable with no material financing component) or a financial liability is measured at its fair value on initial recognition. In the case of an item not measured at FVTPL (fair value through profit or loss), the transaction costs directly attributable to its acquisition or issue are added or deducted. Trade receivables with no material financing component are measured at the transaction price on initial recognition.

1. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified and measured as follows:

- at amortized cost
- FVOCI debt instruments (fair value through other comprehensive income)
- FVOCI equity investments (equity investments measures at fair value with changes in other comprehensive income)
- FVTPL (at fair value with changes in value shown in the profit or loss account)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing its financial assets. In this case, all financial assets in question are reclassified on the first day of the reporting period following a change to the business model.

A financial asset is measured at amortized cost if both of the following conditions are met and it has not been designated as FVTPL:

- It is held as part of a business model, the object of which is to hold financial assets for the purpose of receiving the contractual cash flows, and
- The terms of contract underlying the financial asset lead at fixed points in time to cash flows which comprise solely payments of principal and interest.

A debt instrument is designated as FVOCI if both of the following conditions are met and it has not been designated as FVTPL:

- It is held as part of a business model, the object of which is both to hold financial assets for the purpose of receiving the contractual cash flows, and to sell financial assets, and
- The terms of contract lead at fixed points in time to cash flows which comprise solely payments of principal and interest.

On the initial recognition of an equity investment not held for trading purposes, the Group has the irrevocable option to show subsequent changes in the fair value of the investment in other comprehensive income. This choice is made for each investment on a case-by-case basis.

The Group basically holds financial assets recognized at amortized cost. These are subsequently measured at amortized cost applying the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses as well as impairment losses are recognized in the profit or loss account. A gain or loss from derecognition is recognized in the profit or loss account.

Financial liabilities

Financial liabilities are categorized and measured at their amortized cost or at their fair value through profit or loss (FVTPL). A financial liability is categorized as FVTPL if it is classified as held for trading, it is a derivative or designated as such on initial recognition.

Financial liabilities classified as FVTPL are measured at their fair value, and net gains or losses, including finance costs, are recognized in the profit or loss account.

Other financial liabilities are measured at amortized cost applying the effective interest method in subsequent valuations. Finance costs and foreign currency translation differences are recognized in the profit or loss account. Gains or losses from derecognition are also recognized in the profit or loss account.

2. Current inventory of main financial assets and liabilities at SLM

Financial assets and liabilities at SLM are classified on the basis of categorizing the contractual cash flows and the business model in which SLM holds the asset.

They are made up as follows:

- Liquid assets including demand deposits and any short-term deposits.
- Trade receivables from the sale or rent of machines and accessories, spare parts and consumables, services relating to these machines, and machine rental.
- Other non-current assets from the sale of holdings in the equity investment, SLM Software GmbH
- Other financial assets
- Trade payables
- Other financial liabilities (mainly current liabilities to banks)
- Loan liabilities (towards banks with fixed term and interest rate)
- Convertible bond

No use was made of the option to recognize assets or liabilities at their fair value on acquisition.

The following assets are measured at amortized cost

- Liquid assets
- Trade receivables
- Receivable from the sale of holding in the equity investment, SLM Software GmbH in Perg
- Other financial assets

SLM's existing financial liabilities were classified and measured at amortized cost:

- Trade payables
- Other financial liabilities
- Loan liabilities
- Convertible bonds

The convertible bonds have both equity and debt components. The conversion right represents equity in this case. The debt component, on the other hand, exhibits the characteristics for classification to be measured at amortized cost.

3. Derecognition of financial assets and liabilities

The Group derecognizes a financial asset if the contractual rights pertaining to the cash flows from the financial asset expire, or it transfers the rights for preserving the cash flows in a transaction in which all material risks and opportunities connected to ownership of the financial asset are also transferred. An asset is also derecognized if the Group neither transfers nor retains all material risks and opportunities connected to its ownership, and it does not have power of disposal over the transferred asset. The Group carries out transactions in which it transfers recognized assets but retains either all or all material risks and opportunities from the transferred asset. In such cases, the transferred assets are not derecognized.

The Group derecognizes a financial liability if the contractual obligations have been fulfilled, canceled or have expired. Furthermore, the Group derecognizes a financial liability if its contractual terms are changed and the cash flows of the modified liability are significantly different. In this case, a new financial liability is recognized at fair value based on the modified conditions. When a financial liability is derecognized, the difference between the carrying amount of the settled liability and the consideration paid (including cashless assets transferred or liabilities assumed) is recognized in the profit or loss account.

4. Offset

Financial assets and liabilities are netted and shown as a net amount in the balance sheet if the Group has a present, enforceable legal right to net off recognized amounts against each other, ¬and it is intended either to ¬settle the amounts on a net basis or to pay the associated liability at the same time as exploiting the asset.

5. Derivative financial instruments and treatment of hedges

The Group currently holds no derivative financial instruments for hedging foreign exchange and interest rate

Intangible assets

1. 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 attributed to the relevant period as expenses.

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) the development costs can be measured reliably,

(2) the product or process is technically and

(3) commercially feasible,

(4) future economic benefits are probable and

(5) SLM intends to complete development and use or sell the asset and

(6) has sufficient resources to do so.

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". All other development costs are expensed as they are incurred.

Capitalized development expenses are measured at acquisition or production cost, less accumulated impairment costs. This depreciation is spread on a straight-line basis over four years from the time of use.

An impairment review is conducted on these development costs if there are indications for doing so. To determine the substantive value of these intangible assets, the present value of the future cash flows is compared with the residual carrying amount on the basis of the Company's forecast.

Development costs of kEUR 7,128 (previous year: kEUR 4,994) were capitalized in 2020. In addition, development costs were incurred in 2020 of kEUR 8,962 (previous year: kEUR 7,727), which were not capitalized. These also include the amortization of development costs already completed in the amount of kEUR 2,706 (previous year: kEUR 2,041).

Capitalised development expenses are measured at acquisition or production cost, less accumulated impairment costs. This depreciation is spread on a straight-line basis over four years from the time of use.

An impairment review is conducted on these development costs if there are indications for doing so. To determine the substantive value of these intangible assets, the present value of the future cash flows is compared with the residual carrying amount. This measurement of the development costs is based on the forecast prepared by the Management Board for the company for the next five years. If required for the impairment review, this forecast is extended beyond the planning horizon. Values are discounted to their present value by the DCF method using weighted capital costs.

Development costs of kEUR 4,994 (previous year kEUR 4,361) were capitalized in 2019. In total, before activation in 2019, development costs were incurred in the amount of kEUR 14,762 (previous year: kEUR 9,787) including the amortisation of development projects already completed in the amount of kEUR 2,041 (previous year: kEUR 1,293).

2. Intangible assets acquired as part of a merger

As part of the merger, previously non-capitalized intangible assets were identified. This constitutes the basic technology of SLM machines and the customer base of the time. Assets are measured at cost less cumulative depreciation or impairment losses.

The basic technology is systematically depreciated on a straight-line basis over 15 years and the customer base over 10 years.

In regard to valuations resulting from observations of atypical circumstances, please refer to "Impairment of property, plant and equipment and intangible assets".

3. Other intangible assets

Acquired intangible assets with a limited useful life are recorded at cost less accumulated amortization and impairment losses.

Other intangible assets are amortized from the time of use over a period of 3 to 8 years.

Subsequent expenditures are only capitalized, if they increase the future economic benefit of the asset to which they relate. All other expenditures are attributed to the respective period as an expense.

The Group has not capitalized any intangible assets with indefinite useful lives.

In regard to valuations resulting from observations of atypical circumstances, please refer to "Impairment of property, plant and equipment and intangible assets".

Property, plant and equipment

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 on a straight-line basis over their economic useful lives. To the extent that they comprise qualifying assets, borrowing costs are treated as an expense pursuant to IAS 23. Maintenance and repair costs are recognized as expenses attributable to a specific period. Gains and losses from the disposal of assets are reported under other operating income or expenses in the consolidated income statement.

Subsequent expenditure is only capitalized, if it is probable that future economic benefit will flow to the Group as a result of the expenditure.

Depreciation to write off the cost of property, plant and equipment is calculated on a straight-line basis less estimated residual value over the period of its estimated useful life. As a general rule, depreciation is recognized in the profit and loss account. Land is not depreciated.

The estimated useful lives of the main property, plant and equipment are 50 years for the building, 4 to 15 years for technical equipment and machinery and 3 to 15 years for factory and office equipment.

In regard to valuations resulting from observations of atypical circumstances, please refer to "Impairment of property, plant and equipment and intangible assets".

Impairment of property, plant and equipment, and intangible assets

The company reviews property, plant and equipment, and 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 for impairment if there are indications that this is required. Recoverability of assets is measured by comparing the carrying amount of the asset with its recoverable amount which comprises the higher of the asset‘s value-in-use and its fair value (Fair Value) less costs of disposal or market capitalization on the relevant reporting date. 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. At SLM, the CGU is the entire company. 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 value-in-use of assets corresponds to the present value of their expected future capital inflows with a planning horizon of five years. To determine the fair value in the fiscal year, the weighted average capital costs (WACC) were compiled on the basis of their current market values or higher value derived from market capitalization. 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.

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 SLM 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.

Trade receivables

Trade receivables with no material financing component are measured at the transaction price on initial recognition. The analysis of trade receivables and other assets resulting from similar contracts showed that as a general rule, these assets exhibit the same risk characteristics. The Group's default risk is mainly affected by the individual characteristics of the customers. The Group carries impairment losses for expected credit losses for current and non-current financial assets which are measured at amortized cost including lease receivables and other financial assets. SLM has adopted the simplified model of expected credit losses for its trade receivables and assets and the general model of expected credit losses for its debt instruments shown at amortized cost and debt instruments recognized at their fair value in equity.

To this end, assets are divided into three levels:

- Level 1 as the entry or basic level for all assets for which no objective indication of impairment exists at the time of acquisition
- Level 2 for a significant increase in the credit risk relative to entry Level 1
- Level 3 in the case of objective indications of impairment for an individual asset

Measurement within levels:

- Level 1: Present value taking account of expected losses in the next 12 months, interest recognized on the basis of the gross carrying amount
- Level 2: Present value taking account of expected losses over the entire term, interest recognized on the basis of the gross carrying amount
- Level 3: As for Level 2 but with a higher (more tailored) discount factor, interest recognized on the basis of the net carrying amount. The gross carrying amount is initially reduced by the loan loss provision and then the effective interest method is applied

Determination of the effective interest rate for the three levels takes account of the following factors:

- Customer credit rating
- Currency risk if not invoiced in EUR
- Past events, current conditions and forecasts of future economic conditions
- Country risk for payment history

The Group also hedges its trade receivables and other receivables via advance payments or payment guarantees, particularly in foreign markets. The Group has no trade receivables or contract assets for which no impairment losses have been recognized on the basis of collateral.

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.

Equity

1. Subscribed share capital

The subscribed share capital is divided into 19,778,953 bearer shares with a paper value of one euro each. All shares have been fully paid in.

In accordance with Section 4 (5) of the by-laws, the Management Board is authorized to increase the share capital by up to EUR 9,889,476.00 wholly or in part, once or in several stages by 24 June 2024 with the approval of the Supervisory Board by issuing up to 9,889,476 new bearer shares against cash payments and/or contributions in kind (Approved Capital 2019). 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 9,889,476.00 through the issue of up to 9,889,476 new bearer shares (Conditional Capital 2014/2018/2020). The Conditional Capital has the purpose of granting shares to owners or creditors of convertible and/or warrant bonds, which have been or will be issued according to the resolution of the General Meeting of April 14, 2014 to June 21, 2018 (inclusive) (Authorization 2014) or the authorization in accordance with the resolution of the General Meeting of June 22, 2018 in the modified version by the resolution of the General Meeting of June 16, 2020 to June 15, 2025 (inclusive) (Authorization 2018/2020) by the Company or a domestic or foreign company, in which the Company directly or indirectly holds the majority of votes and capital. This will only be executed if use has been or is made of the convertible or option rights or the fulfillment of conversion obligations from such bonds, and insofar as other forms of fulfillment have not been or are not used. The issue of the new shares will take place at the option price on the basis of the respective conversion or option price to be determined by the respective authorization. The new shares will participate in the profit from the beginning of the fiscal year in which they originate through the exercise of conversion or option rights or the fulfillment of conversion obligations; by way of exception to the above, the Management Board can, if legally permitted to do so and with the approval of the Supervisory Board, determine that the new shares will participate in the profit from the beginning of the fiscal year for which no AGM resolution on the appropriation of retained earnings has been adopted at the time when conversion or option rights are exercised or conversion obligations fulfilled. The Management Board is authorized to define further details for implementing the conditional capital increase. The Supervisory Board is authorized to modify the wording of Article 4 of the company's bylaws to fit the issuing of new shares from Conditional Capital 2014/2018/2020. The same applies if Authorization 2018/2020 has not been or will not be exercised during its term or the corresponding conversion or option rights and/or conversion obligations have expired or expire due to the expiry of the exercise deadlines or in some other way.

2. Capital reserve

In 2020, the equity components of the convertible bond issue in 2020 less the related deferred tax obligations, were allocated to the capital reserve.

Provisions for 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 in which the amounts that beneficiaries receive at the commencement of their pensions are predetermined, and which generally depend on one or several factors such as age, period of service and salary. Under this scheme, the employees receive pension benefits according to the bylaws and guidelines of the employee benefit scheme of the company HEK GmbH e. V. (founded on September 29, 1969), of which they have been members to this point.

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

The level of retirement or disability pension amounts to 15% of pensionable compensation (last gross salary excluding casual emoluments), 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 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.

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

	2020	**2019**	**2018**
Interest rate	1.00%	1.30%	2.02%
Increases in income	2.50%	2.50%	2.50%
Pension adjustments	1.70%	1.70%	1.70%
Employee turnover rate	1.00%	1.00%	1.00%

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

	Interest rate		Income trend		Pension adjustment	
in kEUR	**Increase of 1 %**	**Decrease of 1 %**	**Increase of 1 %**	**Decrease of 1 %**	**Increase of 1 %**	**Decrease of 1 %**
Effect on DBO (2020)	-1,232	1,666	191	-177	1,153	-880
Effect on DBO (2019)	-1,203	1,640	230	-211	1,104	-828

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 that arise 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 statutory thresholds).

Other provisions

1. Product-related provisions for warranty

Provisions for estimated costs relating to product warranties are recognized on the date the revenue is recognized. The estimates are based on historical empirical data for warranty costs. Calculation of the provision takes account of empirical values and associated probabilities resulting from the frequency with which each machine type is used as well as the average material costs, personnel and travel expenses, other overheads and incidental expenses and the machines still covered by the warranty period. In the case of new product lines, the estimation for these provisions reflects the empirical values for existing product lines as well as expert opinions. The warranty period is usually 12 months.

2. Other 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 that will likely result in a financial expense to the company and the level of which can be reliably estimated. The amount of the provision is calculated by discounting the expected future cash flow with an interest rate before tax, which reflects the current market expectation with respect to the interest effect. Compound interest is recognized as a financing cost. Additions to provisions and reversals are generally recognized in the consolidated income statement.

For the provisions for LTI compensation, see the compensation report.

Leasing

SLM is both a lessor and a lessee as part of its business activities.

Since 1 January 2019, the Group has been evaluating at the start of the contract whether it justifies or contains a lease. This is the case if the contract assigns the right to control the use of an identified asset in return for consideration for a certain period. The Group uses the definition of a lease in IFRS 16 to assess whether a contract contains the right to control an identified asset.

1. SLM as lessee

On the date of provision or on the amendment of a contract containing a lease component, the Group splits the contractually agreed payment on the basis of the respective individual selling prices. However, for property leases, the Group has decided to refrain from separating non-lease components and instead to report lease and non-lease components as a single lease component. This relates in particular to rental contracts for subsidiaries which conduct their business in rented office space.

On the date of provision, the Group recognizes an asset for the usage right granted and a lease liability. The right of use is initially measured at cost equating to the initial measurement of the lease liability, adjusted to take account of any payments on or before the date of provision plus any initial direct costs and the estimate cost of uninstalling or removing the ¬underlying asset or to restore the underlying asset or site where it is located less any lease incentives received.

The right of use is then depreciated on a straight-line basis from the date of provision until the end of the lease period unless the ownership of the underlying assets is transferred to the Group at the end of the lease term or the cost of the usage right reflects the fact that the Group will exercise an option to buy. In this case, the usage right will be depreciated over the useful life of the underlying asset determined in accordance with the rules for property, plant and equipment. In addition, the usage right will be subject to continuous impairment losses, if required, and adjusted to reflect certain revaluations of the lease liability.

Initially, the lease liability will be measured at the present value of lease payments not yet made on the date of provision, discounted at the interest rate on which the lease is based, or if this cannot be easily determined at the Group's incremental borrowing interest rate. The Group normally uses its incremental borrowing interest rate as its discount rate.

The lease payments included in the measurement of the lease liability comprise:

- Fixed payments including de facto fixed payments
- Variable lease payments linked to an index or (interest) rate, initially measured on the basis of the index or (interest) rate applicable on the date of provision
- Amounts expected to be due for payment under a residual value guarantee, and
- The price of exercising a purchase option if the Group is reasonably certain of exercising it; lease payments for an extension option if the Group is reasonably certain of exercising it; as well as penalties for premature termination of the lease unless the Group is reasonably certain of not terminating prematurely.

The lease liability is measured at the amortized carrying amount using the effective¬ interest method. It is reevaluated if the future lease payments change due to the movement of an index or (interest) rate, if the Group adjusts its estimate of expected payments as part of a residual value guarantee, if the Group changes its assessment of exercising an option to purchase, extend or terminate, or if a de facto fixed lease payment changes.

In any such reevaluation of the lease liability, the carrying amount of the right of use will be adjusted accordingly or is recognized in profit or loss if the carrying amount of the right of use has reduced to zero.

The Group reports rights of use in the balance sheet as Right of use (ROU) under fixed assets, and the lease liabilities under other financial liabilities.

The Group has decided not to recognize rights of use and lease liabilities for leases based on low value assets or for short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases over the term of the lease as other expenses on a linear basis.

2. SLM as lessor

At the start or amendment of a contract containing a lease component, the Group splits the contractually agreed payment on the basis of the respective individual selling prices.

If the Group acts as the lessor, it classifies every lease at the start of the contract as either a finance lease or an operating lease.

In order to classify each lease, the Group has conducted an overall assessment as to whether the lease essentially transfers all risks and opportunities associated with ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is an operating lease. As part of this assessment, the Group takes certain indicators into account such as whether the lease covers most of the economic useful life of the assets.

If an agreement contains lease and non-lease components, the Group applies IFRS 15 to split the contractually agreed consideration.

The Group applies the derecognition and impairment rules of IFRS 9 to the net investment in the lease. The estimated, non-guaranteed residual values recognized in calculating the gross investment in the lease, are regularly reviewed by the Group.

Lease payments from operating leases are recognized by the Group as income under other revenues over the term of the lease on a straight-line basis.

Financial liabilities

Financial Financial liabilities combine the convertible bond and loans for funding new construction work.

1. Convertible bonds

- On October 11, 2017, SLM issued a convertible bond. 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 which represents a premium of 28.0% above 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 at the end of the year is shown under financial liabilities and has a residual term of under one year.
- SLM Solutions issue the first tranche of the second convertible bonds 2020/2026 on July 14 with a volume of EUR 15.0 million. The conversion price was EUR 6.75. The subscription offer was exclusively aimed at owners of the Company's shares and owners of the convertible bonds 2017/2020 issued by the Company in 2017. The bond bears an annual interest rate of 2.0% and matures on September 30, 2026. The accrued interest for the bond at the end of the year is shown under financial liabilities 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. A net present value is determined for the convertible bonds. It is calculated by using a discount rate derived from quoted yields for bonds with similar terms and similar credit ratings which are traded in active markets, specified by the issuing bank.

Interest payments as well as compounding expenses are recognized as finance costs in profit and loss in the relevant year.

2. Liabilities toward banks

Loans have been taken out to finance the new building. The two existing loan obligations mature on December 31, 2026. Repayments are made in 30 equal, successive quarterly installments of kEUR 333 beginning on June 30, 2019 and in a final installment of kEUR 133. First mortgages have been registered for these liabilities on the Estlandring property in Lübeck on behalf of the banks extending the loans. Repayment for the following year is reported under current financial liabilities. The liabilities are recognized at their carrying amounts corresponding to a reasonable approximation of the present value of the cash flows.

Foreign currency translation

1. Transactions in foreign currencies

Transactions in foreign currencies are translated into the corresponding functional currency of Group companies at the spot rate on the day of the transaction.

Monetary assets and liabilities denominated in a foreign currency on the reporting date are translated into the functional currency at the closing rate.

Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the rate applicable when the fair value is determined. Non-monetary items measured at historical cost in a foreign currency are converted at the exchange rate on the date of the transaction. Equity is converted at the historical spot rate. As a general rule, currency translation differences are recognized in profit and loss for the period and reported under finance expenses.

2. Foreign operations

Assets and liabilities from foreign operations are translated into euros at the closing rate on the reporting date. Income and expenses from the foreign operations are translated at the rate applicable at the time of the particular transaction.

Currency translation differences are recognized in other comprehensive income and reported under the currency translation reserve.

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

	Dec.31		Average for year	
Currency	**2020**	**2019**	**2020**	**2019**
US-Dollar	1.227	1.123	1.141	1.111
SG-Dollar	1.622	1.511	1.574	1.508
CNY	8.023	7.821	7.871	7.797
RUB	91.467	69.956	82.640	69.987
INR	89.661	80.187	84.578	79.109
CAD-Dollar	1.563	1.460	1.529	1.464

Revenue recognition

SLM generates sales revenues from the sale of machines and accessories, as well as spare parts, merchandise and consumables, as well as machine-related services. SLM is applying IFRS 15 for the first time in the fiscal year starting on 1 January 2018.

When contracts are concluded, SLM reviews the goods or services to which the company has committed in a contract with the customer, and also checks every commitment to verify whether a separate, depreciable good or delimitable service has been transferred. Contracts are designed so that goods and services, which the company has committed to transfer to the customer, are explicitly listed. On conclusion of the contract or at the start of the contract, SLM identifies whether the contractual obligation will be fulfilled at a particular time or over a particular period. As a general rule, separate contracts are concluded for contractual obligations relating to periods such as maintenance contracts. If the contractual obligation is not fulfilled over a certain period, the company will fulfill its contractual obligation at a specific time. In the process, SLM adheres to the rules regarding the transfer of control. SLM recognizes the sales revenues when it has met and fulfilled its contractual obligation by transferring the contractually agreed good or service and/or asset to the customer. An asset is deemed to have been transferred if the customer has obtained power of disposal over this asset. With SLM, this constitutes in particular the delivery of machines and accessories, spare parts and metal powder. The sales revenues are generally recognized when the goods have been dispatched from the Group's warehouse. In addition, customers can book optional services such as installation or training which are charged separately, and the sales revenues are recognized at the time the service is provided.

As a matter of principle, no contracts contain either variable remuneration or estimates or finance components. In accordance with contractual agreements, advance payments will be due and billed depending on the stage of completion of the delivery or service and set off against the final payment. Advance payments received are reported in contractual liabilities.

A warranty of 12 months is agreed with the contracts which is recognized as a subsequent contractual obligation by way of a provision.

On the other hand, a company transfers the power of disposal over a good or service over a particular period, thereby meeting its contractual obligation, and recognizes the sales revenues if one of the following criteria has been met:

- the customer is benefiting from the service and can use the service while it is being provided
- the service creates or enhances an asset (e. g. work in progress) and the customer obtains power of disposal over the asset while it is being created or enhanced, or
- as a result of the service, an asset is created which is of no alternative use to the company, and the company has a legal claim to payment of the services already provided.

With SLM, this relates in particular to rental, service and maintenance contracts. The revenues are distributed and collected over the term of the contracts in line with their deadlines with due consideration given to any special services or interest effects. Advance payments for subsequent periods are reported in contractual liabilities.

Employee benefits

1. Short-term benefits to employees

Obligations resulting from short-term benefits to employees are recognized as expenses as soon as the associated service is provided. A liability must be recognized for the amount expected to be paid if the Group presently has a legal or de facto obligation to pay this amount on the basis of work performed by the employee and the obligation can be reliably estimated.

2. Share-based compensation agreements

Share-based compensation agreements exist exclusively with members of the Management Board. For their measurement, we refer to the compensation report.

3. Performance-related compensation agreements

SLM only grants plans that are not covered by capital, and measures claims derived 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 benefit 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.

Performance-related obligations are calculated annually by a recognized actuary.

4. Other long-term benefits to employees

Apart from the members of the Management Board, there are no agreements with employees on long-term benefits. For the compensation model for the Management Board, we refer to our description in the compensation report.

5. Termination benefits

Termination benefits are recognized as expenses at the earlier of the following times: when the Group is no longer able to withdraw the offer of such ¬benefits, or when the Group recognizes costs for restructuring. If in the case of benefits, they are not expected to be fully paid within twelve ¬months of the closing date, they are discounted to present value.

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 that have already been extended and received but not yet used for their intended purpose are recognized at fair value and accrued under liabilities.

Grants are being awarded for the construction of the new plant in Lübeck Genin which will be deducted from the acquisition and production costs of the corresponding items of fixed assets. The subsidy period ended in 2020.

Grants obtained for purposes other than property, plant and equipment (performance-related grants) are reported in the consolidated income statement as other income in the period when such grants are received.

The short-time allowance applied for in 2020 for the employees in Germany and the grants received for social security are reported on a netted basis with the respective personnel costs. Therefore, the personnel costs are reported with a deduction of kEUR 147 and kEUR 136 for these grants.

In 2020, a loan of CAD 40,000 (kEUR 26) was granted to the Canadian subsidiary due to the coronavirus pandemic, which is still included in the liabilities at CAD 30,000 (kEUR 19) as of December 31, 2020. The difference amount was recognized in the profit and loss account. The subsidiary in the USA also received a loan in the amount of

US$ 817,400 (kEUR 716), which was fully recognized in the profit and loss account in 2020 as other operating income.

There are no unfulfilled subsidy conditions in the fiscal year that might lead to a demand for repayment on the part of the subsidy provider.

Financial income and finance costs

The Group's financial income and finance costs comprise:

- Interest income
- Interest and similar expenses
- Dividend income
- Foreign currency gains and losses from financial assets and financial liabilities

Interest income and interest expenses are recognized in the profit or loss account using the effective interest method. Dividend income is recognized in the profit or loss account at the time the Group's legal claim to payment comes into effect.

The effective interest rate is the rate that precisely discounts the estimated future receipts or payments during the expected life of the financial instrument to

- the net carrying amount of the financial asset or
- the residual carrying amount of the financial liability.

When calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (unless its credit rating is impaired), or the residual carrying amount of the liability. On the other hand, in the case of financial assets whose credit rating is impaired after initial recognition, the interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the credit rating of the asset is no longer impaired, the calculation of interest income is conducted once again based on the gross amount.

Income taxes

The 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.

1. Current taxes

Current taxes represent the expected tax liability or tax claim on the taxable income or tax loss for the fiscal year, on the basis of local tax regulations and rates applicable on the closing date or in the near future, as well as all adjustments of the tax liability for earlier years. The amount of the expected tax liability or claim reflects the amount which represents the best estimate taking account of any existing tax-related uncertainties. Current tax liabilities also include all tax liabilities arising from the setting of dividends. Current tax claims and liabilities are only netted on certain conditions.

2. Deferred taxes

Deferred taxes are formed in accordance with the liability method. They are recognized with respect to temporary differences between the carrying values of the assets and liabilities for Group accounting purposes and the amounts used for tax purposes.

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 utilized Profits to be taxed in the future are determined on the basis of the reversal of the taxable temporary difference. Should the amount not be sufficient for fully capitalizing deferred tax claims, the profits that are taxable in the future – in consideration of the reversal of temporary differences – will be determined on the basis of the individual business plans of the Company or subsidiary. These are only to be capitalized (taking into account minimum taxation settings) if it is highly likely that sufficient taxable profit will be available to offset losses in future. The 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 may well be limited by time.

Deferred taxes relating to items recognized directly in equity are also recognized directly in equity.

Deferred tax claims are examined on each balance sheet date and reduced to the extent that it is not likely that the associated tax benefit will be realized; attributions will be made if the probability of future taxable results improves.

Deferred taxes are measured using the tax rates expected to apply to temporary differences as soon as they reverse, using tax rates applicable or announced on the closing date. Deferred taxes reflect any uncertainty contained in income taxes.

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.

In Germany, the calculation of income 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 corporate tax in Germany is a non-deductible expense, the average corporate tax assessment rate is 15.75% and the total tax rate 31.575% (previous year: 31.575%).

For foreign subsidiaries, income taxes are calculated based on local tax laws and applicable tax rates in individual foreign countries. The tax rates applicable to group companies vary for deferred taxes between 17% (previous year: 17%) and 27.9% (previous year: 27.9%).

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.

Note 5) New financial reporting regulations and future requirements

As of January 1, 2020, the Group took the revised framework concept in the IFRS standards into consideration, as well as applying the first-time definition of a business operation (amendments to IFRS 3), reform of the reference interest rates (amendments to IFRS 9, IAS 39 and IFRS 7) and the definition of "material" (amendments to IAS 1 and IAS 8).

The Group applied the definition of a business operation (amendments to IFRS 3) to company mergers, whose time of acquisition are on or after January 1, 2000, in order to assess whether it acquired a company or a group of assets. The assessment concluded that no business operations were acquired in 2020.

The Group applied the amendments from the reform of the reference interest rates to the existing designated hedging relationships on January 1, 2020 and thereafter retrospectively, insofar as they are affected by the reform of the reference interest rates. The changes are also applicable to the reserve for hedging payment flows as of January 1, 2020 of cumulative profit or loss. The first-time application of the standard had no material effect on the company's statement of financial position or income statement.

With the definition of material, a uniform and more precisely defined term of materiality of financial statement information is created and supplemented with accompanying examples. These changes have no material implications for the consolidated financial statements.

Furthermore, a series of additional new standards were applicable for the first time on January 1, 2020. However, these changes have no material implications for the consolidated financial statements

Note 6) Estimates and assumptions

A series of new standards are to be applied in the first reporting period of a fiscal year commencing after January 1, 2020 although advance application is possible; however, the Group has not applied the new or amended standards in advance in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have any material effect on the consolidated financial statements.

1. Onerous contracts – costs of contractual fulfillment (amendments to IAS 37)

The changes specify which costs a company includes for determining the costs for the fulfillment of a contract, in order to assess whether the contract is onerous. The changes are applicable in reporting periods that begin on or after January 1, 2022, to contracts that exist at the time of the first-time application of the changes. At the time of the first-time application, the cumulative effect of the application of the changes is recognized as an adjustment to the opening balance sheet value in the retained earnings or in other equity components, where applicable. The comparative values are not adjusted. The Group currently assumes that all of the existing contracts on December 31, 2020 will be fulfilled prior to the first-time application of the changes.

2. Reform of the reference interest rates – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments deal with the questions that may influence the financial reporting as a result of the reform of reference interest rates, including the implications of changes to contractual payment flows or of hedging relationships that result from replacing a reference interest rate with an alternative reference rate. The changes offer practical simplifications with respect to specific requirements of IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16:

- Changes to the basis for determining the contractual payment flows of financial assets, financial liabilities and leasing liabilities.

At present, the Group exclusively has financial assets, financial liabilities and leasing liabilities that have been agreed on the basis of fixed interest rates. Therefore, the Group is not currently expecting any material implications for the consolidated financial statements from the first-time application.

- Accounting for hedges.

The changes offer exceptions from the regulations for accounting for hedging transactions, the following areas:

- The changes allow the adjustment to the designation of a hedging relationship, in order to take changes into consideration, which become necessary due to the reform.
- If a hedged underlying transaction is adjusted in hedging of payment flows, in order to take account of changes that become necessary due to the reform, the accumulated¬ amount in the reserve for hedging

payment flows will be regarded as being based on the alternative reference rate, on the basis of which the future hedged payment flows will be determined.

- If a group of underlying transactions is designated as a hedged underlying transaction and an underlying transaction is changed in the group, in order to reflect the changes required due to the reform, the hedged underlying transactions will be split into sub-groups on the basis of the hedged reference rates.
- If a company reasonably expects an alternative reference rate to become separately identifiable within a period of 24 months, but it is not separately identifiable at the time of the designation, it is acceptable to determine the interest rate as a non-contractually specified risk component.

At present, no such hedges exist in the Group. Therefore, the Group assumes that the first-time application of the standard will not have any implications for the income statement.

- Disclosures

The changes obligate the Group to disclose additional information about the risks that the Company is exposed to due to the reform of the reference interest rates and about the associated risk management activities.

- Transitional regulations

The Group plans to apply the changes from January 1, 2020. The application will not have any implications for values that were reported in 2020 or in previous years.

The following amended standards and interpretations are not expected to have any material effect on the consolidated financial statements.

- COVID-19-related rent reductions (amendments to IFRS 16)
- Property, plant and equipment: income prior to planned use (amendments to IAS 16)
- IFRS 10 and IAS 28 sale or contribution of assets between an investor and an associated company or joint venture
- Reference to the framework concept (amendments to IFRS 3)
- Classification of liabilities as short-term or long-term (amendments to IAS 1)
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts
- IFRS 4 Extension of temporary exemption from IFRS 9

Note 7) Estimates and assumptions

Estimates and assumptions are required to a certain extent when preparing consolidated financial statements. The estimates and assumptions have an impact on the recognition, measurement and presentation of assets, liabilities, income and expenses.

Key assumptions

These consolidated financial statements have been prepared on a going concern basis. As shown by the group's planning for the coming two years, the earnings position must be assumed to be negative. This is due to the continuous investment in research and development, as well as the development of new products and the further strengthening and expansion of the sales organization during the business environment shaped by the pandemic is negatively impacting order in-take. Consequently, it can be concluded that liquid funds will presumably be exhausted in the second half of the 2021 financial year as per the planning, and the company will therefore require further financial resources. These funds are to be raised in the first half of 2021 by way of a financing round by issuing the second tranche of the convertible bond 2020/26. These events and circumstances indicate that there is a material uncertainty that can raise doubts about the Group's ability to continue as a going concern, which is why the Group may not be able to realize its assets and pay-off its debts in the normal course of business.

The Management Board is of the opinion that the contractually-compliant service of the loans will take place from the Group´s operating cash flow and due to the measures taken by the Management Board in regard to cost reduction and optimization of the Group´s cash flow and liquidity. These include the following measures: Reduction of investment expenditures through the postponement or interruption of projects and changes, postponement or cancellation of unnecessary expenditures and freezing of new hiring. At the same time, there has been a focus on the presentation of a new, innovative generation of machines on the market.

The Management Board assumed that the additional requirement for liquid funds can be obtained by raising new funds on the capital market. The Management Board is optimistic that the current measures will cover the requirement for additional liquid funds.

Due to these factors, the Management Board has the realistic expectation that the Group will have adequate resources at its disposal to continue its business activity for the foreseeable future.

Estimates

All available information is taken into account in the process. Actual results may vary from this estimate. Basic estimates relate to the

- Capitalization of development costs
- Impairment tests for development costs
- Determination of useful life
- Calculation of deferred tax assets
- Recognition of deferred tax assets for loss carryforwards with a view to future offsets
- Impairment of receivables and the inherent risks expected
- Recognition and measurement of other provisions, particularly warranty provisions
- Measurement of pension provisions

Of particular importance are estimation uncertainties resulting from the current tense interest situation which affect the value of assets and liabilities reported or their impairment.

The valuation method for the inventories has been maintained. The valuation of the inventories was reviewed in 2020. Representative historical inventory data exists for the SLM Group in the interim, in particular in relation to raw and production materials, despite its relatively young age and for its new products. The review of internal processes and evaluation of the previous requirements yielded new findings for the estimation of future requirements and related inventory coverages that were considered as part of the valuation in 2020.

Note 8) Additional disclosures about financial instruments

The financial instruments not measured at fair value are measured at discounted cash flows. The measurement model takes account of the present value of expected payments, discounted using a risk-adjusted discount rate. Financial liabilities are measured at amortized cost using the effective interest method.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. The table contains no details of the fair value if the carrying amount represents a reasonable approximation of the fair value.

in kEUR	12/31/2020 Carrying amount Financial assets at amortized cost	Carrying amount Financial liabilities	12/31/2019 Carrying amount Financial assets at amortized cost	Carrying amount Financial liabilities
Financial assets not measured at fair value				
Trade receivables	13,499		15,488	
Other financial receivables, current	0		345	
Other financial receivables, non-current	208		525	
Cash and cash equivalents	18,864		25,523	
Financial liabilities not measured at fair value				
Trade payables		6,983		5,341
Secured bank loans		8,598		9,888
Convertible bond		68,526		56,295
Other financial liabilities, non-current		1,143		1,256
Other financial liabilities, current		670		451
Total	**32,571**	**85,920**	**41,881**	**73,231**

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

Note 9) 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.

The Group is exposed to the following risks from the deployment of financial instruments:

- Default risk
- Liquidity risk
- Market risk

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 the financial resources across SLM's operating segments and companies, as well as to secure an optimal return for its shareholders, SLM identifies, analyses 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.

1. Default risk

The default risk is the risk of financial losses if a customer or financing party fails to meet their contractual obligations. The default risk applies to all trade receivables and large parts of other financial assets including deposits with banks. The maximum credit and default risks correspond to the carrying amount of the financial assets.

The Group has taken extensive steps to minimize these risks. If a sale exceeds defined limits, the Management Board or the management of SLM Solutions or the subsidiaries first checks on the credit rating of the counterparty. Moreover, legal title remains with SLM Solutions 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).

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.

2. Liquidity risk

The liquidity risk is the risk that the Group may not be in a position to meet its financial obligations by supplying cash or other financial assets as per the contract. The management of liquidity in the Group is intended to ensure that – as far as possible – there are always sufficient liquid assets available in normal and even tight circumstances to meet payment obligations when they fall due without suffering any unsustainable losses or damaging the reputation of the Group.

SLM AG monitors its liquidity on a regular basis. The Group endeavors to maintain its cash and cash equivalents at a level that exceeds the expected outflows resulting from financial liabilities (apart from trade payables) for the next 60 days. The Group also monitors the level of expected receipts from trade receivables and other receivables together with the expected outflows from trade payables as well as other liabilities.

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 and July 2020. In 2019, the authorized capital was used to issue new shares. In accordance with a resolution passed by the annual general meeting in 2019, the Management Board is entitled to issue further shares. This authorization was extended with the resolution of the General Meeting of June 16, 2020.

SLM AG has taken measures to ensure the financing of its expected 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.

Furthermore, the Group has no credit lines. Guarantee facility in the amount of EUR 3.5 million.

As disclosed in the risk report, the Group has two secured bank loans with one of them containing conditions. Any future breach of the conditions may lead to a requirement to pay back the loan earlier than shown in the table.

The table below summarizes the term profile of the Group's financial liabilities. It should be noted that the convertible bond is shown at its present value at the end of the fiscal year. The settlement amount in 2022 is kEUR 58,500 and kEUR 15,000 for the convertible bond 2020 in 2026.

			Maturities					
in kEUR	**Total Fiscal year**	**Total Previ-ous year**	**up to 1 year Fiscal year**	**up to 1 year Previous year**	**between 1 and 5 years Fiscal year**	**between 1 and 5 years Previous year**	**over 5 years Fiscal year**	**over 5 years Previous year**
Convertible bond	68,526	56,295	0	0	57,086	56,295	11,440	0
Liabilities to banks	8,598	9,888	587	2,085	8,011	5,335	0	2,468
Other financial liabilities	1,813	1,707	689	451	1,143	1,256	0	0
Trade payables	6,983	5,341	6,983	5,341	0	0	0	0
Total	85,920	73,231	8,259	7,877	66,240	62,886	11,440	2,468

3. Market risk

Market risk is the risk that market prices, e.g. exchange rates or interest rates will change, thereby affecting the Group's income or the value of the financial instruments held. The aim of market risk management is to manage and monitor market risk within acceptable boundaries and at the same time to optimize returns.

a. Currency risk

The Group is exposed to foreign currency transaction risks to the extent that the quoted prices of currencies in which sales and purchasing transactions as well as receivables and lending transactions are settled do not match the functional currency of Group companies. The functional currency of Group companies is the Euro.

SLM AG mostly acquires raw materials and supplies in Euros. A significant proportion of sales transactions are also concluded in foreign currencies, particularly US dollars, Singapore dollars, Chinese yuan, Russian rubles and Indian rupees 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 fiscal year, SLM AG has not made 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 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 ruble 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.

As a general rule, the effect on pre-tax profits currently corresponds to the effect on equity. The company has tax loss carry-forwards which are only capitalized up to the level of excess liabilities.

in kEUR	**Change of the US Dollar exchange rate**	**Effect on profit before taxes**	**Effect on equity**
2020	10%	1,501	1,027
	-10%	-1,228	-841
2019	10%	476	329
	-10%	-389	-269

in kEUR	**Change of the SGD exchange rate**	**Effect on profit before taxes**	**Effect on equity**
2020	10%	428	293
	-10%	-778	-532
2019	10%	332	230
	-10%	-604	-418

in kEUR	**Change of the CNY exchange rate**	**Effect on profit before taxes**	**Effect on equity**
2020	10%	419	286
	-10%	-343	-234
2019	10%	175	121
	-10%	-143	-99

in kEUR	Change of the RUB exchange rate	Effect on profit before taxes	Effect on equity
2020	10%	13	9
	-10%	-11	-7
2019	10%	30	21
	-10%	-24	-17

in kEUR	Change of the INR exchange rate	Effect on profit before taxes	Effect on equity
2020	10%	31	21
	-10%	-56	-39
2019	10%	2	1
	-10%	-3	-2

in kEUR	Change of the CAD exchange rate	Effect on profit before taxes	Effect on equity
2020	10%	18	12
	-10%	-32	-22
2019	10%	10	7
	-10%	-18	-13

b. Interest rate risk

SLM Solutions currently exhibits a low interest rate risk. There are only limited receivables from customers with an interest-bearing installment arrangement. There are loan agreements in place with associated and affiliated companies with customary, risk-averse interest agreements. The bank loans were agreed with fixed interest rates of up to 1.2%. These serve to fund the new construction work and are thus 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.

A fundamental reform of the most important reference interest rates took place worldwide, including the replacement of several "Interbank Offered Rates" (IBORs) with alternative, virtually risk-free interest rates (referred to as "IBOR Reform"). The Group's financial instruments are not exposed directly to the IBORs, which are being replaced or reformed within the scope of these market-wide initiatives. Therefore, the Group does not assume that the IBOR Reform will have an impact on its risk management and accounting for hedges.

SLM deploys no derivative financial instruments or hedging instruments.

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

Note 10) Revenue

in kEUR	2020	2019
Sales of machines and accessories	45,127	35,142
Sale of merchandise including powder	5,307	4,625
Spare parts and services	11,325	9,195
	61,759	48,962

Note 11) Personnel costs

The following full-time equivalents (FTEs) - split into six groups of employees - were employed on average in the fiscal year 2020:

	2020	2019
Management Board	2	3
Sales	100	89
After Sales	81	76
R&D	103	91
Production	88	97
Administration	53	49
Total	427	405
of which trainees / interns	19	18

Total personnel costs of kEUR 35,637 (previous year kEUR 31,871). kEUR 30,898 expended on wages and salaries (previous year: kEUR 27,486). This includes expenses for pension plans and employee pensions of kEUR 229 (previous year: kEUR 222).

Note 12) Other operating income

in kEUR	2020	2019
Currency gains	484	740
Government grants	760	38
Payments in kind to employees	340	350
Release of provisions	1,206	205
Other	946	304
	3,726	**1,635**

Note 13) Other operating expenses

in kEUR	2020	2019
Sales expenses	3,753	4,325
Operating expenses	3,532	2,865
Legal and consulting expenses	3,520	2,924
Administrative expenses	1,295	2,380
Rentals, leases, premises	945	897
Travel expenses	1,182	2,585
Vehicle costs	507	433
Receivables management	968	2,517
Other	1,066	308
	16,768	**19,234**

Operating expenses essentially comprise IT and communications costs, insurance, servicing as well as tools and equipment.

Note 14) Interest and similar expenses

in kEUR	2020	2019
Pension-related finance costs / income	100	112
Finance costs	26	32
Interest expenses from bank loans	84	99
Interest from convertible bond	4,202	3,803
Other	97	105
	4,509	**4,152**

The interest from the convertible bond includes paid interest in the amount of kEUR 3,440 as well as compounding interest of kEUR 762.

Note 15) Taxes on income

The major components of income tax expense for the fiscal years ended December 21, 2020 or previous year are as follows:

Composition of tax income

in kEUR	2020	2019
Current income taxes		
Current income tax expense	-198	0
Tax expense/income from previous years	-74	-61
	-272	**-61**
Deferred taxes		
Origination and reversal of temporary differences excl. loss carry forwards	-751	-528
Change in recognition of tax loss carryforwards	-1,374	-7,830
	-2,125	**-8,358**
Recognised in comprehensive income:	**-2,397**	**-8,419**
Entered in comprehensive income:		
Deferred taxes recognized directly in other comprehensive income:		
Convertible bond issue	-1,124	0
Actuarial gains / losses from pension provisions	54	337
Income tax recognized in comprehensive income	**-1,070**	**337**

The loss carryforwards in the subsidiaries totalling kEUR 0 (previous year: kEUR 4,324) were estimated to be non-usable overall. Of this amount, kEUR 0 (previous year: kEUR 0) expire within a period of 5 years, and loss carryforwards of kEUR 0 (previous year: kEUR 4,324) can be used indefinitely.

Deferred taxes on tax loss carryforwards of SLM Solutions Group AG amounting to kEUR 3,124 were capitalized to the extent that they were matched by deferred tax liabilities and taking into account the minimum taxation. These originate from SLM AG which has a history of losses. This imbalance has been created in particular by the net results of SLM Solutions Group AG in fiscal 2020 on top of existing loss carryforwards.

Reconciliation

	2020 in %	2020 in kEUR	2019 in %	2019 in kEUR
Pre-tax profit/loss		-27,855		-38,636
Expected income tax calculated at 31.575% (Prior year: 31.575%)	31.575	8,795	31.575	12,199
Tax effects resulting from:				
Non-tax-deductible expenses	0.728	203	2.763	1,072
Use of loss carryforward for which no deferred taxes have been taken into account	-5.274	-1,469	0,000	0
Losses in the current year in subsidiaries for which no deferred tax claims were recognized	-0.483	-134	-3.506	-1,354
Losses in the current year at the parent company for which no deferred tax claims were recognized	-39.184	-10,915	-37.090	-14,330
Deferred minimum taxation on future reversal of deferred taxes according to the balance sheet	11.215	3,124	5.798	2,240
Other	1.422	396	0.448	173
Income tax	0.000	0	0.000	0

2020 in kEUR	**01/01 Carrying amount - difference**	**01/01 Deferred taxes**	**Recognised in profit and loss**	**Recognised in equity**	**12/31 Carrying amount - difference**	**12/31 Deferred taxes, net**	**12/31 Deferred tax assets**	**12/31 Deferred tax liabilities**
Intangible assets	24,085	-7,605	-1,100	0	27,570	-8,705	0	-8,705
Property, plant and equipment	0	0	369	0	-1,167	369	369	0
Trade receivables and other assets	1,391	569	-121	0	-1,418	448	448	0
Accruals and deferrals	573	-181	-266	1,124	5,239	-1,572		-1,572
Loss carryforwards	0	4,453	-1,374	0	0	3,124	3,124	0
Pension obligations and other personnel obligations	3,911	458	26	54	4,165	484	484	0
Trade payables and other liabilities	208	66	-46	0	62	20	20	0
Total deferred tax assets / liabilities	**30,168**	**-2,240**	**-2,513**	**-1,070**	**34,451**	**-5,832**	**4,444**	**-10,277**

Note 16) 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	12/31/2020	12/31/2019
Bank balances	17,659	23,057
Cash on hand	1	2
Fixed term deposits	1,204	2,464
	18,864	**25,523**

The fixed-term deposits were only of limited availability as in 2019, in particular, they served as a security for guarantees.

Note 17) Trade receivables and other financial receivables

in kEUR	12/31/2020	12/31/2019
Trade accounts receivable and other financial assets	14,373	17,639
Impairments	-716	-1,281
	13,657	**16,358**

in kEUR	Impairment
01/01/19	**331**
Added	1,068
Used / released	-118
12/31/19	**1,281**
Added	342
Used / released	-907
12/31/20	**716**

Impairment allowance on trade accounts receivable and other financial assets

Level 1	By country risk	Country category	Adjusted receivable in EUR	Adjustment in %	Impairment
		1	5,888,419.22	0.5	29,442.10
		2	3,318,318.18	2.0	66,366.36
		3	630,528.85	5.0	31,526.44
		4	645,525.35	8.0	51,642.03
Level 2	**By age of receivable**	**Age of receivable**	**Adjusted receivable**	**Adjustment in %**	**Impairment**
		> 6 months	1,504,154.41	10	150,415.44
		> 12 months	1,328,882.56	20	265,776.51
		> 24 months	98,224.61	40	39,289.84
Level 3	**Based on individual insights**		**Adjusted receivable**	**Adjustment in %**	**Impairment**
			81,144.95		81,144.95
Total			**13,495,198.13**		**715,603.68**

Future rental income from operating leases as lessor

As of the end of the fiscal year, there is one operating lease agreement (previous year: two) in the area of selective laser melting. The Group generates the following minimum lease payments (in kEUR) from the existing operating leases:

in kEUR	Up to 1 year	1 to 5 years	Total
Leased machine 1	420	771	1,191
Total	**420**	**771**	**1,191**

Receivables from finance leases as lessor

The Group has a total of two (previous year: three) 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 totalled kEUR 830 and decreases pro rata by the repayment amount of the monthly rental payments of altogether kEUR 16. A right of return exists which expires after 12 or 24 months. Below is a breakdown of the receivables from the leasing business according to remaining term as well as the reconciliation to the gross leasing receivables:

in kEUR	2020	2019
Less than 1 year	146	221
More than 1 year and up to 5 years	64	159
More than 5 years	0	0
Total	**210**	**380**

Designation	Up to 1 year	Between 1 and 5 years	Over 5 years	Total 2020	Total 2019
Future installments	146	64	0	210	380
+ non-guaranteed residual value	0	0	0		
= Investment value	146	64	0	210	380
Minimum lease payments	146	64	0	210	380

Note 18) Inventories

in kEUR	2020	2019
Raw materials and supplies	7,135	6,689
Unfinished goods	6,250	8,214
Finished goods and goods for resale	7,125	12,601
Prepayments	260	777
	20,770	**28,281**

Note 19) Other non-financial assets

in kEUR	12/31/2020	12/31/2019
VAT claims	1,313	399
Receivables from collaboration agreement with NTU	297	380
Receivable from the transfer of holdings in SLM Software GmbH	207	717
Contract assets	2,163	113
Miscellaneous	2,009	925
	5,989	**2,534**

The item Other essentially contains advance payments for rents, trade fairs and insurance. Receivables from the transfer of holdings in SLM Software GmbH are due by 12/31/2024.

Note 20) Intangible assets

2020 in kEUR	Acquisition and production costs					Accumulated depreciation					Carrying amounts	
	as of				as of	as of				as of	as of	as of
	01/01/	Additions	Disposals	Reclassifications	12/31/	01/01/	Additions	Disposals	Reclassifications	12/31/	12/31/	Previous year
1. Internally generated industrial property rights and similar rights and assets	12,309	0	0	0	12,309	4,722	2,824	0	-208	7,546	4,763	7,589
2. Purchased concessions, industrial property rights and similar rights and assets and licenses to such rights and assets	1,619	885	-3	0	2,500	1,245	295	-1	0	1,540	961	372
3. Assets under construction Development costs	6,440	7,128	0	195	13,764	0	0	0	0	0	13,764	6,440
4. Acquisition associated with a business merger	19,109	0	0	0	19,109	9,222	1,282	0	0	10,504	8,605	9,886
Laser technology	18,124	0	0	0	18,124	8,458	1,208	0	0	9,666	8,458	9,666
Customer base	737	0	0	0	737	516	74	0	0	589	147	221
Orders at hand	249	0	0	0	249	249	0	0	0	249	0	0
	39,478	**8,013**	**-3**	**195**	**47,683**	**15,190**	**4,401**	**-1**	**-208**	**19,590**	**28,092**	**24,288**

2019 in kEUR	Acquisition and production costs					Accumulated depreciation					Carrying amounts	
	as of				as of	as of				as of	as of	as of
	01/01/	Additions	Disposals	Reclassifications	12/31/	01/01/	Additions	Disposals	Reclassifications	12/31/	12/31/	Previous year
1. Internally generated industrial property rights and similar rights and assets	7,215	1,167	-774	4,701	12,309	4,589	2,150	-2,018	0	4,722	7,587	2,628
2. Purchased concessions, industrial property rights and similar rights and assets and licenses to such rights and assets	1,599	140	-121	0	1,619	961	370	-85	0	1,245	373	638
3. Assets under construction Development costs	9,091	2,671	-621	-4,701	6,440	0	0	0	0	0	6,440	9,091
4. Acquisition associated with a business merger	19,109	0	0	0	19,109	7,941	1,282	0	0	9,222	9,887	11,168
Laser technology	18,124	0	0	0	18,124	7,249	1,208	0	0	8,458	9,666	10,874
Customer base	737	0	0	0	737	442	74	0	0	516	221	295
Orders at hand	249	0	0	0	249	249	0	0	0	249	0	0
	37,015	**3,979**	**-1,516**	**0**	**39,478**	**13,491**	**3,802**	**-2,103**	**0**	**15,190**	**24,288**	**23,524**

Note 21) Property, plant and equipment

2020 in kEUR	Acquisition and production costs as of 01/01/	Additions	Disposals	Reclassifications	as of 12/31/	Accumulated depreciation as of 01/01/	Additions	Disposals	Reclassifications	as of 12/31/	Carrying amount as of 12/31/	as of 01/01/
1. Property, property equivalent rights and buildings including buildings on third-party land	24,969	-5	0	-107	24,857	749	485	0	-45	1,189	23,668	24,219
2. Technical equipment and machinery	18,106	2,402	2,170	0	18,338	7,278	2,220	-817	-92	8,589	9,750	10,829
3. Other facilities, office furniture and equipment	7,583	2,595	-315	466	10,328	4,174	1,508	-260	291	5,713	4,615	3,409
4. Assets under construction	679	328	0	-554	453	0	0	0	0	0	453	679
	-51,337	**5,319**	**2,485**	**-195**	**53,976**	**12,201**	**4,212**	**-1,077**	**155**	**15,491**	**38,486**	**39,136**

in kEUR	Acquisition and production costs as of 01/01/19	Additions	Disposals	Reclassifications	as of 12/31/19	Accumulated depreciation as of 01/01/19	Additions	Disposals	Reclassifications	as of 12/31/19	Carrying amount as of 12/31/19	as of 01/01/19
1. Property, property-equivalent rights and buildings including buildings on third-party land	25,038	-69	0	0	24,969	252	469	28	0	749	24,219	24,864
2. Technical equipment and machinery	13,557	6,531	-1,982	0	18,106	6,558	2,869	-2,086	-63	7,278	10,829	7,860
3. Other facilities, office furniture and equipment	5,527	2,190	-186	53	7,583	1,886	1,518	769	0	4,174	3,409	3,528
4. Assets under construction	1,004	601	-873	-53	679	0	0	0	0	0	679	1,360
	45,127	**9,252**	**-3,042**	**0**	**51,337**	**8,696**	**4,857**	**-1,289**	**-63**	**12,201**	**39,136**	**37,612**

The property reported in property, plant and equipment in the amount of kEUR 4,487 serves as collateral for the registered land charges amounting to EUR 10.7 million.

Note 22) Financial liabilities

in kEUR	12/31/2020	12/31/2019
Financial liabilities (non-current)		
- Convertible bond	68,526	56,295
- Liabilities to banks from loan	6,488	7,803
	75,014	**64,098**
Financial liabilities (current)		
- Liabilities to banks	2,110	2,085
	2,110	**2,085**
Financial liabilities	**77,124**	**66,183**

Note 23) Other financial liabilities

in kEUR	12/31/2020	12/31/2019
Other financial liabilities (non-current)		
- Lease liabilities IFRS 16	1,143	1,256
	1,143	**1,256**
Other financial liabilities (current)		
- other obligations	50	46
- Lease liabilities IFRS 16	620	405
	670	**451**
Other financial liabilities	**1,813**	**1,707**

The long-term leases shown above have terms of one to five years.

The lease liabilities in accordance to IFRS 16 are offset by corresponding rights of use. In 2020, these are as follows (in kEUR):

As of 1. January 2020	**1,608**
Depreciation and amortization	-893
Additions	922
As of 31. December 2020	**1,637**

The residual book values of the rights of use relate to land and building rights with kEUR 441 (previous year: kEUR 696) and, furthermore, to operating and office equipment with kEUR 1,196 (previous year: kEUR 912).

Obligations from 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, 2019, future minimum payment obligations under non-cancellable operating leases are as follows:

in kEUR	2020	2019
Less than 1 year	620	405
More than 1 year and up to 5 years	1,143	1,256
More than 5 years	0	0

Sale and lease back

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

Reconciliation of the valuation of liabilities to the cash flows from financing activities

in kEUR	Remaining other financial liabilities	Convertible bond	Finance lease liabilities	Subscribed share capital / Additional paid-in capital	Reserves	Total
Balance as of 01 January 2020	**8,326**	**52,092**	**1,661**	**118,004**	**-2,154**	**177,929**
Changes in cash flow from financial activities						
Proceeds from convertible bond		15,000				15,000
Repayment of loans	-1,308					-1,308
Payment of leasing liabilities			-893			-893
Interest paid	-1,061	-3,293				-4,354
Total change in cash flow from financing activities	**-2,369**	**11,707**	**-893**			**8,444**
Other changes relating to equity				**2,359**	**-851**	**1,508**
Balance as of December 31, 2020	**5,957**	**63,799**	**768**	**120,363**	**-3,005**	**187,882**

Note 24) Other non-financial liabilities

in kEUR	12/31/2020	12/31/2019
Other non-financial obligations (non-current)		
- Sales accruals (IFRS 15)	13	291
- Personnel obligations	0	134
	13	**425**
Other non-financial liabilities (current)		
- payments received on account	2,857	1,590
- other taxes	401	19
- Personnel obligations	3,264	2,445
	6,522	**4,054**
Other non-financial liabilities	**6,535**	**4,478**

There are no liabilities with a maturity of over 5 years.

Note 25) Pensions and similar obligations

in kEUR	2020	2019
Present value as of 1 January	**6,719**	**5,554**
Expenses for pension entitlements	89	68
Interest expense	87	112
Pension payments	-83	-82
Gains / losses due to financial changes	170	1,067
Gains / losses due to demographic changes	0	0
Gains / losses due to changes based on experience	0	0
Present value as of 31 December	**6,982**	**6,719**

For subsequent years pension payments are expected to total kEUR 85 (previous year kEUR 83).

Note 26) Provisions

in kEUR	01/01/2020	Used	Released	Added	12/31/2020
Non-current provisions					
Warranty provisions	139	0	0	638	777
Other provisions	0	0	0	98	98
	139	**0**	**0**	**736**	**875**
Current provisions					
Warranty provisions	3,959	3,708	0	2,947	3,198
Other provisions	1,334	457	572	801	1,106
	5,293	**4,165**	**572**	**3,748**	**4,304**

Note 27) Equity

The equity ratio on December 31, 2020 and on December 31, 2019 was measured as follows:

in kEUR	12/31/2020	12/31/2019
Equity	15,768	44,514
Total assets	126,247	136,637
Equity ratio	**12%**	**33%**

Earnings per share (basic)

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.

	2020	2019
Number of shares in issue as of 1 January	19,778,953	17,980,867
Number of shares in issue during the fiscal year	0	1,798,086
Weighted average number of shares in issue	**19,778,953**	**19,778,953**

	2020	2019
Consolidated net profit/loss attributable to parent company shareholders (in kEUR)	-30,252	-47,055
Weighted average number of shares in issue	19,778,953	19,778,953
Basic (undiluted) earnings per share in EUR	**-1.53**	**-2.38**

Earnings per share (diluted)

As in the previous year, diluted earnings are the same as basic earnings. The convertible bond issued could have a dilutory effect but does not do so due to anti-dilution rules on account of the negative earnings for the year.

Other comprehensive income

Other comprehensive income in reserves, after tax, attributable to owners of the parent company, as of year-end in each case:

in kEUR	**12/31/2020**	**12/31/2019**
Other reserves		
Financial gains / losses	2,631	2,460
Deferred taxes	-831	-777
	1,800	**1,683**
Foreign exchange equalisation reserve	**-656**	**-79**
First-time application reserve		
IFRS 15	384	384
Deferred taxes	-121	-121
IFRS 9	418	418
Deferred taxes	-132	-132
	549	**549**
Total	**3,005**	**2,153**

Note 28) Presentation of reportable segments

Presentation of reportable segments

The type of segmentation 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 segments "Machine Business" and "After Sales Business" were identified by the Management Board as business areas for internal reporting. The "Machine Business" segment looks at the machines from the Selective Laser Melting division together with options such as powder sieving stations and other peripheral equipment. The "After Sales Business" segment comprises service, spare parts, merchandise along with powder as well as training and installation of the machines.

The two segments described formed the basis of segment reporting in the reporting period and comprise all activities of SLM in the fiscal year.

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

2020 in kEUR	**Machine Business**	**After Sales Business**	**Total**
Revenue	**45,127**	**16,632**	**61,759**
Expenditure	52,602	23,938	76,540
EBITDA	**-7,475**	**-7,305**	**-14,781**
Depreciation, amortisation and impair-ment losses			-8,613
Interest			-4,461
Taxes on income and other taxes			-2,397
Net profit/loss for the period			**-30,252**

2019 in kEUR	**Machine Business**	**After Sales Business**	**Total**
Revenue	**35,142**	**13,821**	**48,962**
Expenditure	-49,798	-25,166	-74,964
EBITDA	**-14,656**	**-11,345**	**-26,001**
Depreciation, amortisation and impair-ment losses			-7,377
PPA depreciation			-1,282
Interest result			-3,976
Taxes on income			-8,419
Net profit/loss for the period			**-47,055**

Besides depreciation and taxes on income, there was no material non-cash expenditure in the reporting year.

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

The accounting and measurement methods of the reportable segments correspond with the accounting and measurement methods used within the Group.

Segment revenue distribution:

in kEUR	2020	2019
Germany	8,841	5,442
Asia / Pacific	14,513	14,113
European countries (European Union without Germany)	14,907	17,167
North America	21,708	11,481
Other countries	1,790	759
	61,759	**48,962**

The revenue information provided above relates to customers' locations.

Note 29) Related party disclosures

Balances and transactions between the Company and its subsidiaries, which are related parties and persons, 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.

Members of the Management Board in 2020:

- Dr. Gereon W. Heinemann, Engineer, CTO (until February 18, 2020)
- Frank Hülsmann, CFO (January 1, 2020 to March 2, 2020)
- Meddah Hadjar, CEO (until January 20, 2021)
- Sam O'Leary, COO (CEO as of January 20, 2021)

Members of the Supervisory Board in 2020:

- Hans-Joachim Ihde
- Thomas Schweppe
- Roland Busch
- Kevin Czinger
- Magnus René
- Dr. Nicole Englisch (as of June 16, 2020)

Related parties to the SLM Group comprise the following:

- Ceresio GmbH
- 3 D Metal Powder GmbH until June 30, 2020

No shareholder exerts direct control.

The goods and services as well as further transactions provided by December 31 or in the fiscal year to equity-accounted companies (here: 3 D Metal Powder GmbH until June 30, 2020), changed as follows by comparison with the previous year:

in kEUR	Total amount in the 2020 fiscal year	Outstanding items as of 31 December 2020	Total amount in the 2019 fiscal year	Outstanding items as of 31 December 2019
Type of business				
Deliveries provided	0	0	63	0
Services received	0	0	164	0
Contribution to equity	0	0	0	0
Lendings	2	0	5	266
Outstanding / requested contributions	0	0	0	0
Advance payments	0	0	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

in kEUR	Supervisory Board compensation 2020	Supervisory Board compensation 2019
Mr. Ihde	30	45
Mr. Busch	40	20
Mr. Czinger	25	13
Mr. René	50	22
Mr. Schweppe	67	36
Ms. Englisch	14	0
Mr. Grosch	0	12
Mr. Hackmann	0	16
Mr. Grimberg	0	20
Mr. Hichert	0	11
Mr. Becker	0	10
Mr. Mertin	0	21
Total	**226**	**226**

There were no further compensation agreements with Supervisory Board members in the 2020 fiscal year.

Compensation paid to the Management Board for the fiscal year and the previous year is as follows:

Management Board compensation in kEUR	Fixed compensation		Performance based compensation		Share-based compensation		One-time compensation		Fringe benefits		Total remuneration	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Members of the Management Board												
Mr Bögershausen	0	175	0	0	0	0	0	0	0	5	0	180
Dr. Schulz	0	125	0	0	0	0	0	584	0	5	0	714
Dr. Heinemann	50	300	0	0	0	0	400	0	2	9	452	309
Mr. Hülsmann	75	0	0	0	0	0	0	0	8	0	83	0
Mr. Hadjar	550	367	87	0	0	140	49	178	14	7	700	692
Mr. O'Leary	300	25	11	0	0	227	20	102	14	1	345	355
Total	**975**	**992**	**98**	**0**	**0**	**367**	**469**	**864**	**38**	**27**	**1,580**	**2,250**

A performance-based bonus was agreed with the Management Board which is set after the approval of the consolidated annual financial statements. A provision of kEUR 260 was formed for the fiscal year 2020.

Members of the Management Board receive the long-term incentive programme (LTI) supplementary to their Management Board employment contract, and it applies for the duration of their service on the 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 100 per Management Board member or kEUR 150. The pay-out is made 2 years after the issuance of the SAR respectively 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 rights are allocated on an annual basis on July 10, based on the movement in the share price during the previous year period. As part of this, the respective 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.

Currently, as of December 31, 2020, these obligations exist towards Mr. Meddah Hadjar and Mr. Sam O'Leary. For the former Members of the Management Board, the program has either already expired or has been settled upon resignation.

The amounts recognized in profit and loss in fiscal year 2020 are as follows. For Dr. Heinemann, this compensation commitment was settled upon his resignation and the reserve correspondingly paid-out, or rather, the residual amount was recognized as income to the amount of kEUR 81 (in the previous year this expense was kEUR 39 in the context of this allocation). For Mr. Meddah Hadjar, the expense in relation to the allocation of the reserve amounts to kEUR 39 (previous year: kEUR 31) and for Mr. Sam O'Leary to the amount of kEUR 39 (previous year: kEUR 6). The valuation of the fair value of the liability totalling kEUR 219 was determined using a Monte Carlo method.

A performance-related pension commitment exists for former Management Board member Mr. Schöneborn, who left the Board in 2018, from his long-term work as a manager at SLM Solutions GmbH. The pension commitment basically corresponds with the commitments granted to other employees and provides for retirement , disability and widow/ widower pensions. The level of retirement or disability pensions amounts to 15% of pensionable compensation (last gross salary excluding casual emoluments), 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 beneficiary was entitled or qualified.

The provision for benefit entitlements for the former member of the Management Board as of December 31, 2020 totals kEUR 1,552 (previous year: kEUR 1,436), an increase recognized in profit and loss.

No further compensation was granted or paid to former members of the Management Board in 2020.

Note 30) Auditor's fee

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

in kEUR	**2020**
Auditing of financial statements	170
Other certification services	0
Tax advisory services	0
Other services	0
Total	**170**

The audit services comprise the fees for auditing the consolidated financial statements as well as for audits of the separate financial statements of SLM Solutions Group AG prescribed in law. No further services were provided.

Note 31) 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), on the company's website (www.slm-solutions.com) and made this permanently available.

Note 32) Events after the balance sheet date

On January 20, 2021, Mr. Meddah Hadjar resigned his membership of the Management Board and Mr. Sam O'Leary was appointed CEO. Mr. André Witt was appointed to the Management Board on the same date.

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 give our assurance that, to the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and that the course of business, including the business result and the position of the Group, is portrayed in such a way in the Group Management Report that a true and accurate picture is conveyed and that the significant opportunities and risks of the Group's future development are fairly described.

Lübeck, 19 March 2021

The Management Board

Sam O'Leary

André Witt

INDEPENDENT AUDITOR´S

REPORT

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

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 of December 31, 2020, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SLM Solutions Group AG for the financial year from January 1 to December 31, 2020. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

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 Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, 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 opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) 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 Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 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)(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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Material Uncertainty about the Company's Ability to Continue as a Going Concern

Please refer to Note 7 "Estimates and assumptions" in the notes to the consolidated financial statements and to the information in the section "Risk profile" of the group management report, in which the Parent Company's management specify that, as shown in the Company's budgeted figures for the next two financial years, negative financial performance is expected. This is due to the continued investment in research and development as well as the development of new products and the further establishment and expansion of the service network in a global economy currently affected by the pandemic, which is negatively impacting the Company's orders.

In the course of our audit, we therefore identified the appropriateness of the going concern assumption as well as the appropriate presentation of the material uncertainty in connection with the ability to continue as a going concern in the consolidated financial statements as a significant risk and conducted the following audit procedures, among others: We first obtained an understanding of the planning process and discussed the significant assumptions involved in planning with those responsible. Further, we addressed the quality of the Group's forecasts to date by comparing the budgets from previous financial years with the earnings actually achieved and by analyzing deviations. Due to planned targets failing to materialize, we evaluated in particular the significant assumptions, such as revenue performance. In addition, we assessed both the order volume as of December 31, 2020, based on samples selected on the basis of risk and the development of revenue in the initial months of 2021. Furthermore, we compared whether the assumptions are consistent with internal explanations and external market assessments. We assessed the liquidity generation measures planned by management to determine whether these are sufficiently probable and feasible. Furthermore, we evaluated the reliability of the underlying data. To take account of the current forecast uncertainty, we analyzed the effects of various scenarios on the Group's ability to continue as a going concern.

We do not issue a separate opinion on this matter.

The assumptions made by the Parent Company's management as well as the presentation in the notes to the consolidated financial statements and the group management report are plausible.

In Note 7 "Estimates and assumptions" in the notes to the consolidated financial statements and in the disclosures in the section "Risk profile" of the group management report, management points out that, according to the budget as of the end of financial year 2021, cash will be depleted and the Parent Company will therefore require cash. Such funds are to be raised in Q2 2021 by way of a financing round through the issue of the second installment of the 2020/26 convertible bond. As described in Note 7 "Estimates and assumptions" in the notes to the consolidated financial statements and the section "Risk profile" of the group management report, these events and circumstances indicate considerable uncertainty that may cast significant doubt on the Company's ability to continue its business activities and which represents a going concern risk within the meaning of Section 322 (2) sentence 3 HGB. Our opinions have not been modified with respect to this matter.

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, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

In addition to the matter described in the section entitled "Material uncertainty about the company's ability to continue as a going concern" we have identified the matters described below as key audit matters, which must be communicated in our independent auditor's report.

Recoverability of capitalized development expenses

For more information on the accounting policies applied, please refer to Note 4 "Explanation of significant accounting policies" in the notes to the consolidated financial statements. Disclosures on the amount of capitalized development costs can be found in the notes under Note 20 "Intangible assets".

THE FINANCIAL STATEMENT RISK

In the consolidated financial statements of SLM Solutions Group AG, internally generated intangible assets in the amount of EUR 18.6 million (15% of total assets) were recognized under the item "Intangible assets". These concern development costs. Pursuant to IAS 38.57, 60 in conjunction with IAS 36, the Company must test the intangible assets recognized until the start of amortization annually for any impairment incurred. After amortization begins, the assets must be reviewed annually for indications of impairment. If this is the case, an ad hoc impairment test must be carried out. For this purpose, the carrying amount of the assets is compared with their recoverable amount for the respective asset. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset. The recoverable amount is calculated using the discounted cash flow method. The calculation of the carrying amount is carried out regularly on the level of individual assets.

Impairment testing of intangible assets is complex and based on a range of assumptions that require judgment. In particular, these include the assessment as to whether there is an indication of impairment, the forecast cash flows and the discount rates used.

In light of the Company's earnings position, there is the risk for the consolidated financial statements that an impairment of internally generated intangible assets existing as at the reporting date has not been identified.

OUR AUDIT APPROACH

We obtained an understanding of the Company's process for the identification of indications of impairment as well as for the determination of the recoverable amount based on explanations provided by the staff of the accounting department as well as an assessment of the group accounting policy. We analyzed the indications of impairment identified by the Company and, on the basis of information obtained within the scope of our audit, assessed whether there are any indications of further impairment not identified by the Company.

With the involvement of our valuation experts, we verified through our own comparative calculations that the Company's valuation method leads to appropriate results and assessed the appropriateness of the significant assumptions involved. In addition, we also discussed the expected cash inflows with those responsible for planning. Reconciliations were made with the budgets prepared by management and approved by the Supervisory Board to assess their internal consistency. We also addressed the accuracy of the Company's forecasts to date by comparing the budgets of previous financial years with earnings actually generated and by analyzing deviations. Due to planned targets failing to materialize, we evaluated in particular the significant assumptions in the current budget, such as revenue performance. The appropriateness of the assumptions was assessed by way of comparison with external market assessments.

We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta factor with our own assumptions and publicly available data.

In order to take account of forecast uncertainty, we also investigated the impact of potential changes to the discount rate and the expected cash inflows on the recoverable amount (sensitivity analysis), by calculating alternative scenarios and comparing these with the Company's measurements.

OUR OBSERVATIONS

The approach including the valuation method underlying the impairment test for internally generated intangible assets is consistent with the valuation principles. The assumptions and data used by the Company are appropriate.

Revenue recognition cut-off

The accounting policies are disclosed in Note 4 of the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The Group's revenue amounted to EUR 61.6 million in financial year 2020. Revenue is generated mainly from the sale of machinery and accessories ("Machine Business" segment) as well as spare parts, merchandise and consumables, and machine-related services ("After Sales Business" segment).

SLM Solutions Group AG recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset. In line with the transfer of control, revenue is to be recognized either at a point in time or over time in the amount to which SLM Solutions Group AG expects to be entitled.

Revenue from the supply of machinery, accessories and metal powder is mainly recognized at a point in time.

In contrast, revenue from machine-related services such as rental, service and maintenance agreements are recognized over time taking into account possible special services or interest effects.

SLM Solutions Group AG's management has presented the criteria for the recognition of revenue in a group-wide accounting policy and implemented specific recognition and cut-off procedures. The Group's key markets are in Europe, the US and Asia. For global supply of products, the group entities make various agreements with customers, some of which contain complex contractual provisions.

Owing to the use of varied contractual provisions in the different markets and the judgments involved in determining and assessing the indicators to evaluate the time at which control is transferred, there is the risk for the financial statements that revenue is intentionally or unintentionally recognized incorrectly as of the reporting date.

OUR AUDIT APPROACH

In order to assess whether revenue is recognized on an accrual basis, we assessed the design, setup and effectiveness of internal controls relating to order acceptance, service performance and invoicing, in particular the determination and verification of the correct or actual transfer of control. In addition, we reviewed the presentation of revenue recognition in the group-wide accounting policy to ensure that it is up to date/in compliance with IFRS 15.

For new contracts concluded in the financial year, we evaluated management's interpretation and weighting of indicators to assess the time at which control is transferred as well as the stage of completion for machine-related services, particularly in close proximity to the reporting date. Based on a representative sample of contracts, we determined whether the accounting policy is properly implemented.

In addition, balance confirmations were obtained for trade receivables not yet settled as of the reporting date, which were selected on the basis of a statistical procedure. In cases where obtaining balance confirmations remained unsuccessful, we conducted alternative audit procedures by reconciling revenue to the underlying orders, contracts, internal invoice release, invoices, proof of delivery and acceptance protocols or time sheets as well as payment received. Moreover, we examined all manual revenue entries for a defined period prior to the reporting date. We inspected credit notes issued after the reporting date on the basis of risk-oriented selected samples and satisfied ourselves of their correct allocation on an accrual basis.

OUR OBSERVATIONS

SLM Solution Group AG's approach to revenue recognition cut-off is appropriate.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information includes the following components of the group management report, whose content was not audited:

- the corporate governance statement referred to in the group management report,

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

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

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

Management is 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 Section 315e (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, management is 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, management is 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, management is 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, management is 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 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 Section 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 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 controls.
- 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 opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's 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 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 Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express 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 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 management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 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

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection ”slmsolutions_187882.zip“ (SHA256-Hashwert: b1f7201eb81113e1a1bb1ec064bcb260234321cbec70c9a155a2dc4d0b628ae0) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020, contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above.

We conducted assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Company's management is also responsible for the submission of the ESEF documents together with the auditor’s report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout our assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on June 16, 2020. We were engaged by the Supervisory Board on August 20, 2020. We have been the group auditor of SLM Solutions Group AG without interruption since financial year 2019.

We declare that the 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 Stefanie Hagenmüller

Hamburg, March 22, 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Hagenmüller	von der Decken
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Imprint

Publisher

SLM Solutions Group AG

Estlandring 4
23560 Lübeck
Germany

Tel.: +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

Dirk Ackermann
Tel.: +49 (0) 451 4060-3000
E-Mail: IR@slm-solutions.com
www.slm-solutions.com

Layout, Editor & Design

SLM Solutions Group AG

Estlandring 4
23560 Lübeck
Germany

Tel.: +49 (451) 4060-3000
Fax: +49 (451) 4060-3250
E-Mail: info@slm-solutions.com
www.slm-solutions.com

Pictures

SLM Solutions Group AG

SLM SOLUTIONS

2020

Financial calendar

05 / 25 / 2021	Q1 Report 2020
06 / 16 / 2021	Annual General Meeting (Lübeck)
08 / 12 / 2020	H1 Report 2020
11 / 11 / 2020	9M Report 2020