

Arcam AB

Reg no 556539-5356

Interim report January – March 2017

Continued growth

- Net sales increased by 20.2% to 192.2 (159.9) MSEK
- Operating income amounted to 7.1 (8.9) MSEK
- Net income amounted to -1.9 (8.3) MSEK
- Earnings per share amounted to -0.09 (0.40) SEK
- 15 (14) EBM systems were delivered during the period
- Order intake increased to 8 (6) EBM systems

For the first quarter:

- An Extraordinary General Meeting was held on February 7, when a new board for the company was elected
- The company has received an unconditional shareholder contribution of 16.9 MSEK

Continued growth

The Arcam Group continues to grow and during the first quarter the increase in sales was 20%. Sales for the first quarter amounted to 192.2 (159.9) MSEK and trailing twelve month sales amounts to 680.6 (624.6) MSEK. Operating profit for the period amounts to 7,1 MSEK and trailing twelve months the operating profit is -31.6 MSEK. The operating income trailing twelve months includes non-recurring costs of 44.8 (0) MSEK, which relates to financial and legal advice, as well as costs related to an early redemption of the company's share saving program.

The EBM order intake during the period was 8 (6) EBM systems and the metal powder manufacturer AP&C increased its order intake compared to the same period 2016.

We continue to pursue and develop our long-term strategy to industrialize the EBM technology and simultaneously developing the metal powder manufacturing and contract manufacturing business. We are making significant investments to continue to meet our customers' demands and growing expectations of the EBM systems' productivity and reliability.

Business status

During the quarter, we delivered 15 EBM systems and the majority went to customers in the implant or the aerospace industry. Six systems were delivered to companies owned by our largest shareholder GE. The demand for EBM systems is driven by the aerospace industry that is now moving into production, but also by the increasing interest for Additive Manufacturing from the orthopedic industry. In the period, we received 8 new orders and the order book by the end of the quarter amounts to 18 EBM systems.

The demand of metal powder for Additive Manufacturing continues to grow rapidly. In the beginning of the year we have secured several long-term supplier agreements to important customers within the orthopedic and the aerospace industries.

DTI added new customers to the EBM part of the contract manufacturing business.

A strengthened organization

We continue to build our organization for growth and during the quarter we have strengthened our organization throughout the group. In early April 2017 Karl Lindblom joined as General Manager for Arcam EBM. We have also strengthened our sales organization within Arcam EBM in the USA, and at AP&C and DTI. At AP&C we have expanded the organization to prepare for the opening of our new metal powder manufacturing plant. The expansion of AP&C's new plant is proceeding according to plan and the new facility is expected to be completed late summer.

More than adding resources within our companies, we also now can access GE's expertise and resources, something that will help us to faster develop our technology and ability both on the EBM side and at AP&C and DTI.

With some of the world's largest companies as customers, a strong major owner with high ambitions and, most important, a team of dedicated and skilled employees, we are well positioned to take advantage of our opportunities on the fast-growing market for Additive Manufacturing.

Mölnadal, Sweden, April 21, 2017

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, 2017 at 08.30 (CET).

Net sales, result and order intake

Net sales

Net sales for the period increased to a total of 192.2 (159.9) MSEK.

Of the total amount of sales, EBm systems and services amounted to 105.2 (93.9) MSEK, sales of metal powders and other consumables to 61.0 (42.3) MSEK and contract manufacturing to 26.0 (23.7) MSEK.

Result

Operating income for the period amounted to 7.1 (8.9) MSEK and net profit for the period amounted to -1.9 (8.3) MSEK.

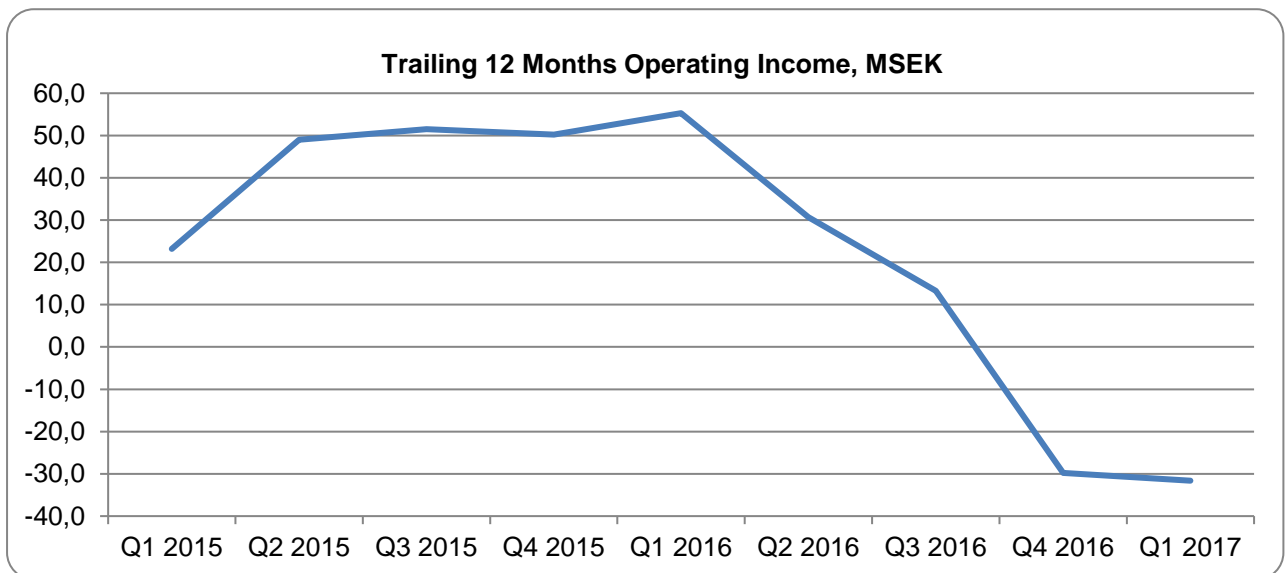
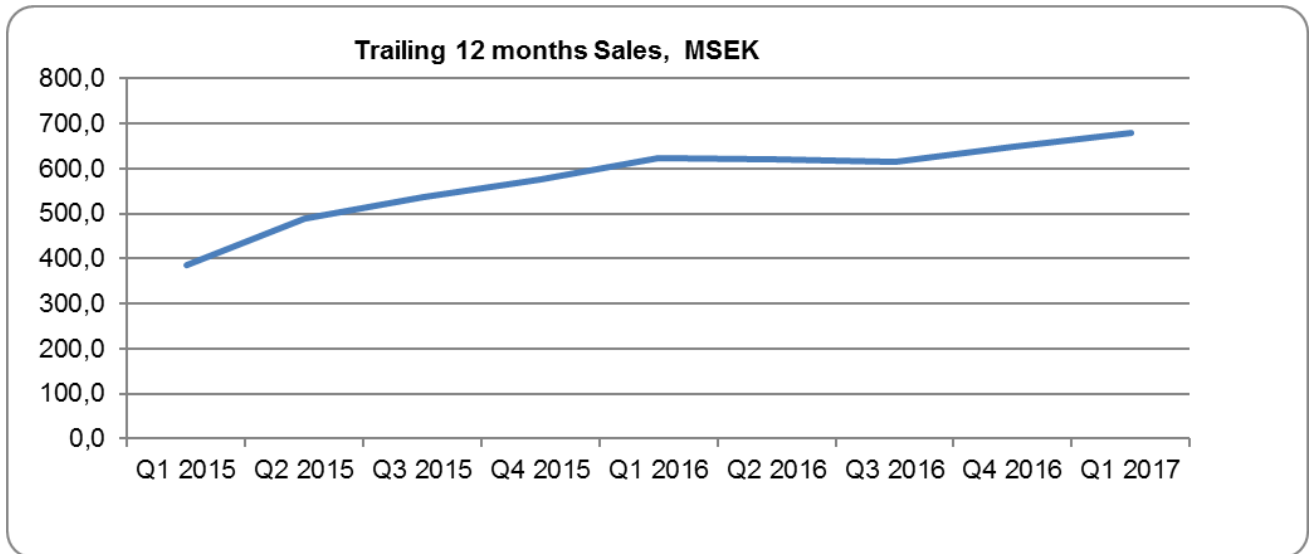
Order intake

During the period we booked 8 (6) new system orders for EBm systems. At the end of the period the order book was 18 (19) systems.

Amounts in MSEK

Quarterly	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net Sales	192,2	208,1	132,6	147,7	159,9	176,0	138,1	150,6	111,4	137,1
Operating income	7,1	-29,1	-4,8	-4,8	8,9	14,0	12,6	19,7	3,8	15,3
System orders	8	24	9	9	6	29	12	7	10	21
Trailing Twelve Months	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net Sales	680,6	648,3	616,2	621,7	624,6	576,1	537,3	490,0	385,4	339,0
Operating income	-31,6	-29,8	13,3	30,7	55,3	50,2	51,5	49,0	23,2	21,7
System orders	50	48	53	56	54	58	50	43	46	42

Quarterly and trailing 12-months sales, operating income and system orders. The operating income trailing twelve months includes non-recurring costs of 44.8 (0) MSEK, which relates to financial and legal advice, as well as costs related to an early redemption of the company's share saving program.



Investments, depreciation and financial status

Investments and depreciation

Investments in fixed assets amounted to 44.3 (8.3) MSEK of which intangible amounted to 1.0 (1.3) MSEK and tangible to 43.3 (7.0) MSEK. Investments in intangible assets for the period relates to investments in patents. Investments in tangible assets for the period relates to investments in AP&C's new powder manufacturing plant.

The amortization of intangible and tangible assets amounted to 7.7 (5.9) MSEK, of which group amortizations relating to the acquisitions amounted to 1.8 (1.7) MSEK.

Financial status

Cash and cash equivalents at the end of the period amounted to 218.0 (407.9) MSEK. Cash includes 3.1 (7.3) MSEK that the company disposes for the EU development projects.

The company maintains a strong equity ratio, 81 (83) %.

Product development and industrialization

The company's development work on the EBM technology is focused on industrialization and automatization to fulfil 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.

The development work going forward is focused on adopting the technology for industrial production environment, i.e. increased productivity and reliability. Automation and industrialization of the product range is thus highly prioritized and during the last year the Q-platform has been modernized. The EBM machines have, for example, been equipped with more powerful computing capability and automatic beam calibration. This gives increased performance in terms of both productivity and precision of the produced parts. The increased computing capacity has also enabled more advanced process monitoring and process control. The development work has resulted in new patent applications and today Arcam has around 100 granted patents spread over 60 patent families.

Arcam continues to cooperate with Oak Ridge National Lab (ORNL) to further develop the Inconel process and quality control through LayerQam.

Metal powders manufacturer AP&C conducts long-term work to develop and industrialize the Plasma Atomization technology. During the last year, progress has been made in terms of the efficiency of the Plasma technology and several of the inventions have been patented.

Arcam has in the first quarter of 2017 entered into a Joint Technology Development Agreement (JTDA,) with majority shareholder GE. Under the agreement Arcam will work together with GE to accelerate development of Arcam's technology mainly within Arcam EBM and AP&C.

Staff

The number of employees in the group at the end of the period is 385 (302) persons.

A retention plan for senior management of Arcam is offered and funded by its majority shareholder GE. GE will, through and for and on behalf of Arcam, offer Arcam's senior management to participate in a retention plan to encourage senior management to remain with Arcam. A board committee consisting of Chairman Göran Malm and Lars Bergström (the board members who are independent of GE) has approved the retention plan. The retention period will run for two years. Payment of the retention bonus will be conditional upon continued employment with Arcam during the relevant period. As part of the retention plan, senior management will enter into confidentiality, non-compete, non-solicitation and proprietary information undertakings towards Arcam.

Arcam share

Arcam's largest shareholders as of March 31 are:

Owner	Shares	(%)
GE SWEDEN HOLDING AB	15 797 577	76,1%
MERRILL LYNCH INTERNATIONAL	2 303 461	11,1%
SEB	617 013	3,0%
DNB BANK ASA, SEC LENDING	200 000	1,0%
BNYMSANV RE GCLB RE BNYM GCM CLIENT	171 879	0,8%
Total number of shares	20 746 585	

Extraordinary General Meeting (EGM)

The EGM was held on February 7, 2017 and the following decisions were taken:

The Meeting approved the GE Sweden Holdings AB's proposal to elect Carlos Härtel, Riccardo Procacci and Vandana Sriram as new Board members for the period up until the end of the next Annual General Meeting.

Hence, the Board of Directors is Göran Malm (Chairman), Lars Bergström, Carlos Härtel, Riccardo Procacci and Vandana Sriram.

The Meeting approved the GE Sweden Holdings AB's proposal that Board members who are employed by companies in GE shall not be entitled to any remuneration by the company. For the period up until the end of the next Annual General Meeting, remuneration to the Board members who continue as Board members of the company shall be paid with an amount in proportion to the time they serve as Board members up until the Annual General Meeting 2017 based on an annual remuneration of 750,000 SEK to the chairman and 450,000 SEK to each of the ordinary Board members. Further, 25,000 SEK shall be paid to each Board member per year for committee work.

Accounting principles

The applied accounting principles are the same as for the Annual Report of 2015.

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 as of January 1, 2017.

In accordance with the new guidelines from The European Securities and Markets Authority (ESMA) an analysis has been made on the alternative key figures found in the Arcam report. No changes have occurred since the alternative key figures shown are traditional and established indicators. Arcam reports alternative indicators of external reporting to more clearly describe the activities to improve comparability between reporting periods.

This report has not been reviewed by auditors.

Significant risks and uncertainties

The company sells complex systems in limited quantities. The sales process is long, and it takes 6-18 months to complete a deal. Changes in timing of transactions or deliveries may therefore have a major impact on the results for individual quarters.

The long-term development of the company is now 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 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 development is delayed, either due to insufficient resources or because of technical challenges.

The business risks and risk management of the Group and the Parent Company, along with the management of financial risks, are further described in the Annual Report for 2015.

Information policy

Arcam follows the rules for disclosure of information stipulated in NASDAQ Stockholm rules for issuers. The company publishes business events that the company believes are critical and thus affect the valuation. Orders with a value exceeding 20 MSEK will always be published.

Financial Calendar

Interim reports for the quarters 2 and 3 will be published on July 21 and October 20.

The Annual General Meeting for 2016 will take place on June 16, 2017.

Year-end report for 2017 will be published on February 6, 2018.

Mölnadal, Sweden, April 21, 2017
 Arcam AB (publ)

The Board

For additional information, please contact:

Magnus René, President & CEO

Mobile: +46 702 79 89 99, +1 781 266 6957, e-mail: magnus.rene@arcam.com

Johan Brandt, CFO & EVP

Mobile: +46 703 69 33 00, e-mail: johan.brandt@arcam.com

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 EBM in Sweden, powder metals through AP&C in Canada and implant contract manufacturing through DTI in the U.S. Arcam AB is listed on Nasdaq Stockholm and the Head Office is located in 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 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 DTI 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 EBM in Sweden, powder metals through AP&C in Canada and implant contract manufacturing through DTI in the U.S. Arcam's EBM systems is the core of 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	2017-01-01	2016-01-01	2016-01-01
	2017-03-31	2016-03-31	2016-12-31
Net sales	192,2	159,9	648,3
Cost of sales	-126,5	-111,0	-455,9
Gross income	65,7	48,9	192,4
Research and development expenses	-21,8	-16,2	-74,9
Selling, general & administrative expenses	-36,7	-22,5	-114,1
Other operating income and expenses	-0,1	-1,3	-33,2
Operating income	7,1	8,9	-29,8
Net financial items	-4,2	5,0	28,5
Tax	-4,8	-5,6	-9,5
Net profit for the period	-1,9	8,3	-10,8
Other comprehensive income			
Items that can be reclassified into profit or loss:			
Translation differences on foreign operations	-1,7	3,7	17,5
Translation differences on hedge instruments	-	-	-
Other comprehensive income for the period	-1,7	3,7	17,5
Total comprehensive profit for the period	-3,6	12,0	6,7
Earnings per share, SEK	-0,09	0,40	-0,52
Earnings per share after dilution, SEK	-0,09	0,40	-0,52

BALANCE SHEET, MSEK GROUP	2017-03-31	2016-03-31	2016-12-31
	Goodwill	206,8	194,4
Other intangible fixed assets	37,9	42,2	39,9
Tangible fixed assets	166,1	77,3	128,6
Financial fixed assets	26,1	23,6	28,5
Total non-current assets	436,9	337,5	405,4
Inventory	257,3	173,2	266,5
Current receivables	238,4	189,6	202,6
Cash and cash equivalents	218,0	407,9	317,6
Total current assets	713,7	770,8	786,6
Total assets	1 150,6	1 108,3	1 192,1
Stockholders' equity & liabilities			
Share capital	20,7	20,6	20,7
Other capital contributions	940,3	923,3	923,3
Reserves	28,9	18,5	44,9
Retained earnings	-62,3	-41,6	-60,2
Total equity	927,6	920,9	928,7
Other long term liabilities, interest bearing	1,5	3,8	1,5
Other long term liabilities, non-interest bearing	14,9	7,6	10,1
Current liabilities, interest bearing	2,8	2,5	2,9
Current liabilities, non-interest bearing	203,8	173,6	248,9
Total equity and liabilities	1 150,6	1 108,3	1 192,1

Retained earnings includes an amount of 4,1 MSEK with a payment limitation due to the fact that the parent company made a provision for the development expenditure fund.

**CASH FLOW STATEMENT, MSEK
GROUP**

	2017-01-01 2017-03-31	2016-01-01 2016-03-31	2016-01-01 2016-12-31
Cash flow from operations before changes in working capital	-0,4	12,9	17,2
Total change in working capital	-71,8	-25,5	-52,3
Cash flow from operations	-72,2	-12,6	-35,1
Investments in intangible assets	-1,0	-1,3	-4,5
Investments in tangible assets	-43,3	-7,0	-68,4
Supplementary purchase consideration paid	-	-31,4	-33,4
Cash flow from investments activities	-44,3	-39,6	-106,3
New share issue	-	-	1,6
Other	16,9	-	-2,8
Cash flow from financing activities	16,9	-	-1,2
Increase/decrease in cash and cash equivalents	-99,6	-52,2	-142,5
Cash and cash equivalents at the beginning of the period	317,6	460,2	460,2
Cash and cash equivalents at end of the period	218,0	407,9	317,6

**EQUITY, MSEK
GROUP**

	2017-01-01 2017-03-31	2016-01-01 2016-03-31	2016-01-01 2016-12-31
Opening balance	928,7	908,0	908,0
New share issue	-	-	1,6
Issue expenses	16,9	-	-
Incentive program	-14,4	0,9	12,4
Net profit for the period	-1,9	8,3	-10,8
Other comprehensive income for the period	-1,7	3,7	17,5
Closing balance	927,6	920,9	928,7

**BUSINESS AND FINANCIAL RATIOS
GROUP**

	2017-03-31	2016-03-31	2016-12-31
Equity ratio %	80,6	83,1	77,9
Return on equity %	-0,2	0,9	-1,2
Return on capital employed %	0,8	1,5	0,0
Equity per share, SEK	44,7	44,6	44,8
Earnings per share, SEK	-0,09	0,40	-0,52
Earnings per share after dilution, SEK	-0,09	0,40	-0,52
Cash flow from operating activities per share	-3,48	-0,61	-1,70
Number of employees by period end	385	302	348
Number of shares by period end	20 746 585	20 638 227	20 746 585
Number of warrants by period end	200 000	360 000	200 000
Market value per share by period end, SEK	330,00	175,50	318,00

Definitions of Business and Financial ratios are available at Arcam's website.

INCOME STATEMENT, MSEK PARENT COMPANY	2017-01-01 2017-03-31	2016-01-01 2016-03-31	2016-01-01 2016-12-31
Net sales	115,2	106,0	403,4
Cost of sales	-70,6	-68,8	-274,9
Gross income	44,6	37,2	128,5
Research and development expenses	-21,6	-15,9	-73,6
Selling, general & administrative expenses	-21,2	-12,7	-66,3
Other operating income and expenses	-	-0,6	-36,9
Operating income	1,8	8,0	-48,3
Net financial items	-0,5	6,1	13,8
Tax	-1,0	-2,9	-0,3
Net profit for the period	0,2	11,2	-34,9
Other comprehensive income for the period	-	-	-
Total comprehensive profit for the period	0,2	11,2	-34,9
Earnings per share, SEK	0,01	0,54	-1,68
Earnings per share after dilution, SEK	0,01	0,54	-1,68

BALANCE SHEET, MSEK PARENT COMPANY	2017-03-31	2016-03-31	2016-12-31
Intangible fixed assets	7,8	7,5	7,6
Tangible fixed assets	10,6	6,1	6,5
Financial assets	171,0	197,1	172,0
Receivables from group companies	347,8	203,6	316,1
Total fixed assets	537,1	414,4	502,2
Inventory	114,3	95,7	130,5
Current receivables	167,8	136,6	135,7
Receivables from group companies	46,6	25,4	39,7
Cash and cash equivalents	182,3	391,9	287,4
Total current assets	511,0	649,6	593,3
Total assets	1 048,2	1 064,0	1 095,5
Stockholders' equity & liabilities			
Share capital	20,7	20,6	20,7
Development cost reserve	4,1	-	3,5
Statutory reserve	62,3	62,3	62,3
Retained earnings	810,2	843,9	799,4
Total equity	897,4	926,9	885,9
Liabilities to group companies	9,4	11,0	8,0
Current liabilities, non-interest bearing	141,4	126,0	201,6
Total stockholders' equity & liabilities	1 048,2	1 064,0	1 095,5

Note 1 Assets pledged and contingent liabilities

MSEK

Group	2017-03-31	2016-12-31
Bank guarantees (Swedish Customs)	0,4	0,4
Bank guarantees (Customers)	8,8	7,2
Total Assets pledged	9,2	7,6
Total Contingent liabilities	-	-

Parent company

	2017-03-31	2016-12-31
Bank guarantees (Swedish Customs)	0,4	0,4
Bank guarantees (Customers)	8,8	7,2
Total Assets pledged	9,2	7,6
Warranty to OD Reality	26,1	27,3
Total Contingent liabilities	26,1	27,3