

Arcam AB (publ)

Reg. no 556539-5356

Interim report January – June 2017

Challenging market situation

- Net sales increased by 32 % to 407.0 (307.6) MSEK
- Operating income increased to 5.5 (4.1) MSEK
- Net income amounted to -19.2 (9.8) MSEK
- Earnings per share amounted to -0.93 (0.47) SEK
- 32 (28) systems were delivered in the period
- Order intake amounted to 23 (15) EBM systems

For the second quarter:

- Net sales increased to 214.8 (147.7) MSEK
- Operating income amounted to -1.6 (-4.8) MSEK
- Net income amounted to -17.3 (1.5) MSEK
- 17 (14) EBM systems were delivered in the second quarter
- Order intake amounted to 15 (9) systems

Challenging market situation

The Arcam Group continues to grow and during the first six months the increase in sales was 32%. Sales for the period increased to 407.0 (307.6) MSEK and trailing twelve month sales amounts to 747.7 (621.7) MSEK. Operating income for the period was 5.5 (4.1) MSEK and trailing twelve months operating income amounts to -28.4 (30.7) MSEK.

In the first 6 months, we delivered 32 (28) EBM systems. The last twelve months we thus delivered 57 systems.

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 invest significantly in technology, marketing and manufacturing capacity to meet our customers' demands and growing expectations on productivity and reliability.

Business status

During the period, we delivered 32 EBM systems. The demand for EBM systems is driven by the aerospace industry that is now moving into production, and by the increasing interest for Additive Manufacturing from the orthopedic industry. However, the customers are still hesitant launching large manufacturing projects. We believe that increased product maturity as well as new application areas will drive more production interest.

The growth in the period is due to the interest from our largest shareholder GE, in EBM systems for test and evaluation. In the period the order intake from GE was 12 EBM systems and 16 systems were delivered to GE.

In the period, we received 23 new orders and the order book by the end of the quarter amounts to 16 EBM systems.

The demand of metal powder for Additive Manufacturing continues to grow rapidly. We continue to secure long-term supply agreements to important customers within the orthopedic and the aerospace industries.

DTI is increasingly active on the market and continue adding new customers and projects to the EBM part of the contract manufacturing business. However, the business continues to be burdened by weak sales for implants made with traditional technology the conventional part of manufacturing was weak in the period. Hence, we have in the period written down the parent company holding in DTI with 35 MSEK. This has no effect on the consolidated numbers for the group.

Growing organization

We continue to build our organization 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 in September. With the new facility, we will potentially more than double our capacity for titanium powder atomization.

More than adding resources within our companies, we now also 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 majority 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 market for Additive Manufacturing.

Mölnadal, Sweden, July 21, 2017

Magnus René,
President & CEO

This information is information that Arcam AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation 596/2014 and the Securities Markets Act (2007:528). The information was submitted for publication, through the agency of the contact person set out above, at 8.30 CET on July 21, 2017.

Net sales, result and order intake

Net sales

Net sales for the period increased to 407.0 (307.6) MSEK. Of the total amount of sales, EBM systems and services amounted to 244.0 (180.8) MSEK, sales of metal powders and consumables to 120.1 (79.9) MSEK and contract manufacturing to 42.9 (46.9) MSEK.

In the second quarter, net sales increased to 214.8 (147.7) MSEK. Of the total amount of sales, EBM systems and services amounted to 138.8 (86.9) MSEK, sales of metal powders and consumables to 59.1 (37.6) MSEK and contract manufacturing to 16.9 (23.2) MSEK.

Results

Operating income for the period increased to 5.5 (4.1) MSEK and operating income for the second quarter amounted to -1.6 (-4.8) MSEK.

Net income for the period amounted to -19.2 (9.8) MSEK and net income for the second quarter amounted to -17.3 (1.5) MSEK.

The difference between operating and net income is due to recalculation of intercompany loans after change in currency exchange rates.

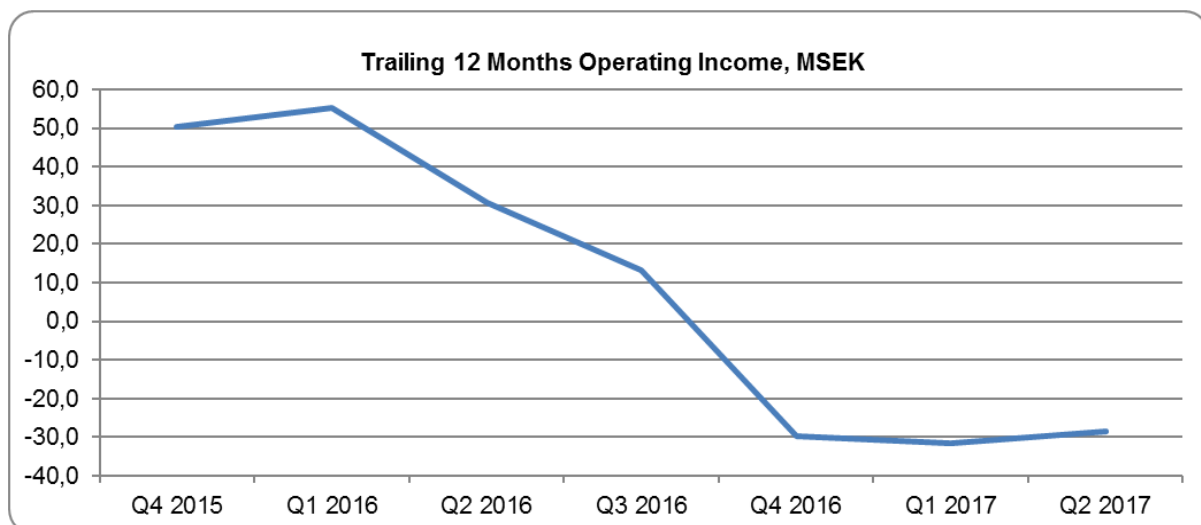
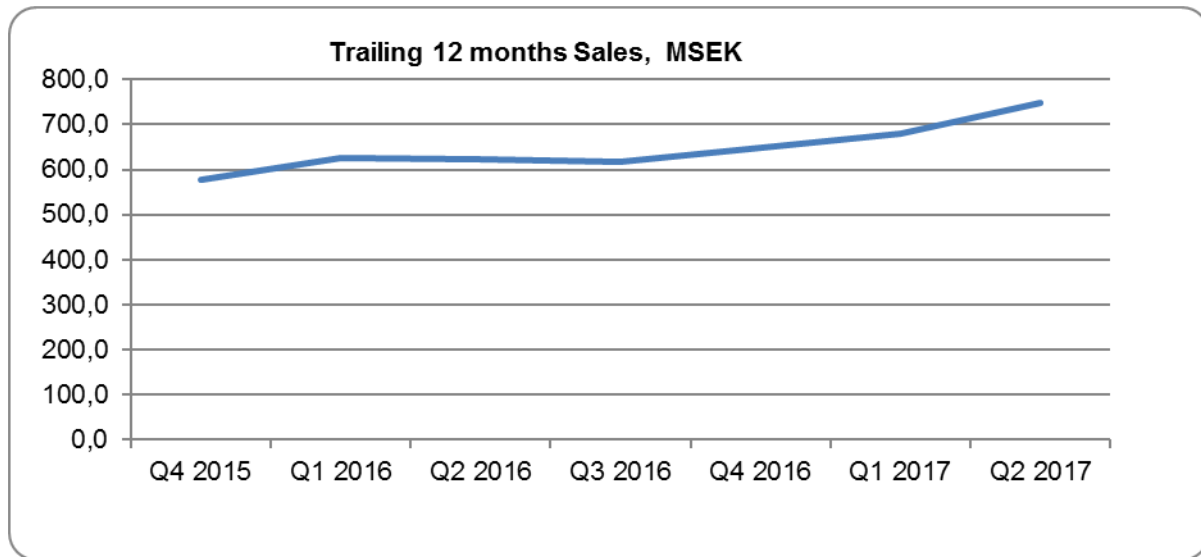
Order intake of EBM systems

During the period, we booked 23 (15) new orders for EBM systems. At the end of the period the order book consists of 16 (14) systems.

Amounts in MSEK

Quarterly	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net Sales	214,8	192,2	208,1	132,6	147,7	159,9	176,0	138,1	150,6	111,4
Operating income	-1,6	7,1	-29,1	-4,8	-4,8	8,9	14,0	12,6	19,7	3,8
System orders	15	8	24	9	9	6	29	12	7	10
Trailing Twelve Months	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net Sales	747,7	680,6	648,3	616,2	621,7	624,6	576,1	537,3	490,0	385,4
Operating income	-28,4	-31,6	-29,8	13,3	30,7	55,3	50,2	51,5	49,0	23,2
System orders	56	50	48	53	56	54	58	50	43	46

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 122.6 (27.9) MSEK of which intangible amounted to 2.5 (1.7) MSEK and tangible to 120.1 (26.2) 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 16.1 (12.4) MSEK, of which group amortizations relating to acquisitions amounted to 3.6 (3.3) MSEK.

Financial status

Cash and cash equivalents at end of period amounted to 136.6 (419.7) MSEK. Cash includes 3.2 (6.2) MSEK that the company disposes EU funded projects.

The company maintains a strong equity ratio, 76 (82) %.

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 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 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 422 (321) persons.

Arcam share

Arcam's largest shareholders as of June 30 are:

Owner	Shares	(%)
GE SWEDEN HOLDING AB	15 797 577	76,1%
MERRILL LYNCH INTERNATIONAL	2 525 402	12,2%
UBS AG London Branch	654 326	3,2%
JP MORGAN SECURITIES	219 337	1,1%
JP MORGAN CHASE	217 000	1,0%
Total number of shares	20 746 585	

Annual General Meeting (AGM)

The AGM was held on June 16, 2017 and the following decisions were taken:

Resolution regarding dividend

The company had received a proposal from shareholders representing more than one tenth of all the shares in the company to distribute profits in accordance with Chapter 18, Section 11, of the Swedish Companies Act. It was concluded that since the company made a loss for the financial year 2016 the pre-conditions for making a distribution as per the proposal was not fulfilled. Accordingly, it was resolved, in line with the Board of Directors proposal, that the funds at the disposal of the Annual General Meeting were carried forward and consequently that no distribution of profit was to be made.

Resolution regarding adoption of income statement and balance sheet

The Annual General Meeting resolved to adopt the income statement and balance sheet for Arcam AB (publ) submitted by the Board of directors, as well as the consolidated income statement and consolidated balance sheet.

Resolution concerning discharge from liability for the members of the Board of Directors and the CEO

Shareholders representing a majority of the shares in the company voted for discharging the members of the Board of Directors and the company's CEO from liability for the financial year 2016. However, shareholders representing more than one tenth of all the shares in the company voted against discharging the members of the Board of Directors and the company's CEO from liability for the financial year 2016.

Resolutions regarding election of board, auditor and fees

The Annual General Meeting resolved in accordance with the proposals by the majority shareholder, GE Sweden Holdings AB, to re-elect Göran Malm, Lars Bergström, Carlos Härtel, Riccardo Procacci and Vandana Sriram as directors of the Board of Directors for the period up until the end of the next Annual General Meeting and that Göran Malm is re-elected as the chairman of the Board of Directors.

The Annual General Meeting resolved in accordance with the proposals by the majority shareholder, GE Sweden Holdings AB, that directors who are employed by companies in the General Electric Company group shall not be entitled to any remuneration by the company. For the period up until the end of the next Annual General Meeting, the remuneration to the chairman of the Board of Directors shall amount to SEK 750,000 and the remuneration to each other director shall amount to SEK 450,000. Further, SEK 25,000 shall be paid to each director per year for committee work.

The Annual General Meeting further resolved to elect Ernst & Young as auditor for the period until the end of the next Annual General Meeting.

Resolution on guidelines for remuneration to senior management

The Annual General Meeting approved the Board's proposed guidelines for remuneration to senior management. The guidelines are available on the company's webpage www.arcamgroup.com.

Resolution on authorization to the Board of Directors to resolve on rights issues

The Annual General Meeting resolved to authorize the Board of Directors to, on one or more occasions before the next Annual General Meeting, resolve on issues of shares with pre-emption rights for the company's shareholders (rights issues). The aggregate increase in the share capital under the authorization shall not exceed SEK 5,000,000.

Accounting principles

The applied accounting principles are the same as for the Annual Report of 2016.

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 2016. The report is available on the company's webpage www.arcamgroup.com.

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 report for the third quarter will be published on October 20.

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

Mölnadal, Sweden, July 21, 2017

Arcam AB (publ)

The Board

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This is Arcam

Arcam brings together best-in-class additive manufacturing systems, the highest quality materials, and real-world production expertise, changing the way manufacturers conceive and produce metal components. Together we use our collective knowledge to inspire and disrupt conventional thinking. Through our solution orientation Arcam is 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 has headquarter functions based in Sweden and in the U.S. and is listed on Nasdaq Stockholm.

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.

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.

**INCOME STATEMENT, MSEK
GROUP**

	2017-04-01 2017-06-30	2016-04-01 2016-06-30	2017-01-01 2017-06-30	2016-01-01 2016-06-30	2016-01-01 2016-12-31
Net sales	214,8	147,7	407,0	307,6	648,3
Cost of sales	-143,8	-107,7	-270,3	-218,7	-455,9
Gross income	71,0	40,0	136,7	88,9	192,4
Research and development expenses	-26,4	-18,0	-48,2	-34,2	-74,9
Selling, general & administrative expenses	-42,8	-27,6	-79,5	-50,1	-114,1
Other operating income and expenses	-3,5	0,8	-3,6	-0,5	-33,2
Operating income	-1,6	-4,8	5,5	4,1	-29,8
Net financial items	-14,2	10,3	-18,4	15,3	28,5
Tax	-1,4	-4,0	-6,2	-9,6	-9,5
Net profit for the period	-17,3	1,5	-19,2	9,8	-10,8
Other comprehensive income					
Items that can be reclassified into profit or loss					
Translation differences on foreign operations	-5,3	7,0	-7,0	10,7	17,5
Translation differences on hedge instruments	-	-	-	-	-
Other comprehensive income for the period	-5,3	7,0	-7,0	10,7	17,5
Total comprehensive profit for the period	-22,6	8,5	-26,2	20,5	6,7
Earnings per share, SEK	-0,84	0,07	-0,93	0,47	-0,52
Earnings per share after dilution, SEK	-0,84	0,07	-0,93	0,47	-0,52

**BALANCE SHEET, MSEK
GROUP**

	2017-06-30	2016-06-30	2016-12-31
Goodwill	200,7	201,0	208,4
Other intangible fixed assets	35,7	41,9	39,9
Tangible fixed assets	232,3	91,2	128,6
Financial fixed assets	22,7	22,1	28,5
Total non-current assets	491,5	356,2	405,4
Inventory	281,5	207,2	266,5
Current receivables	286,4	155,5	202,6
Cash and cash equivalents	136,6	419,7	317,6
Total current assets	704,5	782,4	786,6
Total assets	1 196,0	1 138,6	1 192,1
Stockholders' equity & liabilities			
Share capital	20,7	20,7	20,7
Other reserves	940,3	923,3	923,3
Translation reserve	23,6	28,1	44,9
Retained earnings	-79,7	-39,7	-60,2
Total equity	904,9	932,5	928,7
Other long term liabilities, interest bearing	0,1	2,6	1,5
Other long term liabilities, non-interest bearing	37,7	8,2	10,1
Current liabilities, interest bearing	2,6	2,6	2,9
Current liabilities, non-interest bearing	250,7	192,8	248,9
Total equity and liabilities	1 196,0	1 138,6	1 192,1

INCOME STATEMENT, MSEK PARENT COMPANY	2017-04-01 2017-06-30	2016-04-01 2016-06-30	2017-01-01 2017-06-30	2016-01-01 2016-06-30	2016-01-01 2016-12-31
Net sales	157,8	95,6	273,0	201,6	403,4
Cost of sales	-90,0	-67,4	-160,6	-136,1	-274,9
Gross income	67,8	28,2	112,4	65,5	128,5
Research and development expenses	-25,3	-17,5	-46,9	-33,5	-73,6
Selling, general & administrative expenses	-21,5	-15,9	-42,7	-28,6	-66,3
Other operating income and expenses	-2,0	1,0	-2,0	0,4	-36,9
Operating income	19,0	-4,2	20,8	3,7	-48,3
Net financial items	-45,4	-16,6	-46,0	-10,4	13,8
Tax	-2,1	-2,1	-3,1	-5,0	-0,3
Net profit for the period	-28,5	-22,9	-28,3	-11,7	-34,9
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive profit for the period	-28,5	-22,9	-28,3	-11,7	-34,9
Earnings per share, SEK	-1,37	-1,11	-1,36	-0,57	-1,68
Earnings per share after dilution, SEK	-1,37	-1,10	-1,36	-0,56	-1,68

BALANCE SHEET, MSEK PARENT COMPANY	2017-06-30	2016-06-30	2016-12-31
Intangible fixed assets	8,3	7,6	7,6
Tangible fixed assets	10,9	6,7	6,5
Financial assets	182,4	167,3	172,0
Receivables from group companies	387,4	234,8	316,1
Total fixed assets	589,1	416,3	502,2
Inventory	109,2	108,1	130,5
Current receivables	210,2	104,4	135,7
Receivables from group companies	62,8	31,7	39,7
Cash and cash equivalents	70,0	394,5	287,4
Total current assets	452,2	638,6	593,3
Total assets	1 041,3	1 055,0	1 095,5
Stockholders' equity & liabilities			
Share capital	20,7	20,7	20,7
Development cost reserve	5,2	-	3,5
Statutory reserve	62,3	62,3	62,3
Retained earnings	780,6	823,3	799,4
Total equity	868,9	906,3	885,9
Liabilities to group companies	18,3	11,6	8,0
Current liabilities, non-interest bearing	154,1	137,1	201,6
Total stockholders' equity & liabilities	1 041,3	1 055,0	1 095,5

CASH FLOW STATEMENT, MSEK GROUP	2017-04-01	2016-04-01	2017-01-01	2016-01-01	2016-01-01
	2017-06-30	2016-06-30	2017-06-30	2016-06-30	2016-12-31
Cash flow from operations before changes in working capital	-4,2	11,7	-4,6	24,6	17,2
Total change in working capital	-25,6	19,4	-97,3	-6,1	-52,3
Cash flow from operations	-29,8	31,1	-102,0	18,5	-35,1
Investments in intangible assets	-1,5	-0,4	-2,5	-1,7	-4,5
Investments in tangible assets	-76,8	-19,2	-120,1	-26,2	-68,4
Supplementary purchase consideration paid	0,0	0,0	0,0	-31,4	-33,4
Cash flow from investments activities	-78,3	-19,7	-122,6	-59,3	-106,3
New share issue	0,0	1,6	0,0	1,6	1,6
Other	26,7	-1,3	43,6	-1,3	-2,8
Cash flow from financing activities	26,7	0,3	43,6	0,3	-1,2
Increase/decrease in cash and cash equivalents	-81,4	11,7	-180,9	-40,4	-142,5
Cash and cash equivalents at the beginning of the period	218,0	407,9	317,6	460,2	460,2
Cash and cash equivalents at end of the period	136,6	419,7	136,6	419,7	317,6

EQUITY, MSEK GROUP	2017-01-01	2016-01-01	2016-01-01
	2017-06-30	2016-06-30	2016-12-31
Opening balance	928,7	908,0	908,0
New share issue	-	1,6	1,6
Shareholders contribution	16,9	-	-
Incentive program	-14,4	2,3	12,4
Net profit for the period	-19,2	9,8	-10,8
Other comprehensive income for the period	-7,0	10,7	17,5
Closing balance	904,9	932,5	928,7

BUSINESS AND FINANCIAL RATIOS GROUP	2017-06-30	2016-06-30	2016-12-31
	Equity ratio %	75,7	81,9
Return on equity %	-2,1	1,1	-1,2
Return on capital employed %	0,7	2,1	0,0
Equity per share, SEK	43,6	44,9	44,8
Earnings per share, SEK	-0,93	0,47	-0,52
Earnings per share after dilution, SEK	-0,93	0,47	-0,52
Cash flow from operating activities per share	-4,91	0,89	-1,70
Number of employees by period end	422	321	348
Number of shares by period end	20 746 585	20 746 585	20 746 585
Number of warrants by period end	0	200 000	200 000
Market value per share by period end, SEK	335,50	216,50	318,00

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

Note 1 Assets pledged and contingent liabilities

MSEK

Group	2017-06-30	2016-12-31
Bank guarantees (Swedish Customs)	0,4	0,4
Bank guarantees (Other)	10,8	7,2
Total Assets pledged	11,2	7,6
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Total Contingent liabilities	-	-

Parent company	2017-06-30	2016-12-31
Bank guarantees (Swedish Customs)	0,4	0,4
Bank guarantees (Other)	10,8	7,2
Total Assets pledged	11,2	7,6
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Warranty to OD Reality	24,0	27,3
Total Contingent liabilities	24,0	27,3