

# Arcam AB

Reg no 556539-5356

Interim report January – September 2014

## A new Arcam takes shape

- Net sales increased by 52% to 201.8 (132.5) MSEK
- Operating income amounted to SEK 6.5 (7.6) MSEK (including non-recurring costs of approximately 9 (3) MSEK)
- Net income increased to 42.1 (7.8) MSEK (including tax effects of approximately 23 MSEK)
- Earnings per share increased to 2.29 (0.49) SEK
- Order intake increased to 21 (17) systems
- 20 (15) EBM systems were delivered during the period
- Acquisition of the metal powder manufacturer AP&C in Canada
- Acquisition of the contract manufacturer DiSanto Technology Inc.

For the third quarter:

- Sales increased by 125% to 90.8 (40.4) MSEK
- Operating income amounted to 10.3 (0.6) MSEK (including non-recurring costs of approximately 3 (0) MSEK)
- Net income increased to 38.2 (0.2) MSEK (including tax effects of approximately 23 MSEK)
- Order intake amounted to 5 (4) systems
- 9 (5) EBM systems were delivered in the third quarter
- Acquisition of the contract manufacturer DiSanto Technology Inc.

Significant events after the end of September:

- Order for 3 EBM systems

Telephone conference with CEO Magnus René and CFO Johan Brandt  
October 17, 2014 at 2.00 p.m. (CET)

Phone numbers

SE: +46 851999030

UK: +44 2076602077

US: +1 8552692606

Link to presentation:

[Arcam Q3 report](#)

## A new Arcam takes shape

*During the past twelve months Arcam has changed significantly. While sales of our EBM systems continue to increase, we have expanded our business with the metal powder manufacturer AP&C in Canada and the contract manufacturer DiSanto in the US. We now have an offering to our clients with our EBM systems as a hub and metal powders and contract manufacturing being important supplementary products, broadening our offering to the market and providing recurring sales.*

*Trailing twelve months sales amounts to 268.7 MSEK and operating profit amounts to 13.4 MSEK. The operating profit includes non-recurring costs associated with the acquisition of AP&C and DiSanto of about 10.4 MSEK.*

### Acquisition of AP&C

In February we acquired the powder producer AP&C from Raymor Industries in Canada. AP&C is a leading manufacturer of high quality metal powder and supplier of titanium powder to Arcam since 2006. Titanium powder is an important part of our offering and with this acquisition we have secured access to the best technology for the production of high quality metal powder for our customers. The acquisition is fully in line with our growth strategy and complements our EBM technology and product portfolio. The acquisition was completed on February 11, and is consolidated from this date.

### Acquisition of DiSanto Technology

In September Arcam acquired DiSanto, a strategic partner since February 2013. The acquisition combines Arcam's cutting-edge Additive Manufacturing technology with DiSanto's full-service contract manufacturing services for orthopedic implants. Through DiSanto we offer manufacturing of advanced EBM-based implants and other components.

The combination of Arcam's EBM technology and DiSanto's know-how in orthopedic implant manufacturing will accelerate the market adoption of Additive Manufacturing in the implant industry.

DiSanto is a fully equipped and certified production facility for the production of finished orthopedic implants with approximately 100 employees. The acquisition was finalized on September 2, 2014 and DiSanto is consolidated from this date.

Through these acquisitions we now have a broad offering for our customers; metal powders through AP&C, acquired earlier this year, EBM systems and services through Arcam AB and contract manufacturing through DiSanto. The acquisition is thus in line with our growth strategy, and complements our technology and product portfolio.

## Business status

We received 21 new orders in the period and we see a continued strong demand, particularly from the aerospace industry. Order intake for our new large system, Arcam Q20, is strong.

The work to industrialize our technology with the major players within the aerospace and implant industries continue and we can now see good opportunities for volume orders during the year. Of the 20 systems that were delivered during the period the majority went to customers within the medical implant or the aerospace industry.

In the beginning of July we acquired our agent in the UK. We already have a support operation in the UK and with this new step we take responsibility for direct sales and support on the important UK market.

## Growth – organic and through acquisitions

In addition to the acquisition of AP&C and DiSanto we are in rapid organic growth. We thus continue to recruit qualified employees in order to meet the expectations from our customers. During the period we have strengthened our service office in China and the support organization in Sweden. Through the acquisition of AP&C and DiSanto and through recruitment the number of employees has increased from 64 to 233 since September 2013. We will maintain an ambitious recruitment pace in order to further develop our technology and offering and thus exploiting the present business situation.

A strong order book and a positive business situation lay a solid foundation for a strong closing of 2014 and continued growth in 2015.

Mölnadal, October 17, 2014

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 October 17, 2014 at 08.30 (CET).

## Net sales, result and order intake

### Net sales

Net sales for the period amounted to a total of 201.8 (132.5) MSEK, of which sales in the third quarter amounted to 90.8 (40.4) MSEK.

### Result

The operating income for the period amounted to 6.5 (7.6) MSEK, and the operating income for the third quarter increased to 10.3 (0.6) MSEK. The operating income for the period includes non-recurring costs related to the acquisitions of AP&C and DiSanto totaling approximately 9 (3) MSEK. These non-recurring costs for the third quarter amounted to 3 (0) MSEK.

Net income for the period increased to 42.1 (7.8) MSEK and net income for the third quarter increased to 38.2 (0.2) MSEK. Net income for the period and for the third quarter includes, in addition to above non-recurring costs, capitalization of tax loss carry forwards of 22.8 MSEK.

Capitalization of tax loss carry forwards is done according to IAS 12 and based on recent years earnings.

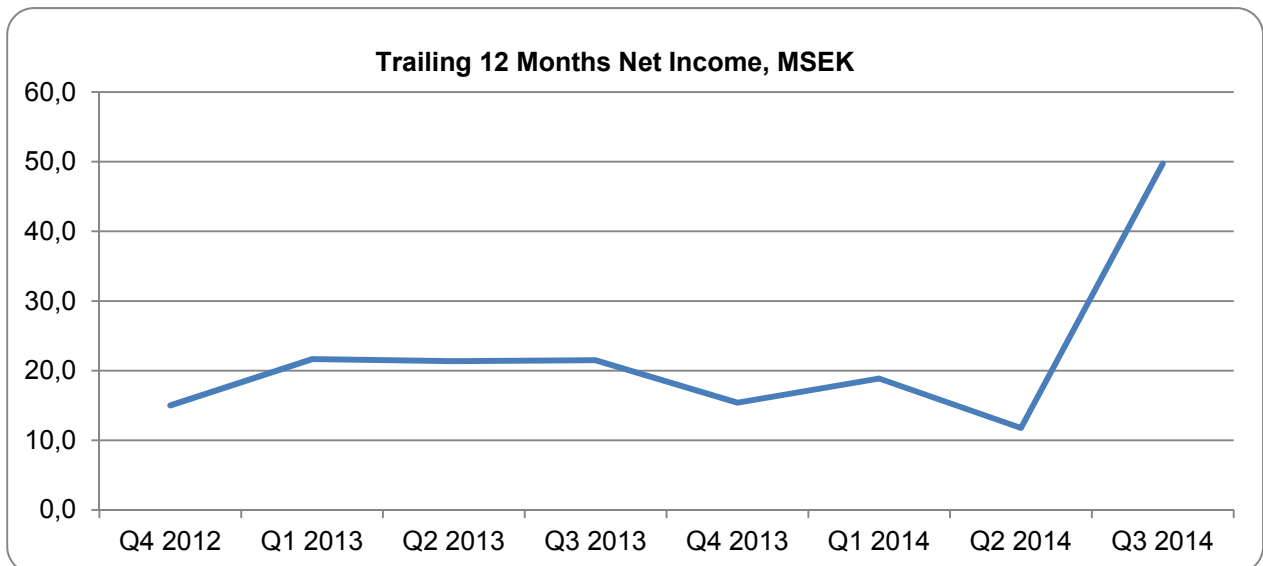
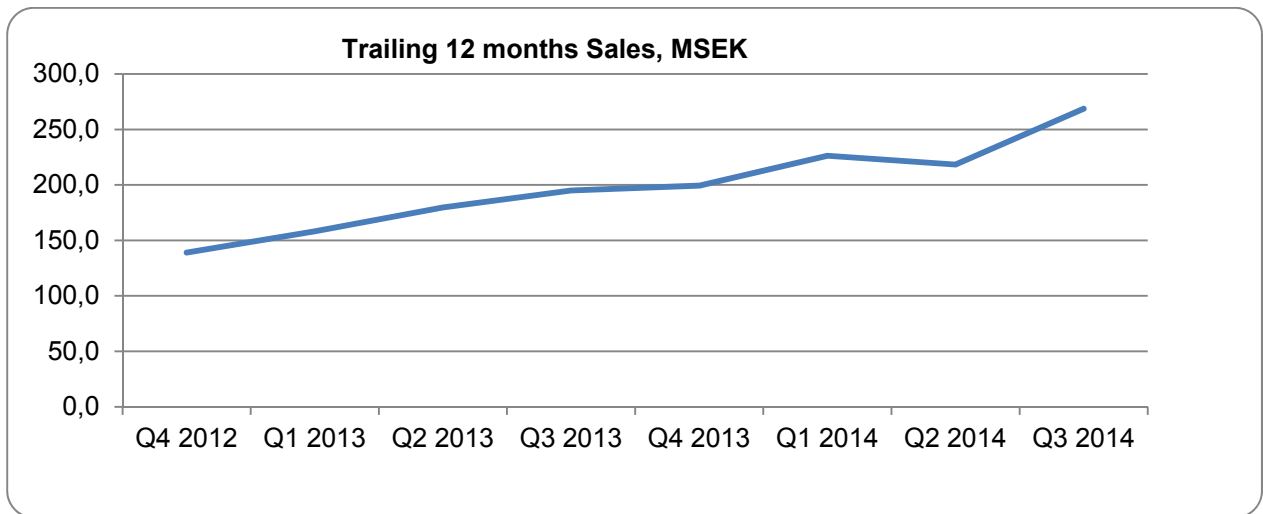
### Order intake

During the period we booked 21 (17) new orders for EBM systems. At the end of the period the order book was 13 (11) systems. Of the systems currently on order 3 will be delivered after 2014.

Amounts in MSEK

<b>Quarterly</b>	<b>Q3 2014</b>	<b>Q2 2014</b>	<b>Q1 2014</b>	<b>Q4 2013</b>	<b>Q3 2013</b>	<b>Q2 2013</b>	<b>Q1 2013</b>	<b>Q4 2012</b>	<b>Q3 2012</b>	<b>Q2 2012</b>
Net Sales	90,8	46,1	64,9	66,9	40,4	54,0	38,1	62,5	25,1	32,4
Net income	38,2	0,4	3,6	7,6	0,2	7,5	0,1	13,7	0,1	7,8
System orders	5	10	6	10	4	7	6	12	5	5
<b>Trailing Twelve Months</b>	<b>Q3 2014</b>	<b>Q2 2014</b>	<b>Q1 2014</b>	<b>Q4 2013</b>	<b>Q3 2013</b>	<b>Q2 2013</b>	<b>Q1 2013</b>	<b>Q4 2012</b>	<b>Q3 2012</b>	<b>Q2 2012</b>
Net Sales	268,8	218,3	226,2	199,4	195,0	179,8	158,2	139,1	122,5	115,0
Net income	49,7	11,8	18,9	15,4	21,5	21,4	21,6	15,0	12,1	10,7
System orders	31	30	27	27	29	30	28	24	16	14

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



## Investments, depreciation and financial status

### Investments and depreciation

Investments in fixed assets amounted to 6.5 (2.0) MSEK.

Depreciations on fixed assets amounted to SEK 9.9 (4.8) MSEK.

Acquisition related cash flow related to payment for the acquisition of AP&C and DiSanto, amounted to 201.7 MSEK. See further information in Note 1.

## Financial status

Cash and cash equivalents at the end of the period amounted to 281.0 (153.9) MSEK. Cash includes 5.0 (6.0) MSEK which the company disposes and operates for the two FP7 programs. The Group has no bank financing. All figures relates to the Group. Operating cash flow for the period was negative, and the company has a strong cash position and a very strong equity ratio.

## Development work in close cooperation with customers

The company's development work is focused on fulfilling the very high standards expected within the aerospace and orthopedic implant industries. The work is often done in close collaboration with leading customers to match their specific system requirements.

At the end of 2013 Arcam Q20 was launched, a new generation of EBM systems for industrial manufacturing of components for the aerospace industry. Arcam Q20 is based on Arcam Q10 and has been developed in cooperation with leading companies in the aerospace industry. Arcam Q20 contains several new features for volume production, including higher productivity, higher precision and Arcam LayerQam™, a new camera based system for quality assurance of the produced components. Further, continuous improvements are made to the EBM systems to increase productivity and reliability. This increases the technology's competitiveness in comparison with conventional manufacturing methods.

Arcam is active in several international research collaborations in Europe and in the US, some of them in a leading role. The co-operations aim to further develop Arcam's core technology and also to develop new materials and applications for the EBM technology. An example is the co-operation with Oak Ridge National Labs (ORNL), where Arcam together with ORNL conducted a project to develop parameters for Inconel, a nickel-based alloy, for use in the Arcam EBM systems.

Another example is the two EU-financed projects which Arcam led through the Seventh Framework Program (FP7). The *FastEBM* project, aims to develop Arcam's EBM technology for significant higher power and thus build rate and the *HiResEBM* project, aims to develop Arcam's EBM technology for higher beam quality. The work in the FP7 projects has resulted in two important patent applications covering technology for EBM systems with higher power than today's systems.

## Staff

The number of employees in the group at the end of the period is 233 (64) persons.

## Arcam share

Arcam's largest shareholders as of September 30 are:

<b>Owner</b>	<b>Shares</b>	
STIFTELSEN INDUSTRIFONDEN	2 873 808	15,40%
OPPENHEIMER GLOB OPPORTUNITY FUND	1 200 000	6,43%
STATE STREET BANK & TRUST COM., BOSTON	969 309	5,19%
GOLDMAN SACHS & CO, W9	834 303	4,47%
CLEARSTREAM BANKING S.A., W8IMY	530 695	2,84%
<b>Total number of shares</b>	<b>18 665 240</b>	

## Annual General Meeting (AGM) and Nomination Committee

The AGM was held on March 27, 2014 and decided to re-elect the Board members Jan-Olof Brüer, Lars Bergström, Henrik Hedlund, Anna Hultin Stigenberg and Thomas Carlström. Göran Malm was newly elected as Chairman of the Board.

In line with the Board's proposal, the AGM approved to launch a stock options program targeted at employees and business partners. The program comprises an issuance of 200 000 options.

The AGM authorized the Board to decide on the issues of new shares, convertible debentures and subscription options. The authorization covers an overall increase of the share capital not exceeding 1800 KSEK. The shares shall be issued at market stock price.

The AGM decided that the Nomination Committee shall consist of Anna Bernsten, Gunnar Ek, Rolf Ekedahl and Åsa Knutsson. Åsa Knutsson, who represents the major shareholder of the company, was elected Chairman. The other members in the Nomination Committee are independent of the company and its major shareholders. The Nomination Committee can be reached through Åsa Knutsson, [asa.knutsson@industrifonden.se](mailto:asa.knutsson@industrifonden.se).

## Accounting principles

The applied accounting principles are the same as in the Annual Report for 2013. The P&L report is from January 2014 presented based on functions. 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. New IFRS rules have not affected the Group accounting. Acquisition expenses are reported as expenses in the group but have been capitalized in the parent company.

## 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.

Arcam has developed a commercially viable product. To fully exploit the potential of the product requires a continuous development work on the application side with the aim to introduce new materials. Whilst product development is expected to provide Arcam with additional competitive advantages, it cannot be excluded that the development is delayed, either due to insufficient resources or because of unforeseen technical problems.

Arcam has in 2014 completed two major acquisitions, AP&C and DiSanto. While these two acquisitions are expected to contribute to Arcam's development it cannot be excluded that challenges in conjunction with the acquisition of the companies or a delay in leveraging the businesses of the new group may have a negative impact on Arcam's results.

Möln dal, October 17, 2014

Arcam AB (publ)  
The Board

Interim report for the quarter 4 will be published on February 5, 2015.

The Annual General Meeting for 2014 will take place on March 23, 2015.

For additional information please contact:  
Magnus René, CEO  
Telephone: +46 31 710 32 00, alt. mobile: +46 702 79 89 99,  
e-mail: magnus.rene @ arcam.com



## This is Arcam

### Operations

Arcam provides cost-efficient Additive Manufacturing solutions for production of metal components. Arcam's Electron Beam Melting (EBM<sup>®</sup>) technology offers design freedom combined with excellent material properties and high productivity. Arcam is, through our solution orientation and comprehensive product offering, an innovative partner for advanced manufacturing, primarily in the aerospace and medical industries.

Arcam provides Electron Beam Melting systems through Arcam AB in Sweden, powder metals through AP&C in Canada and implant contract manufacturing through DiSanto in the U.S.

The company is listed on Nasdaq Stockholm and the Head Office is located in Mölndal, Sweden.

### History

Arcam was established in 1997, and in 2002 the first commercial EBM system, EBM S12 was introduced. In early 2007, Arcam A2 was introduced; a system of double construction volume compared with EBM S12. In late 2009 launched Arcam A1, an EBM system adapted for the production of orthopedic implants. In early 2013 Arcam Q10 was launched, a new EBM system with a focus on the implant market. With Arcam Q10 also LayerQam was introduced, a system for quality control in production. In late 2013 Arcam launched Arcam Q20, an EBM system based on Arcam Q10 and adapted for the aerospace industry.

### Market

Arcam's market is global with customers primarily in orthopedic implants and aerospace industries that take advantage of Arcam's technology's for cost efficient manufacturing of products with advanced functionality.

### Strategy in brief

Arcam focuses on two target groups in the manufacturing industry - orthopedic implant and aerospace industries. The focus in the short to medium term is to increase machine productivity, precision and accuracy.

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

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

### Business in brief

Arcam provides Electron Beam Melting systems through Arcam AB in Sweden, powder metals through AP&C in Canada and implant contract manufacturing through DiSanto in the U.S. Arcam's EBM systems is a hub in the offering to the market with metal powders and contract manufacturing being important supplementary products, broadening our offering to the market and providing recurring sales.

<b>INCOME STATEMENT, MSEK GROUP</b>	<b>2014-07-01 2014-09-30</b>	<b>2013-07-01 2013-09-30</b>	<b>2014-01-01 2014-09-30</b>	<b>2013-01-01 2013-09-30</b>	<b>2013-01-01 2013-12-31</b>
<b>Net sales</b>	<b>90,8</b>	<b>40,4</b>	<b>201,8</b>	<b>132,5</b>	<b>199,4</b>
Cost of sales	-57,6	-26,0	-128,5	-78,3	-115,7
<b>Gross income</b>	<b>33,2</b>	<b>14,4</b>	<b>73,3</b>	<b>54,1</b>	<b>83,7</b>
Research and development expenses	-11,8	-7,9	-33,5	-24,3	-36,2
Selling, general & administrative expenses	-12,4	-5,8	-35,8	-21,9	-32,9
Other operating income and expenses	1,3	-0,1	2,4	-0,3	-0,1
<b>Operating income</b>	<b>10,3</b>	<b>0,6</b>	<b>6,5</b>	<b>7,6</b>	<b>14,5</b>
Net financial items	5,3	-0,4	13,4	0,2	0,9
Tax	22,6	0,0	22,2	0,0	-0,1
<b>Net profit for the period</b>	<b>38,2</b>	<b>0,2</b>	<b>42,1</b>	<b>7,8</b>	<b>15,4</b>
<b>Other comprehensive income</b>					
Items that can be reclassified into profit or loss					
Translation differences on foreign operations	3,8	0,4	8,3	0,1	0,0
Translation differences on hedge instruments	0,0	-	2,5	-	-2,5
<b>Other comprehensive income for the period</b>	<b>3,8</b>	<b>0,4</b>	<b>10,9</b>	<b>0,1</b>	<b>-2,5</b>
<b>Total comprehensive profit for the period</b>	<b>42,0</b>	<b>0,6</b>	<b>53,0</b>	<b>8,0</b>	<b>12,9</b>
Earnings per share, SEK	2,07	0,01	2,30	0,50	0,96
Earnings per share after dilution, SEK	2,07	0,01	2,29	0,49	0,95

**BALANCE SHEET, MSEK  
GROUP**

<b>GROUP</b>	<b>2014-09-30</b>	<b>2013-09-30</b>	<b>2013-12-31</b>
Goodwill	223,0	-	-
Other intangible fixed assets	42,7	12,3	11,2
Tangible fixed assets	52,6	1,8	1,9
Financial fixed assets	24,3	6,4	6,4
<b>Total non-current assets</b>	<b>342,7</b>	<b>20,5</b>	<b>19,5</b>
Inventory	108,8	42,5	46,7
Current receivables	128,7	54,7	64,4
Blocked funds	31,5	-	-
Cash and cash equivalents	249,5	153,9	503,3
<b>Total current assets</b>	<b>518,5</b>	<b>251,0</b>	<b>614,5</b>
<b>Total assets</b>	<b>861,2</b>	<b>271,5</b>	<b>633,9</b>
<b>Stockholders' equity &amp; liabilities</b>			
Share capital	18,7	16,7	16,7
New share issue in progress	-	-	348,0
Other reserves	679,8	331,9	321,4
Translation reserve	9,1	0,9	-1,8
Retained earnings	-89,4	-139,0	-131,5
<b>Total equity</b>	<b>618,2</b>	<b>210,5</b>	<b>552,9</b>
Other long term liabilities	66,3	-	-
Current liabilities	176,6	61,0	81,0
<b>Total equity and liabilities</b>	<b>861,2</b>	<b>271,5</b>	<b>633,9</b>
Corporate mortgages	1,6	25,0	25,0
Contingent liabilities	-	-	-

<b>CASH FLOW STATEMENT, MSEK GROUP</b>	2014-07-01	2013-07-01	2014-01-01	2013-01-01	2013-01-01
	2014-09-30	2013-09-30	2014-09-30	2013-09-30	2013-12-31
<b>Cash flow from operations before changes in working capital</b>	<b>14,9</b>	<b>2,5</b>	<b>22,4</b>	<b>12,7</b>	<b>19,3</b>
Total change in working capital	-34,6	-16,1	-39,3	3,1	9,1
<b>Cash flow from operations</b>	<b>-19,7</b>	<b>-13,6</b>	<b>-16,9</b>	<b>15,8</b>	<b>28,4</b>
Investments in intangible assets	-0,5	-0,3	-1,5	-0,9	-1,3
Investments in tangible assets	-1,2	-0,8	-5,0	-1,1	-1,4
Investments in financial assets	-	0,0	-	-5,7	-5,7
Acquired and divested operations, net	-76,3	-	-201,7	-	-
<b>Cash flow from investments activities</b>	<b>-78,1</b>	<b>-1,1</b>	<b>-208,1</b>	<b>-7,7</b>	<b>-8,4</b>
<b>Cash flow from financing activities</b>	<b>1,7</b>	<b>1,9</b>	<b>2,7</b>	<b>118,9</b>	<b>456,4</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>-96,0</b>	<b>-12,8</b>	<b>-222,3</b>	<b>127,0</b>	<b>476,4</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>377,1</b>	<b>166,7</b>	<b>503,3</b>	<b>26,9</b>	<b>26,9</b>
<b>Cash and cash equivalents at end of the period</b>	<b>281,0</b>	<b>153,9</b>	<b>281,0</b>	<b>153,9</b>	<b>503,3</b>

Cash related to the FP7 projects amounts to 5,0 MSEK end of period.

<b>EQUITY, MSEK GROUP</b>	2014-01-01	2013-01-01	2013-01-01
	2014-09-30	2013-09-30	2013-12-31
<b>Opening balance</b>	<b>552,9</b>	<b>83,6</b>	<b>83,6</b>
New share issue	360,4	122,6	122,6
New share issue in progress	-348,0	0,0	348,0
Issue expenses	0,0	-3,7	-14,2
Net profit for the period	42,1	7,8	15,4
Other comprehensive income for the period	10,9	0,1	-2,5
<b>Closing balance</b>	<b>618,2</b>	<b>210,5</b>	<b>552,9</b>

<b>BUSINESS AND FINANCIAL RATIOS GROUP<sup>1</sup></b>	2014-09-30	2013-09-30	2013-12-31
	Equity ratio %	71,8	77,5
Return on equity %	7,2	5,3	10,7
Return on capital employed %	3,3	5,3	10,7
Equity per share, SEK	33,12	12,57	12,24
Earnings per share, SEK	2,07	0,50	0,96
Earnings per share after dilution, SEK	2,07	0,49	0,95
Cash flow from operating activities per share	-0,92	1,00	1,77
Number of employees by period end	233	64	73
Number of shares by period end	18 665 240	16 741 632	16 741 632
Number of warrants by period end	465 000	628 856	628 856
Market value per share by period end	169,50	160,75	239,50

<sup>1</sup> All key ratios per share have been restated with respect to the split and have been adjusted by a factor of 4.

INCOME STATEMENT, MSEK PARENT COMPANY	2014-07-01	2013-07-01	2014-01-01	2013-01-01	2013-01-01
	2014-09-30	2013-09-30	2014-09-30	2013-09-30	2013-12-31
<b>Net sales</b>	<b>70,7</b>	<b>40,6</b>	<b>170,0</b>	<b>131,5</b>	<b>198,2</b>
Cost of sales	-40,8	-25,9	-104,2	-79,1	-116,7
<b>Gross income</b>	<b>30,0</b>	<b>14,7</b>	<b>65,8</b>	<b>52,4</b>	<b>81,5</b>
Research and development expenses	-11,6	-7,7	-32,8	-23,8	-35,4
Selling, general & administrative expenses	-6,7	-5,1	-20,7	-20,1	-28,9
Other operating income and expenses	1,3	-0,1	2,4	-0,3	-0,1
<b>Operating income</b>	<b>12,9</b>	<b>1,8</b>	<b>14,7</b>	<b>8,3</b>	<b>17,1</b>
Net financial items	6,3	-0,2	11,6	1,1	-0,5
Tax	22,8	-	22,8	-	-
<b>Net profit for the period</b>	<b>42,0</b>	<b>1,6</b>	<b>49,2</b>	<b>9,4</b>	<b>16,5</b>
<b>Other comprehensive income for the period</b>	<b>0,0</b>	<b>-</b>	<b>0,0</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive profit for the period</b>	<b>42,0</b>	<b>1,6</b>	<b>49,2</b>	<b>9,4</b>	<b>16,5</b>
Earnings per share, SEK	2,28	0,09	2,68	0,60	1,03
Earnings per share after dilution, SEK	2,27	0,09	2,67	0,59	1,02

## BALANCE SHEET, MSEK PARENT COMPANY

	2014-09-30	2013-09-30	2013-12-31
Intangible fixed assets	9,0	12,3	11,2
Tangible fixed assets	2,3	1,8	1,9
Financial assets	180,5	5,9	5,9
	<b>191,8</b>	<b>20,0</b>	<b>19,0</b>
Inventory	59,8	37,6	41,3
Current receivables	97,0	52,8	62,7
Receivables from group companies	113,1	9,3	14,6
Blocked funds	31,5	-	-
Cash and cash equivalents	239,9	152,9	500,5
	<b>541,3</b>	<b>252,6</b>	<b>619,1</b>
<b>Total assets</b>	<b>733,0</b>	<b>272,6</b>	<b>638,0</b>
<b>Stockholders' equity &amp; liabilities</b>			
Share capital	18,7	16,7	16,7
New share issue in progress	-	-	348,0
Statutory reserve	62,3	62,3	62,3
Retained earnings	537,6	133,4	130,0
<b>Total equity</b>	<b>618,6</b>	<b>212,5</b>	<b>557,1</b>
Liabilities to group companies	6,9	-	-
Current liabilities	107,5	60,1	80,9
<b>Total stockholders' equity &amp; liabilities</b>	<b>733,0</b>	<b>272,6</b>	<b>638,0</b>
Corporate mortgages	1,6	25,0	25,0
Contingent liabilities	112,1	-	-

## Note 1 – Acquisitions

### AP&C

On February 11, 2014 Arcam acquired the powder division, AP&C, from Raymor Industries Inc. Canada. The total purchase consideration was MCAD 35 divided into an initial cash payment of 20 MCAD at takeover and an additional purchase price totaling maximum MCAD 15 to be paid during 2015 and 2016, on condition that certain targets are achieved. The transaction is being financed with Arcam's existing funds.

Preliminary values for acquired assets and assumed liabilities (net assets) on the date of acquisition:

Net assets	28.3
Goodwill	153.6
Intangible fixed assets	35.2
Total purchase	217.1
Supplementary purchase consideration	-91.7
Impact of the acquisition on the Group's cash flow	125.4

Goodwill is mainly attributable to synergism, future sales growth and the knowledge of existing personnel.

### Additive Manufacturing Solutions UK Ltd

On July 1, Arcam AB acquired, through its subsidiary Arcam CAD to Metal Ltd., the agent in the UK (Additive Manufacturing Solutions UK Ltd), and will now be responsible for sales in this market themselves.

The total purchase price is estimated at 1035 KGBP, divided into an initial cash payment of 315 KGBP at access, and an additional purchase price at balance day is estimated at 720 KGBP. The additional purchase price, to be paid in 2015 and 2016, provided that certain goals are achieved, is maximized to GBP 3 MGBP.

The transaction is financed with Arcam's existing funds.

Preliminary values for acquired assets and assumed liabilities (net assets) on the date of acquisition:

Net assets	3.4
Goodwill	8.4
Total purchase	11.8
Supplementary purchase consideration	-8.2
Impact of the acquisition on the Group's cash flow	3.6

Goodwill is mainly explained by future sales growth

**DiSanto Technology Inc**

On September 2, Arcam AB acquired the strategic partner DiSanto Technology Inc. in the US. The acquisition combines Arcam EBM technology with DiSanto's full-service contract manufacturing of orthopedic implants.

The total purchase price is estimated to 12.7 MUSD, divided between a cash payment of 10.4 MUSD, an offset issue of 1.4 MUSD (current subscription payment at the sellers' redemptions of warrants of Arcam AB), and the conversion of convertible loans to DiSanto of 0.9 MUSD.  
 The transaction is financed with Arcam's existing funds.

Preliminary values for acquired assets and assumed liabilities (net assets) on date of the acquisition:

Net assets	44.5
Goodwill	44.3
Total purchase	88.8
Convertibles	-6.5
Offset share issue	-9.7
Impact of the acquisition on the Group's cash flow	72.7

Allocation of the purchase price is not completed at the report date why all the surplus value preliminarily allocated to goodwill.

## Review report

Arcam AB, corporate identity number 556539-5356

### Introduction

We have reviewed the condensed interim report for Arcam AB as at September 30, 2014 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Göteborg, October 17, 2014

Ernst & Young AB

Stefan Kylebäck  
Authorized Public Accountant