

Arcam AB

Reg no 556539-5356

Interim report January – March 2015

Continued strong growth

- Net sales increased by 72% to 111.4 (64.9) MSEK
- Operating income amounted to 2.1 (2.3) MSEK
- Net income amounted to 3.8 (3.6) MSEK
- Earnings per share amounted to 0.21 (0.20) SEK
- 9 (7) EBM systems were delivered during the period
- Order intake increased to 10 (6) EBM systems

Telephone conference with CEO Magnus René and CFO Johan Brandt
April 21, 2015 at 2.00 p.m. (CET)
The conference will be conducted in English.

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Link to presentation:

[Arcam Q1 report](#)

Continued strong growth

Arcam continues to develop rapidly and during the first quarter the growth was over 70%, of which 30% was organic growth. Sales for the first quarter grow to 111.4 MSEK and trailing twelve months sales amounts to 385.4 MSEK. Operating profit for the period amounts to 2.1 MSEK and trailing twelve months the operating profit was 19.5 MSEK. The weak operating profit in relation to the strong growth is due to increased production capacity that is not yet fully utilized. The order intake during the period was 10 EBM systems and the order book by the end of the period was 20 EBM systems.

While sales of our EBM systems continues to grow, also our acquisitions the metal powder manufacturer AP&C in Canada, and contract manufacturer DiSanto in the US grow. 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.

Business status

We received 10 new orders in the period and we see a continued strong demand, particularly from the aerospace industry. The order from GKN, which was presented in March, is an important key reference and a break through. Together with GKN we will take the next steps towards fully industrializing our EBM technology in the aerospace industry.

Sales of metal powders at AP&C continues to grow. At the end of 2014 a third powder reactor was installed and the increased capacity is a prerequisite for continued growth. During the quarter, we also invested in production equipment at AP&C in order to streamline production to meet the demand for higher volumes.

The demand for contract manufacturing was weaker around the turn of the year but production is now increasing again. During the quarter, we have received several significant new customers to the EBM part of contract manufacturing.

The growing interest and increasing knowledge of Additive Manufacturing and 3D printing gives us new customers in new industry segments. This may long term lead to a broadening of our product applications. Of the 9 systems that we shipped during the quarter the main part went to customers in the implant or the aerospace industry.

A strengthened organization

During the quarter, we strengthened our sales and support organization in the US through the recruitment of a President for the EBM business in the US. Thus, we consolidate the administration and logistics for the North American part of the EBM business to a new base in Boston.

In the UK we have inaugurated a new office in Warwick and we have strengthened our team with new employees in sales and support.

With the new local offices, we move management, customer relations and logistics closer to our customers. We can then better meet customer needs for local service.

During the quarter, we started a major expansion of our production facilities located in Mölndal. The expansion, which means that we will double our production area, will be completed in the second quarter.

The strong growth, expansion into new markets and the development of our acquisitions will require further development of the organization, both within the core business and in the subsidiaries. To continue to develop our technology and take advantages of the business situation, we have a very ambitious recruitment and growth plan.

With 20 machines in order, a stable aftermarket and a positive business situation we are prepared for a continued strong growth in 2015.

Mölndal, April 21, 2015

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 April 21, 2015 at 08.30 (CET).

Net sales, result and order intake

Net sales

Net sales for the period increased to a total of 111.4 (69.4) MSEK.

Of the total amount of sales, EBM systems and services amounted to 65.8 MSEK, sales of metal powders to 24.8 MSEK and contract manufacturing to 20.8 MSEK.

Result

Operating income for the period amounted to 2.1 (2.3) MSEK and net profit for the period amounted to 3.8 (3.6) MSEK.

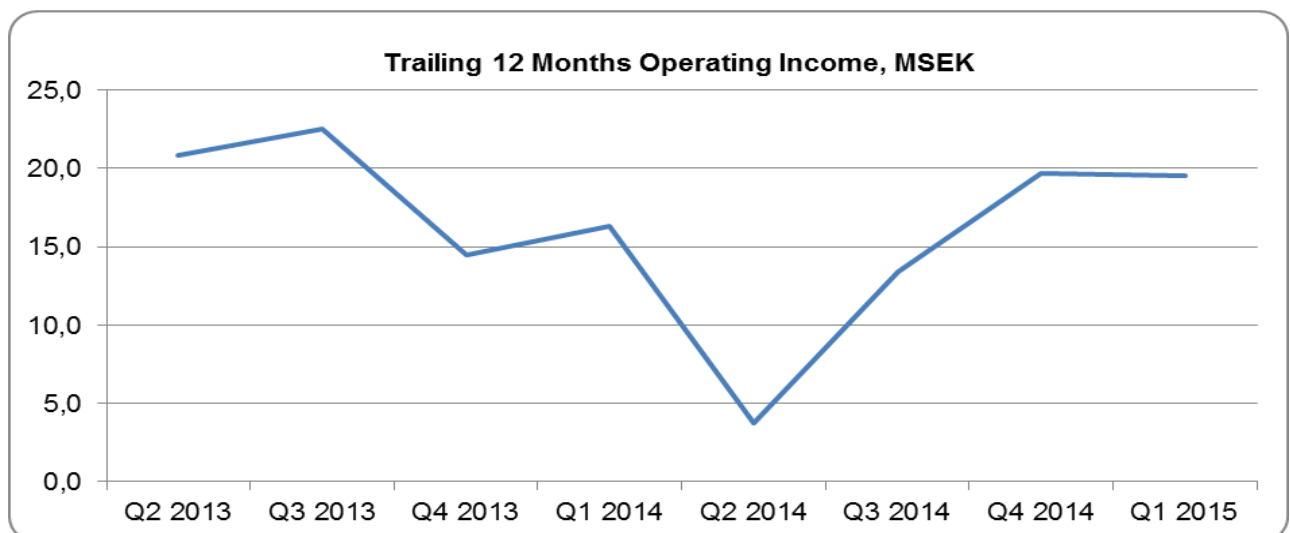
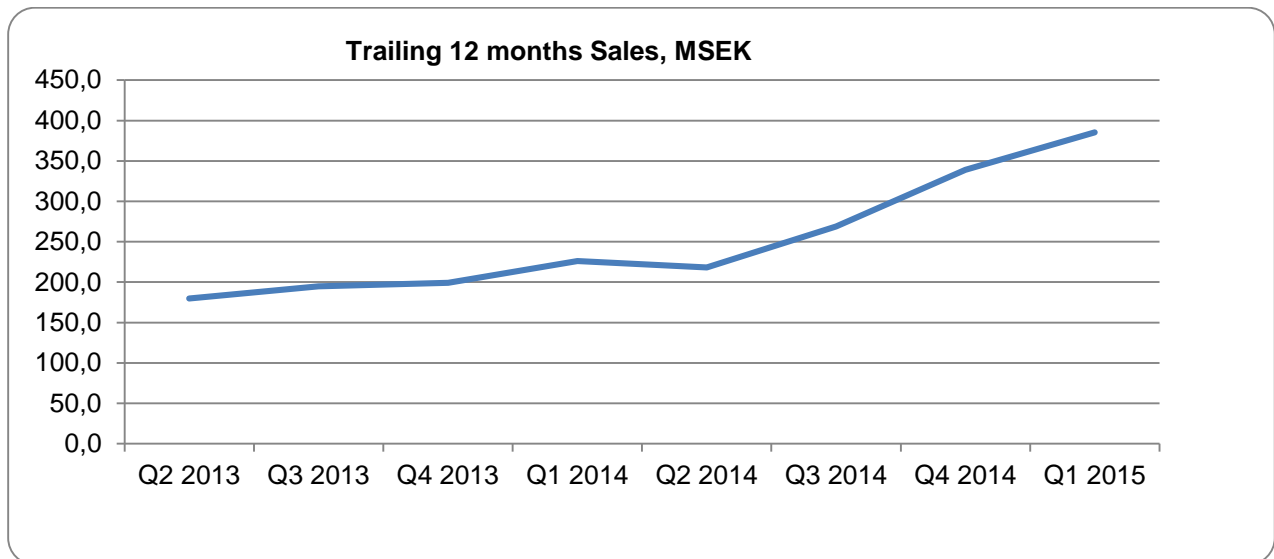
New order intake of EBM systems

During the period we booked 10 (6) new system orders for EBM systems. At the end of the period the order book was 20 (11) systems.

Amounts in MSEK

Quarterly	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net Sales	111,4	137,1	90,8	46,1	64,9	66,9	40,4	54,0	38,1
Operating income	2,1	13,2	10,3	-6,1	2,3	6,9	0,6	6,5	0,5
System orders	10	21	5	10	6	10	4	7	6
Trailing Twelve Months	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net Sales	385,4	339,0	268,8	218,3	226,2	199,4	195,0	179,8	158,2
Operating income	19,5	19,7	13,4	3,7	16,3	14,5	22,5	20,8	21,2
System orders	46	42	31	30	27	27	29	30	28

Quarterly and trailing 12-months sales, operating income and system orders.



Investments, depreciation and financial status

Investments and depreciation

Investments in fixed assets amounted to 4.4 (1.8) MSEK of which intangible amounted to 0.5 (0.4) MSEK and tangible to 3.9 (1.4) MSEK. Investments in intangible assets for the period relates to investments in patents.

The development funded by grants from the FP7 is not included in the figures above.

The amortization of intangible and tangible assets amounted to 7.2 (2.3) MSEK, of which group amortizations relating to the acquisitions amounted to 3.4 MSEK.

Acquisition related cash flow related to payment for the acquisition of AP&C amounted to 65.2 MSEK.

Financial status

Cash and cash equivalents at the end of the period amounted to 223.1 (368.1) MSEK. Cash includes 3.1 (4.8) MSEK that the company disposes and operates for the two FP7 programs.

The company has a strong cash position and a very strong equity ratio, 78%.

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.

Arcam is active in several international research collaborations in Europe, Canada 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. Efforts are underway to industrialize and implement these advances in Arcam's future products.

Staff

The number of employees in the group at the end of the period is 237 (109) persons.

Arcam share

Arcam's largest shareholders as of March 31 are:

Owner	Shares	(%)
STIFTELSEN INDUSTRIFONDEN	1 948 808	10,4%
OPPENHEIMER GLOB OPPORTUNITY FUND	1 200 000	6,4%
STATE STREET BANK & TRUST COM., BOSTON	1 036 291	5,6%
HANDELSBANKEN FONDER, UK	647 779	3,5%
CBLDN-UBS FINANCIAL SERVICES INC	634 732	3,4%
Total number of shares	18 665 240	100,0%

Annual General Meeting (AGM)

The AGM was held on March 23, 2015 and decided to re-elect the board members Göran Malm, Jan-Olof Brüer, Lars Bergström, Henrik Hedlund, Anna Hultin Stigenberg and Thomas Carlström.

Anna Malm Bernstein was newly elected as member of the board.

Göran Malm was elected as chairman of the board.

The AGM authorized the board to decide on the issues of new shares, convertible debentures and subscription options. The authorization covers and overall increase of the share capital not exceeding SEK 1 800 000. The shares shall be issued at market stock price.

The AGM decided that the Nomination Committee will consist of 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 major shareholders of the company.

Accounting principles

This report has not been reviewed.

The applied accounting principles are the same as in the Annual Report for 2013. 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.

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.

Mölnadal, April 21, 2015

Arcam AB (publ)
/The Board

Interim reports for the quarters 2, 3 and 4 will be published on:
July 21, October 21, 2015, and February 8, 2016

The Annual General Meeting for 2015 will take place on March 22, 2016.

For additional information please contact:
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This is Arcam

Operations

Arcam provides cost-efficient Additive Manufacturing solutions for production of metal components. Arcam's Electron Beam Melting (EBM[®]) 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. In 2014 Arcam acquired AP&C in Canada and DiSanto in the USA, broadening the company offering to metal powders and contract manufacturing of orthopedic implants.

Market

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

Strategy in brief

Arcam focuses on two target groups in the manufacturing industries; 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 filed 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.

INCOME STATEMENT, MSEK
GROUP

	2015-01-01 2015-03-31	2014-01-01 2014-03-31	2014-01-01 2014-12-31
Net sales	111,4	64,9	339,0
Cost of sales	-83,1	-39,1	-221,1
Gross income	28,3	25,8	117,9
Research and development expenses	-12,0	-9,6	-48,1
Selling, general & administrative expenses	-15,2	-13,7	-56,4
Other operating income and expenses	1,0	-0,3	6,3
Operating income	2,1	2,3	19,6
Net financial items	4,8	1,0	20,2
Tax	-3,1	0,3	17,3
Net profit for the period	3,8	3,6	57,1
Other comprehensive income			
Items that can be reclassified into profit or loss			
Translation differences on foreign operations	8,1	0,7	16,5
Translation differences on hedge instruments	-	2,5	2,5
Other comprehensive income for the period	8,1	3,2	19,1
Total comprehensive profit for the period	12,0	6,8	76,2
Earnings per share, SEK	0,21	0,20	3,10
Earnings per share after dilution, SEK	0,20	0,19	3,09

BALANCE SHEET, MSEK
GROUP

	2015-03-31	2014-03-31	2014-12-31
Goodwill	208,8	153,5	204,3
Other intangible fixed assets	71,1	43,4	70,9
Tangible fixed assets	65,8	15,8	61,2
Financial fixed assets	14,9	6,7	18,2
Total non-current assets	360,5	219,4	354,6
Inventory	128,4	71,7	115,4
Current receivables	128,5	82,7	142,6
Blocked funds	31,5	30,0	31,5
Cash and cash equivalents	191,6	338,1	289,6
Total current assets	480,0	522,5	579,1
Total assets	840,5	741,9	933,7
Stockholders' equity & liabilities			
Share capital	18,7	18,3	18,7
Other reserves	679,8	667,8	679,8
Translation reserve	25,4	1,5	17,3
Retained earnings	-70,6	-127,9	-74,4
Total equity	653,3	559,7	641,4
Other long term liabilities, interest bearing	6,5	-	-
Other long term liabilities, non-interest bearing	21,9	49,0	64,8
Current liabilities, interest bearing	1,3	-	-
Current liabilities, non-interest bearing	157,4	133,2	227,5
Total equity and liabilities	840,5	741,9	933,7
Corporate mortgages	1,6	-	1,6
Contingent liabilities	-	-	-

CASH FLOW STATEMENT, MSEK GROUP	2015-01-01	2014-01-01	2014-01-01
	2015-03-31	2014-03-31	2014-12-31
Cash flow from operations before changes in working capital	12,6	7,9	37,2
Total change in working capital	-41,1	-16,0	-10,5
Cash flow from operations	-28,4	-8,1	26,7
Investments in intangible assets	-0,5	-0,4	-2,2
Investments in tangible assets	-3,9	-1,4	-9,0
Supplementary purchase consideration paid	-65,2	-125,4	-200,3
Cash flow from investments activities	-69,6	-127,2	-211,5
Cash flow from financing activities	-	-	2,7
Increase/decrease in cash and cash equivalents	-98,1	-135,2	-182,2
Cash and cash equivalents at the beginning of the period	321,1	503,3	503,3
Cash and cash equivalents at end of the period	223,1	368,1	321,1

Cash related to the FP7 project amounts to 3,1 MSEK end of period.

EQUITY, MSEK GROUP	2015-01-01	2014-01-01	2014-01-01
	2015-03-31	2014-03-31	2014-12-31
Opening balance	641,4	552,9	552,9
New share issue	-	348,0	350,7
New share issue in progress	-	-348,0	-348,0
Offset issue	-	-	9,7
Net profit for the period	3,8	3,6	57,1
Other comprehensive income for the period	8,1	3,2	19,1
Closing balance	653,3	559,7	641,4

BUSINESS AND FINANCIAL RATIOS GROUP

	2015-03-31	2014-03-31	2014-12-31
Equity ratio %	77,7	75,4	68,7
Return on equity %	0,6	0,6	9,6
Return on capital employed %	1,1	0,6	6,7
Equity per share, SEK	35,0	30,5	34,4
Earnings per share, SEK	0,21	0,20	3,10
Earnings per share after dilution, SEK	0,20	0,19	3,09
Cash flow from operating activities per share	-1,52	-0,44	1,45
Number of employees by period end	237	109	228
Number of shares by period end	18 665 240	18 341 632	18 665 240
Number of warrants by period end	465 000	828 856	465 000
Market value per share by period end	158,00	197,00	145,00

INCOME STATEMENT, MSEK PARENT COMPANY	2015-01-01 2015-03-31	2014-01-01 2014-03-31	2014-01-01 2014-12-31
Net sales	76,7	63,6	277,8
Cost of sales	-48,3	-39,5	-164,7
Gross income	28,4	24,2	113,1
Research and development expenses	-11,5	-9,3	-47,1
Selling, general & administrative expenses	-8,3	-6,7	-34,0
Other operating income and expenses	-	-0,3	4,4
Operating income	8,6	7,9	36,4
Net financial items	6,3	-3,1	11,1
Tax	-3,3	-	15,8
Net profit for the period	11,5	4,8	63,3
Other comprehensive income for the period	-	-	-
Total comprehensive profit for the period	11,5	4,8	63,3
Earnings per share, SEK	0,62	0,26	3,44
Earnings per share after dilution, SEK	0,62	0,26	3,43

BALANCE SHEET, MSEK PARENT COMPANY	2015-03-31	2014-03-31	2014-12-31
Intangible fixed assets	7,9	10,4	8,4
Tangible fixed assets	2,7	1,9	2,5
Financial assets	187,7	71,3	164,4
Receivables from group companies	133,3	69,4	86,6
Total fixed assets	331,6	153,0	261,9
Inventory	70,1	45,1	67,7
Current receivables	93,8	76,0	107,7
Receivables from group companies	39,0	13,8	39,9
Blocked funds	31,5	30,0	31,5
Cash and cash equivalents	179,9	332,4	274,8
Total current assets	414,3	497,3	521,6
Total assets	746,0	650,3	783,5
Stockholders' equity & liabilities			
Share capital	18,7	18,3	18,7
Statutory reserve	62,3	62,3	62,3
Retained earnings	563,3	481,2	551,8
Total equity	644,3	561,9	632,8
Liabilities to group companies	3,1	3,6	8,1
Current liabilities, non-interest bearing	98,6	84,7	142,6
Total stockholders' equity & liabilities	746,0	650,3	783,5
Corporate mortgages	1,6	-	1,6
Contingent liabilities	65,8	-	128,8

Not 1 Acquisition

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 12.5 MUSD, divided between a cash payment of 10.2 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.

(Preliminary allocation due to non investigated tax options):

Net assets	44,2
Goodwill	22,3
Intangible fixed assets	28,2
Tangible fixed assets	5,6
Deferred tax liabilities	-12,9
Total purchase	87,5
Convertibles	-6,5
Offset share issue	-9,7
Impact of the acquisition on the Group's cash flow	71,3

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