ANNUAL REPORT

2022

SLM SOLUTIONS

OUR MISSION:
TO EMPOWER YOURS

CONTENTS

FINANCIAL HIGHLIGHTS

	UNITS	2022	2021	CHANGE (IN %)
Revenue	kEUR	105,709	75,115	+41%
EBITDA	kEUR	(7,752)	(8,597)	+10%
EBITDA margin (as % of revenue)	%	(7%)	(11%)	+36%
Adj. EBITDA	kEUR	(1,193)	(8,597)	+86%
Adj. EBITDA margin (as % of revenue)	%	(1%)	(11%)	+90%
Period Result	kEUR	(24,744)	(20,375)	-21%
EPS	EUR	(0.96)	(0.90)	-7%
Order Intake	kEUR	87,927	70,383	+25%
Order Backlog	kEUR	41,993	42,810	-2%
Number of Shares		25,744,680	22,701,725	

RELENTLESS **INNOVATORS**

SLM Solutions is a forward-thinking technology company that consistently creates world firsts in the field of metal additive manufacturing. We have a proud technology heritage as one of the core inventors of the process and yet, we've never stopped innovating and continue to push boundaries everyday thanks to the creativity of our global workforce, of which >40% are engineers.

The 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 leading companies in these industries and thus relentlessly innovates 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. Enabling our customers on their end-to-end solutions. SLM Solutions' experts work with customers at each stage of the sales 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. With a global sales and service network, SLM Solutions is always close to the customer and readily available. SLM Solutions Group AG is headquartered in Germany with offices in Canada, China, France, India, Italy, Japan, Singapore, South Korea, and the United States.

ABOUT US

1

SLM Solutions is #1 in the industry of multi-laser machines

2

It has been 18 years since the first industrial selective laser melting machine installation

3

SLM Solutions has a 100% focus on metal additive manufacturing and alloy development

4

SLM Solutions has installed over 800 machines around the world

SELECTIVE LASER MELTING

Metal-based additive manufacturing 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. Based on 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 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.

"Together with Nikon, we will further strengthen our leading position in integrated metal additive manufacturing through consistently raising the bar in this innovation-centric environment. We have demonstrated the relevance of our technology to every major industry, and with Nikon we are confident we will expand our customer base even further."

SAM O'LEARY

CHIEF EXECUTIVE OFFICER AT SLM SOLUTIONS

SLM SOLUTIONS PRODUCT PORTFOLIO

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 an impeller for oil and gas, SLM® machines are chosen for their high reliability, repeatability, safety, and overall production output for industries' most complex 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 market 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 the highest safety, consistently high part quality, and overall underlines 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 specially 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. The ability to have multiple machines connected via the SLM® HUB opens new possibilities for large-scale industrial metal additive manufacturing. 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 DEPOWDERING, CYLINDER TRANSPORT AND COOL-DOWN IN SLM HUB®**

THE **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 largescale 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.

• 600 X 600 X 600 MM BUILD ENVELOPE
• 12 LASERS WITH 1KW POWER EACH
• VARIABLE LASER BEAM DIAMETER

WELCOME TO THE FAMILY
NXG XII 600E

In November of 2022, SLM Solutions announced a new addition to the NXG family, the NXG XII 600E, based on the highly acclaimed NXG XII 600 with an extended 1.5M build envelope in the Z-axis. SLM accepted its first order from Concurrent Technologies Corporation (CTC), the prime contractor for a U.S. Air Force Research Laboratory (AFRL) project. AFRL funded this work to leverage additive manufacturing for advanced DoD applications. Customers who already have the NXG XII 600 installed or about to install customers can take advantage of its extensible architecture and have the option to upgrade their system to unlock the advantages of the extended Z build envelope. NXG XII 600E expects a scheduled delivery in 2023.

• 600 X 600 X 1500 MM BUILD ENVELOPE
• 12 LASERS WITH 1KW POWER EACH
• VARIABLE LASER BEAM DIAMETER

SOFTWARE PARTNER ECOSYSTEM

In the fall of 2022, SLM Solutions presented its new software partner ecosystem. Comprised of the key software players in the additive manufacturing market, it enables to complement its innovative in-house software portfolio to deliver the most comprehensive End-to-End additive manufacturing software solution set in the market. It is tailored to the customer's individual requirements in the key application spaces: build preparation, AM digitalization, connectivity and quality assurance.

NICOLAS LEMAIRE SOFTWARE PRODUCT MANAGER OF SLM SOLUTIONS EXPLAINS:

> "This new software partner ecosystem – based on SLM Solutions open architecture – offers our customers the broadest and most compelling joint software portfolio to industrialize and take their AM operations to the next level, while overcoming key business challenges along the entire process chain."

INDUSTRY INSIGHTS

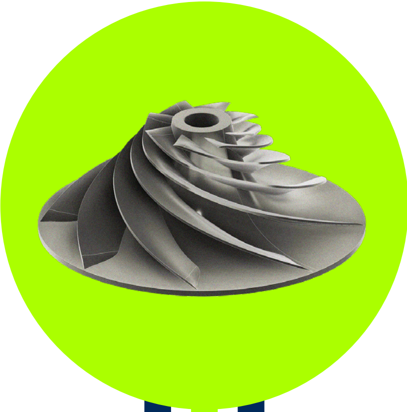
READY TO TAKE OFF

Components printed by SLM Solutions machines regularly fly into space and participate in space missions. Over the past decades, Selective Laser Melting technology has become an important part of the entire aerospace and defense industry and is significantly driven by it. With its smart software programs and machines, the benefits of the technology and End-to-End manufacturing solutions, SLM Solutions enables the production of qualified metal components that can withstand the harshest conditions for example in space. The complex components meet the stringent industry standard certifications while reducing mass and costs, making weight decisions where needed. Well-known applications include thrust chambers, heat exchangers or jet engines.

SLM Solutions has continued to shake up the industry in 2022 with the revolutionary NXG XII 600 and NXG XII 600E. The machines offer a large build envelope which is perfectly suited for aeronautics and the twelve 1kW lasers enable an unprecedented build speed. A real game changer across the manufacturing industry. In 2022 this was recognized by key industry players who boosted their production. Just like the companies Collins Aerospace or Sintavia, several other companies decided to acquire the ground-breaking NXG XII 600. Likewise, Rolls-Royce added additional SLM® machines to their fleet to manufacture aero engine components.

SLM Solutions is ready to take off with additive manufacturing for Aerospace and Defense in 2023

YOUR SUCCESS IS OUR SUCCESS



TURBOCHARGER IMPELLER

MACHINE : SLM®280

MATERIAL : IN718

BENEFITS

1. Total support reduced by 75%
2. Blade support material reduced by 98%
3. 70% post processing savings
4. Free float cuts post-processing times by 95% and uses 15% less material

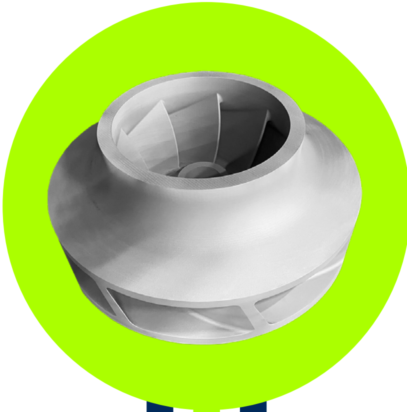
1.5M COMBUSTION CHAMBER

MACHINE : NXG XII 600E

MATERIAL : IN718

BENEFITS

1. Highly complex
2. 2. Impossible to manufacture via conventional methods of manufacturing
3. Produced in days rather than weeks



SINTAVIA IMPELLER

MACHINE : NXG XII 600

BENEFITS

1. Capacity to manufacture parts with complex geometry and internal shapes
2. Significant reduction in lead time (months to weeks)
3. Reduced inventory and associated capital with just-in-time production
4. Reduced weight (up to 70%)
5. Meets stringent quality requirements
6. Better corrosion resistance at a higher temperature

CUSTOMER OBSESSED

The after sales business has an increasing importance in our overall corporate strategy. Services generate recurring revenue and drive innovation through close collaboration with our customer base. In 2022, we were able to continue the positive trend from previous years with strong sales results significantly above expectations, leading to a significant contribution to the Company's success. With our rapidly growing portfolio of machine-related services and products we design solutions around our customer's needs. Our service offerings provides customer-scalable solutions all along the entire customer journey from the business case over pre-delivery, initial operation, and low-rate initial production to the full-rate production phase enabling them to focus on their customer needs while SLM takes care for the investment. The service portfolio includes, among others, benchmark production, consulting, and various additive manufacturing training 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 superior SLM® machine performance).

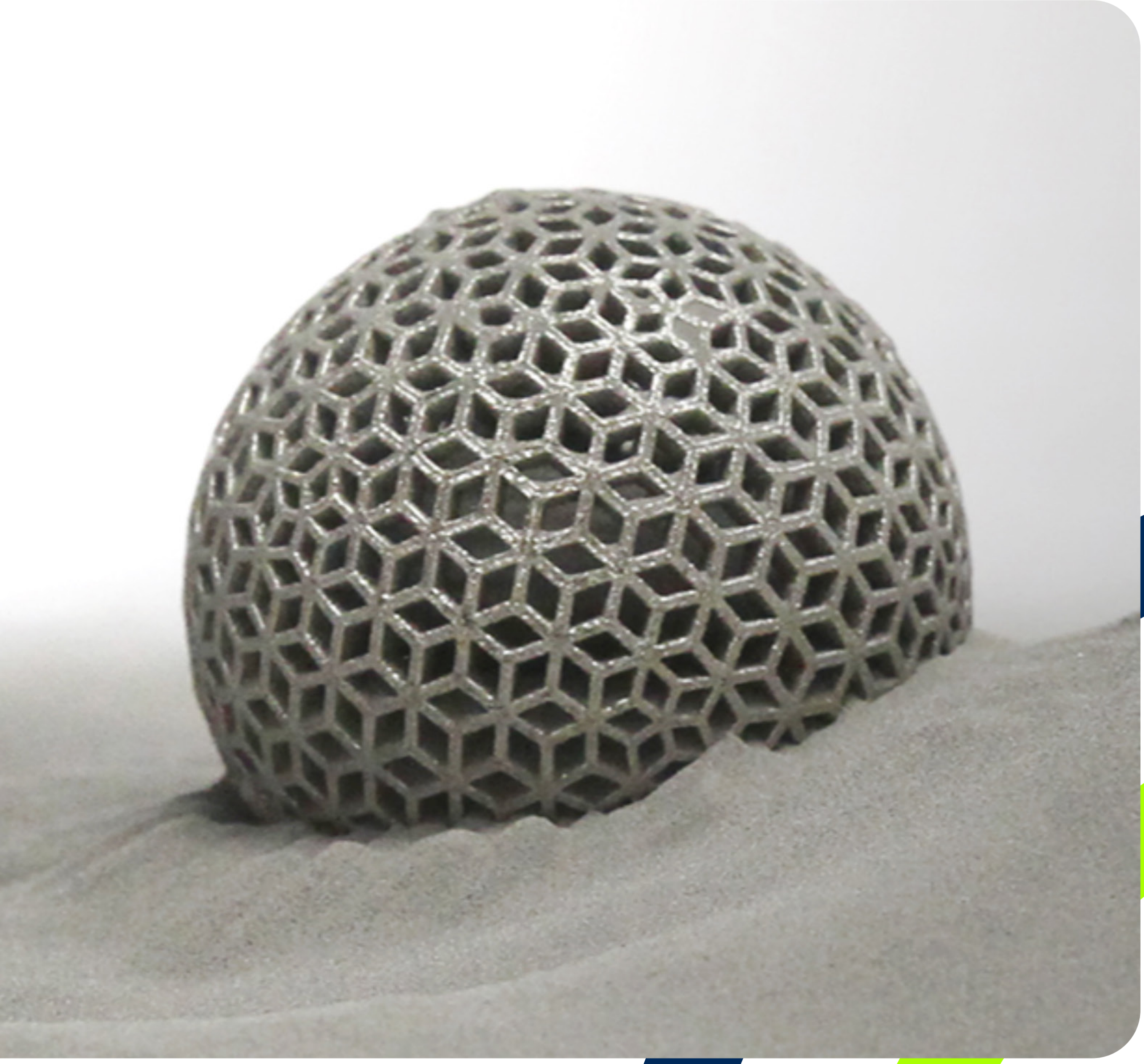
Our flagship NXG XII 600 and customized services are designed to support our customers turn to serial production AM capabilities. More than 100 employees are delighted to deliver every day high customer satisfaction through best-in-class customer service. The entire organization owns and owes customer success to our end users. The number of existing SLM Support Service contracts for the NXG XII 600 and all other machine types are evidence that our customer base appreciates the push to second-to-none service performance and the operations cost predictability.

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, allowing us to supply customers with materials that ideally fit selective laser melting machines for qualified serial production. Since then, this division has recorded steady growth and will continue growing within the Company in the future.

SLM Solutions sets high standards in selecting and producing metal powders, working exclusively with audited specialists to guarantee consistent quality. 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

As of December 31, 2022, there were 116 members of staff employed (FTE) in Research and Development (R&D). Every day, these people work to drive the development and innovation of SLM Solutions products forward. In the past, the Company has reinvested a disproportionally high share of its revenues in researching and developing new technologies while refining its existing machines and software. At the end of 2022, SLM Solutions held 92 published and active patent families including 185 granted patents worldwide and more than 550 individual IP right publications in various countries. 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."

OPEN ARCHITECTURE

SLM Solutions' philosophy of open architecture is a fundamental enabler to our customers who design and deliver products that make life better, easier, and more modern. Whether it relates to software, materials and process parameters or even services – SLM Solutions follows an open architecture principle that enables customers to innovate, grow and deliver the future! This democratization of additive manufacturing will support the rapid industrialization of AM and deliver the future.

TEAMWORK MAKES THE DREAM WORK

MELANIE REMY

LEGAL COUNSEL

I am legal counsel to SLM Solutions in the seventh year now and am amazed by the development of the company and its technology. It is absolutely exciting to be part of and contribute to the journey in changing the future of manufacturing. For those who might think of the job as legal counsel as rather boring, dry and somewhat dusty, I happily confirm the opposite. From drafting and negotiating contracts for and with customers, understanding their applications of our machines, to technology collaborations and finally the public takeover offer by Nikon, SLM Solutions provides an exciting range of challenges and opportunities where you are always close to a thrilling product and can work together with great colleagues in an interdisciplinary way, even across different hierarchical levels.

GUY OFEK

MANAGING DIRECTOR, APAC

Asia Pacific is a vast geography not to mention a very complex and fragmented business environment, which forces my team not only to be selective in their go-to market, but mainly to work closely together in addressing ever-demanding customers' needs.

For example, seeing customers buy their first ever metal printer, only to start churning end-use parts merely a few weeks after installation and training, means the Sales channels MUST work very closely with the Application team to facilitate such Zero to Hero learning trajectory.

Lastly, as we hit our stride on our way to Change Manufacturing Forever, it is wonderful to see the industry growing from within, as existing customers place repeat orders in view of their need for more volume, which open the way for an even stronger bond between the customer, our talented Service teams and the Sales channels.

EMILY DESIMONE

GLOBAL DIRECTOR OF MARKETING

I've been in additive arguably for almost 11 years and never find it to be a dull moment. SLM Solutions offers an invigorating work environment that fuels curiosity, teamwork, and passion. We are relentless innovators with a passion for empowering our customers' missions.

I'm lucky to have a diverse team that shares my same passion, a team of 3D printing nerds that have a fundamental eye for marketing they cannot ignore. We act as a service bureau for not only our cross-functional orgs but ultimately for our customers. It's our duty to share their stories. We may be at the forefront of the newest technology, but they are at the forefront of implementing it. We are lucky to witness and promote on their behalf.

We are changing the future of manufacturing.

DR. ANTONIO BALDASSARRE

HEAD OF CONTROL SYSTEM ENGINEERING

I've developed my knowledge and experience over 20+ year in Control System and Software design, ranging from Embedded electronics to Industrial Machinery Controls.

In the role of Head of Control System Engineering, I lead the design activities of Electronics and Software, controlling all the amazing products that SLM is sustaining, developing and envisioning.

I've found in SLM a fantastic team and I'm glad to contribute to further grow the design and methods culture, while driving new features, quality and reliability to sustain SLM first class AM Technology and Open Architecture.

It's a fantastic dream to be here playing in the AM Industry challenge with the SLM Team!

SUSTAINABILITY REPORT 2022

Sustainability and environmental consciousness remain an integral part of SLM Solutions' routine operations. The sustainability report summarizes various internal initiatives & measures undertaken towards addressing the Company's environmental footprint. SLM Solutions recognizes the importance of the United Nations' Sustainable Development Goals, and the business is closely aligned with the below specific goals.

GOOD HEALTH AND WELL-BEING

- The Selective Laser Melting technique of additive manufacturing is ideal to achieve functional integration and enhancement of medical device components, thereby benefitting many.
- The SLM® technology provides productivity and cost advantages to users within the healthcare industry, among others, as compared to conventional manufacturing processes such as casting and machining.

QUALITY EDUCATION

- SLM Solutions partners with various universities, institutes of technology and research centres to advance Laser Beam-Powder Bed Fusion (LB-PBF) technology, specifically for metals.
- The Company has several systems installed in research institutions and universities, thereby equipping tomorrow's leaders with valuable technological expertise.

GENDER EQUALITY

- As a socially responsible employer, SLM Solutions promotes and supports diversity and inclusion across all levels of the business.
- SLM Solutions proactively supported the creation of a Women's Network to increase in the proportion of women in the Company's global workforce, especially in management positions.

DECENT WORK AND ECONOMIC GROWTH

- SLM Solutions provides its employees with a good working environment characterised by mutual trust and respect.
- The Company provides its employees with opportunities for professional development, training and mentoring. Additionally, SLM Solutions also provides students with internship opportunities in a future-oriented industry.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

- As a socially responsible employer, SLM Solutions promotes and supports diversity and inclusion across all levels of the business.
- SLM Solutions proactively supported the creation of a Women's Network to increase in proportion of women in the Company, especially in management positions.

RESPONSIBLE CONSUMPTION AND PRODUCTION

- With additive manufacturing, customers can achieve near-zero levels of waste thereby resulting in a positive impact on the environment.
- Further, customers can achieve reductions in the weight of their components through additive manufacturing, a key element in reducing carbon emissions.

CLIMATE ACTION

- SLM Solutions has installed a photovoltaic (PV) system at its headquarters thereby reducing its reliance on conventional sources of energy and has increased the use of environmentally friendly materials for the purpose of packaging.
- The company has a subsidy program to encourage more employees to cycle to work. Employees can lease a bicycle at reduced rates.

CONSERVATION OF NATURAL RESOURCES

Protecting the environment and incorporating a resource-saving manner of production are part of the Company's core principles and play a key role in its day-to-day activities. Furthermore, these values are naturally embedded in the core of the Additive Manufacturing technology.

Through SLM Solutions' Additive Manufacturing technology, the Company inherently has a significant positive direct environmental impact when compared with traditional manufacturing techniques. At the same time, the components produced with Additive Manufacturing also have a substantially better environmental footprint.

WASTAGE

When compared to traditional manufacturing methods like casting or machining, Additive Manufacturing produces near zero waste as a large proportion of the metal powder can be processed into a finished metal product. Furthermore, the metal powder which is not directly transformed into the final solid product is up to 95% recyclable.

This near zero waste manufacturing process is a major improvement to traditional manufacturing methods like machining or casting, where either a significant share of the metal is subtracted, or molds are wasted. Additionally, prototyping with Additive Manufacturing saves significant resources as it allows for easier modifications and eliminates tooling, thus significantly reducing the waste produced.

ENVIRONMENTAL ADVANTAGES OF THE UTILIZATION OF ADDITIVE MANUFACTURING.

- Reduced weight of components allowing for improved performance and resource conservation.
- Reduced number of parts; significant assembly and part consolidation allowing for cost saving and resource conservation.
- Onshoring manufacturing helps to reduce supply chain complexities and carbon emissions.

PRODUCT STEWARDSHIP

For newly designed products, the Company considers the environmental sustainability and the efficient use of energy. SLM Solutions is continuously implementing improvements, ideally such that go beyond pure compliance with present statutory requirements. Therefore, the Company is able to maintain an ongoing dialogue with all relevant stakeholders among others, employees, public authorities, customers, suppliers and investors, on topics of environmental and energy management.

ENVIRONMENTAL CONSCIOUSNESS IS DEEPLY ROOTED IN THE COMPANY'S OPERATIONAL PRACTICES AND SYSTEMS:

- The Company utilises high-efficiency fibre lasers to achieve low power consumption. The efficiency of these lasers is similar to or even higher than the efficiency of LEDs for general lighting.
- SLM Solutions' machine, the NXG XII 600 uses the highest efficiency pump on the market for circulating inert gas (65% efficiency).
- The production process takes place in a sealed system. Highest standard fine filters (H14) are used when venting the machine to the atmosphere.
- Any excess metal powder used in the machine gets automatically recycled and is automatically reused during the production process. This is achieved through the fully automated closed loop powder supply system.
- The Company's supply chain is highly localized and most of its suppliers are located in Germany

SLM Solutions' engineering and supply chain teams are dedicated to improving the en- vironmental footprint of its existing products. Accordingly, the company has set for itself a range of targets and launched several initiatives. These include, but are not limited to:

- 5% reduction in the power consumption of systems over five years (2020 – 2025)
- 10% reduction of the hazardous metal sludge produced from systems over five years (2020 – 2025)
- Initiation of a life cycle assessment for systems

With the Additive Manufacturing technology, SLM Solutions is at the forefront of the transition to greener manufacturing. In comparison to traditional manufacturing methods like casting or machining, Additive Manufacturing and especially the applied technology, Laser Beam Power Bed Fusion (LB-PBF), will contribute substantially to enhancing the impact of manufacturing on the environment. Additive Manufacturing not only requires less resources but produces more efficient parts and enhances supply chain processes, which all improve the environmental footprint of manufacturing and thus contribute to the global effort to save our planet's resources.

INTERNAL WORKING GROUPS

SLM Solutions aims to leverage as much internal knowledge, ideas, and experiences as possible to generate concepts that decrease the Company's environmental footprint. For this reason, several working groups were set up to actively improve the Company's environmental impact, energy consumption and the health and safety of employees. The working groups consist of members from all internal departments (procurement, logistics, production, finance, etc.). In regular meetings, progress is discussed, and new measures are initiated. The group members are responsible for implementing the defined measures in their respective departments.

THE TOPICS OF THE WORKING GROUPS INCLUDE:

WORKING GROUP ENERGY

- Energy management, energy savings and energy supply

WORKING GROUP ENVIRONMENT

- Production, reduction, selection and transport of raw materials and inventory
- Water management and water conservation
- Avoidance, recycling, reuse, and disposal of waste
- Environmentally relevant changes to existing production processes and systems

WORKING GROUP SAFETY – OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

- Analysis of accident occurrences in the company
- Advice on measures and facilities to counter accident and health risks
- Exchange of experiences on implemented measures
- Coordination of occupational safety tasks
- Development of occupational safety or action programs
- Advice on safety aspects when introducing new work processes or new materials

IN 2022, THESE WORKING GROUPS MET REGULARLY AND TOGETHER WITH SENIOR MANAGEMENT, AGREED ON AND STARTED A WIDE RANGE OF INITIATIVES:

- Recertification according to the quality management standard DIN EN ISO 9001, the environmental management standard DIN EN ISO 14001 and the energy management standard DIN EN ISO 50001.

- Updating of various processes to implement the occupational health and safety management standard DIN EN ISO 45001 in our integrated management system.

- Concept development to reduce the amount of waste generated by disposable protective clothing

ENVIRONMENT

ENERGY MANAGEMENT

GREEN ENERGY AND MANAGEMENT OF ENERGY CONSUMPTION

SLM Solutions is committed to responsible energy management and implements various measures in this regard. Wherever possible, the company determines appropriate energy efficiency measures within the framework of the internal working group.

SLM Solutions' state-of-the-art headquarters in Lübeck, Germany complies with the highest regulatory standards in terms of energy efficiency and insulation. Furthermore, the Company installed a 191 kWp photovoltaic (PV) system on the headquarters' roof which has produced 174 MWh of electricity in 2022 (2021: 166 MWh). Accordingly, SLM Solutions has sourced approximately 5% of its total electricity consumption (3,404 MWh in 2022) through its own PV system. As a result of these measures, the Company was successful in reducing its carbon emissions by approx. 70 tons. In addition to these efforts, around 60% of the Company's externally purchased energy is generated from renewable energy sources.

Primarily, the Company consumes resources such as electricity, heat from natural gas, gasoline, diesel and water. The data for the consumed resources is recorded and analysed regularly in the central energy register. Accordingly, SLM Solutions is able to monitor trends and identify further reduction potential. In recent years, SLM Solutions has increased the number of electricity meters in its Lübeck headquarters considerably and centralized the purchase of electricity, allowing for a more targeted analysis of electricity consumption. In 2022, the Company used 3,404 MWh of electricity (2021: 3,229 MWh), 1,718 MWh of heat (natural gas) (2021: 1,896 MWh), 79,436 litre of fuel (2021: 75,811 litre) and 1,935 m3 of water (2021: 1,467 m3).

COMPANY VEHICLES

The Company also focuses on efforts to reduce the emissions caused by the Company's fleet of vehicles. SLM Solutions aims to have 75% of the Company vehicles (and those leased by employees) as a plug-in hybrid system or be electric by 2030. As compared to the year 2021, SLM Solutions has almost doubled the number of hybrid vehicles and as of December 2022, the Company's fleet of vehicles comprises 46 vehicles, of which 14 (approx. 30%) are equipped with a plug-in hybrid system. This means that the percentage of hybrid system has increased by 10 percentage points. The amount of carbon emissions is expected to decrease significantly through the gradual transition to plug-in hybrid and electric vehicles.

EMPLOYEE AWARENESS

SLM Solutions uses various opportunities to further enhance employee awareness of the importance of being a responsible steward of natural resources. In 2022, the Company encouraged employees at its headquarters in Lübeck, Germany to participate in a city-wide initiative aimed at reducing carbon emissions. As part of this initiative, the utilization of bicycles was encouraged instead of automobiles.

SLM Solutions' employees responded well to this initiative and notched over 12,000 km ridden by bicycles, leading to an overall reduction of approximately 2 tons[1] of carbon emissions. Together, this placed the Company in the top 7% of over 190 participating teams.

WASTE AND HAZARDOUS SUBSTANCES MANAGEMENT

At the company's headquarters in Lübeck, together with our partners, we have qualified around 45 metal powders that are regularly used. Furthermore, almost 250 hazardous substances are used in production and for quality assurance in the laboratory. For all these substances, we use a storage and disposal concept in compliance with the German statutory requirements.

For water-endangering substances, the Company places a particular focus on the appropriate handling, labelling and storage of these substances. Metal sludge, which is a by-product of the printing process, is collected in containers and stored in a specially built area outside of the production area, preventing it from entering the wastewater system or the ground water. The containers with the sludge are sealed, drip-proof and waterproof. The storage concept of water hazardous waste is in line with the German statutory requirements of the water resource law ("Wasserhaushaltsgesetz") and is approved by the environmental authority in Germany.

WASTE BY CATEGORY

WASTE CATEGORY	2022	PERCENTAGE OF TOTAL	2021	PERCENTAGE OF TOTAL
Wood	30.6	27%	29.9	30%
Paper	23	20%	16.7	17%
Foil	2.3	2%	1.8	2%
Residual waste	12.6	11%	11.2	11%
Powder	15.1	13%	10.2	10%
Metal sludge	22.4	19%	21.2	22%
Hazardous waste	9.1	8%	7.1	7%
TOTAL	**123.4**		**98.2**	

[1] As published by City Cycling, based on 154g CO_2 per km cycled, according to the German Federal Environment Agency

PACKAGING

SLM Solutions has optimized its packaging in two regards: the Company uses an optimized form factor and where possible utilizes recyclable materials such as cardboard instead of foam and plastics. The Company uses environmentally friendly packaging material for the shipping of consumables and spare parts. Accordingly, machine packaging for transportation consists of 90% recyclable materials.

WATER CONSUMPTION MANAGEMENT

As a natural resource, water does not play a particularly significant role in the Company's production process, apart from the use of fresh water at Company sites. There are no negative impacts from the water sources used. The total water consumption at the Company's headquarters in Lübeck, Germany was 1,935 m3 in 2022 (2021: 1,467 m3). The Company strives to operate and use water sources in a sustainable way, with the overall goal of further reducing freshwater consumption.

ISO CERTIFICATIONS

To ensure efficient, high-quality, and legally compliant as well as environmentally friendly production, SLM Solutions Group AG has introduced and certified an environmental management system in accordance with ISO 14001 and an energy management system in accordance with ISO 50001 at the Lübeck site in addition to ISO 9001. In 2022, we were able to successfully implement and certify an information security management system in accordance with ISO/IEC 27001.

The scope of this certification covers the areas of development, production, and distribution of SLM systems, the production and distribution of prototypes and pre-series parts as well as materials and equipment for prototype and pre-series construction. Furthermore, all our services in prototype and pre-series construction are also integrated in the management system.

The effectiveness of our integrated management system is verified by external auditors as part of the certification process (ISO 9001, ISO 14001, ISO 50001, and ISO 27001) and by internal audits. Every year, the Company audits and evaluates the Lübeck production site according to a standardised procedure. The results are communicated to the management and reviewed so that any optimisations can be made.

SUSTAINABILITY KEY PERFORMANCE INDICATORS (KPIs)

		UNIT	2022	2021
ENERGY CONSUMPTION: PRIMARY ENERGY	Gas	MWh	1,718	1,896
	Gasoline, Diesel	Liter	79,436	75,811
ENERGY CONSUMPTION: SECONDARY ENERGY	Electricity (total)	MWh	3,404	3,229
	Electricity (Photo - voltaic System)	MWh	174	166
	Electricity (other)	MWh	3,229	3,063
WATER	Total	m^3	1,935	1,467
GREENHOUSE GAS EMISSIONS	Gas (Scope 1)	CO_2 tons	378	417
	Gasoline, diesel (Scope 1)	CO_2 tons	211	197
	Electricity-total (Scope 2)	CO_2 tons	1,512	1,442

SOCIAL

SLM Solutions considers its responsibility to its employees, customers, and the broader society to be of significance and undertakes several measures in this regard.

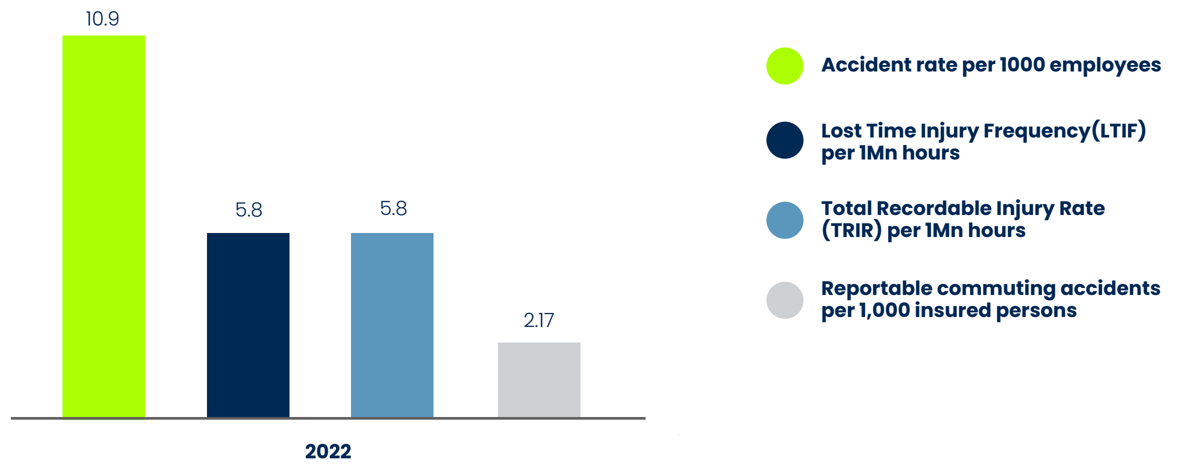
HEALTH AND SAFETY

OCCUPATIONAL SAFETY

As a socially responsible employer, SLM Solutions Group AG stands by the principle of "Safety First". The Company provides its employees with a healthy and safe working environment. Whether ergonomic workplace design, health offers or safety qualifications: our overriding goal is therefore to prevent health risks and to maintain the health of our employees in the long term. The focus is primarily on preventive measures, which we continuously review and develop.

The Health & Safety department manages the topics of occupational safety and health. It is part of the quality management department. Health and safety issues are also regularly discussed and decided in various committees, for example in the health and safety committee and with works council representatives.

Through the successful implementation of our occupational health and safety measures, we were able to further reduce the accident rate as well as the Lost Time Injury Frequency (LTIF)/ Total Recordable Injury Rate (TRIR) in the company, as can be seen in the graphs. Furthermore, the number of reportable commuting accidents is also at a constantly low level.



To reduce the accident rate, we have implemented a process for reporting and handling accident events. This involves recording the accident event and investigating the cause of the accident. We then determine suitable measures together with the affected area. Finally, the implementation of the defined measures is checked and regularly monitored as part of our HSE on-site inspections.

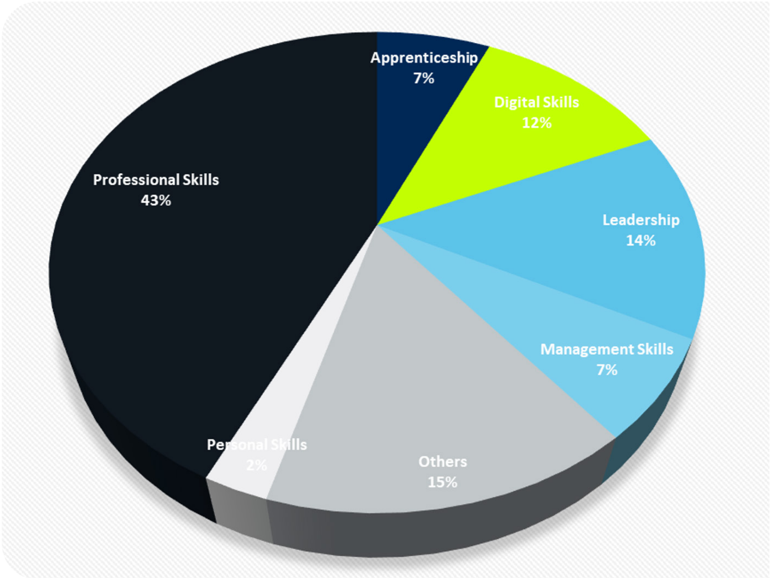
LEARNING AND DEVELOPMENT

PERSONNEL DEVELOPMENT

SLM Solutions provides its employees with the necessary structures and drives strategic initiatives to support individual development as well as allowing interdisciplinary learning among employees. Existing roles in the Company have a defined development path providing employees with the clarity required to work towards professional development goals in a focussed manner.

In 2022 the annual global structured feedback process was conducted to create a constructive and learning-oriented feedback culture. Through this process SLM aimed to assess the development needs of the Company. SLM Solutions runs a learning management system (LMS) accessible to every employee. This LMS is used mainly for Company specific content. Furthermore, SLM Solutions is continuously testing opportunities to enrich the digital learning environment. The Company defined training standards with specially designed sessions for different career paths. These sessions are intended to provide employees with the required skill sets for their respective roles. During the year, SLM Solutions leveraged various technology tools to provide such trainings. In order to enhance internal communication and coordination, the Company has facilitated language training (especially English and German) for interested employees and enhanced its offer.

In 2022 SLM has further developed its global leadership program by incorporating a junior leadership training concentrating on people getting into leadership for the first time and an advanced leadership training focused on people with a history of leadership experience of several years. SLM has developed a High Potential Program to further invest into the future of SLM Solutions. This program is expected to not only groom the leaders of tomorrow, but also provide them with opportunities to take on additional responsibilities and show their commitment already as part of various strategic project assignment.



SLM Solutions booked more than 200 training sessions in 2022 and invested about EUR 320,000 into the training of staff. Content of training sessions at the headquarters ranged from Professional Skillset Trainings in various fields (e.g., electrician for defined activities, accounting, logistics, such as Dangerous Goods, Quality Management, such as training for Quality Officer) over Management- to Leadership topics (coaching sessions, basic SLM leadership training), see chart above.

VOCATIONAL TRAINING

For SLM Solutions, it is a natural desire to invest in the training of prospective employees, because this allows the Company to advertise its market-leading technology and train the talent of tomorrow to be perfectly up to date with the growing metal additive manufacturing (AM) industry. As a result, SLM Solutions regularly offers five kinds of apprenticeships. These are - mechatronics engineers, industrial clerks, machine and plant operators, IT system electronics engineers and warehouse clerks. On average, SLM Solutions trains 15 apprentices in Germany and supervises 7 students in the preparation of their theses.

The Company also participates in several events at schools to highlight the possibilities for vocational training as well as to provide first insights into AM technology as well hosting on-premise events

EMPLOYEE WELFARE & SOCIAL RESPONSIBILITY

INTERNAL COMMUNICATION & EMPLOYEE BRANDING

After years of pandemic-related restrictions, SLM Solutions strived to strengthen the exchange among employees and build a sense of community through joint meeting opportunities and events, thus actively contributing towards a positive working atmosphere. Examples include the "Coffee-Break with your CEO" and the "SLM Solutions Summer Party 2022". In addition, regular virtual communication, such as "Sam's Blog" and the quarterly "All Hands Meetings", strengthen the level of knowledge within the company and the joint focus on current and future corporate goals.

EMPLOYEE WELFARE

SLM Solutions supports its employees in setting up and implementing a company pension plan by advising its employees on these topics and contributing to the monthly instalments. SLM also supports the monthly kindergarten contributions for each child.

SOCIAL RESPONSIBILITY

The health and mobility of our employees are as important to the Company as it is to SLM's employees. For this reason, SLM Solutions offers the possibility to lease and ride a corporate bicycle in cooperation with JobRad. Also, SLM Solutions encourages and supports its Company teams in various municipal activities such as the Stadtwerke Lübeck Marathon or football qualification tournaments, such as the "Corporate-cup".

Donations for Ukraine
In the context of the outbreak of the Ukraine war, SLM Solutions internally called for voluntary donation campaigns, with overwhelming success. Numerous donations, both goods and financial support, were collected and handed over to the Ukrainian population via a regional aid initiative.

DIVERSITY

Next Female Generation
In 2022 the internal employee network Next Female Generation was rebranded with a larger scope. The goal of this initiative is to provide consultancy for the Company and to further strengthen SLM Solutions' position as an attractive employer for potential employees of all kinds. After a kick-off towards the end of 2021, this network meets on a regular basis to discuss daily life at SLM, work organization, transparency of opportunities, facilitate mentoring, creating and maintaining leadership awareness as well as providing workshops and training for the network. In line with this initiative SLM is currently working out a draft to overcome gender pay gap.

The Proportion of women in the total workforce of SLM Solutions globally is 21.6% referring to 2022. We are proud to unite so many different nations at SLM Solutions, as we see the resulting differences as an enrichment. Worldwide, people from different countries work for us, in Germany alone there are 29 countries represented. The average age of the workforce in 2021 and 2022 is 37.

GOVERNANCE

COMPLIANCE IN GENERAL

SLM's mission to empower the vision of its customers is accompanied by the integrity, transparency, and compliance of its employees. For this reason, it is intrinsic for SLM to make the adoption of internal company guidelines, principles of conduct, national and international law as well as basic ethical principles the guideline for the Company's success. Correct actions form the basis of trust of customers, suppliers, business partners and shareholders. Compliance should not only be a matter of course, but also serve to protect employees.

COMPLIANCE : TONE FROM THE TOP

"THE FUTURE OF ADDITIVE MANUFACTURING IS SUSTAINABLE. THIS REQUIRES TRUSTING AND TRANSPARENT COOPERATION IN OUR COMPANY AS WELL AS WITH OUR SUPPLIERS AND BUSINESS PARTNERS."

SAM O'LEARY
CHIEF EXECUTIVE OFFICER
(CEO)

"COMPLIANCE WITH LEGAL REQUIREMENTS AND GUIDELINES IS THE BASIS FOR SERIOUS BUSINESS CONDUCT. IN ORDER TO BE A TRUSTWORTHY PARTNER TO ALL OUR STAKEHOLDERS AND CUSTOMERS, WE ALWAYS STRIVE FOR CLEAR GUIDELINES THAT DETERMINE OUR ACTIONS."

ANDRÉ WITT
GENERAL COUNSEL &
CHIEF COMPLIANCE OFFICER
(CCO)

COMPLIANCE ORGANIZATION

The position of General Counsel and Chief Compliance Officer (CCO) of the SLM Solutions Group is held by one person. He ensures conformity with compliance regulations across the company, the market and the divisions.

The CCO reports to the Chief Financial Officer (CFO). Communication on compliance issues was mainly brought forward by the CCO in meetings with the full Board of Management, the ETM (Executive Team Meeting) and in the Supervisory Board of SLM. The CCO has been supported by a Legal Counsel Compliance, who is subordinate to the CCO in technical and disciplinary terms. Current compliance issues and the progress of the expansion of the compliance management system are discussed in bi-weekly meetings. The Legal Counsel Compliance implements current requirements on his own responsibility and, in addition to the CCO, also serves as a contact person for the individual departments of the company. In addition, the area of activity includes the identification, assessment, control and monitoring of potential compliance risks.

SLM SOLUTIONS – COMPLIANCE STRUCTURE

The compliance organization is further supplemented by external service providers, such as the external data protection officer.

COMPLIANCE MANAGEMENT SYSTEM

The compliance management system is based on national and international laws and requirements. Compliance is established through an effective compliance management system (CMS) in order to prevent, recognize, evaluate and control conduct that contravenes rules. This includes not only the establishment and continuous development of principles of conduct, organizational measures, processes and suitable structures or the creation of a basic understanding among employees, but also effective risk management to identify, analyse, assess and monitor risks to the company. The aim is to avoid potential risks for the people involved and to protect the efforts of the SLM Solutions team, customers, shareholders and business partners.

In 2022, there was again a strong focus on compliance fundamentals: Revising existing compliance mechanisms, conducting risk management on a semi-annual basis, and introducing or revising numerous internal company guidelines, which serve to prevent corruption, embezzlement, money laundering, cartels, compliance with export law and insider rules, and data and trade secret security, among other things. The guidelines introduced can be accessed via the internal process platform Qwiki and via the SLM learning platform as mandatory content. A special focus was placed on preventive work, so that for the first time, basic compliance training was made mandatory for the entire workforce, to be repeated at regular intervals. These training courses are also offered regularly to new employees.

New compliant business processes also ensure a sustainable supply chain and sustainable actions in business transactions. However, SLM stakeholders also act in the knowledge that even the best CMS cannot prevent criminal acts and other violations by individuals but can limit them.

CODE OF CONDUCT AND GUIDELINES

The current Code of Conduct (CoC) dates from 2015 and applies to the SLM Solutions Group worldwide. The CCO, with the support of the Legal Counsel Compliance, put together a task force to create an up-to-date and modern Code of Conduct. The task force consists of executive and non-executive employees. The involvement of the workforce in the drafting process is ensured via discussion rounds.

As a basis, the Code of Conduct is the central element of good compliance work and serves as a guiding principle, the addressed values and rules that are important to SLM, and also forms the basis of success. The new Code of Conduct is intended to strengthen the compliance awareness of individual employees and serve as a beacon for the right behaviour in everyday work. Just like the current Code of Conduct, the new one will be available via the internal process platform Qwiki as well as via the SLM learning platform as mandatory content for existing and newly hired employees.

In addition to the internal code of conduct, there is also an external code of conduct for suppliers and business partners.

This defines the minimum standards with regard to the compliance topics described therein and is permanently available for third parties on the SLM website.

Especially in the area of supplier management, the implementation led to a reassessment of supplier relationships. By the end of 2021, it was possible to obtain approval from existing key suppliers in an amount of approximately 50% based on the SLM

Code of Conduct or one equivalent to it. In 2022, this continued moderately due to supply chain issues.

It is planned to resume this process extensively in 2023 and to complete it as far as possible. This is a measure to keep the supply chain free of slavery and child labor and to highlight the importance of human rights. New supplier relationships shall not be entered into without approval of the external SLM Code of Conduct.

INTERNAL CODE OF CONDUCT:

https://www.slm-solutions.com/fileadmin/Content/Compliance/Code_of_Conduct_SLM_Solutions_2015.pdf

EXTERNAL CODE OF CONDUCT:

https://www.slm-solutions.com/fileadmin/Content/Compliance/Supplier_Code_of_Conduct_english_May_2021_SCOC01.pdf

In addition to the internal and external Code of Conduct, there are numerous other internal guidelines, as already described, which are supplemented by others and likewise renewed. In fiscal year 2022, however, many of them only apply to the company's headquarters in Lübeck, Germany. With a view to the 2023 financial year, this will change and take local specifics into account.

RISK MANAGEMENT

SLM's risk management covers all business, administrative, technical and compliance-related risks in the areas of legal, regulatory and political, industry market and strategy, capital market, environmental and social, business development, sales, application, service, product management, supply chain, research and development, plant engineering, programs and innovations as well as supporting processes (e.g., accounting, controlling, IT, human resources, marketing, quality management).

The persons involved in the risk management process are:

- the designated risk officers;
- the central risk coordination of the SLM Solutions Group AG ("CRC");
- the risk committee (composition: CFO, managing directors of the subsidiaries for local specialties, department heads, CRC);
- the Executive Board;
- the external auditors (members of the "Audit Committee").

Risk management is a uniform, continuous and systematic process for the early identification and assessment, control, documentation and reporting of risks. In addition to the inventory of risks by the responsible employees in the respective business areas and the corporate functions, risk management uses the instruments and key figures from the existing reporting system, e.g., controlling, internal control system (ICS), quality management (QM).

Such an integrated system fulfils the objective of presenting and communicating all significant and existential risks at an early stage and in good time. The risk early warning system is thus to be understood as a largely integral part of the management information and control system.

Following the design and introduction of the risk management system, responsibility for the organization of risk reporting, maintenance and further development of the system was transferred to the "Compliance Department, Risk Management" organizational unit. This unit carries out the risk management inventory every six months. It would also be possible to report ad hoc risks.

ANTI-CORRUPTION

GRI 205-1: RISK ASSESSMENT

With the help of a web-based tool, the SLM headquarters in Lübeck and the international sales & service organization in particular are examined as part of the half-yearly risk management. Based on this risk management, corresponding necessary measures are taken (see above).

The framework conditions, guidelines and processes for uniform risk management throughout the Group are created by the Compliance department.

Efforts are being made to establish and monitor a compliance system throughout the Group.

GRI 205-2: COMMUNICATION AND TRAINING

The Compliance organization published several newsletters in 2022 to bring specific compliance topics into focus. Among them, the following topics were covered:

- Let's Talk Data! - The difference between data protection and data security

- Blacklisting and high-risk countries - Where in the world are there sanctions and where do we need to act with more caution?

This also provided information on current political measures and developments. The Compliance Newsletter has been very well received by the workforce and SLM hopes to continue it just as successfully in 2023.

Furthermore, the entire workforce was trained in general compliance basics, either virtually or in person, in order to build up an understanding of the topic. These training courses are to be repeated at regular intervals and are held in German and English. Similarly, in-depth training on what SLM considers to be the most important compliance topics has been prepared in an addressee-oriented manner and trained for an initial selection of employees at headquarters.

In addition, information on specific compliance topics is currently being provided by means of guidelines and fact sheets on the internal learning platform and the intranet.

GRI 205-3: CONFIRMED CASES OF CORRUPTION AND MEASURES TAKEN

No cases of corruption were recorded in 2022. Preventive measures to prevent corruption continue to be taken.

GRI 206: LEGAL PROCEEDINGS DUE TO ANTI-COMPETITIVE BEHAVIOUR, CARTELS AND MONOPOLIES

No cases of non-compliances were recorded in 2022.

GRI 307: NON-COMPLIANCE WITH ENVIRONMENTAL LAWS OR REGULATIONS

No cases of non-compliances were recorded in 2022.

GRI 419-1: NON-COMPLIANCE WITH LAWS AND REGULATIONS IN THE SOCIAL AND ECO-NOMIC SPHERE

No cases of non-compliances were recorded in 2022.

HUMAN RIGHTS AND DATA PROTECTION

SLM does not tolerate any form of discrimination or violation of human rights. Fair working and wage conditions are ensured by the existence of the works council and the affiliation to the collective framework agreement of the IG Bergbau, Chemie, Energie. Furthermore, all business partners are made aware of the need to comply with human rights and the relevant conventions. Further measures are currently being evaluated. In addition, a fundamental analysis of data protection processes was carried out with the external data protection officer, which will be the basis for the implementation of measures for the coming fiscal year 2022.

LETTER FROM THE CEO

Dear Stakeholder,

It is with great pride that we present results for FY 2022, following yet another successful year of technological innovation, operational excellence and continued value creation.

In many ways, one could consider 2022 as a year of industrialization with the adoption of metal additive manufacturing increasing pace and several companies utilizing this technology in series production. Within our own install base, we have several customers across industries utilize our systems in series production. Specifically with regards to our NXG XII 600, we are thrilled to see the widespread industry acceptance of this system. In 2022, we delivered the NXG XII 600 to a broad spectrum of industries including automotive, energy, space, aviation, service bureaus. This broad-based industry acceptance of a trailblazing system is a reflection of our technological leadership position within the metal additive manufacturing sector.

Following a brief hiatus in 2021, SLM Solutions returned to Formnext in 2022 with multiple innovative solutions designed to further hasten the adoption of additive manufacturing. The NXG XII 600E, with an extended Z-axis measuring 1.5M, features the largest build envelope in the industry, enabling customers to produce larger metal parts at lightning speeds. Additionally, we also announced a breakthrough solution that will shake up the industry by allowing customers to produce high-quality metal parts up to a size of 3.0M x 1.2M x 1.2M (LxWxH). We continue to make progress on our software offerings and presented a new software partner ecosystem tailored to the customer's individual requirements in the key application spaces - build preparation, AM digitalization, connectivity and quality assurance. Through collaboration and an open architecture, we offer our customers with the broadest and most compelling joint software portfolio that will further enable the industrialization of and take their AM operations to the next level. SLM Solutions remains a technological leader within the additive manufacturing sector, and we have demonstrated and reinforced our leadership position time and again through several industry leading solutions. We continue to invest significantly into our research & development efforts and in 2022 further increased our outlay into R&D activities as compared to the previous year.

While we remain relentless in our drive to innovate and deliver solutions for the future, our business continues to grow and perform well on the back of our dynamic product portfolio, including the recently rolled-out NXG XII 600. For the third consecutive year, we have not only met but also outperformed our guidance for the year, while also growing our market share. This performance during a challenging macroeconomic period with rising interest rates highlights the strength of the value proposition that we provide to our customers. Looking back to the end of 2019, when we began a turnaround process, we have certainly come a long way. We have more than doubled our top line since FY 2019, driven by a strong performance across our product portfolio, further supported by our growing after sales business. As compared to FY 2019, we have significantly improved our bottom line, and excluding one-off costs primarily related to the recently completed Nikon takeover offer, have been EBITDA positive for three consecutive quarters since the second quarter of FY 2022.

These positive results would not be possible without the complete support of our employees. I would consider our people to be one of our most pivotal strengths that enable us to continue to deliver the future. In 2022, we continued to grow our employee base not only in Europe but also globally, thereby enhancing our global presence. We continue to prioritize the development of our personnel and have undertaken several initiatives in this regard.

Finally, the year 2022 was also memorable for being the start of a new partnership with a technology powerhouse, Nikon. Through this partnership SLM was able to strengthen its liquidity position providing us with valuable financial flexibility while further enhancing our ability to stay at the forefront of metal Additive Manufacturing. Looking forward, we are well positioned to build on our successes, through accelerated product development, strengthened research & development capabilities as well as financial support, which will together enable us to enhance our leadership position and deliver superior products and solutions to our customers.

In conclusion, I am grateful for the contributions of every member in SLM Solutions during the past year and am confident that we can continue scaling new heights as we push to reimagine the future of manufacturing!

SAM O'LEARY
CHIEF EXECUTIVE OFFICER (CEO)

MANAGEMENT BOARD MEMBERS

As of : 31 December 2022

SAM O'LEARY

CHIEF EXECUTIVE OFFICER (CEO)

Sam O'Leary has been the Chief Executive Officer (CEO) of SLM Solutions since 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.

DIRK ACKERMANN

CHIEF FINANCIAL OFFICER (CFO)

Dirk Ackermann has been the Chief Financial Officer (CFO) of SLM Solutions Group AG since May 2020. Since July 2021, he is also member of the management board being responsible for Finance, IT, Legal, HR, and After Sales. Mr. Ackermann benefits from a strong operational and digital mindset which allows him to drive the company´s operational excellence goals. Before joining SLM Solutions, he was a senior finance manager at General Electric holding positions of varying responsibility across several geographies.

CHARLES GRACE

CHIEF COMMERCIAL OFFICER (CCO)

Charles Grace joined SLM Solutions as Chief Sales Officer in February 2021. In July of 2022, he was appointed to Chief Commercial Officer (CCO) and is also member of the management board. As a board member he oversees SLM's global commercial activities including commercial strategy, business development and marketing. Charles is an additive manufacturing maestro and draws from his vast experience from previous senior executive roles.

REPORT BY THE SUPERVISORY BOARD

Ladies and Gentlemen,

2022 marked yet another year with significant positive developments at SLM Solutions. With 41% year on year revenue growth and reaching an EBITDA break even in Q3 and Q4 (excluding one-off costs primarily related to the Nikon takeover offer), SLM's financial performance reached the ambitious targets set by management in a difficult global operating environment marked by severe supply-chain constraints and inflationary cost developments. The roll out of the first NXG XII 600 serial production units have paved the way for the integration of the systems into the industrial production processes of our customers. Our other multi laser systems, the SLM® 280 and SLM® 500 have also started to increasingly substitute conventional metal manufacturing across all our customer industries, in particular in aerospace, energy and automotive.

Organizationally we added Charles Grace as Chief Commercial Officer to the Management Board in July 2022. As Chief Sales Officer and head of our North American operations since February 2021, Charles already played a crucial role in building our global sales organization and reorganizing our market access in the important US market. In April 2022, Roland Busch, a valued member of the Supervisory Board and Chairman of the Audit Committee resigned from his board role for personal reasons.

Strategically, SLM Solutions took its most important step in recent years through the partnership and business combination we entered with Nikon Corporation on 2 September 2022. Through the transaction, SLM Solutions will ultimately become a part of the Nikon Group, one of the most highly experienced and renowned developers and manufacturers of high precision technology globally. Upon announcement of the partnership, Nikon provided EUR 45 million of new equity funding to SLM Solutions in exchange for a 9.1% shareholding in the Company. Nikon subsequently launched a tender offer for all outstanding shares in SLM Solutions at an offer price of EUR 20 per share. The transaction was fully supported by SLM Solutions' management and supervisory boards as well as the Company's major shareholders Elliott Capital Management, ENA Investment Capital and Ceresio GmbH (investment entity of SLM Solution's founder Hans Ihde). The tender offer was accepted by an overwhelming majority of SLM shareholders. The last regulatory approval was obtained in January 2023, thereby completing the transaction on 27 January 2023, making Nikon Corporation through its wholly owned subsidiary Nikon AM. AG a 90.80% shareholder of SLM Solutions.

The partnership with Nikon will not only tremendously help SLM Solutions to successfully grow the business into the future but also to stay at the forefront of AM innovation. We expect that being part of Nikon will also increase SLM's credibility as a reliable long-term partner to customers adopting our technology solutions into their metal manufacturing operations.

During the 2022 financial year, the Supervisory Board worked closely with the Management Board by regularly reviewing the performance of the Company and providing strategic guidance for long-term commercial success. The Management Board provided the Supervisory Board with regular, timely and detailed updates regarding material aspects affecting SLM Solutions. These included updates pertaining to the status of strategic projects, initiatives, capital markets and compliance related topics among other such matters.

The Supervisory Board was at all times involved in the Management Board's decisions of fundamental importance to the Company. Further, the Supervisory Board was provided with 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 an 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 six times for regular meetings during the reporting period. All meetings were attended by all members of the Board. Beyond the regular meetings the supervisory board had three extraordinary meetings and passed time-critical decisions by way of a circular resolution.

On 22 March 2022 the Supervisory Board and the Audit Committee convened to discuss the financial performance in 2021, approve the annual financial statements and consolidated statements for the 2021 financial year and the audit provided by KPMG, as well as the risk management system of the Company. Furthermore, the Supervisory Board discussed with Management the year to date business development and expected financial performance in Q1 2022, as well as supply chain issues experienced and measures taken to resolve them. In addition, funding options and strategy was discussed, especially in the light of the maturity of the 2017 convertible bond in October 2022. The Supervisory Board also agreed on the agenda of the 2022 annual general meeting (AGM). In light of the still elevated COVID-19 infection levels, the Supervisory Board decided to hold the 2022 annual general meeting again in a virtual format.

On 17 May 2022, the Supervisory Board met after the AGM to review the AGM and discuss the current business and financial performance as well as strategic and funding options for the Company.

On 30 June 2022, the Supervisory Board discussed the year to date financial and operational performance of the Company and further assessed strategic and funding options. The Supervisory Board also discussed changes to the Corporate Organization and discussed and resolved the appointment of Charles Grace to the management board, as well as the funding strategy going forward.

In an extraordinary meeting on 2 September 2022, held jointly with the Management Board, the Supervisory Board approved the resolution of a 10% capital increase to Nikon Corporation and the conclusion of an Investment Agreement under which Nikon Corporation would launch a takeover offer for SLM Solutions, as well as other agreements associated with the transaction. In the weeks preceding the meeting the Supervisory Board had regularly discussed the potential transaction as well as transaction and funding alternatives.

On 14 September 2022, the Supervisory Board discussed with the management the year-to-date financial and business performance and the expected H1 2022 performance as well as the outlook for remainder of 2022. The management board explained some of the ongoing initiatives to minimize the impact of the ongoing global supply-chain disruptions.

In an extraordinary meeting on 11 October 2022, held jointly with the Management Board, the Supervisory Board discussed and approved the reasoned opinion of the Management Board in relation to the takeover offer from Nikon Corporation.

The Supervisory Board meeting on 8 December 2022 focused on the business and financial performance of 2022 and discussed and approved the financial budget for fiscal year 2023. The Supervisory Board also reviewed with the Management Board the Company's strategy and discussed progress of the transaction with Nikon.

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 AND NOMINATION COMMITTEE

The Executive and Nomination Committees are composed of the Chairman of the Supervisory Board, the Vice-Chairman and another member to be elected by the Supervisory Board respectively. In FY 2022, the members of the Executive and Nomination Committee were Thomas Schweppe (Chairman), Hans-Joachim Ihde and Magnus René. The Executive and Nomination 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 and Nomination Committee convened three times during the reporting

AUDIT COMMITTEE

The Audit Committee consists of three members elected by the Supervisory Board. In FY 2022 they were, Magnus René (Chairman) and Thomas Schweppe. Roland Busch chaired the Audit Committee until 20. April 2022. 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 15 March 2022, 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 and significant audit matters. The unaudited interim financial statements for the first quarter of 2022 in the new cost-of-revenue accounting format were discussed on 9 May 2022. The documentation for the financial statements for the 2022 half-year report was discussed on 1 August 2022 and for the third quarter 2022 interim report on 3 November 2022, where also the initial discussion for the 2022 audit with the Company's auditor KPMG took place.

STRATEGY COMMITTEE

The Strategy Committee, in FY 2022 was composed of three members elected by the Supervisory Board. These were 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.

CORPORATE GOVERNANCE

On 28 February 2022, 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 Wirtschaftsprüfungsgesellschaft, Hamburg, as the Company's auditor on 17 May 2022. It audited the separate annual financial statements of SLM Solutions Group AG and the consolidated financial statements as of 31 December 2020 and 2021, 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 the 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 22 March 2022, the Supervisory Board approved the separate and consolidated financial statements, along with the separate and Group management reports for the 2021 fiscal year, including disclosures pursuant to Section 315 (4) of the German Commercial Code (HGB). The separate annual financial statements for the 2019 fiscal year have been adopted as a consequence, pursuant to Section 172 of the German Stock Corporation Act (AktG).

We would like to thank the members of the Supervisory Board, Management Board, along with all employees of SLM Solutions Group AG for their commitment and continued support during the past financial year. We would also like to convey our gratitude to our shareholders who continued to support the Company. We welcome our new controlling shareholder Nikon Corporation and look forward to continuing and accelerating our successful path as a leader in metal Additive Manufacturing as part of Nikon.

LÜBECK, 16 MARCH 2023

HAMID ZARRINGHALAM

CHAIRMAN OF THE SUPERVISORY BOARD OF
SLM SOLUTIONS GROUP AG SINCE 16 FEBRUARY 2023

THOMAS SCHWEPPE

MEMBER OF THE SUPERVISORY BOARD OF SLM SOLUTIONS GROUP AG AND CHAIRMAN OF THE SUPERVISORY BOARD OF SLM SOLUTIONS GROUP AG UNTIL 16 FEBRUARY 2023

SUPERVISORY BOARD MEMBERS

MEMBER	OCCUPATION	MANDATE OUTSIDE SLM SOLUTIONS AS OF 31 DECEMBER 2022
Thomas Schweppe, Bad Homburg Chairman of the supervisory board	Business Executive	none
Hans-Joachim Ihde, Lübeck	Business Executive	Ceresio GmbH, Managing Director
Nicole Englisch, Starnberg	Lawyer	none
Dr. Roland Busch, Frankenthal (until 20. April 2022)	Supervisory board member	Bilfinger SE, Member of the Supervi sory Board Yonder AG, Switzerland, Chairman of the Board of Directors Delvag Versicherungs-AG, Chairman of the Supervisory Board Lufthansa Technik AG, Member of the Supervisory Board Medondo Holding AG, Member of the Supervisory Board Lufthansa Pension Trust e. V, Member of the Board of Directors Lufthansa Malta Pension Holding Ltd., Member of the Investment Board Lufthansa Leasing GmbH, Member of the Supervisory Board
Kevin Czinger, Los Angeles	Business Executive	none
Magnus René, Boston	Business Executive	Inkbit Inc. Board Director Ovzon AB, Chairman AMT Ltd, Chairman Bomill AB, Board Director Fellow of the Swedish Academy of Engineering Sciences (IVA)

As a result of Nikon's takeover of the Company Nicole Englisch, Hans-Joachim Ihde and Magnus René resigned from the roles on the Supervisory Board of the Company with effect of 15. February 2023. The regional court in Lübeck has appointed Hamid Zarringhalam, Yuichi Shibazaki, Masahiro Horie and Johann Georg Jetter to new members of the supervisory board, thereby increasing the number of its members again to the statutory number of six. The members of the Supervisory Board elected Hamid Zarringhalam as new chairman of the supervisory board and Thomas Schweppe as new vice chairman of the supervisory board.

GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR 2022

BASIS OF THE GROUP

STRUCTURE

SLM Solutions Group AG ("SLM Solutions", "SLM" or the "Company"), headquartered in Lübeck, Germany, had ten wholly owned subsidiaries as of December 31, 2022. 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 Canada, China, France, India, Italy, Japan, Russia,* Singapore, South Korea, and the United States, promote local sales activities in their allocated geographical regions. In addition, they also provide services for customers.

In 2022, SLM Solutions began a new partnership with a technology powerhouse, Nikon. Through this partnership SLM was able to strengthen its liquidity position providing us with valuable financial flexibility while further enhancing our ability to stay at the forefront of metal Additive Manufacturing.

On January 27, 2023, Nikon AM. AG, Langen, announced that it had acquired 90.8% of the shares and voting rights in SLM Solutions.

*The subsidiary in Russia was liquidated in 2023.

SLM Solutions Group AG, Lübeck

- SLM Solutions NA, Inc., Wixom, Michigan, USA 100%
- SLM Solutions Singapore Pte Ltd, Singapore 100%
- SLM Solutions (Shanghai) Co. Ltd., Shanghai, China 100%
- SLM Solutions RUS OOO, Moscow, Russia 100%
- SLM Solutions (India) Private Limited, Bangalore, India 100%
- SLM Solutions Italy S.R.L., Milan, Italy 100%
- SLM Solutions France SAS, Paris, France 100%
- SLM Solutions (Canada), Inc., Toronto, Canada 100%
- SLM Solutions Japan Inc., Japan 100%
- SLM Solutions Korea LLC., South Korea 100%

EMPLOYEES

As of December 31, 2022, SLM Solutions employed 537 people (full-time equivalents), almost a quarter of them in research and development.

FULL-TIME EQUIVALENTS (FTE)	31/12/2022	31/12/2021
Research and development	116	115
Sales	81	65
After Sales	122	117
Production	101	92
Administration	117	99
Total	**537**	**488**
of which Europe	458	412
of which USA	41	34
of which Asia	38	42

OUR BUSINESS MODEL

SLM Solutions, headquartered in Lübeck, Germany, is a leading provider of metal-based additive manufacturing technology ("3D printing technology"). The product range currently comprises of six systems – the SLM®125, SLM®280, SLM®500, SLM®800, the NXG XII 600 along with the recently released NXG XII 600E with an extended Z-axis measuring up to 1.5M high. Each of these six systems are primarily differentiated by the size of the build chamber and the number of lasers which can be fitted. The NXG XII 600 was rolled out in 2022 and shipped to customers from the Automotive, Energy, Space, Defense and Service Bureaus industries. The broad-based demand for the NXG XII 600 illustrates the appeal of its value proposition to customers.

SLM Solutions' product portfolio enables production of complex metal components from a large number of source materials such as aluminium, titanium, cobalt-chrome, inconel, tool steel or stainless steel, as well as super alloys. These systems are also capable of processing almost any type of weldable alloy into a finished product. The systems are constantly being developed further and equipped with new functions.

THE TECHNOLOGY – SELECTIVE LASER MELTING

The systems of SLM Solutions make use of the technology of selective laser melting, where 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 consulting firm AMPOWER rates selective laser melting as the best-known and leading technology in the field of metal-based additive manufacturing. From a total number of 18 techniques, selective laser melting is assessed as having the highest level of technological maturity and therefore being the only technology ready for widespread industrial usage. Further, based on the size of the installed base, the powder bed fusion technology commands a total market share of 84%.[2]

WHAT ARE THE BENEFITS OF ADDITIVE MANUFACTURING?

One of the significant benefits of additive manufacturing is its lower level of material consumption as 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 serial production. In contrast to conventional production methods, complexity does not result in increased costs 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. In summary, AM has the potential to deliver cost reductions, achieve complex geometries, maximize throughput speeds while not compromising on quality.

[2] **AMPOWER Report 2022, Metal Additive Manufacturing (Digital Edition)**

SLM SOLUTIONS – OPERATING SEGMENTS

SLM Solutions' business is divided into two operating segments:

- **Machine Business**
- **After-Sales Business**

SLM Solutions' customers base is broad based, across a wide variety of sectors including aerospace, mechanical engineering, tooling, automotive, medical technology and the energy sector. The Company's customer base can be further characterized between contract manufacturers and end users. While adoption of this technology continues to gain pace with end users, contract manufacturers remain an important customer segment with increasing demand for manufacturing services. SLM Solutions' target markets in addition to Europe (incl. Germany), Middle East and Africa include the North American and Asia-Pacific regions.

MACHINE BUSINESS SEGMENT

This segment includes the development, production, marketing and sale of machines and peripheral equipment utilizing the selective laser melting technology. These machines are sold via a direct sales force as well as local partners and resellers in countries where SLM does not have a direct sales presence. Currently, this segment represents a predominant portion of the business. SLM Solutions' Product Lifecycle Management (PLM) system is focused on delivering enhanced operational efficiencies and maximized product quality. A digitalized product development and management process ensures various teams have access to the right data at the right time, thereby improving the quality and effectivity of decision making.

AFTER-SALES BUSINESS

The After-Sales Business segment has improved notably in the past years and is an area of strategic interest for the Company. It encompasses business with machine-related services, service level agreements, the sales of replacement parts and accessories, as well as the sales of consumables and services not related to machines.

SLM Solutions places a high level of importance on maximizing customer satisfaction and takes several steps in this regard. The Company's Customer Relationship Management (CRM) system which is centered around a targeted approach towards understanding a customer's requirements and customizing a service offering to meet the customer's need plays a pivotal role in maximizing customer satisfaction. SLM Solutions uses the Net Promoter Score (NPS) metric in order to monitor, evaluate and improve the level of customer service provided. This tool enables customers to provide feedback in qualitative as well as quantitative terms. The Company performs a detailed analysis of customers responses to enhance its understanding of customer requirements and thereby maximize customer satisfaction. In 2022, the focus was primarily on the EMEA regions with exceptional results and very high customer satisfaction. SLM Solutions aim to continue this trend in 2023 in both the LATAM and APAC regions.

TARGETS AND STRATEGY

SLM Solutions works towards maintaining and enhancing its technological leadership position as a provider of innovative solutions in the metal-based additive manufacturing area over the long term. This enables the Company to play a decisive role in shaping this technology and thereby to grow significantly and profitably in the foreseeable future. Accordingly, 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 invests significantly into Research and Development (R&D) activities. 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. In 2022, SLM Solutions announced a collaboration with Elementum 3D, an advanced additive manufacturing (AM) materials and parameters development company specializing in the commercialization and supply of groundbreaking high-performance 3D printed metals alloys, ceramics, refractories, and composites. As part of this collaboration, both companies will work together to further enhance material offerings for SLM® technology.

- On an ongoing basis, 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 extended management team, which is characterized by wide-ranging experience in the industry or other industrial companies. While these measures have begun to show some results in the fact that SLM has been able to post positive EBITDA on a quarterly basis in Q3 and Q4 2022, the Company is working towards further improving its operational efficiency.

MANAGEMENT SYSTEM

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

- **Revenue:** The Company's revenue trend is the key performance indicator (KPI) to assess exploitation of the Company's growth potential within a completed reporting period. This KPI is also regularly reviewed vis-à-vis the growth rate of the global market for additive manufacturing.

- **Earnings before interest, tax, depreciation and amortization (EBITDA):** For SLM Solutions, as a company that is in its growing phase, EBITDA provides one with the best indicators of operational profitability. This KPI excludes non-comparable and/or non-recurring items such as 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 & DEVELOPMENT

SLM Solutions has long been technology pioneers, establishing pathways for crucial elements of its business success through research and development. Particularly in the field of multi-laser technology where the Company is the technology leader, its research and development strengths have been pivotal in increasingly benefitting from the large market potential in the area of industrial manufacturing. The Company thereby commands an extensive portfolio of intellectual property rights and licenses predominantly in the selective laser melting technology. Additionally, SLM Solutions works towards further developing a portfolio of industry relevant patents with a focus not only on technologies developed for use in its own systems and solutions, but also in solutions that go beyond the boundaries of the Company's existing product offering.

Global alliances with universities and research facilities along with close cooperation with leading industrial original equipment manufacturers (OEMs) 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, part quality and robust production systems. SLM Solutions' research & development activities include among other projects, developing the world's fastest selective laser melting systems, that at the same time provide the highest selective laser melting process quality. Finally, additive manufacturing is increasingly integrated with other parts of the manufacturing process which are essential to fully-digitize the overall production process.

The research and development department of SLM solutions consisted of 116 full-time equivalents (FTEs) on December 31, 2022 (FY 2021: 115 FTEs).

Development costs of kEUR 9,101 (FY 2021: kEUR 8,089) were capitalized in FY 2022. In addition, investments outside the capitalized projects in the amount of kEUR 429 (FY 2021: kEUR 696) were made in the business area of development in FY 2022. Furthermore, costs of kEUR 8,034 (FY 2021: kEUR 6,114) were incurred in FY 2022 that were not capitalized. Additionally, in FY 2022 amortization related to research & development activities amounted to kEUR 3,590 (FY 2021: kEUR 3,105).

ECONOMIC AND BUSINESS REPORT

MACROECONOMIC SITUATION IN TARGET MARKETS

During the year 2022, global economic activity was dampened by rising inflation, geopolitical tensions and a resurgence of COVID-19 in China. Accordingly, the global gross domestic product (GDP) increased by 3.4% in 2022, following a growth of 6.2% in 2021. In 2022, the United States' economy's GDP increased by 2.0%, while the European Union economy grew by 3.7% as compared to the previous year[3]. The Asia and Pacific region witnessed a muted level of growth of 4.0% in 2022 against a background of an uncertain global macro-environment[4]. In Germany specifically, the price adjusted GDP increased by 1.8% in 2022[5] , despite material shortages, logistical bottlenecks, rising prices and skilled labor shortages. The price-adjusted gross value added in manufacturing increased marginally by 0.2% in 2022 as compared to the previous year, due to limiting factors such as limited availability of intermediate products and high energy prices[6].

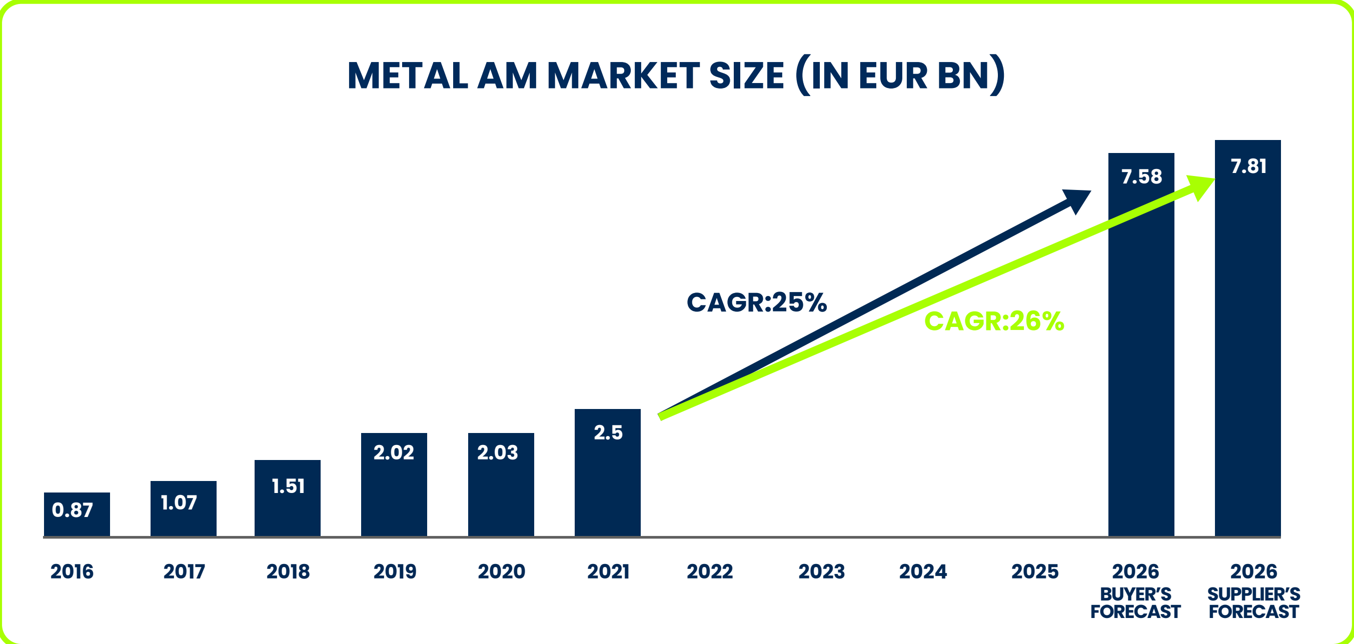
MARKET FOR METAL-BASED ADDITIVE MANUFACTURING

GROWTH PROSPECTS

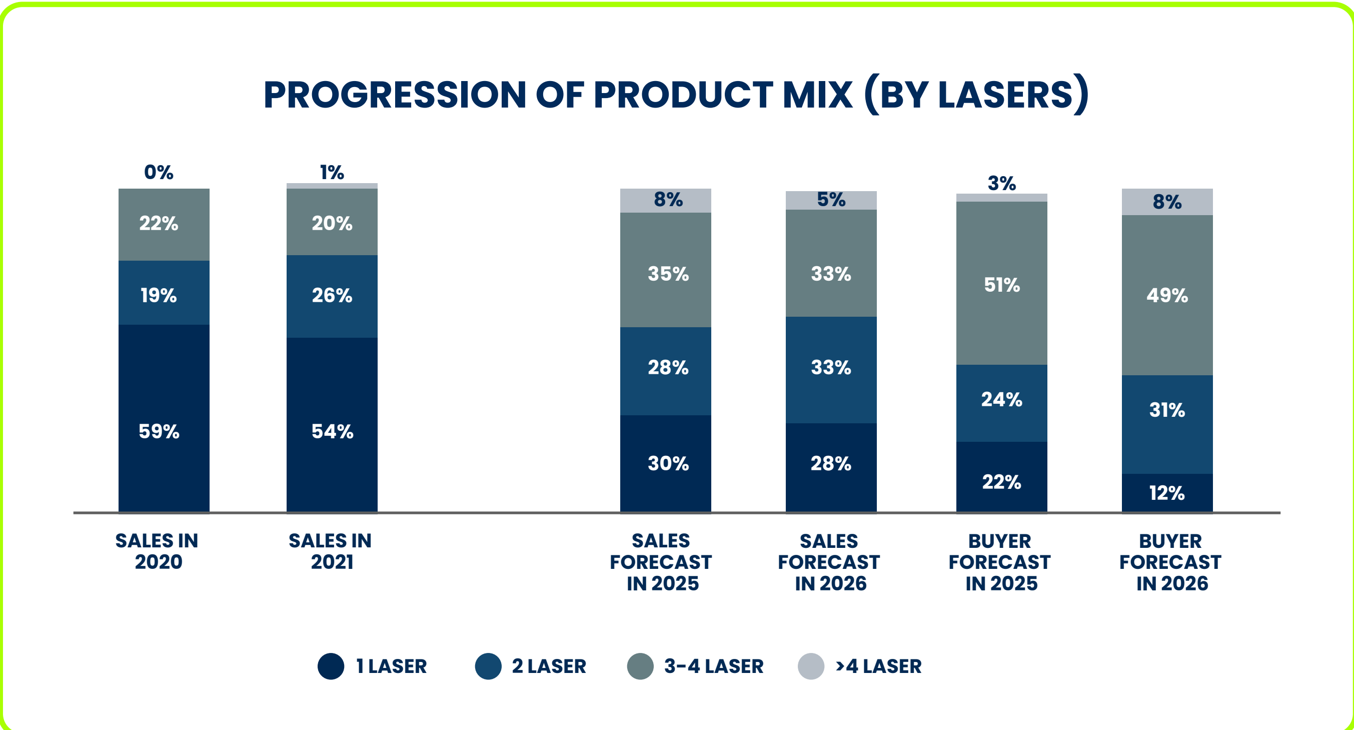
According to AMPOWER, the market size for metal-based additive manufacturing for 2021 amounted to EUR 2.5 billion (2020: EUR 2.0 billion). This can be further segregated into production systems which account for EUR 1.0 billion (2020: EUR 0.9 billion), materials making up EUR 0.8 billion (2020: EUR 0.6 billion) and services which amount to EUR 0.8 billion (2020: EUR 0.5 billion).[7]

Looking forward, AMPOWER forecasts the metal-based additive manufacturing market to increase to approx. EUR 8 billion by 2026, growing at a compounded annual growth rate (CAGR) of around 26%. The increasing pace of adoption of metal-based additive manufacturing technologies is expected to be the key factor in the growth of the market as well as the utilization of installed machine capacity. AMPOWER received responses from suppliers, that together account for more than 90% of the global installed base of additive manufacturing systems. Additionally, AMPOWER also includes among its respondents the group of buyers, which is defined as users of Additive Manufacturing technology that acquire machines, feedstock or part manufacturing services. According to this group of buyers, the market-size of metal-based additive manufacturing is also estimated to witness a strong growth with a CAGR of 25% per year to 2026.[8]

[3] International Monetary Fund, World Economic Outlook Update, Jan 2023
[4] International Monetary Fund, Regional Economic Outlook for Asia and Pacific, October 2022
[5] German Federal Statistical Office, Press Release #037, 30 January 2023
[6] German Federal Statistical Office, Press Release #020, 13 January 2023
[7] AMPOWER Report 2022, Additive Manufacturing Market Report (Digital Edition)
[8] AMPOWER Report 2022, Additive Manufacturing Market Report (Digital Edition)



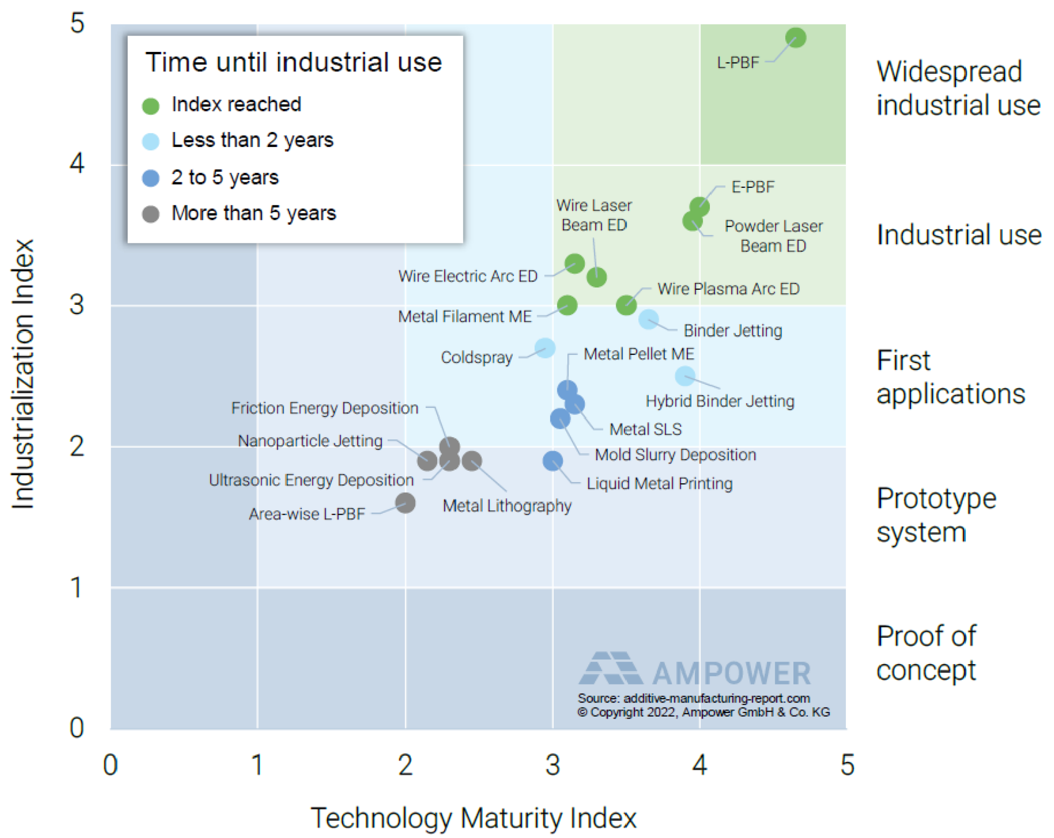
In 2021, around 54% of all laser beam powder bed fusion (LB-PBF) system sales comprised of single laser systems, 5 percentage points lower as compared to the previous year. Looking forward and according to the buyer's forecast for 2025, the sale of systems with 2 or more than 2 lasers will constitute 78% of total system sales according to the AMPOWER Report 2021[9] . The decreasing trend in proportion of single laser systems, as per responses from both buyers and sellers is a clear reflection of the direction in which the industry is trending towards. It is interesting to highlight that in this context, SLM Solutions' dynamic product portfolio with multi-laser systems provide customers with a wide array of benefits to suit their needs and is thereby well placed to benefit from this growth.



[9] AMPOWER Report 2021, Metal Additive Manufacturing (Digital Edition) & AMPOWER Report 2022, Additive Manufacturing Market Report (Digital Edition)

WHY IS SLM SOLUTIONS BEST POSITIONED TO BENEFIT FROM THE GROWTH OF THE METAL-BASED ADDITIVE MANUFACTURING MARKET?

The selective laser melting technology that SLM Solutions utilizes, specifically the Laser Beam - Powder Bed Fusion (LB-PBF) remains the dominant technology within the additive manufacturing sector, with metal PBF specifically the single largest revenue generating technology, making up around 40% of revenues generated from the system suppliers. Additionally, this technology is by far the most industrialized of additive manufacturing technologies with widespread industrial use (see image below).[10]



This technology offers customers with greater precision, enhanced surface quality and higher design freedom as compared with other additive manufacturing processes. SLM Solutions has developed systems and solutions that are already enabling the application of productive multi-laser technology across a wide array of industries, such as automotive, energy, space, aviation as well as service bureaus. From a technical perspective, SLM's technological leadership is reflected, among other aspects, by the fact that it is the only Company to offer customers the option to use 12 lasers at the same time to manufacture a part.

[10] **AMPOWER Report 2022, Additive Manufacturing Market Report (Digital Edition)**

BUSINESS PROGRESS

SLM Solutions successfully executed on its strategy and grew the business in 2022, delivering yet another successful year driven by the Company's strong product portfolio, including the NXG XII 600. SLM's order intake increased significantly by 25% to kEUR 87,927 as compared to the previous year (FY 2021: 70,383). As of the end of December 2022, SLM Solution had a backlog of kEUR 41,993 (Dec 21: kEUR 42,810). SLM Solutions Group AG generated revenues of kEUR 105,709 in FY 2022, increasing by 41% as compared to FY 2021 (kEUR 75,115). This increase was primarily driven by the broad-based market acceptance and success of the NXG XII 600, combined with continued strength in the performance of the Company's broader product portfolio.

The Annual General Meeting of the Group was held on May 17, 2022. The shareholders granted formal discharge ("Entlastung") to the Company's Management and Supervisory Boards for the fiscal year 2021, elected the auditor for the 2022 fiscal year and approved the remuneration system for the Management Board. The voting results were subsequently published on the Company website. The shareholders resolved upon the revocation of the authorized capital 2021 and the creation of new authorized capital 2022 and the corresponding amendment to the bylaws.

RESULTS OF OPERATIONS

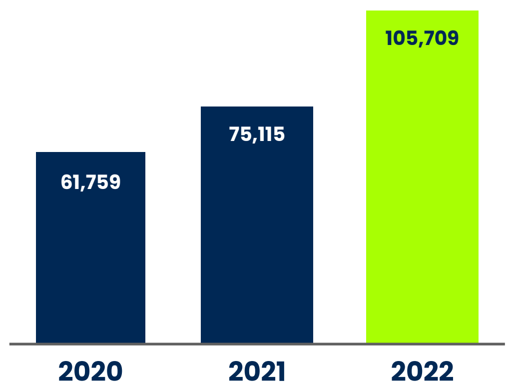
REVENUE

FOR THE YEAR ENDED 31 DECEMBER (IN KEUR)	2022	2021
Machine Business	84,889	57,602
After Sales	20,820	17,513
TOTAL	**105,709**	**75,115**

In 2022, SLM Solutions posted total revenue of kEUR 105,709, higher by 41% as compared to the previous year (kEUR 75,115). Total revenue can be further segregated into revenue from the Machine Business, and revenue from the After Sales Business.

A large portion of total revenue is comprised of revenues from the sale of machines, which amounted to kEUR 84,889 in FY 2022, increasing by 47% as compared to FY 2021 (kEUR 57,602). The machine business segment relates to the sale of selective laser melting machines, powder sieving stations and other ancillary equipment. In FY 2022, the machine business segment made up 80% of revenue (FY 2021: 77%). This growth in the machine business revenue in FY 2022 was driven by the rollout of the Company's NXG XII 600 system, further complemented by a solid performance by the broader product portfolio. The after-sales business segment relates to the sale of machine-related services, replacement parts and accessories, as well as the sales of consumables and services not related to machines. During FY 2022, the after-sales business segment generated revenues of kEUR 20,820, growing by 19% as compared to the previous year (FY 2021: kEUR 17,513).

REVENUE (KEUR)



OPERATIONAL PROFITABILITY

FOR THE YEAR ENDED 31 DECEMBER (IN KEUR)	2022	2021
Revenue	105,709	75,115
Costs of goods sold	(61,789)	(43,980)[1]
Gross profit	**43,920**	**31,136**
Sales costs	(20,684)	(17,681)[1]
Administration costs	(28,386)[2]	(23,236)[1]
R&D costs	(11,624)	(9,219)[1]
Other operating income	1,739	3,373[1]
Other operating expenses	(1,223)	(668)[1]
Earnings before interest and taxes (EBIT)	**(16,258)**	**(16,295)**
Depreciation	8,505	7,698
EBITDA	**(7,752)**	**(8,597)**

1 Reclassified
2 Includes non-recurring costs related to the Nikon Takeover offer amounting to kEUR 6,559

During FY 2022, the Company's costs of goods sold amounted to kEUR 61,789 higher as compared to FY 2021 (kEUR 43,980) and in line with the growth of the top line. As a result, SLM Solutions posted a gross profit of kEUR 43,920 for FY 2022 (FY 2021: kEUR 31,136) reflecting a gross profit margin at 41.5% (FY 2021: 41.5%) despite significant supply chain disruptions during the year. This result was possible primarily due to mitigatory measures implemented tactfully, that helped to minimize the impact of the supply chain disruptions.

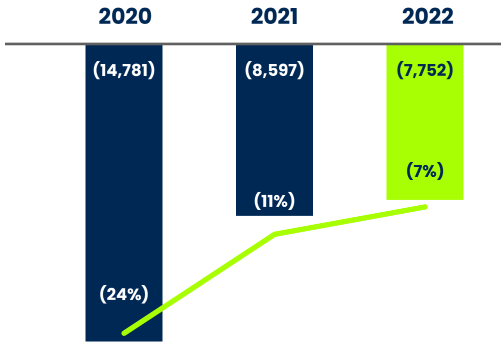
SLM Solutions incurred sales costs amounting kEUR 20,684 during FY 2022, higher by 17% as compared to FY 2021 (kEUR 17,681). This lower level of increase in revenue-dependent sales costs vis-à-vis the growth of the Company's top line reflects the strength of SLM Solutions' salesforce and its capacity to efficiently scale up the business.

Administration costs for FY 2022 amounted to kEUR 28,386 during FY 2022, as compared to the previous year (FY 2021: kEUR 23,236). The increase is primarily due to extraordinary costs related to the takeover offer from Nikon AM. AG.

SLM Solutions reported research & development costs of kEUR 11,624 for FY 2022, higher as compared to the previous year (FY 2021: kEUR 9,219). The Company continues to prioritize staying at the forefront of the technology and dedicates increasing amounts of resources towards this goal. In addition to this amount, SLM Solutions, invested a further kEUR 9,705 (FY 2021: kEUR 8,785) towards different research & development projects.

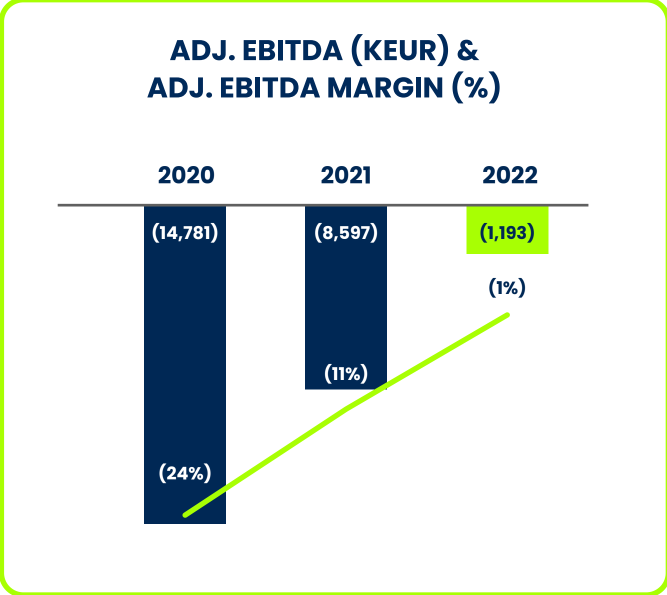
Accordingly SLM Solutions posted an earnings before interest, taxes, depreciation and amortization (EBITDA) of kEUR -7,752 for the year ending December 2022, improving by 10% as compared to the previous year ending December 2021 (kEUR -8,597). This improvement was driven by a robust top-line performance combined with operational excellence measures that have together supported the bottom-line performance. Consequently, SLM Solutions' EBITDA margin (as a percentage of revenue) improved by 36% to -7% as compared to the corresponding period in 2021 (-11%).

EDITDA (KEUR) & EDITDA MARGIN (%)



ADJUSTED EBITDA

Adjusted EBITDA is a performance measure which may be utilized to evaluate the core operational performance of the Company. Fundamentally, adjusted EBITDA is arrived at after deducting from EBITDA selected non-recurring and extraordinary items and other adjustments. In FY 2022, SLM Solutions generated an adjusted EBITDA of kEUR -1,193, which excludes only non-recurring costs related to the Nikon Takeover offer and improved by 86% as compared to FY 2021 (kEUR 8,597). Accordingly, on an adjusted EBITDA basis, the Company's EBITDA margin (as a percentage of revenue) improved by 90% to -1% as compared to the corresponding period in 2021 (-11%).



NET PROFIT

FOR THE YEAR ENDED 31 DECEMBER (IN KEUR)	2022	2021
EBITDA	**(7,752)**	**(8,597)**
Depreciation & Amortization	(8,505)	(7,698)
EBIT	**(16,258)**	**(16,295)**
Interest and similar expenses	(6,202)	(5,330)
Interest & Other Income	79	61
EARNINGS BEFORE TAXES	**(22,380)**	**(21,563)**
Income taxes	(2,364)	1,188
Net profit/loss for the year	**(24,744)**	**(20,375)**
Number of shares (in '000s)	**25,745**	**22,702**
EPS	**(0.96)**	**(0.90)**

The Company recorded depreciation and amortization of kEUR 8,505 for the fiscal year ending December 2022, as compared to the previous fiscal year ending December 2021 (kEUR 7,698).

Finance expenses for FY 2022 can be segregated into interest expenses of kEUR 6,202 (FY 2021: kEUR 5,330), minimally offset by interest and other income of kEUR 79 (FY 2021: kEUR 61). The increase in interest expenses was largely due to higher interest expenses related to the convertible bonds issued in June 2022 combined with the full period effect of the convertible bonds issued in April 2021.

SLM Solutions recorded tax expenses amounting to kEUR 2,364 for the year ending December 2022 as compared to a positive impact from income taxes of kEUR 1,188 for FY 2021.

Consequently, SLM Solutions posted a net result of kEUR -24,744 for FY 2022, as compared to FY 2021 (kEUR -20,375). While core operational profitability improved year-over-year, this was offset by non-recurring costs related to the Nikon Takeover offer along with deferred tax expenses. As a result, SLM Solutions reported a negative earnings per share (EPS) of EUR -0.96 for FY 2022, as compared to the previous year (FY 2021: EUR -0.90).

NET ASSETS

TOTAL ASSETS

(IN KEUR)	31.12.2022	31.12.2021
Total non-current assets	**74,886**	**69,261**
of which		
Intangible assets	37,430	32,601
Property. land and equipment	35,809	35,757
Total current assets	**107,425**	**79,775**
of which		
Inventories	39,888	25,842
Cash and cash equivalents	31,160	24,998
Trade receivables	26,769	22,231
Total assets	**182,311**	**149,036**

Total Assets at the end of December 2022 amounted to kEUR 182,311 increasing by 24% as compared to year-end 2021 (kEUR 149,036). This increase was driven mainly due to an increase in the balance of current assets such as inventories, trade receivables and the Company's liquidity position, along with an increase in the value of intangible assets.

Non-current assets as of the end of December 2022 amounted to kEUR 74,886, higher as compared to the end of year-end December 2021 (kEUR 69,261). Non-current assets are primarily comprised of up property, plant and equipment along with the balance of intangible assets. As of year-end December 2022, the balance of property, land and equipment amounted to kEUR 35,809, remaining relatively stable as compared to year-end December 2021 (kEUR 35,757). SLM Solutions continues to invest into its technology, which is evident in the increase of the balance of intangible assets to kEUR 37,430 at the end of December 2022, as compared to year-end 2021 (kEUR 32,601). In FY 2022, total outlay towards research & development activities amounted to kEUR 18,006 (FY 2021: kEUR 14,632), increasing by 23% year-over-year.

Current assets as of year-end December 2022 totaled kEUR 107,425 as compared to the end of December 2021 (kEUR 79,775). This increase is due to an increase in inventory focused towards mitigating ongoing supply chain pressures, higher trade receivables and a strengthened liquidity position. Inventories at the end of the reporting period amounted to kEUR 39,888 as compared to the position of inventories as of the end of December 2021 (kEUR 25,842). The cause for this increase is two-fold – firstly, inventories increased due to the requirement for a higher level of safety stock levels due to supply chain constraints. Secondly, a higher level of inventories was required due to the growing scale of the business. At the end of December 2022, the balance of trade receivables increased to kEUR 26,769 as compared to year-end 2021 (kEUR 22,231). Finally, current assets also increased as a result of a stronger liquidity position that was supported by an equity capital issuance and the issuance of the third tranche of the convertible bonds 2020/26 in 2022. Current assets accounted for 59% of total assets, increasing by 6 percentage points as compared to year-end 2021 (53%).

TOTAL LIABILITIES

(in kEUR)	31.12.2022	31.12.2021
Total non-current liabilities	**82,659**	**32,129**
of which		
Financial liabilities	69,461	20,112
Pensions and similar obligations	4,005	6,304
Deferred tax liabilities	7,638	4,831
Total current liabilities	**35,398**	**84,236**
of which		
Trade payables	11,523	11,008
Other current liabilities	15,303	7,872
Provisions	4,983	4,896
Financial liabilities	2,347	60,453
Total Liabilities	**118,057**	**116,366**

Total Liabilities at the end of December 2022 amounted to kEUR 118,057 (Dec 2021: kEUR 116,366) and comprised of non-current liabilities of kEUR 82,659 (Dec 2021: kEUR 32,129) and kEUR 35,398 (Dec 2021: kEUR 84,236).

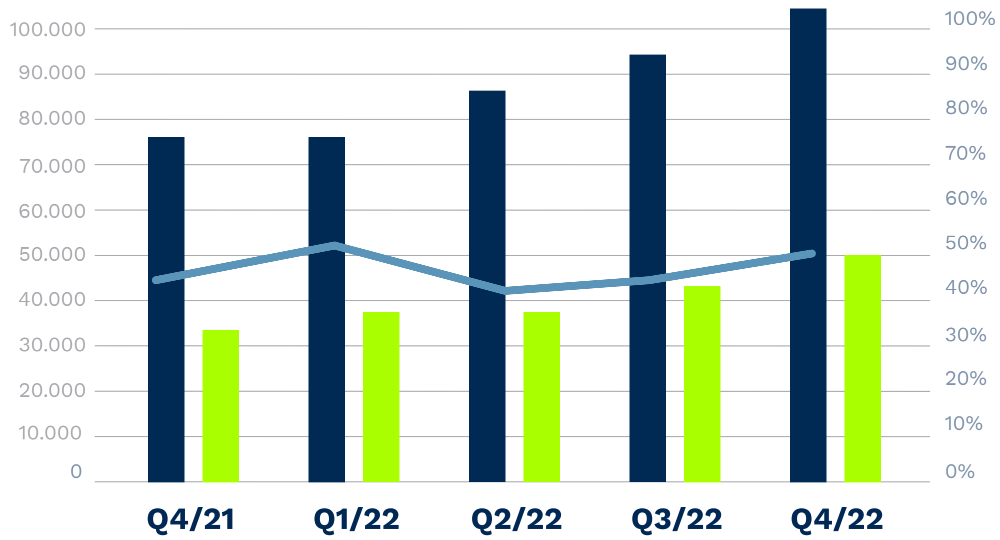
Non-current liabilities are primarily comprised of financial liabilities in the form of convertible bonds along with outstanding bank loans utilized for the construction of the Company's headquarters in Lübeck, Germany which have regular repayments ongoing until December 31, 2026. At the end of December 2022, the Company had four outstanding convertible bonds, with the first of these issuances bearing an interest rate of 7.5% p.a. and expiring on 11 October 2024. During FY 2022, non-current liabilities increased primarily due to the issue of the third tranche of the Convertible Bonds 2020/2026 (Convertible Bonds 2022/2026) with a notional value of kEUR 30,213. Additionally, the prolongation of the maturity date of the Convertible Bonds 2017/2024 resulted in the liability moving from current liabilities to non-current liabilities. However, this increase in non-current liabilities was partially offset by the early redemption right being exercised by bondholders of Convertible 2017/2024 with a notional value of kEUR 29,800.

Pension and similar obligations at the end of FY 2022 amounted to kEUR 4,005 as compared to kEUR 6,304 as at year-end December 2021. During the year 2022, interest rates increased notably, thereby resulting in future pension claims being discounted by a higher rate of interest.

Current liabilities at the end of December 2022 were kEUR 35,398 decreasing as compared to kEUR 84,236 as per the end of December 2021. This decrease was primarily driven by the shift of the Convertible Bonds 2017/2024 from current liabilities to non-current liabilities. This decrease was partially offset by an increase in other current liabilities that amounted to kEUR 15,303 as of the end of December 2022 as compared year-end 2021 (kEUR 7,872). This increase is largely driven by higher employee liabilities related to the Nikon takeover offer..

At the end of December 2022, SLM Solutions had a working capital of kEUR 50,712 as compared to the end of December 2021 (kEUR 33,260). This increase is mainly due to a higher level of inventory maintained at the end of FY 2022 as compared to the previous year. The higher level of inventory while certainly a reflection of the growth in the business, was also required to safeguard the business from disruptions due to the supply chain pressures. Working capital intensity calculated with revenues of kEUR 105,709 was 48% (previous year: 44%). SLM Solutions considers trade receivables, inventories, trade payables and customer down payments as part of its working capital calculation.

WORKING CAPITAL (%)



	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22
Revenue LTM (kEUR)	75,115	76,119	85,853	93,425	105,709
WC on Balance Sheet Date (kEUR)	33,260	38,535	37,015	42,151	50,712
WC - Intensity (%)	44%	51%	43%	45%	48%

EQUITY

(in kEUR)	31.12.2022	31.12.2021
Subscribed share capital	25,745	22,702
Additional paid-in capital	185,515	134,322
Consolidated loss for the period included in retained earnings	(146,708)	(121,964)
Reserves	(298)	(2,389)
Total equity	**64,254**	**32,671**

Total Equity at the end of December 2022 increased notably to kEUR 64,254 as compared to the end of December 2021 (kEUR 32,671). This increase was primarily driven by an equity issuance of kEUR 45,403 complemented by the conversion into equity of the Company's outstanding convertible bonds with a notional value of kEUR 6,060. These effects were offset by the net result during FY 2022. SLM Solutions' equity ratio improved to 35% at the end of December 2022, increasing by 13 percentage points as compared to year-end 2021 (22%).

FINANCIAL POSITION

CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER (IN KEUR)	2022	2021
Net cash flows from operating activities	(20,694)	(18,309)
Net cash flows from investing activities	(13,044)	(9,494)
Net cash flows from financing activities	40,346	33,406
Net increase (decrease) in cash and cash equivalents	**6,608**	**5,603**
Change in financing funds due to exchange rate changes	**(446)**	**531**
Cash and cash equivalents at beginning of period	**24,998**	**18,864**
Cash and cash equivalents at end of period	**31,160**	**24,998**

Net cash used in operating activities during FY 2022 amounted to kEUR 20,694 higher as compared to net cash used during FY 2021 (kEUR 18,309). This increase was primarily driven by a higher inventory requirement during the year to mitigate supply chain related disruptions combined with non-recurring costs related to the Nikon Takeover offer. However, SLM Solutions' core operational profitability continues to benefit from the business' strong operating leverage despite existing logistical and macroeconomic headwinds. This is also evident in the 86% increase in Adjusted EBITDA as compared to FY 2021.

Net cash utilized in investing activities in FY 2022 amounted to kEUR 13,044 (FY 2021: kEUR 9,494). Investments in 2022 included capital outlays of kEUR 7,189 primarily driven by product development activities, higher as compared to investments made in 2021 (kEUR 6,633).

Net cash provided by financing activities amounted to kEUR 40,346 in FY 2022, as compared to FY 2021 (kEUR 33,406). In 2022, SLM Solutions completed an equity issuance amounting to kEUR 45,403 fully subscribed to by Nikon AM. AG, a subsidiary of Nikon Corporation. Additionally, SLM Solutions also issued the third and final tranche convertible (Convertible Bonds 2022/2026) with a notional value of kEUR 30,213. These capital inflows, were offset by the early redemption of Convertible Bonds 2017/2024, amounting to kEUR 29,800 along with interest, loan and leasing payments amounting to kEUR 5,470, as compared to FY 2021 (kEUR 5,816).

Accordingly, during FY 2022, SLM Solutions' balance of cash and cash equivalents increased by kEUR 6,608 (FY 2021: kEUR 5,603). Including the impact of exchange rate changes, the balance of cash and cash equivalents at year-end 2022 was kEUR 31,160 (Dec 2021: kEUR 24,998).

Additionally, SLM Solutions Group AG has a credit line and guarantee facility in the amount of EUR 3.5 million.

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 recognizing 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 further 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 minimize the risk in question are taken into account and the risk to the company actually remaining is analyzed. 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 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 analyzed and separately evaluated. However, only the major risks are to be explained in greater detail with an expected loss value 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 is understood to refer to the possibility of negative future changes to a company's financial position, and the term opportunity 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 CONTROL SYSTEM IN GENERAL

Our internal control system (ICS) comprises all principles, guidelines and procedures aimed at implementing the decision of the Group's management to ensure

- The effectiveness and efficiency of our business activities, including asset protection and the prevention and detection of asset misappropriation
- The correctness and reliability of our financial reporting (internal control and risk management system, in relation to the Group accounting process), and compliance with the legal requirements applicable to the Group.

The ICS is an integral part of our centralized and decentralized internal management and monitoring processes with corresponding areas of responsibility within the Group. The ICS also includes our risk management system.

PROCESS-INTEGRATED AND PROCESS-INDEPENDENT MONITORING

Internal monitoring includes process-integrated and process-independent measures. Process-integrated monitoring includes security measures and controls integrated into the organizational structure and workflows. These include, for example, authorization concepts, access and access restrictions, separation of functions, completeness and plausibility checks. The measures and controls are regularly assessed within the organization. The Audit Committee also deals with the ICS.

INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM IN RELATION TO THE GROUP FINANCIAL ACCOUNTING PROCESS (REPORT PURSUANT TO SECTION 315 (4) (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 organization. The system is designed to ensure that all business processes and transactions are accounted for quickly and correctly, and on a standardized basis. It ensures that statutory standards, accounting regulations and internal accounting instructions are observed. Amendments to laws and financial accounting standards, as well as other promulgations, are analyzed 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 recognized consolidation software solutions perform the consolidation measures, carry out certain coordination work, and monitor regulations relating to timing and processes. The staff supervise the system-technical controls, supplementing them with manual audits. The "two sets of eyes" principle, which minimizes 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.

Non-auditable part of the management report

Assessment of the adequacy and effectiveness of the internal control system

Both risk and opportunity management and the internal control system are continuously developed to meet internal and external requirements.

It should be noted that the internal control system, regardless of its structure, generally does not provide absolute assurance that material accounting errors will be prevented or detected. It does, however, provide reasonable assurance that corporate risks will not have a significant impact on the net assets, financial position and results of operations.

In accordance with the recommendation of DCKG 2022, the Board of Management and the Audit Committee of the Supervisory Board have examined in detail the appropriateness and effectiveness of the risk management system and the internal control system and have not identified any significant objections.

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 minimize the organizational 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, 64 risks to SLM Solutions were identified as of 31 December 2022 (previous year: 72). The eight main individual risks with a calculated expected loss value of kEUR 1,500 and above are described below. These are listed according to their weighting.

FLUCTUATION OF PRODUCT REQUIREMENTS

Due to the dynamics of the additive manufacturing market, as well as the constant further development of the technology and customer applications, customers sometimes approach SLM with new requirements for the machines late in the project cycle. As SLM is a customer focused manufacturer, SLM will try to implement such new requirements. Therefore, SLM might experience additional cost or need to utilize additional resources

SUPPLY CHAIN CONSTRAINTS (MARKET AND SECTOR RISKS)

As a consequence of the Covid-19 pandemic, global supply chains were significantly impacted. As the majority of hardware producers, SLM has been also severely impacted by those constraints, especially in regard to the availability of electronic parts for its machines. While the Company was able to successfully mitigate those constraints in 2022, the supply situation remains constrained. Therefore, the Company may experience delays in the short-term as it may not able to finish the production of its machines timely, resulting in possible adverse impacts on revenues.

INCREASED WARRANTY COSTS (CORPORATE RISKS)

With an increased machine fleet in the market, the risk of warranty cost rises. Warranty issues could lead to increased service costs, downtimes at customers and possibly compensation of such downtimes. There is also a risk of defects in purchased components creating production or design errors. In case major components are affected, this could have a significant effect on the Company's profitability. However, SLM Solutions Group AG is closely monitoring this risk and has a (legal) claim process in place in order to minimize commercial impact.

RISK OF UNCOLLECTIBILITY OF OUTSTANDING TRADE RECEIVABLES OR OTHER RECEIVABLES (CORPORATE RISKS)

The bad debt risk describes the risk that the default of receivables from business partners will result in write-downs and thus a financial loss. The risk is intensified by an increased capital commitment in the receivable's portfolio, so that liquidity is not available in sufficient amounts when it is needed. A number of measures have been implemented to counter this situation: SLM Solutions Group AG conducts creditworthiness analyses before engaging with these parties and continuously reviews due invoices and decides on legal measures on a case-by-case basis.

LOSS OF DATA THROUGH CRIMINAL ACTIVITY WITH THE AID OF MALWARE FROM THIRD PARTIES (INTELLECTUAL PROPERTY RISKS)

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 full proof 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. 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.

VIOLATION OF THIRD-PARTY PROPERTY RIGHTS (INTELLECTUAL PROPERTY RISKS)

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.

FAILURE OF IT CENTRAL COMPONENTS (CORPORATE RISKS)

Further main risks to the SLM Solutions Group AG are IT-infrastructure related risks. To minimize the risks associated with IT system failures, the Company implemented numerous security measures (including mirroring date, firewalls, security software). SLM Solutions Group AG is also continuing to work steadily on IT processes supporting internal structures and to face the challenges of digitalization.

UNIFORMITY OF PROJECT ORGANIZATIONAL RULES (BUSINESS RISKS)

In the context of the introduction of new technologies, inconsistent project organization can lead to delays in the project and thus in the schedule for a new technology. To prevent such delays, SLM Solutions Group AG has introduced clear project management structures for new technologies as well.

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 four opportunities were identified at the end of 2022 (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

COMPANY RELATED OPPORTUNITIES

If the Company intensifies market analyses 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 has strategically realigned itself internally and has filled management positions in the key areas of sales and marketing accordingly.

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 serial 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 serial production.

OPPORTUNITIES IN THE AFTER-SALES BUSINESS

By recruiting qualified and motivated employees in the areas of sales, service and marketing, SLM Solutions creates growth opportunities in the sale of machines and in the after-sales business. Particularly in regard to powders, the Company can expand its business with consumables and expand its own value chain. There is an opportunity for SLM Solutions to achieve significant sales successes in this area.

OPPORTUNITIES RELATED TO THE INTERNATIONALIZATION OF SALES

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.

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, even against the background of existing uncertainties. 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

Looking forward, and based on initial forecasts, the International Monetary Fund (IMF) estimates global GDP will grow by 2.9% and 3.1% in 2023 and 2024 respectively[11].

The above-mentioned GDP projections are also subject to risks that may result in a lower level of growth. Firstly, although the Chinese economy seems to be recovering, a relatively low population immunity combined with inadequate hospital capacity could cause material health consequences, which in turn could weigh on the economic recovery. Secondly, geopolitical issues such as the conflict between Ukraine and Russia could further increase volatility and higher food and energy prices. Thirdly, a high level of inflation persisting could result in a further tightening of the monetary policy.[12]

SLM Solutions Group AG's forecast for 2023 is based on among other things, the following underlying economic and sector-related assumptions:

- According to the International Monetary Fund (IMF), the global economy is expected to continue growing in 2023, albeit at a moderated pace, in SLM Solutions' most important target markets.[13]
- The consulting firm AMPOWER expects the overall global market for metal-based additive manufacturing techniques to grow to approx. EUR 8 billion by 2026, which would correspond to an average annual growth of 26%.
- The broad-based market acceptance to the NXG XII 600 provides SLM Solutions with confidence regarding the market potential as well as enables the Company to further extend its technology leadership position.

GROUP FORECAST

The management of SLM Solutions Group AG issued the following forecast for FY 2022 in November 2021:

- Revenue growth of at least EUR 100.0 million
- Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) for FY 2022 to improve materially compared to fiscal year 2021, reaching a positive EBITDA on a quarterly basis in the second half of fiscal year 2022

Following a robust top-line performance driven by the broader product portfolio and supported by the NXG XII 600 system, SLM Solutions comfortably outperformed its issued guidance.

The Management Board expects the Company to continue on its growth path in the financial year 2023 and expects notable sales growth. Furthermore, the Management Board expects a significantly improved EBITDA for FY 2023.

In order to achieve the forecasted results, it is critical that the economic and sector-related assumptions occur, particularly with regard to growth rates in the global economy and the metal-based additive manufacturing market.

The Company monitors the development of supply chain disruptions and has taken several steps to ensure its impact is minimized to a great extent. Further supply chain issues driven by geopolitical pressures and/or the spread of a new COVID-19 variant, could lead to further disruptions to the business.

[11] International Monetary Fund, World Economic Outlook Update, Jan 2023
[12] International Monetary Fund, World Economic Outlook Update, Jan 2023
[13] International Monetary Fund, World Economic Outlook Update, Jan 2023

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 (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". It also contains the declaration on the ratio of women employees to men.

COMPENSATION REPORT ACCORDING TO SECTION 162 (AKTG)

The remuneration report and the report on its audit are also published on the company's website www.slm-solutions.com in the "Investor Relations" section under "Corporate Governance" "Mandatory documents"

DECLARATION ACCORDING TO SECTION 161 (AKTG)

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) (HGB)

1. Composition of subscribed capital: the share capital of SLM Solutions Group AG is divided into 25,744,680 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, 2022: 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:

INVESTOR	SHARES HELD	HOLDING IN %
ENA Opportunity Master Fund LP (Cayman Islands)	3,623,457	14.07%
Elliott Investment Management L.P (New York, United States of America)[14]	4,929,042	19.15%
Ceresio GmbH	2,740,385	10.64%

4. 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.

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

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 11,350,862.00 wholly or in part, once or in several stages by 16 May 2027 with the approval of the Supervisory Board by issuing up to 11,350,862 new bearer shares against cash payments and/or contributions in kind (approved capital for 2022). 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 8,416,704.00 through the issue of up to 8,416,704 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 fulfilment of conversion obligations from such bonds and insofar as other forms of fulfilment 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 fulfilment 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 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.

CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

CONSOLIDATED INCOME STATEMENT

For the fiscal year from 1 January to 31 December 2022

FOR THE YEAR ENDED 31 DECEMBER (IN KEUR)	NOTE	2022**	2021**
Revenue	11	105,709	75,115
Costs of goods sold		(61,789)	(43,980)
Gross profit		**43,920**	**31,136**
Sales costs		(20,684)	(17,681)
Administration costs		(28,386)	(23,236)
R&D costs		(11,624)	(9,219)
Other operating income		1,739	3,373
Other operating expenses		(1,223)	(668)
Earnings before interest and taxes (EBIT)		**(16,258)**	**(16,295)**
Interest and similar expenses	13	(6,202)	(5,330)
Interest & Other Income		79	61
Earnings before taxes		**(22,380)**	**(21,563)**
Income Tax	14	(2,364)	(1,188)
Result for the period		**(24,744)**	**(20,375)**
Number of shares (in '000s)		**25,745**	**22,702**
Earnings per share*		**(0.96)**	**(0.90)**

* undiluted and diluted, calculated with 25,744,680 shares (Previous year:22,701,725)

** In 2022, the Income Statement was prepared using the cost of sales method.
The prior-year figures have been adjusted accordingly.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fiscal year from 1 January to 31 December 2022

FOR THE YEAR ENDED 31 DECEMBER (IN KEUR)	NOTE	2022	2021
Result for the period		**(24,744)**	**(20,375)**
Income and expenditure not to be reclassified to profit or loss in the future:			
Actuarial Profit and Loss	27	1,644	504
Income and expenditure to be reclassified to profit or loss in the future:			
Income/Expense from currency conversion	27	447	112
Other comprehensive income		**2,091**	**616**
Consolidated total comprehensive income		**(22,653)**	**(19,759)**
Attribution of comprehensive income:			
Shareholders of SLM Solutions Group AG		**(22,653)**	**(19,759)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2022

(IN KEUR)	NOTE	31.12.2022	31.12.2021
Assets			
Cash and cash equivalents	16	31,160	24,998
Trade receivables	17	26,769	22,231
Inventories	18	39,888	25,842
Current tax receivables	19	23	490
Other non-financial assets		9,585	6,214
Total current assets		**107,425**	**79,775**
Intangible assets	20	37,430	32,601
Property, land and equipment	21	35,809	35,757
Other financial assets	17	1,127	718
Other non-financial assets	19	0	101
Deferred tax liabilities	15	520	83
Total non-current assets		**74,886**	**69,261**
Total assets		**182,311**	**149,036**

(IN KEUR)	NOTE	31.12.2022	31.12.2021
Equity and liabilities			
Trade payables	22	11,523	11,008
Financial liabilities	23	2,347	60,453
Other non-financial liabilities	24	15,303	7,872
Provisions	26	4,983	4,896
Tax provisions		1,080	7
Finance lease obligation - shortterm		162	0
Total current liabilities		**35,398**	**84,236**
Financial liabilities	22	69,461	20,112
Pensions and similar obligations	25	4,005	6,304
Other financial liabilities	23	669	771
Other non-financial liabilities	24	44	0
Provisions	26	841	111
Deferred tax liabilities	15	7,638	4,831
Total non-current liabilities		**82,659**	**32,129**
Total liabilities		**118,057**	**116,366**
Subscribed share capital		25,745	22,702
Additional paid-in capital		185,515	134,322
Consolidated loss for the period included in retained earnings		(146,708)	(121,964)
Reserves		(298)	(2,389)
Total equity	**27**	**64,254**	**32,671**
Equity and liabilities (total)		**182,311**	**149,036**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fiscal year from 1 January to 31 December 2022

(IN KEUR)	2022	2021
Net profit/loss for the period	**(24,744)**	**(20,375)**
Depreciation. amortization and impairment losses	8,505	7,698
Interest expenses	6,202	5,330
Interest income	(79)	(61)
Income tax	2,364	(1,188)
Non-cash expenses	0	0
Change in assets and liabilities	(12,212)	(9,579)
Inventories	(14,046)	(5,072)
Accounts receivable	(4,538)	(8,782)
Pensions and similar obligations	(2,299)	(677)
Liabilities	515	4,025
Provisions	818	(172)
Other assets and liabilities	7,338	1,098
Income taxes paid	(730)	(133)
Net cash flows from operating activities	**(20,694)**	**(18,309)**

(IN KEUR)	2022	2021
Cash outflows for investments in intangible assets and property, plant and equipment	(5,934)	(2,901)
Investments in development costs	(7,189)	(6,633)
Interest received	79	41
Net cash inflow/outflow from investment activities	**(13,044)**	**(9,494)**
Capital injection by shareholders	45,403	24,640
Contribution from convertible bond	413	15,000
Cash outflows for loans	(1,334)	(1,332)
Repayment of lease liabilities	(316)	(329)
Interest payments	(3,820)	(4,573)
Net cash flows from financing activities	**40,346**	**33,406**
Net increase(decrease) in cash and cash equivalents	**6,608**	**5,603**
Change in financing funds due to exchange rate changes	(446)	(531)
Cash and cash equivalents at the start of reporting period	**24,998**	**18,864**
Cash and cash equivalents at the end of reporting period	**31,160**	**24,998**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the fiscal year from 1 January to 31 December 2022

(IN KEUR)	SUBSCRIBED CAPITAL	CAPITAL RESERVE	CONSOLIDATED LOSS FOR THE PERIOD INCLUDED IN RETAINED EARNINGS	FIRST TIME APPLICATION RESERVE	FOREIGN EXCHANGE EQUALIZATION RESERVE	OTHER RESERVES	EQUITY
As at 1st January 2022	**22,702**	**134,322**	**(121,964)**	**(549)**	**(544)**	**(1,296)**	**32,671**
Consolidated group result			(24,744)				(24,744)
Changes of equity from capital increase	2,318	42,849					45,167
Equity from convertible bond	725	8,344					9,069
Change of equity from actuarial gains / losses						1,644	1,644
Changes of equity arising from foreign currency					447		447
As at 31 December 2022	**25,745**	**185,515**	**(146,708)**	**(549)**	**(97)**	**348**	**64,254**

(IN KEUR)	SUBSCRIBED CAPITAL	CAPITAL RESERVE	CONSOLIDATED LOSS FOR THE PERIOD INCLUDED IN RETAINED EARNINGS	FIRST TIME APPLICATION RESERVE	FOREIGN EXCHANGE EQUALIZATION RESERVE	OTHER RESERVES	EQUITY
As at 1st January 2021	**19,779**	**100,584**	**(101,589)**	**(549)**	**(656)**	**(1,800)**	**15,768**
Consolidated group result			(20,375)				(20,375)
Changes of equity from capital increase	1,473	10,548					12,021
Equity from convertible bond	1,450	23,190					24,640
Change of equity from foreign currency					112		112
Equity changes arising from actuarial gains/ losses						504	504
As at 31 December 2021	**22,702**	**134,322**	**(121,964)**	**(549)**	**(544)**	**(1,296)**	**32,671**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

As at December 31, 2022

NOTE 1
COMPANY INFORMATION

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.

The preparation of the consolidated financial statements was completed on March 16, 2023 and approved by the Management Board. These will prospectively be presented to the Supervisory Board for release for publication on March 21, 2023.

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 included financial statements of the subsidiaries, with the exception of SLM Solutions (India), 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
SLM Solutions Japan Inc., Japan (in the process of being founded)	100
SLM Solutions Korea LLC., Korea (in the process of being founded)	100

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

The group of fully consolidated entities is unchanged in comparison to the previous year. Both of the entities in Japan and Korea are currently still in the founding phase or as of December 31, 2022, had not yet commenced operations.

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

NOTE 4
EXPLANATION OF SIGNIFICANT ACCOUNTING POLICIES

SLM has, in order to improve international comparability, classified its expenses by function for the first time in 2022 (cost of sales method). The costs are presented within the functions to which they belong. The previous year's figures were adjusted accordingly for better comparability and were also already reported accordingly during the year. The notes contain the additionally required information on scheduled depreciation and amortization as well as employee benefits.

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

1. 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.

2. 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) (investments in debt instruments measured at fair value with changes in 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.

Upon 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 costs 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.

3. 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, where applicable 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 financial assets
- Trade payables
- Other financial liabilities (mainly current liabilities to banks)
- Loan liabilities (towards banks with fixed term and interest rate)
- Convertible bonds

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
- 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.

4. 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.

5. 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.

6. Derivative financial instruments and treatment of hedges

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

INTANGIBLE ASSETS

1. Research and development costs

SLM is an 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 9,276 (previous year: kEUR 8,089) were capitalized in 2022. In addition, investments outside of the capitalized projects in the amount of kEUR 429 (previous year: kEUR 696) were made in the area of development in 2022. Furthermore, costs in the amount of kEUR 8,034 (previous year: kEUR 6,114) were incurred, which were not capitalized. Additionally, depreciation, amortization and impairment losses were incurred in the amount of kEUR 3,590 (previous year: kEUR 3,105) in Development.

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, including the ROU (right of use)

The company reviews property, plant and equipment, and intangible assets, including the ROU, whenever events or changes in circumstances occur, which indicate that the carrying amount has become impaired. Intangible assets that cannot yet be utilized are also checked at least once a year 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 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. 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. 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 organized in 25,744,680 no-par value bearer shares with a calculable nominal value each of one euro. 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 11,350,862.00 wholly or in part, once or in several stages by 16 May 2027 with the approval of the Supervisory Board by issuing up to 11,350,862 new bearer shares against cash payments and/or contributions in kind (approved capital for 2022). 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 8,416,704.00 through the issue of up to 8,416,704 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 toJune 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. Additional paid-in capital

In 2022, both the reserve components from the equity increase against cash contributions and the equity components from the convertible bond issued in 2022, less the related deferred tax liabilities, were transferred to the capital reserve. The partial conversion of the second bond resulted in further changes in equity. We refer to the statement of changes in equity.

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:

	2022	2021
Interest rate	4.21%	1.31%
Increases in income	2.50%	2.50%
Pension adjustments	1.70%	1.70%

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

(IN KEUR)	Interest rate		Income trend		Pension adjustment	
	Increase of 1 %	Decrease of 1%	Increase of 1 %	Decrease of 1%	Increase of 1 %	Decrease of 1%
Effect on DBO (2022)	-518	656	61	-57	497	-401
Effect on DBO (2021)	-1,039	1,376	131	-122	995	-777

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.

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 rights 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 liabilities essentially 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. An installment of kEUR 29,800 was repaid. The interest rate was adjusted to 7.5% for the remaining portion of kEUR 28,700. The other conditions remain unchanged. 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.
-
- On June 14, 2022, SLM Solutions issued the first tranche of the second convertible bonds 2020/2026 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. In 2022, the investors made partial use of their conversion right. Of the original 2,222,222 units, 257,776 were converted. This leaves 1,964,446 units or a repayment obligation amounting to kEUR 13,260 in 2026 on December 31, 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.
-
- On April 23, 2021, SLM Solutions issued the second tranche of the convertible bonds 2020/2026 with a volume of million. The conditions otherwise comply with those of the first tranche. In 2022, the investors made partial use of their conversion right once again. Of the original 1,935,484 or 462,712 units as of December 31, 2021, 186,322 units were converted in 2022. 276,390 units remained with a repayment obligation amounting to kEUR 2,142 in 2026 on December 31, 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.
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- On June 14, 2022, SLM Solutions issued the third and last tranche of the convertible bond 2020/2026 with a volume of EUR 30.2 million. The conditions otherwise comply with those of the first tranche. In 2022, the investors made partial use of their conversion right. Of the original 3,452,914 units, 382,685 units were converted in 2022. 3,124,230 units remain or a repayment obligation amounting to kEUR 27,337 in 2026 on December 31, 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.

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	**2022**	**2021**	**2022**	**2021**
U.S. Dollar	1,0666	1,1326	1,05888	1,13038
SG Dollar	1,4300	1,5279	1,43126	1,54034
CNY	7,3582	7,1947	7,38589	7,19927
INR	88,171	84,2292	87,33807	85,17615
CAD	1,444	1,43930	1,43786	1,44626

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.

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.

For a special production based on the NXG 600 XII revenue is recognized according to the percentage of completion. SLM Solutions is of the opinion that the customers control all of the ongoing work during manufacture. According to the contract, this machine is manufactured as a further development of the existing NXG, in accordance with the customer specifications. It is not possible for another customer to alternatively, readily use them. Due to the existing contracts, it is possible to reliably estimate the revenue. There are successive, pro rata claims to payment during the manufacturing process in line with the advance of the machine's manufacture. There is a payment claim, at a minimum, at the stage of completion of the machine or the order and the service provided pro rata if the contract is terminated by the customer due to a reason other than non-fulfillment of the service owed. It not only includes the reimbursement of costs, but an appropriate margin. Performance progress is determined on the basis of the cost-to-cost method. Invoices are issued in accordance with the contractual agreements and payments are demanded. Sums not included in the invoice are identified as contractual assets within the claims.

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 remuneration agreements exist with the members of the Executive Board. For this long-term, variable remuneration, SLM has determined the Long Term Incentive Program (LTIP) 2021. This program foresees a performance-related payment as such that so-called Stock Appreciation Rights (SARs) are assigned to the relevant Management Board member. The value of the respective annually assigned SARs should be oriented to both the assignment at the time and to the development of the share price of the company regarding its further development. Pursuant to the LTIP 2021, there is a pure cash settlement of the SARs.

In this light, the employee options are "cash-settled", this means that an operation will take place through a cash settlement. The Management Board members are, however, obligated to acquire company shares amounting to a third of the SAR net amount (reinvest obligation). However, this obligation to purchase shares does not apply if the affected board member already has company shares which have a current market value that exceeds the relevant board member's annual fixed salary twofold, or where the current market value of the shares together with the shares acquired in accordance with the reinvest obligation were to exceed this amount.

This long-term remuneration is aligned to sustainability. The performance period of four years aims to align the board actions during the course of the fiscal year to the long-term development. Valuation is at a fair value at the relevant reporting date, which is determined by a simplified model on the basis of a Monte-Carlo simulation. The Management Board members were promised fixed amounts to be paid out at different points in time. Accordingly, the provisions as of December 31, 2022 were adjusted.

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.

In 2022, in addition to the LTI program described under point 2 above, share-based payment agreements were concluded with the three Management Board members setting out different conditions in the event of a change of control. The Management Board members were promised fixed amounts which will be paid out at different times. The provisions were adjusted accordingly as of December 31, 2022. The total amount of the provision is EUR 5.3 million.

4. Other long-term benefits to employees

Aside from the share-based payment agreed with Management Board members, which we present in detail in the Compensation Report, (see 2), there are no agreements with employees regarding long-term benefits. In line with the LTI agreements concluded with the members of the Management Board, remuneration was agreed on the basis of the individual annual salaries, taking into account the development of the SLM share price, which will be paid out over a period of four years. Shares will not be granted. There is also no obligation to acquire shares. The valuation was carried out on the reporting date at fair value.

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 state governments in Canada and the USA have likewise granted the relevant subsidiaries corresponding subsidies. 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 21) as of December 31, 2022.

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 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 35.1% (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

CHANGE TO ACCOUNTING POLICIES – CHANGED STANDARDS AND I NTERPRETATIONS

On January 1, 2022, the Group applied the subsequently presented, new standards and interpretations for the first time.

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

- Covid-19 related rent reductions after June 30, 2021 (amendments to IFRS 16)
- Onerous contracts – costs of contractual fulfillment (amendments to IAS 37)
- Annual improvements to the IFRS standards 2018 - 2020
- Property, plant and equipment: income prior to planned use (amendments to IAS 16)
- Reference to the framework concept (amendments to IFRS 3)

Furthermore, a series of additional new standards were applicable for the first time on January 1, 2022.

However, these changes have no material implications for the consolidated financial statements.

NOTE 6

NEW STANDARDS NOT YET TO BE APPLIED

A series of new standards is to be applied in the first reporting period of a fiscal year commencing after January 1, 2023, 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.

- Classification of liabilities as short-term or long-term (amendments to IAS 1)
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts
- Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of estimations (amendments to IAS 8)
- Deferred taxes in conjunction with assets and liabilities from a single transaction (amendments to IAS 12)

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.

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 requirement for stock according to inventory coverage
- Impairment of receivables and the inherent risks expected
- Revenue recognition for contract manufacturing for a new version of the NXG
- Recognition and measurement of other provisions, particularly warranty provisions
- Measurement of LTI obligations
- 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.

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	31.12.2022		31.12.2021	
	CARRYING AMOUNT	**CARRYING AMOUNT**	**CARRYING AMOUNT**	**CARRYING AMOUNT**
	Financial assets at amortized cost	Financial liabilities	financial assets at amortized cost	Financial liabilities
Financial assets not measured at fair value				
Trade receivables	26,769		22,231	
Other financial receivables, current	0		0	
Other financial receivables, non-current	1,127		263	
Cash and cash equivalents	31,160		24,998	
Financial liabilities not measured at fair value				
Trade payables		11,523		11,008
Secured bank loans		5,875		7,281
Convertible bonds		65,499		72,833
Other financial liabilities, non-current		829		771
Other financial liabilities, current		273		451
Total	**59,056**	**83,999**	**47,493**	**92,344**

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 June 2022, the third tranche of the 2nd convertible bond 2020/2026 was issued at EUR 15.0 million. In February 2022, after coordination with the investors, the term of the convertible bonds 2017/2022 was extended. Maturity was extended by 2 years to October 11, 2024. In return, the interest rate was increased by 200 base points to 7.5%. At the same time, the investors were given the option to call the convertible bond and have it paid out. EUR 29.8 million was repaid.
In September 2022, the equity was increased by issuing 2,270,172 shares kEUR 45,403, whereby kEUR 2,270 was paid into share capital and the remainder into the capital reserve.

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 2024 is kEUR 28,700 for the convertible bond 2017. The repayment amount for the three tranches of the 2020/2026 convertible bond in 2026, after deduction of the previous conversions as at December 31 2022, is EUR 13.3 million or EUR 2.1 million for the second and EUR 27.3 million for the third tranche.

			MATURITIES					
IN KEUR CARRYING AMOUNT	**Total fiscal year**	**Total previous 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 fiscal year**	**between 1 and 5 years previous year**	**over 5 years fiscal year**	**over 5 years previous year**
Convertible bond	65,499	72,833	0	57,877	65,499	14,955	0	0
Liabilities to banks	5,875	7,260	2,074	2,125	3,801	5,135	0	0
Other financial liabilities	1,102	1,243	829	451	273	792	0	0
Trade payables	11,523	11,008	11,523	11,008	0	0	0	0
	83,999	**92,344**	**14,426**	**71,461**	**69,573**	**20,882**	**0**	**0**

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.

IN KEUR	CHANGE OF THE US DOLLAR EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAXES	EFFECT ON EQUITY
2022	10%	3.302	2.260
	-10%	-2.702	-1.849
	CHANGE OF THE SGD DOLLAR EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAXES	EFFECT ON EQUITY
2022	10%	459	314
	-10%	-835	-572
	CHANGE OF THE CNY DOLLAR EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAXES	EFFECT ON EQUITY
2022	10%	239	164
	-10%	-196	-134

	CHANGE OF THE INR DOLLAR EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAXES	EFFECT ON EQUITY
2022	10%	18	12
	-10%	-33	-23

	CHANGE OF THE CAD DOLLAR EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAXES	EFFECT ON EQUITY
2022	10%	101	69
	-10%	-184	-126

IN KEUR	CHANGE OF THE US DOLLAR EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAXES	EFFECT ON EQUITY
2021	10%	1.318	902
	-10%	-1.078	-738

	CHANGE OF THE SGD DOLLAR EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAXES	EFFECT ON EQUITY
2021	10%	299	205
	-10%	-544	-372

	CHANGE OF THE CNY DOLLAR EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAXES	EFFECT ON EQUITY
2021	10%	655	448
	-10%	-536	-367

	CHANGE OF THE RUB DOLLAR EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAXES	EFFECT ON EQUITY
2021	10%	3	2
	-10%	-3	-2

	CHANGE OF THE INR DOLLAR EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAXES	EFFECT ON EQUITY
2021	10%	16	11
	-10%	-30	-20

	CHANGE OF THE CAD DOLLAR EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAXES	EFFECT ON EQUITY
2021	10%	91	62
	-10%	-165	-113

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

PRESENTATION OF EXPENSE TYPES ACCORDING TO THE NATURE OF EXPENSE METHOD

FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER (IN KEUR)	2022	2021
Revenue	105,709	75,115
Increase/decrease of finished and unfinished stock on hand	9,471	1,558
Other activated contributions	7,189	6,633
Total output	**122,369**	**83,306**
Cost of material	(56,352)	(37,047)
Gross profit	**66,018**	**46,259**
Payroll	(51,578)	(39,007)
Other operating income	1,739	2,705
Other operating expenses	(23,931)	(18,555)
EBITDA	**(7,752)**	**(8,597)**
Depreciation & amortization	(8,505)	(7,698)
Earnings before interest and taxes (EBIT)	**(16,258)**	**(16,295)**

NOTE 11
REVENUE

(IN KEUR)	2022	2021
Sales of machines and accessories	84,889	57,602
Sale of merchandise including powder	20,820	17,513
Total	**105,709**	**75,115**

NOTE 12
PERSONNEL COSTS

The personnel costs are made up as follows:

	2022	2021
Salary	34,186	29,477
Social Security	6,083	5,327
Variable pay	10,807	3,917
Expenses for pension plans and employee benefits	502	287
Total	**51,578**	**39,007**

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

Full-time equivalents (FTE)	31.12.2022	31.12.2021*
Research and development	116	115
Sales	81	65
After Sales	122	117
Production	101	92
Administration	117	99
Total	**537**	**488**
of which Europe	458	412
of which America	41	34
of which Asia	38	42

* Prior-year figures have been adjusted for better comparability in line with the presentation of the income statement using the cost of sales method.

NOTE 13

INTEREST AND SIMILAR EXPENSES

IN KEUR	2022	2021
Pension-related finance costs / income	-8	70
Finance costs	46	18
Interest expenses from bank loans	58	71
Interest from convertible bond	6,036	5,132
Other	69	39
Total	**6,202**	**5,330**

Within the interest from the convertible bonds is paid interest amounting to kEUR 3,761 and otherwise from accumulation.

NOTE 14

TAXES ON INCOME

Within the interest from the convertible bonds is paid interest amounting to kEUR 3,761 and otherwise from accumulation.

IN KEUR	2022	2021
current income tax previous year		
Tax expense/income from previous years	0	-113
	0	-113
current tax expense current year	-730	-5
Deferred taxes		
Origination and reversal of temporary differences excl. loss carry-forwards	-680	-1,489
Change in recognition of tax loss carry-forwards	-954	2,796
Income tax current year, total	-1,634	1,307

IN KEUR	2022	2021
Income tax according to profit and loss account	-2,364	1,189
Overall result		
Deferred taxes recognized directly in other comprehensive income:		
Convertible bond	-1,245	343
Actuarial gains / losses from pension provisions	-161	-233
Income tax recognized in comprehensive income	-1,406	110

The loss carry-forwards in the subsidiaries totaling kEUR 0 (previous year: kEUR 0) 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 carry-forwards of kEUR 0 (previous year: kEUR 0) can be used indefinitely.

Deferred taxes on tax loss carry-forwards of SLM Solutions Group AG amounting to kEUR 5,013 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 2022 on top of existing loss carry-forwards.

	2022	2022	2021	2021
(IN KEUR)	IN %	IN KEUR	IN %	IN KEUR
Pre-tax profit/loss		-22,380		-21,563
Expected income tax calculated with 31.575% (previous year: 31.575%)	31.575	-7,066	31.575	-6,809
Tax effects resulting from:				
Non-tax-deductible expenses	-1,242	278	-1,562	337
Tax rate variances	-1.296	290	-0.742	160
Use of loss carry-forward for which no deferred taxes have been estimated	0.450	-101	1.313	-283
Tax-free income	0,000	0	0,000	0
Losses in the current year in subsidiaries for which no deferred tax claims were recognized	-5.532	1,238	-0.379	82
Losses in the current year at the parent company for which no deferred tax claims were recognized	-35.010	7,835	-26.514	5,717
Deferred minimum taxation on future reversal of deferred taxes according to the balance sheet	-4.261	954	-13.182	2,842
Other	4.752	-1,064	3.454	-745
Income tax	-10.562	2,364	-6.036	1,302

(IN TEUR)	01.01. Carrying amount difference	01.01. Deferred taxes	Recognized in profit and loss	Recognized in equity	31.12. Carrying amount difference	31.12. Deferred taxes, net	31.12. Deferred tax claims	31.12. Deferred tax liabilities
Intangible assets	32,232	-10,177	-1,441	0	36,795	11,618		-11,618
Property, plant and equipment	-608	192	-74	0	-375	118	118	
Trade receivables and other assets	-1,553	490	-285	0	-651	206	260	
Accruals and deferrals	4,257	-1,344	-532	-1,245	5,943	1,877		-1,877
Loss carry-forwards	-	5,967	-954	0	-	5,013	5,013	
Pension obligations and other personnel obligations	3,489	1,102	-762	-161	1,076	340	340	
Trade payables and other liabilities	12	4	-21	0	-55	-17		-17
Total deferred tax assets / (liabilities)	**37,828**	**-4,369**	**-4,068**	**-1,406**	**42,733**	**7,835**	**5,677**	**-13,512**

NOTE 15

CASH AND CASH EQUIVALENTS

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

IN KEUR	2022	2021
Bank balances	27,535	23,244
Fixed term deposits	2,617	1,754
	30,152	**24,998**

The fixed-term deposits were only of limited availability as in 2022, in particular, they served as a security for guarantees.

NOTE 16

TRADE RECEIVABLES AND OTHER FINANCIAL RECEIVABLES

	Dec. 31	Dec. 31
IN KEUR	2022	2021
Trade accounts receivable and other financial assets (short and long-term)	28,983	23.386
Impairments	-1,145	-992
	27,838	**22,394**

IN KEUR	Impairment
01.01.2021	**2021**
Added	395
Used/released	-119
31.12.2021	992
Added	351
Used/released	-198
31.12.2022	1,145

Impairment allowance on trade accounts receivable and other financial assets

LEVEL 1	BY COUNTRY RISK	COUNTRY CATEGORY	ADJUSTED RECEIVABLE	ADJUSTMENT IN %	IMPAIRMENT
		1	8,126,480.88	0.5	40,632.40
		2	16,456,316.77	2.0	329,126.34
		3	741,786.35	5.0	37,089.32
		4	313,214.48	8.0	25,057.16
Level 2	**BY AGE OF RECEIVABLE**	**AGE OF RECEIVABLE**	**ADJUSTED RECEIVABLE**	**ADJUSTMENT IN %**	**IMPAIRMENT**
		> 6 Monate	1,223,278.95	10	122,327.90
		> 12 Monate	438,462.34	20	87,692.47
		> 24 Monate	865,012.73	40	346,005.09
Level 3	**BASED ON INDIVIDUAL INSIGHTS**		**ADJUSTED RECEIVABLE**	**ADJUSTMENT IN %**	**IMPAIRMENT**
			288,533.48		156,672.77
Total			**28,453,085.99**		**1,144,603.45**

Future rental income from operating lease agreements as lessor.

As of the end of the fiscal year, there is no operating lease agreement (previous year: one) in the area of selective laser melting.

Receivables from finance leases as lessor

There are three (previous year: one) 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. 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	2022	2021
less than 1 year	179	66
more than 1 year and up to 5 years	1.251	85
more than 5 years	103	0
Total	**1.533**	**151**

DESIGNATION	UP TO 1 YEAR	MORE THAN 1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL 2022	TOTAL 2021
Future installments	179	1251	103	1533	151
+ non-guaranteed residual value	0	0	0		
= Investment value	179	1251	103	1533	151
Minimum lease payments	179	1251	103	1533	151

NOTE 17

INVENTORIES

IN KEUR	2022	2021
Raw materials and supplies	11,380	9,767
Unfinished goods	11,170	6,370
Finished goods and goods for resale	15,080	8,939
Prepayments	2,258	767
	39,888	**25,842**

In the income statement, material expenses of EUR 56.3 million and increases in inventory from the change of unfinished and finished product amounting to EUR 9.5 million were recorded. Included within the material expenses are also value adjustments, scrap and revaluations amounting to EUR 0.8 million.

NOTE 18

OTHER NON-FINANCIAL ASSETS

	Dec. 31	**Dec. 31**
IN KEUR	2022	2021
VAT claims	1,484	950
Contract assets	6,496	4,010
Other	1,605	1,355
	9,585	**6,315**

In addition to a machine from contract manufacturing (Percentage-of-Completion), contract assets mainly relate to the Group's claims to consideration for services rendered for the supply of machines which have been completed but not yet invoiced as of the reporting date.

NOTE 19

INTANGIBLE ASSETS AND AMORTIZATION

2022	ACQUISITION AND PRODUCTION COSTS					ACCUMULATED DEPRECIATION					CARRYING AMOUNTS	
IN KEUR	AS OF 01/01/	ADD-ITIONS	DIS-POSALS	RE-CLASS-IFICATIONS	AS OF 12/31/	AS OF 01/01/	ADD-ITIONS	DIS-POSALS	RE-CLASS-IFICATIONS	AS OF 12/31/	AS OF 12/31/	AS OF PRE-VIOUS YEAR
INTANGIBLE ASSETS												
Internally generated industrial property rights and similar rights and assets	11,094	3,140	289	18,592	33,114	8,555	2,928	289	0	11,772	21,342	2,539
Purchased concessions, industrial property rights and similar rights and assets and licenses to such rights and assets	2,671	71	0	113	2,855	1,784	406	0	0	2,191	664	886
Goodwill	0	0	0	0	0	0	0	0	0	0	0	0
Assets under construction Development costs	21,853	5,962	-15	-18,417	9,382	0	0	0	0	0	9,382	21,853
Acquisition associated with a business merger	19,109	0	0	0	19,109	11,786	1,282	0	0	13,068	6,041	7,323
Laser technology	18,124	0	0	0	18,124	18,174	1,282	0	0	12,082	6,041	7,249
Customer base	737	0	0	0	737	663	74	0	0	737	0	74
Orders at hand	249	0	0	0	249	249	0	0	0	249	0	0
	54,727	**9,172**	**274**	**288**	**64,461**	**22,126**	**4,617**	**289**	**0**	**27,031**	**37,430**	**32,601**

2021	ACQUISITION AND PRODUCTION COSTS					ACCUMULATED DEPRECIATION					CARRYING AMOUNTS	
IN KEUR	AS OF 01/01/	ADD-ITIONS	DIS-POSALS	RE-CLASS-IFICATIONS	AS OF 12/31/	AS OF 01/01/	ADD-ITIONS	DIS-POSALS	RE-CLASS-IFICATIONS	AS OF 12/31/	AS OF 12/31/	AS OF PRE-VIOUS YEAR
INTANGIBLE ASSETS												
Internally generated industrial property rights and similar rights and assets	12,309	-221	-994	0	11,094	7,546	1,932	-923	0	8,555	2,539	4,765
Purchased concessions, industrial property rights and similar rights and assets and licenses to such rights and assets	2,500	351	-180	0	2,671	1,540	355	-110	0	1,784	887	960
Goodwill	0	0	0	0	0	0	0	0	0	0	0	0
Assets under construction Development costs	13,764	8,089	0	0	21,853	0	0	0	0	0	21,853	13,764
Acquisition associated with a business merger	19.109	0	0	0	19.109	10.504	1,282	0	0	11,786	7,323	8,604
Laser technology	18,124	0	0	0	18,124	9,666	1,208	0	0	10,874	7,249	8,458
Customer base	737	0	0	0	737	589	74	0	0	663	74	147
Orders at hand	249	0	0	0	249	249	0	0	0	249	0	0
	47,683	**8,218**	**-1,174**	**0**	**54,727**	**19,590**	**3,569**	**-1,033**	**0**	**22,126**	**32,601**	**28,092**

NOTE 20

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

2022 IN KEUR	ACQUISITION AND PRODUCTION COSTS					ACCUMULATED DEPRECIATION					CARRYING AMOUNTS	
	AS OF 01/01/	ADD-ITIONS	DIS-POSALS	RE-CLASS-IFICATIONS	AS OF 12/31/	AS OF 01/01/	ADD-ITIONS	DIS-POSALS	RE-CLASS-IFICATIONS	AS OF 12/31/	AS OF 12/31/	AS OF PRE-VIOUS YEAR
Property, plant and equipment												
Property, property-equivalent rights and buildings including buildings on third-party land	25,564	172	0	706	26,441	2,035	629	-4	607	3,268	23,173	23,528
Technical equipment and machinery	19,306	2,303	-6,068	3	15,543	10,336	2,072	-3,773	0	8,635	6,908	8,969
Other facilities, office furniture and equipment	7,485	1,861	-139	21	9,228	4,720	1,032	417	0	6,169	3,060	2,766
Assets under construction	494	4,024	-1,538	-312	2,667	0	0	0	0	0	2,667	494
	52,848	**8,360**	**-7,745**	**418**	**53,880**	**17,091**	**3,733**	**-3,360**	**607**	**18,071**	**35,809**	**35,757**

2021 IN KEUR	ACQUISITION AND PRODUCTION COSTS					ACCUMULATED DEPRECIATION					CARRYING AMOUNTS	
	AS OF 01/01/	ADD-ITIONS	DIS-POSALS	RE-CLASS-IFICATIONS	AS OF 12/31/	AS OF 01/01/	ADD-ITIONS	DIS-POSALS	RE-CLASS-IFICATIONS	AS OF 12/31/	AS OF 12/31/	AS OF PRE-VIOUS YEAR
Property, plant and equipment												
Property, property-equivalent rights and buildings including buildings on third-party land	24,857	222	0	0	25,079	1,189	632	0	0	1,821	23,258	23,668
Technical equipment and machinery	18,338	2,939	-3,512	0	17,765	8,589	2,007	-1,036	0	9,559	8,206	9,750
Other facilities, office furniture and equipment	10,328	2,128	-2,971	26	9,511	5,713	1,463	-1,465	0	5,711	3,800	4,615
Assets under construction	453	272	-206	-26	494	0	0	0	0	0	494	453
	53,976	**5,562**	**-6,690**	**0**	**52,848**	**15,491**	**4,102**	**-2,502**	**0**	**17,091**	**35,757**	**38,486**

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 21

FINANCIAL LIABILITIES

	31.12.2022 KEUR	31.12.2021 KEUR
Financial liabilities (non-current)		
Convertible bond	65,499	14,955
Liabilities to banks from loan	3,801	5,156
	69,300	**20,111**
Financial liabilities (current)		
Convertible bond 2017	0	57,877
Liabilities to banks	2,074	2,125
	2,074	**60,003**
Financial Liabilities (Total)	**71,374**	**80,114**

NOTE 22

OTHER FINANCIAL LIABILITIES

	31.12.2022 KEUR	31.12.2021 KEUR
Other financial liabilities (non-current)		
Lease liabilities IFRS 16	669	771
	669	**771**
Other financial liabilities (current)		
other obligations	0	126
Lease liabilities IFRS 16	263	325
	263	**451**
Other financial liabilities	**932**	**1,222**

The long-term leases described above have a term of one to five years.

According to IFRS 16, the leasing liabilities are subject to corresponding rights of use. In 2022, these are as follows (in kEUR):

2022	IN KEUR
As of January 1, 2022	**721**
Depreciation, amortization and impairment losses	446
Disposals	419
Additions	1,160
As of December 31, 2022	**1,016**

The residual book value of rights of use at kEUR 410 (previous year kEUR 246) affect property and building rights, as well as otherwise kEUR 606 (previous year kEUR 475) operational and business equipment.

OBLIGATIONS FROM LEASING CONTRACTS AS THE 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, 2022, future minimum payment obligations under fixed-term operating leases are as follows:

IN KEUR	31.12.2022	31.12.2021
less than 1 year	263	325
more than 1 year and up to 5 years	669	771
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	LIABILITIES FROM FINANCE LEASING	SUBSCRIBED SHARE CAPITAL / ADDITIONAL PAID-IN CAPITAL	RESERVES	TOTAL
Balance as of January 01, 2022	**7,281**	**72,833**	**1,096**	**157,023**	**-2,389**	**235,844**
Changes in cash flow from financial activities						
Contribution to equity				45,403		45,403
Payments of convertible bonds		30,213				30,213
Repayments of convertible bonds		-29,800				29,800
Repayment of loans	-1,334					-1.334
Payment of leasing liabilities			-316			-316
Interest paid	-59	-3,761				-3,820
Total change in cash flow from financing activities	**-1,393**	**-3,348**	**-316**	**45,403**	**0**	**40,346**
Other changes relating to equity				**8,834**	**-2,092**	**6,742**
Balance as of December 31, 2022	**5,888**	**71,818**	**669**	**211,260**	**-4,481**	**285,154**

NOTE 23

OTHER NON-FINANCIAL LIABILITIES

IN KEUR	31.12.2022	31.12.2021
Other non-financial obligations (current)		
payments received on account	4,422	3,805
other taxes	255	38
Personnel obligations	10,626	4,029
Other non-financial liabilities	**15,303**	**7,872**

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

NOTE 24

PENSIONS AND SIMILAR OBLIGATIONS

IN KEUR	2022	2021
Present value as of January 1	6,304	6,982
Expenses for pension entitlements	60	74
Interest expense	83	70
Pension payments	-86	-85
Gains / losses due to financial changes	**-2,403**	**-737**
Gains / losses due to demographic changes	0	0
Gains / losses due to changes based on experience	0	0
Present value as of December 31	**3,958**	**6,304**

For subsequent years pension payments are expected to total kEUR 86 (previous year kEUR 85).

NOTE 25

PROVISIONS

PROVISIONS	01.01.2022 KEUR	USED KEUR	RELEASED KEUR	ADDED KEUR	31.12.2022 KEUR
Non-current provisions					
Warranty provisions	111	0	0	730	841
	111	**0**	**0**	**730**	**841**
Current provisions					
Warranty provisions	3,766	3,766	0	4,350	4,350
Other provisions	1,130	1,123	7	633	633
	4,896	**4,889**	**7**	**4,983**	**4,983**

NOTE 26

EQUITY

IN KEUR	2022	2021
Equity	64,254	32,671
Total assets	182,311	149,036
Equity ratio	35%	22%

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.

IN KEUR	2022	2021
Number of shares in issue as of January 1	22,701,725	19,778,953
Number of shares in issue during the fiscal year	3,042,955	2,922,772
Number of shares issued	**25,744,680**	**22,701,725**
Consolidated net profit/loss attributable to parent company shareholders (in kEUR)	-24,744	-20,375
Basic (undiluted) earnings per share in EUR	**-0.96**	**-0.90**

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

	31.12.2022	31.12.2021
Other reserves		
Financial gains/losses	-510	1.894
Deferred taxes	161	-598
	-349	**1,296**
Foreign exchange equalization reserve		
	97	544
First-time application reserve		
IFRS 15	384	384
Deferred taxes	-121	-121
IFRS 9	418	418
Deferred taxes	-132	-132
	549	549
Total	**298**	**2,389**

NOTE 27

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" and "After Sales" were identified by the Management Board as business areas for internal reporting. The "Machine" 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" 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.

In 2022, the method of presentation was changed to the cost of sales method. The comparative figures for the previous year have been adjusted accordingly.

2022

IN KEUR	MACHINE	AFTER SALES	TOTAL
Revenue	**84,889**	**20,820**	**105,709**
Costs of goods sold	(41,679)	(20,111)	(61.789)
Gross profit	**43,210**	**710**	**43,920**
Other Costs			(60,178)
EBT			(16,258)
Depreciation			8,505
EBITDA			(7,752)
Interest			(6,123)
Income Tax			(2,364)
Result for the period			(24,744)

2021

IN KEUR	MACHINE	AFTER SALES	TOTAL
Revenue	**57,602**	**17,513**	**75,115**
Costs of goods sold	(30,231)	(13,749)	(43,980)
Gross profit	**27,371**	**3,765**	**31,136**
Other Costs			(47,431)
EBT			(16,295)
Depreciation			7,698
EBITDA			(8,597)
Interest			(5,268)
Income Tax			1,184
Result for the period			**(20,379)**

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	2022	2021
Germany	13,873	10,539
Asia / Pacific	18,071	6,893
European countries (European Union without Germany)	22,457	27,606
North America	50,544	29,138
Other countries	764	940
	105,709	**75,115**

The revenue information provided above relates to customers' locations.

NOTE 28

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 2022:
- Sam O'Leary, CEO
- Dirk Ackermann, CFO
- Charles Grace, CCO (from July 15, 2022)

Members of the Supervisory Board in 2022:
- Thomas Schweppe
- Hans-Joachim Ihde
- Kevin Czinger
- Magnus René
- Dr. Nicole Englisch
- Roland Busch (until April 20, 2022)

Related parties to the SLM Group comprise the following:
- Ceresio GmbH, Lübeck
- Divergent Technologies Inc, Torrance, USA
- Nikon AM. AG, Langen

No shareholder exerted direct control in 2022.

With Divergent Technologies Inc., Torrance, USA, in 2022, revenue of USD 12,942,309.37 (EUR 12,294,119.74) (previous year: USD 192,358.21) (EUR 161,298.34) was generated. As of December 31, 2022, USD 2,571,668.84 (EUR 2,411,090.23) (previous year: USD 126,420.36 (EUR 111,619.60) was still outstanding for payment.

In accordance with the German Commercial Code (HGB), the company granted the members of the Management Board total remuneration of kEUR 7,270 in 2022. This includes the change of control with a fair value of kEUR 5,426..

In accordance with IAS 24.17, remuneration in the amount of kEUR 7,270 was granted. This includes a partly long-term share-based payment (LTI) in the amount of kEUR 5,300.

Furthermore, a defined benefit pension commitment exists for a former member of the Management Board from his many years of service as an executive at SLM Solutions GmbH, which amounts to a provision of kEUR 920 (12/31/2021: kEUR 1,478) on December 31, 2022.

The Supervisory Board is entitled to a total of kEUR 215 allowances for the 2022 fiscal year.

NOTE 29

AUDITOR'S FEE

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

IN KEUR	2022
Auditing of financial statements	**204**
Other certification services	0
Tax advisory services	0
Other services	0
Total	**204**

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 30

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 31

EVENTS AFTER THE BALANCE SHEET DATE

On January 27, 2023, Nikon AM. AG, Langen, announced that it had acquired 90.8% of the shares and voting rights in SLM Solutions.

After completion of the public takeover offer of Nikon AM.AG, Nicole Englisch, Magnus René and Hans-Joachim Ihde resigned from the Supervisory Board on February 15, effective immediately upon the effectiveness of their resignation, the Lübeck Local Court appointed Hamid Zarringhalam, Yuichi Shibazaki, Masahiro Horie and Johann Georg Jetter as new members of the Supervisory Board, thus increasing the number of Supervisory Board members back to the statutory number of 6. The members of the Supervisory Board elected Hamid Zarringhalam as Chairman of the Supervisory Board and Thomas Schweppe as Deputy Chairman of the Supervisory Board.

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, MARCH 16, 2023
SLM SOLUTIONS GROUP AG

THE MANAGEMENT BOARD

SAM O'LEARY	DIRK ACKERMANN	CHARLES GRACE

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, 2022, the consolidated income statement, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, 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, 2022.

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, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022, 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.

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, 2022. 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.

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 105.7 million in financial year 2022. 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 is 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 releases, invoices, proofs of delivery and acceptance protocols or time sheets as well as payments 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 Solutions 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 comprises the following components of the group management report, whose content was not audited:

- the components of the group management report that are specified in the appendix to the independent auditor's 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 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 the risk of not detecting a material misstatement 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 actions taken or safeguards applied to eliminate independence threats.

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 ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH SECTION 317 (3A) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file „SLM Solutions Group AG Final-2022-12-31-de.zip“ (SHA256 hash value: 2b84a07d451ba42a8a57663ea2bd5488d151258ac86e23618cbf6a 72bacc0c77) made available 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 work extends only 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 these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this 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, 2022, contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is 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).
Owing to the conversion process selected by the Company concerning the information in the notes to the consolidated financial statements in iXBRL format (block tagging), the consolidated financial statements converted into the ESEF format are not machine-readable in a fully meaningful respect. There is significant legal uncertainty regarding the legal conformity of management's interpretation that meaningful machine-readability of the structured information in the notes to the consolidated financial statements is not explicitly required by Commission Delegated Regulation (EU) 2019/815 for the block tagging of the notes to the consolidated financial statements, which thus also constitutes an inherent uncertainty of our audit.

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering 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 such internal control that they have considered 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 Supervisory Board is responsible for overseeing the process of preparing 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 the 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 on 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 file made available containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering 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) in accordance with the requirements of Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor at the Annual General Meeting on May 17, 2022. We were engaged by the Supervisory Board on November 3, 2022. 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).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the examined ESEF documents. The consolidated financial statements and group management report converted to the ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Stefanie Hagenmüller.

HAMBURG, MARCH 16, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

KPMG AG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT
WIRTSCHAFTS-
PRÜFUNGS-
GESELLSCHAFT
SIEGEL
BERLIN

Hagenmüller
Wirtschaftsprüferin
[German Public Auditor]

Küntzel
Wirtschaftsprüfer
[German Public Auditor]

APPENDIX TO THE INDEPENDENT AUDITORS' REPORT: MANAGEMENT REPORT COMPONENTS NOT AUDITED FOR CONTENT

We did not audit the following components of the group management report for content:

- the corporate governance statement referred to in the group management report,
- the statement pursuant to Section 161 AktG [Aktiengesetz: German Stock Corporation Act] referred to in the group management report,
- the following information extraneous to management reports. Information extraneous to group management reports is information that is neither required pursuant to Sections 315, 315a and/or Sections 315b to 315d HGB nor German Accounting Standard GAS 20.
  - The section "Remuneration report according to Section 162 AktG" with reference to the internet site where the remuneration report and the report on the formal examination is published.
  - The section "Assessment of the Adequacy and Effectiveness of the internal control system"