

Arcam AB

Reg no 556539-5356

Interim report January – June 2013

Increased turnover and strong order intake

- Net sales increased by 80% to 92.1 (51.3) MSEK
- Profit after financial items increased to 7.6 (1.2) MSEK
- Earnings per share amounted to 1.98 (0.32) SEK
- Net profit margin increased to 8.3% (2.3)
- Cash at the end of the period was 166.7 (25.9) MSEK
(cash includes advanced research grants of approx. 6.1 (9.6) MSEK)
- Order intake amounted to 13 (7) systems
- 11 (4) EBM systems were delivered during the period
- Order book at the end of the period was 12 (4) systems
- Strategic alliance formed with DiSanto Technology Inc.
- Introduction of new EBM system, Arcam Q10
- New share issues have raised a total of 113 MSEK in cash

For the second quarter:

- Sales increased by 67% to 54.0 (32.4) MSEK
- Profit after financial items 7.7 (7.8) MSEK
- Order intake amounted to 7 (5) systems
- 7 (2) EBM systems were delivered in the second quarter

Significant events after the end of June:

- Order for Arcam Q10 from Implantcast in Germany

Basic information about Arcam is found on page 10 of this report.

Increased turnover and strong order intake

The strong growth in the second half of 2012 continued during the first half of 2013. Sales increased 80% and earnings improved substantially compared with the first half of 2012. Trailing 12-month turnover is 179.8 MSEK and net profit is 21.4 MSEK. The strong order intake continues with 13 machine orders in the first six months, compared with 7 machine orders in the first half of 2012. Trailing 12-month machine orders is 30 systems. The aftermarket is developing well and aftermarket sales in the period were 30.6 MSEK.

Strategic alliance with DiSanto Technology

The orthopedics market is one of Arcam's two main markets and Arcam's EBM technology is since 2007 used for industrial manufacturing of orthopedic implants. Advanced orthopedic implants manufactured with Arcam's EBM technology are used by orthopedic surgeons in the US and in Europe. Arcam works long term to further broaden the acceptance and usage of the Arcam EBM technology for the production of orthopedic implants.

In February, a strategic partnership was formed with the contract manufacturer DiSanto Technology Inc. (DTI) in the U.S. The partnership gives Arcam the ability to offer existing and new customers contract manufacturing of advanced orthopedic implants based on the Arcam EBM technology. The combination of DTI's knowledge of traditional implant manufacturing and Arcam's cutting-edge Additive Manufacturing technology will accelerate the implant industry's acceptance of the EBM technology for production of orthopedic implants. Two Arcam Q10 systems were installed at the DTI during the period. The agreement with DTI gives Arcam an option to acquire DTI.

Introduction of Arcam Q10, for the implant market

Arcam Q10 was introduced in March. Arcam Q10 is the first of a new generation of EBM systems, developed for industrial production. Arcam Q10 was developed in close cooperation with leading implant companies and the development has been partly financed by Vinnova. Arcam Q10 replaces Arcam A1, which has become an industry standard for Additive Manufacturing of orthopedic implants. Arcam Q10 offers higher productivity and resolution, improved ergonomics, and Arcam LayerQam™, a proprietary and patented camera-based system for quality control of manufactured parts. Arcam Q10 is designed to meet the high standards for efficient volume production of orthopedic implants in an industrial environment. In addition to the delivery of two Arcam Q10 systems to our partner DiSanto Technologies, three Arcam Q10's have been ordered for delivery in 2013. This includes an order from Implantcast, Arcam's first order from a German implant company.

The aerospace market - Important new order and continued deepening of cooperation with customers

The airline market is a market with very high technical requirements. During the period, we continued to take important machine orders in this market and in particular an order for four systems from an existing customer. The deal shows both a lot of confidence from the customer and the fact that we quickly approach volume production in the aerospace industry. The potential in the aerospace industry is very large and intensive efforts are underway to make the company ready for the volumes and requirements in the aviation industry. An important part of this is strict quality assurance and after extensive work our business is now certified to ISO 9001.

Private placement of new shares - strong financial position

Arcam has high ambitions in two very demanding markets. While both system and aftermarket sales are increasing rapidly and with good margins, increased turnover and activity will require a larger working capital. With a strong financial position, we also have the possibility to exercise the option to acquire DiSanto Technologies.

The company raised more than 113 MSEK through private placements during the second quarter. We thus have a financial position that provides us the financial strength needed to continue to grow the company.

A strong order book and a positive business situation lays a solid foundation for continued strong growth in 2013.

Mölnadal, July 19, 2013

Magnus René, President & CEO

The information has been made public in accordance with the Securities Market Act and/or the Financial Instruments Trading Act. The information was published on July 19, 2013 at 08.30 (CET).

Net sales, delivery and orders

Net sales, total

Net sales for the period amounted to a total of 92.1 (51.3) MSEK, of which sales in the second quarter amounted to 54.0 (32.4) MSEK.

System sales

Net system sales amounted to 60.7 (33.2) MSEK.

11 (4) EBM systems were delivered in the period, of which the second quarter accounted for 7 (2) systems.

Revenue from systems sold is recognized upon delivery to the customer.

Aftermarket Sales

Aftermarket sales amounted to 30.6 (18.1) MSEK for the period. Aftermarket sales consist of metal powders, other consumables, training and services.

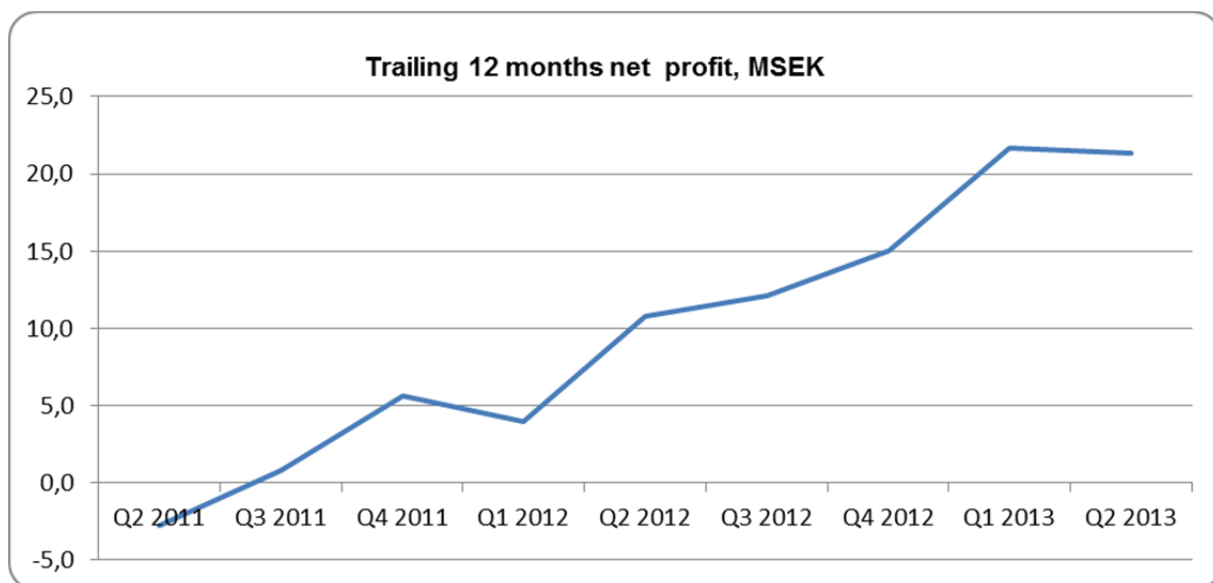
Order intake

During the period we booked 13 (7) new orders for EBM systems. At the end of the period the order book is 12 (4) systems and at the reporting date the order book is 13 (4) systems. Of the systems currently on order an estimated four will be delivered after 2013.

Amounts in MSEK

QUARTERLY	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Sales	54,0	38,1	62,5	25,1	32,4	18,9	46,0	17,6	27,1	17,0
Net profit	7,5	0,1	13,7	0,1	7,8	-6,6	10,8	-1,3	1,0	-4,9
System orders	7	6	12	5	5	2	4	3	2	3
TRAILING 12 MONTHS	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Sales	179,8	158,2	139,1	122,5	115,0	109,6	107,7	95,6	89,1	94,2
Net profit	21,4	21,6	15,0	12,1	10,7	3,9	5,6	0,8	-2,8	4,5
System orders	30	28	24	16	14	11	12	16	13	12

Quarterly and trailing 12-months sales, earnings and system orders



Investments and depreciation

Capitalized investments in R&D and equipment amounted to 0.9 (5.7) MSEK, of which R&D accounted for 0.6 (4.5) MSEK and equipment 0.3 (1.2) MSEK. The investments in R&D relate to costs for patents.

Investments in financial assets amounted to 5.7 (0.0) MSEK and relate to an investment in a convertible loan to the strategic partner DiSanto Technology.

The development projects funded by EU FP7 grants are not included in the above numbers.

Depreciation of tangible and intangible assets amounted to 2.9 (2.8) MSEK.

Since basic R&D is now concluded further costs for R&D will mainly be booked as operating costs and hence only a smaller portion will be capitalized.

Results and Financial Position

Profit after tax for the period was 7.6 (1.2) MSEK. During the period the company has booked non-recurring costs of about 3 MSEK, in conjunction with the transaction for the strategic relationship with DiSanto Technology.

Cash and cash equivalents at the end of the period amounted to 166.7 (25.9) MSEK. Cash on hand includes 6.1 (9.6) MSEK that the company holds for the two EU FP7 programs which the company manages. The company has no bank financing beyond a granted, unutilized, overdraft facility of 25.0 (10.0) MSEK. All figures relates to the Group.

Cash flow from operations was 18.1 MSEK for the period.

Staff

The number of employees in the group at the end of the period was 55 (49) persons.

Arcam share

Arcam's largest shareholders as of June 30 are;

Owner	Shares	
Stiftelsen Industrifonden	918 452	22,2%
Briban Invest AB	281 850	6,8%
Handelsbankens Fonder AB	205 401	5,0%
Svenska Handelsbanken SA Luxemburg	188 732	4,6%
NTC Various Fiduciary	149 533	3,6%
Total number of shares	4 131 595	100,0%

In the second quarter the company issued a total of 375 000 new shares in two private issues. The issues, performed under a mandate from the general meeting, were directed to institutional investors in Europe and the US. A total of 113 MSEK was raised in the two issues.

During the period, warrants were exercised to purchase a total of 49 125 new shares. Of those new shares 27 625 were not yet registered at the end of the period.

Development work in close cooperation with customers

The company's development is focused on meeting the very high standards expected within the aerospace and orthopedic implant industries. The work is often done in close collaboration with leading customers to specifications that match their specific requirements. In parallel with this the EBM systems' productivity and reliability is improved. The continuous advancements in system performance increases the technology's competitiveness compared to traditional manufacturing methods.

Customers in the orthopedic implant industry manufacture CE- and FDA-approved implants in increasing volumes in Europe and in the US. The implants are sold worldwide as high-end products and are used in hospitals on a daily basis. To accelerate the progress in the implants market, the company continues to pursue development together with our customers. Arcam Q10 was introduced in March. Arcam Q10 is the first of a new generation of EBM systems, developed for industrial production. Arcam Q10 was developed in close cooperation with leading implant companies and the development has been partly financed by Vinnova. Arcam Q10 offers higher productivity and precision, improved ergonomics, and Arcam LayerQam™, a proprietary and patented camera-based system for quality control of manufactured parts. Arcam Q10 is designed to meet the high standards for efficient volume production of orthopedic implants in an industrial environment.

Two research projects led by Arcam started the second half of 2011 and will last for two years. The projects, which are financed by the EU through the Seventh Framework Programme (FP7), are managed by Arcam and involve several leading research institutions and customers linked to Arcam. The financing totals about 20 MSEK and the project results will benefit Arcam's long-term development. Arcam leads and coordinates the two programs, and has secured the intellectual property rights in them.

Arcam is also engaged in collaborations in the aerospace industry, and an example of this is the development project with the aerospace company Avio. This work aims to put EBM systems in production and jointly develop the market for aero engine components in titanium aluminide. Avio ordered an additional six EBM systems at the end of 2012 as part of this project, in addition to the five systems they already operate.

Extra Shareholder Meeting

An Extra Shareholder Meeting on March 25, 2013 decided on 43 402 stock options to be issued to Ottavio DiSanto, Nilda DiSanto, DiSanto 2006 Children's Trust and Ronald Dunn. The issuing of the stock options is part of the strategic agreement between Arcam, DiSanto Technology and the owners of DiSanto Technology.

Annual Shareholder Meeting

The Annual Shareholder meeting was held on April 8, 2013. At the meeting the board members Tommy Klein, Jan Barchan, Lars Bergström, Thomas Carlström, Henrik Hedlund and Anna Hultin Stigenberg were re-elected. Jan-Olof Brüer was elected as new board member. Tommy Klein was appointed Chairman of the Board.

The meeting decided, in accordance with a suggestion from the board, to launch a stock option program directed to officers of the company and to strategic partners. The stock option program consists of 40 000 options, equivalent to a dilution of approximately 1%.

The meeting also decided to give the board the mandate to increase the share capital by up to 1 500 000 SEK by issuing up to 375 000 new shares. The purpose of the mandate is to give the board flexibility in securing financing for an accelerated expansion of the company. The mandate was used in the second quarter when 375 000 shares were issued in two different private placements.

The meeting also decided that for future general meetings the nomination committee shall be composed by representatives from the three largest owners. The chairman of the board shall contact the largest owners according to the shareholders registry carried by Euroclear to ask about their contribution to the nomination committee.

Accounting

This report has not been audited.

The accounting principles applied are the same as in the Annual Report for 2012. This report has been prepared in accordance with IAS 34 Interim Financial Reporting, and for the parent company in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities.

Significant risks and uncertainties

The company sells complex system in limited quantities. The sales process is long, and it takes 6-18 months to complete a deal. Changes in time of business or deliveries may therefore have a major impact on the results in individual quarters. See also the compilation of sales and earnings by quarter and for rolling 12 months, on page 4-5.

The long-term development of the company is at this time also dependent on how the industrial economy develops. Although Arcam's priority markets are less cyclical than other sectors of the economy, it cannot be excluded that the current macro-economic and credit problems can have a negative impact on investment in machinery also in Arcam's key market segments.

This interim report gives a true and fair view of the parent company and the Group's financial position and performance, and describes material risks and uncertainties facing the Group.

Möln dal, July 19, 2013
Arcam AB (publ)

Tommy Klein
Chairman of the Board

Magnus René
Chief Executive Officer

Jan Barchan
Director

Lars Bergström
Director

Jan-Olof Brüer
Director

Thomas Carlstrom
Director

Henrik Hedlund
Director

Anna Hultin Stigenberg
Director

3rd and 4th quarter interim reports will be published October 18 2013 and February 7 2014.

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This is Arcam

Operations

Arcam provides a cost-efficient Additive Manufacturing solution for production of metal components. The technology offers freedom in design combined with excellent material properties and high productivity. Arcam's market is global with customers mainly in the orthopedic and aerospace industries.

The company was founded in 1997 and is listed on NASDAQ OMX Stockholm, Sweden. Head office and production facilities are located in Mölndal, Sweden. Support offices are located in the US, the UK, Italy and China.

Mission

Arcam designs and manufactures equipment and methods to directly from digital three-dimensional models produce solid components from metal powder. Marketing is focused on the manufacturing industry in implants and aerospace.

Market

Arcam's market is global with customers primarily in orthopedic implants and aerospace industries that take advantage of Arcam's technology's capacity for cost efficient manufacturing of products with advanced functionality. Since its introduction, more than 100 EBM systems have been delivered to demanding customers in Europe, USA and Asia.

Strategy in brief

Arcam focuses on two target groups in the manufacturing industry - orthopedic implant and aerospace industries.

The focus of development in the short to medium term is to increase machine productivity precision and accuracy.

Arcam protects its technology with strong patent protection where process knowledges are key components, for both hardware and software. Patents have been granted in 11 key countries.

Arcam works closely with customers to better understand their needs and to meet their expectations.

Business in brief

Arcam's main strategy is to offer complete EBM (Electron Beam Melting) systems, both hardware and software. Each system sale is recognized in full when dispatched from Arcam. Arcam typically enters into a service agreement where Arcam maintains the system. Arcam also undertakes to provide the customer with metal powder.

INCOME STATEMENT, MSEK GROUP	2013-04-01	2012-04-01	2013-01-01	2012-01-01	2012-01-01
	2013-06-30	2012-06-30	2013-06-30	2012-06-30	2012-12-31
Net sales	54,0	32,4	92,1	51,3	139,1
Capitalized product development costs	0,2	2,4	0,7	4,5	7,2
Operating costs					
Rawmaterial and consumables	-22,7	-8,5	-38,0	-17,0	-50,1
Other costs	-10,5	-8,0	-21,6	-15,5	-36,1
Personnel costs	-13,0	-10,1	-23,1	-19,8	-39,4
Depreciations of intangible assets	-1,5	-1,4	-2,8	-2,8	-6,0
Amortizations of tangible assets	-0,1	0,0	-0,1	0,0	-0,1
Operating income	6,5	6,9	7,0	0,7	14,5
Net financial items	0,9	0,9	0,6	0,5	0,1
Tax	0,1	0,0	0,0	0,0	0,3
Net profit for the period	7,5	7,8	7,6	1,2	15,0
Other comprehensive income					
Items that can be reclassified into profit or loss					
Exchange rate differences	-0,3	-0,6	-0,3	-0,1	0,5
Other comprehensive income for the period	-0,3	-0,6	-0,3	-0,1	0,5
Total comprehensive profit for the period	7,2	7,2	7,3	1,1	15,5
Earnings per share, SEK	1,92	2,12	1,98	0,32	4,04
Earnings per share after dilution, SEK	1,87	2,12	1,94	0,32	4,04

BALANCE SHEET, MSEK GROUP

	2013-06-30	2012-06-30	2012-12-31
Intangible fixed assets	13,5	14,9	15,7
Tangible fixed assets	1,3	1,7	1,0
Financial fixed assets	6,4	0,7	0,8
Inventory	33,3	24,5	26,5
Current receivables	57,8	43,0	67,9
Cash and cash equivalents	166,7	25,9	26,9
Total assets	279,1	110,7	138,8
Stockholders' equity & liabilities			
Share capital	16,5	14,7	14,9
Other reserves	330,2	212,8	214,8
Translation reserve	0,5	0,3	0,8
Retained earnings	-139,3	-160,8	-146,9
Total equity	208,0	67,0	83,6
Current liabilities	71,1	43,8	55,2
Total stockholders' equity & liabilities	279,1	110,7	138,8
Pledged assets			
Corporate mortgages	25,0	14,7	14,7
Contingent liabilities	None	None	None

CASH FLOW STATEMENT, MSEK GROUP	2013-04-01	2012-04-01	2013-01-01	2012-01-01	2012-01-01
	2013-06-30	2012-06-30	2013-06-30	2012-06-30	2012-12-31
Cash flow from operations before changes in working capital	8,7	9,2	10,2	4,2	21,1
Total change in working capital	10,3	-8,9	19,2	-11,0	-25,9
Cash flow from operations	19,0	0,3	29,4	-6,8	-4,8
Investments in intangible assets	-0,2	-2,4	-0,6	-4,5	-8,4
Investments in tangible assets	0,0	-1,2	-0,3	-1,2	-0,5
Investments in financial assets	-5,7	0,0	-5,7	0,0	0,0
Cash flow from investments activities	-6,0	-3,6	-6,6	-5,7	-8,9
Cash flow from financing activities	115,3	0,2	117,0	0,2	2,4
Increase/decrease in cash and cash equivalents	128,4	-3,1	139,8	-12,3	-11,3
Cash and cash equivalents at the beginning of the period	38,3	29,0	26,9	38,2	38,2
Cash and cash equivalents at end of the period	166,7	25,9	166,7	25,9	26,9

EQUITY, MSEK GROUP	2013-01-01	2012-01-01	2012-01-01
	2013-06-30	2012-06-30	2012-12-31
Opening balance	83,6	65,7	65,7
New share issue	120,7	0,0	2,2
Issue expenses	-3,7	0,0	0,0
Option premiums received	0,0	0,2	0,2
Net profit for the period	7,6	1,2	15,0
Other comprehensive income for the period	-0,3	-0,1	0,5
Closing balance	208,0	67,0	83,6

BUSINESS AND FINANCIAL RATIOS GROUP ¹	2013-06-30	2012-06-30	2012-12-31
	Equity ratio %	74,5	60,5
Return on equity %	5,2	1,8	20,1
Return on capital employed %	5,3	1,8	20,1
Equity per share, SEK	50,34	18,18	22,39
Earnings per share, SEK	1,98	0,32	4,04
Earnings per share after dilution, SEK	1,94	0,32	4,04
Cash flow from operating activities per share	7,66	-1,84	-1,30
Number of employees by period end	55	49	50
Number of shares by period end	4 131 595	3 685 720	3 735 095
Number of warrants by period end	183 402	150 000	150 000
Market value per share by period end	350,00	56,00	169,50
P/E ratio	64	19	42

INCOME STATEMENT, MSEK PARENT COMPANY	2013-04-01	2012-04-01	2013-01-01	2012-01-01	2012-01-01
	2013-06-30	2012-06-30	2013-06-30	2012-06-30	2012-12-31
Net sales	53,4	33,6	90,9	54,7	145,6
Capitalized product development costs	0,2	2,4	0,7	4,5	7,2
Operating costs					
Rawmaterial and consumables	-23,3	-10,6	-41,1	-20,9	-61,3
Other costs	-8,6	-7,4	-20,1	-14,5	-33,7
Personnel costs	-11,4	-9,5	-20,9	-18,7	-36,3
Amortizations of intangible assets	-1,5	-1,4	-2,8	-2,8	-6,0
Depreciations of tangible assets	-0,1	0,0	-0,1	0,0	-0,1
Other operating expenses	0,0	0,0	0,0	0,0	-5,0
Operating income	8,7	7,0	6,5	2,2	10,4
Net financial items	-0,2	0,8	1,3	0,2	0,2
Net profit for the period	8,5	7,8	7,8	2,4	10,5
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive profit for the period	8,5	7,8	7,8	2,4	10,5
Earnings per share, SEK	2,17	2,12	2,04	0,66	2,84
Earnings per share after dilution, SEK	2,12	2,12	2,00	0,66	2,84

BALANCE SHEET, MSEK PARENT COMPANY	2013-06-30	2012-06-30	2012-12-31
	Intangible fixed assets	13,5	14,9
Tangible fixed assets	1,3	1,7	1,0
Financial assets	5,9	0,2	0,2
Inventory	28,8	21,1	21,0
Current receivables	56,1	44,5	67,1
Receivables from group companies	8,3	10,7	10,0
Cash and cash equivalents	165,9	25,3	26,9
Total assets	279,8	118,3	141,9
Stockholders' equity & liabilities			
Share capital	16,5	14,7	14,9
Statutory reserve	62,3	62,3	62,3
Retained earnings	130,2	-3,2	6,9
Total equity	209,0	73,9	84,2
Current liabilities	70,8	44,4	57,7
Total stockholders' equity & liabilities	279,8	118,3	141,9
Pledged assets			
Corporate mortgages	25,0	14,7	14,7
Contingent liabilities	Inga	Inga	Inga