Annual Report 2004

SINGULUS TECHNOLOGIES

Focus on New Technologies

Preliminary version

SINGULUS

SINGULUS TECHNOLOGIES - Smart Solutions to Drive the Future

SINGULUS TECHNOLOGIES is the only global manufacturer of CD and DVD replication systems to offer a comprehensive line of optical disc manufacturing processes. The company has the entire value-added chain of supply at its disposal and is world market leader in the critical areas of mastering and DVD replication. The company's global market share for CD and DVD production equipment approached almost 65 % in 2004, its mastering share was even greater.

The company's core competence is "vacuum thin film technology". This is a process by which thin layers of material, often measured in nanometers, are applied in a vacuum by means of cathode deposition.

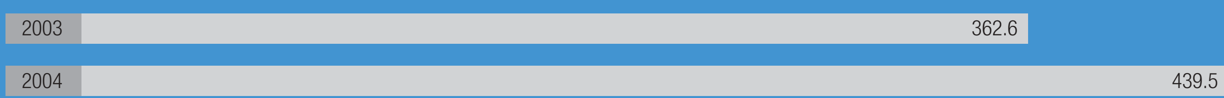
We view ourselves as a growth company. Within this context, the company intensified its search in 2002 for new key applications in vacuum thin film technology. Two new business sectors have been developed in the interim, each with the potential to become an independent growth entity:

- TMR thin film coating machines for MRAM. MRAM is expected to become the standard technology for new semiconductor storage for the next generation of computers.
- Optical coating applications, i.e., automated machines for the inline coating of ophthalmic lenses and other optical substrates.

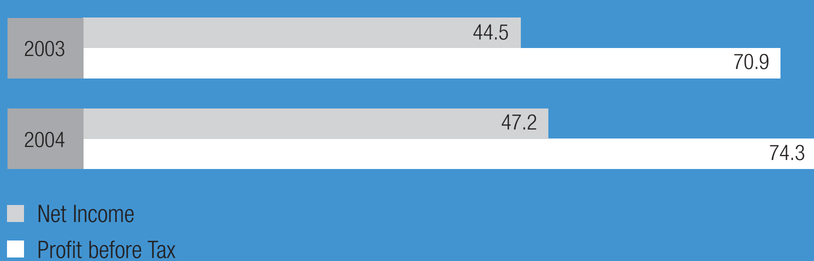
The company considers itself well-equipped for the future due to its technological core competence and the opportunities presented by the emerging HD DVD and Blu-ray third generation optical discs. The expansion into new business sectors will provide the organization with still further momentum. SINGULUS TECHNOLOGIES' mid-term focus remains targeted on growth and solid earnings.

At a Glance

Gross Revenues (in million €)



Financial Result (in million €)



EBIT (in million €)

Earnings per Share (in €)

Key Figures

Consolidated financial statements for 2000 through 2002 were drawn up in accordance with the US GAAP accounting standards, while those for 2003 and 2004 were calculated in accordance with International Financial Reporting Standards (IFRS).

		2000 US GAAP	2001 US GAAP	2002 US GAAP	2003 IFRS	2004 IFRS
Gross revenues	million €	375.7	225.5	290.6	362.6	439.5
Order intake	million €	331.7	212.0	293.3	382.7	417.6
Order backlog (31.12.)	million €	158.1	55.7	58.5	90.4	56.7
EBIT	million €	93.4	40.2	52.7	68.4	73.0
Profit before tax	million €	94.7	42.5	54.5	70.9	74.3
Net income	million €	48.7	27.9	36.6	44.5	47.2
Operating cash flow	million €	14.8	16.3	20.9	18.4	49.2
Net equity	million €	106.5	135.4	181.6	227.1	249.6
Equity ratio	%	53.4	72.2	69.0	69.4	65.7
Total assets	million €	199.3	187.7	263.3	327.0	380.1
Research & Development	million €	9.0	8.3	16.2	16.3	22.8
Number of employees (31.12.)		319	367	502	599	736
Weighted average shares outstanding, basic		36,321,312	36,361,342	36,792,112	36,986,738	36,769,485
Weighted average shares outstanding, diluted		37,548,000	37,941,709	38,589,372	36,986,738	36,769,485
Year-end closing price	€	36.00	31.50	12.52	16.70	12.90
Earnings per share	€	1.35	0.77	0.99	1.20	1.28

Company Calendar 2005

24.03.05	Annual Press / Analyst Conference Commerzbank Frankfurt/Main
04.05.05	Quartely Report 01/2005
30.05.05	Annual Shareholders` Meeting, Deutsche Bank, Hermann-Josef-Abs Saal, Frankfurt/Main
02.08.05	Quartely Report 02/2005
07.11.05	Quartely Report 03/2005

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Notable Events in 2004.

1 January

- SINGULUS TECHNOLOGIES secures key position for future technologies: Acquisition of ODME Mastering and MoldPro injection molding technology from OTB finalized
- SINGULUS TECHNOLOGIES announces preliminary (unaudited) figures for 2003

2 February

- Betasite testing of the new STREAMLINE II begins

3 March

- The company participates in the Recording Media Expo 2004 held in New Delhi, India
- SINGULUS TECHNOLOGIES announces final figures for 2003

4 April

- SINGULUS TECHNOLOGIES introduces MRAM technology at the Semicon Europe in Munich

5 May

- The new inline coating technology for ophthalmic lenses is introduced at the Mido in Milan, Italy
- Figures for the first quarter are published on May 5
- The Annual Shareholders' Meeting is held on May 13 at 10:30 AM in the Hermann-Josef-Abs hall of Deutsche Bank, Frankfurt/Main
- SINGULUS TECHNOLOGIES introduces two new DVD replication lines at the MEDIA-TECH Expo 2004 in Frankfurt/Main: the SPACELINE II for DVD and the STREAMLINE II for DVD-R; the Eindhoven-based SINGULUS MASTERING subsidiary also exhibits its new mastering systems for the first time
- An Analyst/Investor meeting with over 60 participants is also held at the MEDIA-TECH Expo

6 June

- On June 25, the company announces the departure of COO Dr. Wollermann-Windgasse

7 July

- SINGULUS TECHNOLOGIES introduces MRAM technology at the U.S. Semicon, the world´s largest semiconductor trade show

8 August

- Figures for the 2nd quarter are published on August 2. The company reports growth in order intake for DVD formats
- The MEDIA-TECH Showcase and Conference in Los Angeles, USA begins on August 31

9 September

- SINGULUS TECHNOLOGIES exhibits at the Semicon semiconductor trade show in Taiwan

10 October

- On October 6, SINGULUS TECHNOLOGIES begins the share buyback authorized at the Annual Shareholders' meeting
- SINGULUS TECHNOLOGIES issues a press release announcing a sustained order boom for DVD lines

11 November

- SINGULUS TECHNOLOGIES announces delivery of the 1200th EMOULD injection molding machine since the SINGULUS EMOULD subsidiary's inception
- 3rd Quarter results show marked growth in revenues and EBIT! Order intake declines slightly
- SINGULUS TECHNOLOGIES plans a new manufacturing facility for MoldPro injection molding machines in Switzerland
- A Blu-ray cooperation agreement is signed with Sony, Japan

12 December

- SINGULUS TECHNOLOGIES exhibits at the Semicon semiconductor show in Tokyo, Japan
- A cooperation agreement for the development of HD DVD replication lines is finalized with Memory-Tech, Japan

Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board was regularly apprised of the course of business and the Group's situation and provided oversight for the Executive Board's leadership of the company by means of written and verbal reports. Business transactions requiring the consent of the Supervisory Board were examined, addressed with the Executive Board, and resolved.

Every member of the Supervisory Board participated in all eight Supervisory Board sessions held in fiscal 2004. In addition to current business, discussions held with the Executive Board primarily concerned corporate strategy as well as SINGULUS TECHNOLOGIES AG's competitive standing. The Supervisory Board was closely involved with new product developments as well as international business transactions. Discussions also concentrated on the functions of individual Executive Board members and their spheres of responsibility. Corporate planning and a comparison between company developments and budgetary allowances as well as the implementation of the share buyback program that was passed by resolution during the 2004 Annual Shareholders' meeting were also addressed in detail.

Supervisory Board.

Alexander von Engelhardt
Kronberg
Chairman

William Slee
London
Vice Chairman

Thomas Geitner
Cologne

The Supervisory Board also conducted in-depth reviews of the quarterly and month-end closing statements, the status of the risk management system, and internal auditing activities.

The Supervisory Board Chairman met with the Executive Board for numerous individual discussions held in addition to the Supervisory Board sessions to review the status and continued development of the company. The Supervisory Board comprises three members – an adequate representation for the size of the company. Committees are not formed for this reason. No conflicts of interest among Supervisory Board members arose during the year in report. Supervisory Board interaction was characterized by efficiency and professional competence.

In 2003, the Supervisory Board developed methods of self-evaluation which were first implemented at the beginning of fiscal 2004 (Art. 5.6 of the Code of Corporate Governance). Insights derived from these self-evaluations have been incorporated into current activities and the practice will be continued.

There are no deductibles for the D&O insurance taken out for members of the Supervisory and Executive Board. The D&O insurance premiums for the Supervisory and Executive Boards are paid by each board member and not by the company. Responsible conduct is a self-evident obligation for the Supervisory and Management Boards. We presume that deductibles would not heighten the motivation and engagement of the Supervisory and Executive Board members.

The stock holdings of Supervisory Board members are published in the annual report and on the internet. A detailed account can be found in the elucidations provided later in this annual report.

The Supervisory and Executive Boards jointly issued the Declaration of Conformity in accordance with Art. 161 of the Stock Corporation Act (AktG) (see the Corporate Governance section on pages 42-43).

Citing personal reasons and with Supervisory Board agreement, Dr. Wollerman-Windgasse resigned from the Executive Board on June 30, 2004.

The sitting members of the Executive Board have signed individual employment contracts with the corporation. Executive Board compensation is comprised of fixed and variable components. The variable compensatory factors include annually recurring components that are tied to the success of the company as well as some with long-term incentives and risk characteristics. The Supervisory Board considers the compensatory figures to be appropriate. They are reviewed by the Supervisory Board on a rotational basis.

The year-end financial statements for SINGULUS TECHNOLOGIES AG and the SINGULUS Group set forth by the Executive Board as well as the December 31, 2004 composite and annual status reports for SINGULUS TECHNOLOGIES AG and the SINGULUS Group were reviewed and approved without reservation by Ernst & Young AG, Certified Public Accountants, Frankfurt am Main, the auditing firm appointed at the Annual Shareholders' Meeting.

The auditor's responsibilities within the framework of the SINGULUS TECHNOLOGIES AG year-end closing included a determination of whether the monitoring system implemented by the Executive Board was capable of the timely identification of risks able to jeopardize the survival of the company. The auditor found that the Executive Board had taken the measures required by Art. 91 Par. 2 AktG and found that they were suitable for the early detection of developments capable of endangering the company's survival.

The audited year-end financial statements for SINGULUS TECHNOLOGIES AG and the SINGULUS Group, as well as the consolidated 12/31/04 status report were presented to the Supervisory Board members for examination in a timely manner. The audited financial statements and the combined status report were the subject of a financial Supervisory Board session held on March 11, 2005. The auditors attended this meeting and presented the Supervisory Board with their findings and areas of concentration. Questions posed by Supervisory Board members were answered in detail. The Supervisory Board approved the audit results presented by the auditor. No objections were raised following issuance of the Supervisory Board's final audit results. In its March 11, 2005, session, the Supervisory Board approved the SINGULUS AG annual and consolidated financial statements drawn up by the Executive Board. The SINGULUS TECHNOLOGIES AG year-end financial statement has thus been finalized. The Supervisory Board concurred with the recommendations for the utilization of earnings submitted by the Executive Board.

In recognition of the accomplishments achieved during the past year, the Supervisory Board extends its thanks and gratitude to the Executive Board and all company employees.

Kahl am Main, March 2005

Alexander von Engelhardt
Supervisory Board Chairman

Stefan A. Baustert
Chief Financial Officer

Roland Lacher
Chief Executive Officer

Klaus Hammen
Executive Vice President Marketing & Sales

Report of the Executive Board, Letter to Shareholders

Dear Shareholders,

Growth in the optical data storage market progressed as expected, primarily among DVD lines. In 2004, our global market share for prerecorded CD and DVD replication lines approached 65 %. With 255 lines delivered, prerecorded DVD replication systems became the company's strongest growth category and highest revenue-generator during the past fiscal year.

Revenues for 2004 grew by 21 % with net income up 6 % over the previous year. At the turn of the year, we found 2004 to be a year in which we once again achieved sustained growth and improved the company's profitability.

We also look to a future filled with challenges and a wealth of opportunities. New formats – the „third generation" of optical data storage – are emerging in the market. SINGULUS will introduce the first replication lines for these new formats during the first half of 2005 and again lay claim to the title "first mover" in the world of optical discs.

During the past two years, SINGULUS continued to advance its strategy. It did so first by promoting the exceptional dynamics of its core business, i.e., by providing a continued focus on the development and manufacture of high-tech optical data storage replication systems. Secondly, new products were designed to promote diversification and provide access to new growth potential.

In 2004, SINGULUS made important decisions pertaining to its core business which were designed to secure the company's future technology and market leadership. Effective January 1, 2004, the acquisition of the ODME B.V., Eindhoven, Netherlands mastering business from OTB, Netherlands was finalized. These activities were merged with our subsidiary SINGULUS OMP and the business continues worldwide under the new name SINGULUS MASTERING B.V. The new organization is the global market leader in mastering with a product portfolio superior to any competitor's. We have thus attained a key position in the development of the fundamental technology and machinery for the manufacture of third generation formats. The acquisition of the patents and rights to MoldPro injection molding technology was also finalized.

In June 2004, we introduced two new machines at the MEDIA-TECH Expo in Frankfurt, the industry's leading trade show. Industry professionals were given the opportunity to view the new SPACELINE II replication line for prerecorded DVD. This new system was not least among the machines that further strengthened our leading position in the realm of prerecorded discs. The STREAMLINE II for once-recordable DVD-R was also showcased and has enabled us to successfully reposition ourselves in the DVD-R market.

In November, we entered into a contractual agreement with SONY Japan addressing the strategic development of Blu-ray replication lines. Machines designed and built by SINGULUS to manufacture the new pre-recorded Blu-ray discs (BD-ROM), are scheduled to begin beta site production during the first half of 2005.

Just before Christmas, another cooperation agreement was signed with Memory-Tech, one of the world's largest DVD producers. This agreement addresses the development of machines to manufacture HD DVD discs. The first operational HD DVD replication systems are scheduled to be ready in the Spring of 2005. In 2005, a manufacturing facility will be built in Schaffhausen (Switzerland) for a new generation of injection molding machines based on the MoldPro concept. This manufacturing capacity will augment existing facilities and will be dedicated to the manufacture of these new injection molding machines.

In keeping with the strategic expansion of our core business, we launched a program in 2002 designed to develop additional business sectors related to our core competence in vacuum thin film technology.

Two of these new applications have since advanced to the marketing stage. The development of TMR thin film coating systems for 300 millimeter MRAM wafers for the next generation of semiconductor storage was begun in 2002. Since then, two systems have been placed in operation in our application lab. The next step is to be implemented with a strategic partner and will introduce our new product to the semiconductor industry.

Our second new business acquisition has also begun to bear fruit. Our new machine prototype for inline ophthalmic lens coating went into operation in our plant in March 2004 and the first fully functional OPTICUS machine was delivered to our key customer Rupp + Hubrach in January 2005. We will now accelerate the worldwide marketing of this revolutionary inline ophthalmic coating process.

We are convinced that these new business arenas will allow us to take advantage of growth opportunities that complement our traditional core business.

Dear shareholders. The company considers itself well-equipped for the future because of its technological core competence and the opportunities provided by the emerging generation of new HD DVD and Blu-ray optical discs. The expansion into additional business arenas will provide our organization with greater growth potential.

We will continue our systematic quest for new fields of application such as nanotechnology thin film coating processes. While we will continue to seek new avenues for external growth, the optical data storage replication line business will remain the foundation of our product line and business model.

On October 6, 2004, the SINGULUS TECHNOLOGIES Executive Board passed a resolution approved by the Supervisory Board and authorized at the May 2004 Annual Shareholders' meeting to buy back 10 % of company shares on the stock exchange. All shares acquired by the end of February 2005 have been or will be redeemed. The reduction in share capital will yield higher earnings per share.

Effective December 31, 2004, the SINGULUS TECHNOLOGIES consolidated year-end closing was first issued in accordance with the International Financial Reporting Standards (IFRS). An EU Levi dated July 19, 2002, requires all corporations with securities licensed for trade in EU countries to implement the IFRS for fiscal years as of January 1, 2005. The figures for fiscal 2003 were adjusted for comparative purposes in accordance with the requirements for initial IFRS implementation.

Although the order intake for 2005 started off sluggish, we are confident that we can steer the company so as to maintain stable earnings in the future.

Sincerely,
Kahl am Main, March 11, 2005

The Executive Board

Roland Lacher   Stefan A. Baustert   Klaus Hamnen

Those who rest will not advance.

We view ourselves as a growth company and “idea factory” for new technologies in vacuum thin film technology.

Corporate Goals and Strategy

Strategic Approach

Optical storage media (optical disc), i.e. CD and DVD, are undoubtedly included among the most important inventions of the 20th century. The audio CD began its global conquest in 1982 with CD-ROM for PC applications demonstrating very strong growth by the end of the eighties. The once-recordable CD (CD-R, "R" signifies recordable) introduced in the early nineties is used by consumers for home recording. More than 10 billion CD-Rs are now produced annually and used as a cost-effective storage medium around the world.

The 1996 introduction of the DVD for video applications paved the way for a second generation of optical discs. With dimensions identical to the CD, it provides room for 9.4 Gigabytes of information on two storage layers, a capacity expansion 14.5 times that of the CD. This permits the storage and playback of images with much higher resolution than those of the VHS and the video CD.

The triumph of the DVD in global markets was attained much faster than that of the CD and now demonstrates growth rates of 30 % in 2004. Meanwhile, studio earnings from DVD sales have surpassed movie theatre earnings. Aside from TV, the DVD has become the dominant medium in film entertainment and is likely to expand this position in the years ahead.

However, a new era is fast approaching: high definition digital television, or HDTV, has already been launched in Japan. All Japanese television stations are scheduled to convert to this new technology by 2007. Similar plans exist in the USA where the switch to HDTV is also scheduled for 2007.

In Germany preparations are now being made for the transition to digital television. In November 2004, the

German TV station SAT 1 broadcast its first digital pilot program, “The Nibelungen”. The pay-TV channel Premiere will begin broadcasting a high definiton program on November 1, 2005. The European Broadcast Union, representing 51 European stations, currently defines, and will shortly publish, production standards.

Due to its higher image resolution, anyone wishing to record HDTV broadcasts must be able to store significantly more data than the capacity available on the DVD recordable format currently in use. This represents another quantum leap: a 2-hour HDTV-format movie needs a storage capacity of approx. 25 Gigabytes as opposed to the 4-5 gigabytes currently available on the conventional DVD format.

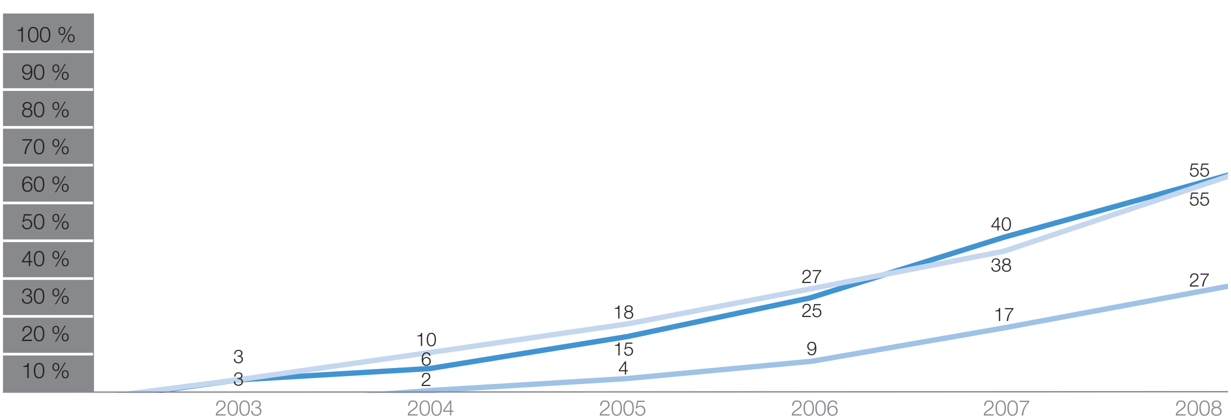
Our Goals Remain Constant

In recent years SINGULUS TECHNOLOGIES has positioned itself as a technology leader in its industry. The synergy created by integrating all the process steps into a comprehensive system has achieved not just technologic but market leadership for the company. No other manufacturer in the optical disc systems market can match the depth and breadth of the SINGULUS organization.

The „best of class“ concept, i.e., our claim to be the best in our industry, is the leitmotif for our actions. The timing advantages available to a “first mover” allow us not just to repeatedly achieve good margins in fledging markets but to establish very close contact with customers and provide extremely high standards of quality.

The success of our strategy also becomes apparent in the build-up of the third generation of optical storage media. SINGULUS TECHNOLOGIES took the first steps toward

Penetration of HDTV-units



Source: Understanding & Solutions, Feb. 2005

USA Japan Western Europe

acquiring the new format technology through the acquisition of the ODME mastering business and of the MoldPro patents from OTB, Netherlands. The cooperation agreements struck in late 2004 with the drivers of the competing HD DVD and Blu-ray formats were additional important milestones in our market penetration strategy. Development of the new HD DVD and Blu-ray formats are underway with the introduction of the systems scheduled for the 2nd quarter in 2005. The company will strive to achieve the best position possible in the emerging market for third generation data storage.

Diversification and Penetration of New Growth Markets

The optical disc market is dynamic. As market leader, SINGULUS TECHNOLOGIES stands an excellent chance to continue to profit from this vitality. However, SINGULUS is also dependent on the development of these markets whose growth potential is not without limits.

We view ourselves as a growth company and "idea factory" for new technologies in vacuum thin film technology. As a result, the strategic expansion of our business model was begun three years ago. The search for new business opportunities outside the sphere of our core operations was intensified. Our long-term plans call for the generation of strong growth extending beyond the optical data storage market.

Strict technology and acquisition search criteria have been established:

- New business sectors must be in line with SINGULUS´ existing management, market, and engineering knowledge base.
- The level of technology and innovation in the targeted business arena must be high and the fundamental technology must be distinctive. Only then will SINGULUS´ unique "time-to-market" and "first mover" qualities be effective. High market entry barriers can only be established for these types of businesses.
- The technology must be young, preferably new. Like DVD, it must have the potential to become "game changing technology" once the product has matured.
- It must be a system business that lends itself to highly standardized manufacturing. Components business, custom-tailored manufacturing of one-of-a-kind products, or pure service businesses do not fit in with our previous activities and experiences.
- The existing worldwide marketing & sales and service network should be useful to the new organization. It must have at least a long-term "global business" potential.
- Following integration in the SINGULUS world, the level of profitability must be similar to that of our intrinsic core business.

All these criteria suggest a close relationship between new options and SINGULUS' exceptional core competence: specialized machine manufacturing in the field of vacuum thin film technology. This path has led to initial results in the form of TMR (MRAM and thin film heads) and the OPTICUS thin film coating system.


TO SID
A GREAT

The DVD brings Hollywood stars into the living room - in 65 % of the time we are involved.

The entertainment industry grows constantly.

The success of a film is more frequently being determined by the DVD market than by the box office alone.

The DVD as „Game Changing Technology“ 018
DVD Changes Patterns of Consumption 019

SINGULUS as Technology Supplier for Hollywood

- the DVD as „Game Changing Technology"

A mere nine years have passed since the „digital versatile disc" (DVD) optical storage medium began its triumphant sweep through the world of film and video games. By the end of 2004, over 60 per cent of American, over 40 per cent of European, and over 20 percent of Asian households were equipped with corresponding players. Consumers will relegate the traditional video cassette to the scrap heap.

Very few anticipated this level of success. Even fewer companies had dedicated their business model on the success of DVD the way SINGULUS TECHNOLOGIES did.

When DVD was developed, some experts did not believe that the technically reliable, economical mass production of the new silver discs was possible. SINGULUS TECHNOLOGIES´ SPACELINE I, the world's first inline DVD machine, laid those doubts to rest. The company has upheld its competitive edge ever since. In 2004, 65 % of all DVD machines installed worldwide were built by SINGULUS. With 255 machines sold in 2004, we remain undefeated in first place. More than every second DVD produced around the world is manufactured on a machine "made in Kahl am Main".

Now that the success of the DVD has become self-evident, it has become more and more apparent that the new technology is significantly changing consumer electronics, particularly for movies. The DVD has become "game changing technology", an innovation that redefines markets.

DVD Changes Patterns of Consumption

Consumer electronics hardware manufacturers use the storage capacity of DVDs to achieve movie theatre effects in home theatres. The high resolution of DVD films promotes the use of large screens or projectors; the spectacular “Dolby Surround Sound” audio experience, until recently a privilege reserved for movie-goers, is now available to replace the traditional stereo sound systems.

Film makers and film studios use the capacity provided by new storage media to produce additional „bonus material“. The DVD also often includes a “making of” segment documenting the film production process. The movie trilogy “Lord of the Rings”, the most profitable DVD set in the world in 2004, has set a new benchmark. Interviews with literary experts, actors, the director, special effects and camera crews, etc., and extended versions of the three individual movies, have transformed the DVD into a special, integrated media experience.

Like the video cassette of the mid-seventies, the DVD is now changing the consumption habits of TV viewers and movie-goers alike. The emergence of the DVD has boosted film earnings, much to the amazement and delight of major film studios. A comparison of profits derived from theatre films and DVD/video cassettes in 2004, clearly favored the DVD/video cassette by a 1:2 ratio.

The high acceptance of DVDs and the enormity of the recent marketing efforts to position the discs is changing the entire landscape of movies. The DVD has given a second chance to films with budgets that would never before have permitted a cost-recouping, opening day release of hundreds or thousands of copies at all the major theatres. Director Mike Judge´s 1999 satire „Office Space“ was a box office „flop“, netting just 10 million Dollars. 20th Century Fox, the studio that originally released the film, has no explanation for the 40 million Dollars the film has since generated in additional DVD sales.

The transition in the film world can be recognized in other details as well. The American director Martin Scorsese edited the 1968 movie “Belle de jour” starring Catherine Deneuve and re-released it on DVD. Virtually unknown in the USA, this work by the Spanish master Luis Buñuel, became an overnight art house hit.

"There’s not a sector of the entertainment industry to which DVD is not a significant, if not the dominant, contributor of revenue.”

Scott Hettrick – Editor-in-Chief of the American trade journal DVD Exclusive

The success of a film is more frequently being determined by the DVD market than by the box office alone.

There is much to support the assertion that the changes set in motion by the movie markets will be advanced by the next generation of optical storage media represented by Toshiba’s HD DVD and Sony’s capacity-rich Blu-ray disc. SINGULUS TECHNOLOGIES is the preferred partner for the development of systems for this technology and “first mover” for the global business.

SINGULUS TECHNOLOGIES Stock

The Stock Market Environment

Following the clear stock gains made in 2003, the performance at the German stock market demonstrated a rather sobering decline during the first six months of 2004. The annual performance on the DAX was bolstered during the fourth quarter of 2004, posting an additional 7 % growth for the year. The TecDAX was unable to follow suit. At the beginning of fiscal 2004 the TecDAX registered 533 points and closed at 520 points by year-end, a loss of 6 %.

Worldwide, 2004 was one of the strongest economic years since the mid-seventies during which even the German economy regained some ground over the prior year. Still, investor confidence remained restrained in Germany as well as other industrialized countries. As the year progressed, it became all too apparent that the sharp rise in the price of raw materials and the weak dollar contributed to a marked uncertainty in global economic development which in turn had a detrimental effect on the stock markets.

SINGULUS TECHNOLOGIES Stock

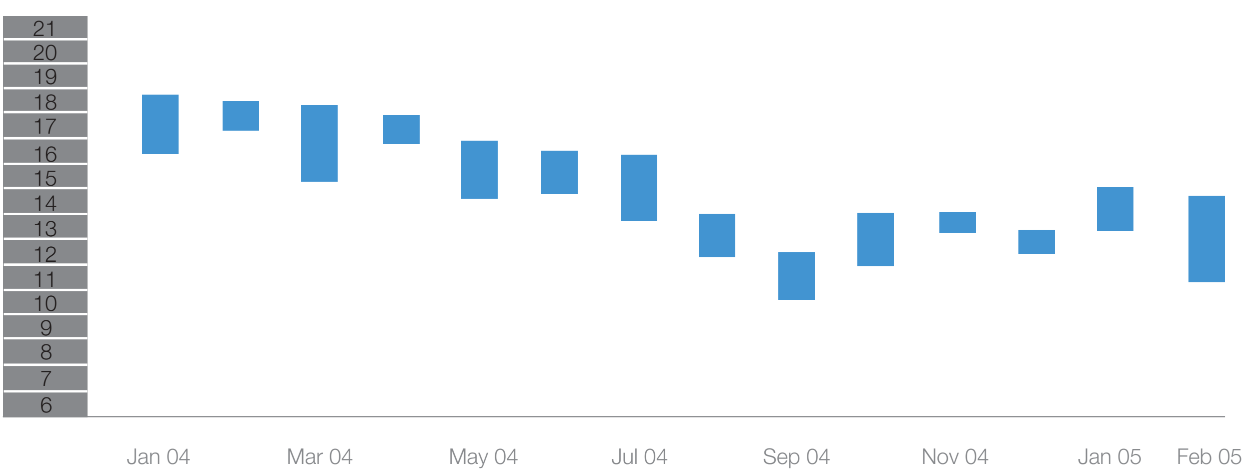
The SINGULUS stock began the year 2004 at 16.70 €. This was a marked gain over the low of 8.90 € recorded in March 2003. In September 2004, the stock price posted a temporary decline to 10.60 €, but recovered during a generally-improved mood in the stock market in the fourth quarter. By year-end the SINGULUS stock closed at 12.90 €. This corresponds to a decline of approximately 23 % from the beginning of the year. In this respect, SINGULUS' operative performance for fiscal 2004 is not reflected in the development of the stock price.

Share Buyback Program

On October 6, 2004, the Executive Board implemented the share buyback authorized at the 2004 Annual Shareholders' Meeting. By year-end a total of 1,788,819 own shares were purchased for approximately 24.1 million €. Of this amount, 1,611,417 shares had been canceled by December 31, 2004. By year-end, the share capital has been reduced to 35,391,987 €. By February 28, 2005, SINGULUS had purchased an additional 100,000 shares.

Highs and Lows of SINGULUS Stock

Highs and Lows in €



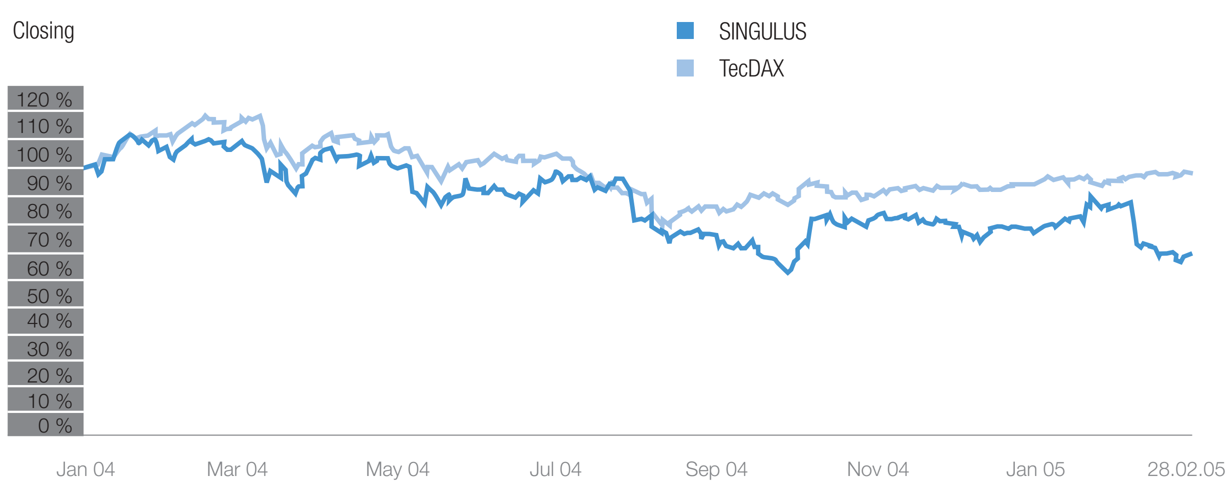
The total share buyback program valued at approx. 25 million €. The shares are being canceled so that the earnings per share are increased. As of January 2005, all executed transactions pertaining to the share buyback program were published on the www.singulus.de website.

Investor Relations Activities Strengthened

It is SINGULUS´ corporate policy to provide timely and comprehensive information pertaining to the company's strategy and standing to all capital market participants. In 2004, this was accomplished during many individual discussions, quarterly conference calls and at numerous road shows and conferences. SINGULUS also places great value on providing comprehensive information to private shareholders and providing them constant access to presentations and publications. These are made available on the internet and can be downloaded from our website (www.singulus.de).

Stock price SINGULUS

Comparison SINGULUS and TecDAX Performance



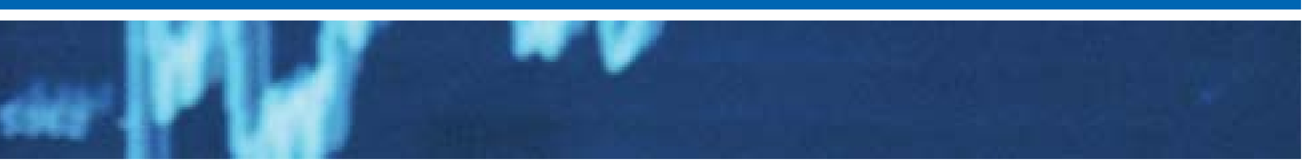
Analysts' Coverage

- ABN Amro Bank AG
- B. Metzler Seel. Sohn & Co.
- Bayerische Landesbank
- Berenberg Bank
- Berliner Bankgesellschaft
- BW Bank
- Citigroup
- Commerzbank AG
- CA Indosuez Chevreux
- CSFB Credit Suisse First Boston
- Deutsche Bank AG
- DZ BANK
- Dresdner Kleinwort Wasserstein
- HSBC Trinkaus & Burkhardt KG
- Hypo Vereinsbank
- Independent Research
- Kepler Equities
- Landesbank Baden-Württemberg
- Mainfirst Bank AG
- Merrill Lynch
- Metzler Equity Research
- Morgan Stanley
- Sal. Oppenheim
- SG Securities
- SEB Research
- SES Research
- UBS Investment Bank
- West LB Equity Markets

Stock Profile

The SINGULUS TECHNOLOGIES AG stock is considered a heavyweight among the major German technology companies included in the TecDAX index. Market capitalization totaled 457 million € by year-end. With an index weight of 4.10 %, SINGULUS ranked 9th on the TecDAX (in order of weight ranking). The average trade volume of the share totaled 162,369 shares on Xetra in 2004.

In accordance with IFRS, the earnings per share improved from 1.20 € per share in 2003 to 1.28 € in 2004. The price-to-earnings (P/E) ratio was 9.7 by the end of 2004. By December 31, 2004, the share buyback reduced the shares in circulation to 35,391,987. All shares in circulation are considered as free float.



Stock Key Figures

ISIN:	DE0007238909
WKN:	723890
Stock symbol:	SNG / Reuters SNGG.DE / Bloomberg SNG.NM
Type of Shares:	Ordinary bearer shares at a par value of 1 € each
Indices:	NEMAX-All-Share, TecDAX
Prime Standard:	Technology
Freefloat:	100 %

	2001	2002	2003	2004
Total shares on Dec. 31:	36,436,440	36,947,226	37,064,316	35,391,987
Share capital in €:	36,436,440	36,947,226	37,064,316	35,391,987
Market capitalization on Dec. 31 in million €:	1,036	463	619	457
Lowest share price for the year in €:	14.83	10.60	8.93	10.58
Highest share price for the year in €:	35.70	34.55	21.40	18.72
Year-end share price in €:	31.50	12.52	16.70	12.90
Ø Turnover (Xetra) per day :	152,500	159,966	194,139	162,369
Earnings per share in €:	0.77*	0.99*	1.20**	1.28**

*) US-GAAP
**) IFRS

SINGULUS` leadership in the market is a result of its high innovative capabilities

It is the prevailing opinion of experts that the world economy will continue to grow. For the foreseeable future, the strongest economic impetus will continue to emanate from the Asian region and in part from North America.

Status Report for the SINGULUS TECHNOLOGIES Group and SINGULUS TECHNOLOGIES AG

The company availed itself of the opportunity afforded by §315 Abs. 3 HGB to issue a combined status report for the SINGULUS TECHNOLOGIES Group and SINGULUS TECHNOLOGIES AG. Since business developments, the status of the company, and risk exposure are by and large identical for SINGULUS TECHNOLOGIES AG and SINGULUS TECHNOLOGIES Group, the following remarks and, in particular, the figures provided, refer to the SINGULUS TECHNOLOGIES Group.

General Economic Situation

General Overview.

According to economic statistics provided by the Economic Department of the Commerzbank (as of December 2004), the global economy grew in real terms by 5 % last year, making 2004 one of the strongest growth-producing years since 1976. The United States continued to fuel this global economic development in the industrialized world showing 4 per cent growth despite the drastic increase in crude oil prices.

The Euro-zone also profited from the boom in the global economy and was thus able to downplay its structural weaknesses somewhat. The region had to be satisfied with 2 % growth while Germany's growth rate of just 1.7 % clearly lowered the average value.

The Monkey Wrench: Oil Prices and the Exchange Rate of the Dollar

By the end of 2004, oil prices calculated in dollars had risen nearly 50 % over the previous year. In a 2004 year-end comparison, the value of the US Dollar had declined nearly 8 % against the Euro.

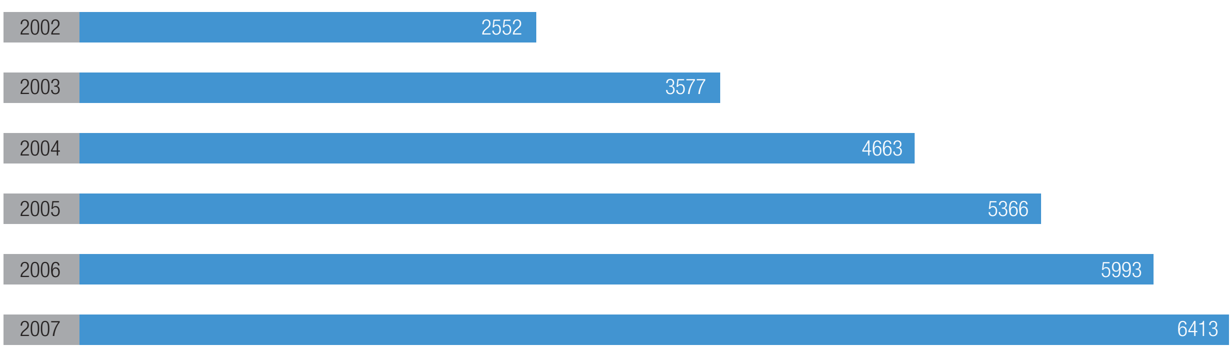
The low exchange rate of the dollar places a burden on exports from the European region. However, the effect is not as great as the nominal shift in the dollar exchange rate would suggest. Many component products are procured from the dollar region which creates corresponding procurement advantages on the import side. For the past three years, export-oriented companies have made considerable adjustments in order to reduce their dollar risk. Nevertheless, the shift in the exchange rate has resulted in trade disadvantages clearly overcompensating the Euro's previous devaluation phase.

Our strategic response to the disadvantage of location is to improve our rate of innovation! This refers to not just internal process innovation rates but primarily to a concentration on new products that will permit our customers to achieve a competitive advantage when purchasing our machines. SINGULUS' leadership has always been the result of its high innovative capabilities and the speed with which it has brought optical storage replication machines to the market.

Optical Disc Market

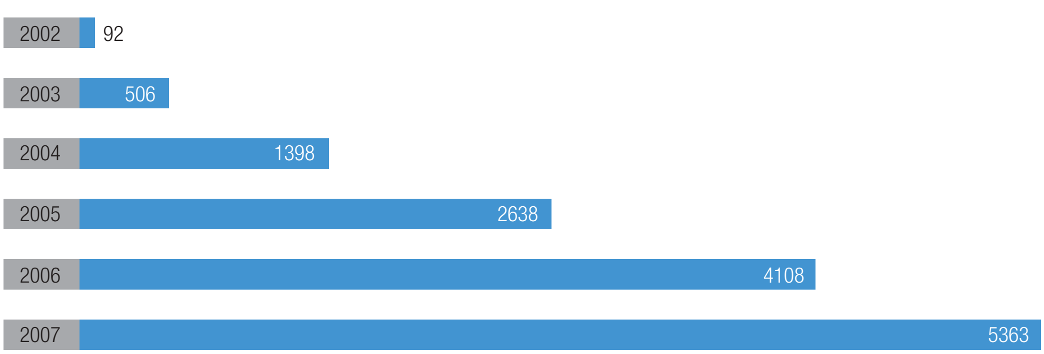
According to the industry research firm “Understanding and Solutions”, the developments that became apparent in the global optical data storage market in 2003, continued last year. The production of CDs dropped somewhat, declining to roughly 12.5 billion units (13 billion a year earlier). Consumption of CD-Rs rose slightly from 9 to over 10 billion units. The number of prerecorded DVDs produced worldwide grew from 3.6 to 4.7 billion units, an increase of 30 %. The market for once- and re-recordable DVDs demonstrated similarly robust advances. It posted the comparatively strongest growth, more than doubling sales from 0.5 to 1.4 billion units. The growth trend for both DVD segments is expected to continue for several years and not level off for the mid-term.

Market development of prerecorded DVD (in million discs)



Source: Understanding & Solutions, Feb. 2005

Market development of recordable and rewritable DVD (in million discs)



Source: Understanding & Solutions, Oct. 2004

Breakdown by Region.

The strength of the growth rates for individual regions in Asia is highly variable. The economies of China, India and Indonesia in particular are characterized by high growth rates while South Korea's growth pattern has been weakened by ongoing risks. It is generally expected that Asia's growth will slow this year due to reduced stimulus from the United States and China. SINGULUS´ Asian business dealings slowed considerably during the 2nd half-year, particularly in the DVD-R sector. It is widely believed that the growing use of DVD-R around the world will lead to a renewed increase in demand.

The upswing in the United States is expected to continue in 2005 and 2006. The American DVD replication market has entered a phase of consolidation and is on the threshold of an erosion of prices. Because the vigor of the major Hollywood and media organizations is unbroken and high definition television as well as the new generation of optical disc formats will generate additional momentum, this segment of the business is expected to create additional growth.

Despite the unusually strong stimulus provided by foreign trade, companies in the Euro-zone made investments hesitantly, a behaviour that was compounded by moderate growth in consumer demand.

Germany once again made up the Euro-zone's "tail lights" last year. According to the German Federal Bureau of Statistics, the nation's real GDP grew just 1.7 % in 2004. This figure clearly surpassed that of 2003 (-0.1 %), but did not contribute to a reinvigoration of personal consumption which would have in turn parlayed the dynamics of foreign trade into revitalized domestic demand.

The overall investment reluctance on the part of German companies can be explained not just by the debt reduction many businesses were forced to implement but also by the residual effects of the investment boom that occurred in the late nineties. For now, companies lack confidence in the timely return on investment needed for above-average purchases of new systems. While the German and European markets will participate in the structural growth of the DVD and in the new optical storage markets, they will trail Asia and America.

Overall Economic Forecast 2005 and 2006.

It is the prevailing opinion of experts that the world economy will continue to grow. For the foreseeable future, the strongest economic impetus will continue to emanate from the Asian region and in part from North America. The European region will continue to struggle with relatively restrained demand.

The context of the global economy is important for SINGULUS TECHNOLOGIES but not crucial. It is conceivable from today's vantage point that existing and new optical data storage markets will grow faster than the world economy. The research company "Understanding & Solutions" projects a 25 % growth rate for prerecorded DVDs in 2005, and approx. 50 % for DVD-R/RW. The entire DVD market is expected to grow approx. 25 % p.a. worldwide through 2007.

Research & Development

During the last fiscal year, SINGULUS spent 22.8 million € on Research & Development (R&D). This corresponds to 39.8 % growth over 2003. R&D expenditures for our core optical disc business were concentrated on the SPACELINE II and STREAMLINE II, the advancement of injection molding technology, and the optimization and development of mastering systems.

In 2004, the new SPACELINE II replication line was advanced to the level of mass production. While the cycle time for DVD 9 was reduced from its former speed of 3 seconds to nearly 2.5 seconds, the potential for even more improvements have been incorporated into the system. Up to 30,000 DVDs per day can now be produced on the SPACELINE II replication line, setting a new benchmark for the industry.

The STREAMLINE II for DVD-R became another focal point for development and optimization. By June, the first of these new generation machines had already been delivered to European and Asian customers. Mass production of the STREAMLINE II started in May of last year.

Development of the STREAMLINE II DVD-R for a new optical disc format was continued during the second half of the year. Intense efforts were concentrated on an expansion for dual layer DVD+R with an 8.5 Gbyte storage capacity. For the first time, this disc will permit the uninterrupted recording of an extended DVD-quality film. The STREAMLINE II DVD-R DL was introduced to the market in January 2005. During the 1st half of 2004, R&D activities for SINGULUS MASTERING were concentrated on the optimization of the new AM Direct mastering system. New technology allows this mastering system to produce stampers without using galvanic processes. This new innovation creates new sales opportunities. The machine's recording speeds were increased from 2R to 4R for DVD and from 6X to 10X for CD. This means that a DMS Evolution system will be able to produce 140 DVD masters per day instead of 84 and 140 CD masters per day (previously 130).

After the existing product line had been repositioned by the new machine models, the focus turned to the development of mastering and replication lines for the HD DVD and Blu-ray 3rd generation of optical storage media. SINGULUS will deliver the first machines for HD DVD in the first half of 2005. We will thus position ourselves as a global "first mover" and leading company for the development of these systems. The mastering technology for Blu-ray is still in the technical evaluation phase.

Research & Development (in million €)

SINGULUS TECHNOLOGIES will continue the development of the newly-acquired MoldPro injection molding technology until it is ready for mass production. The new injection molding technology provides unique opportunities for the manufacture of extremely thin substrates.

Together with a key customer, development of the OPTICUS inline coating system for eyeglass lenses and other substrates for refined and precision optics was advanced to the level of mass production. Intensive application efforts are currently being conducted for additional potential customers who were impressed by the economic potential this system has to offer. The first delivery took place in mid January 2005.

Development work in the new TMR thin film coating business sector made rapid advances. Two TIMARIS prototype systems are available in our in-house application lab for qualification of the demanding coating processes for both MRAM semiconductor storage and read/write heads for magnetic hard drives. The linear dynamic magnetron thin film coating technology has already been arrayed for up to 300 mm diameter wafers. This system offers clear cost advantages over conventional static coating methods because of its higher wafer throughput.

In January 2005 the Executive Board announced its search for a strategic partner for the further development of its TMR thin film coating systems business. This decision was made to facilitate access to potential customers in the semiconductor industry and accelerate the overall growth of the business.

Marketing & Sales and Service/ Subsidiary Activities

All development and manufacturing capacities continue to be concentrated in Germany and Europe. Marketing & sales activities in the important regions of Asia and the USA were reinforced in 2004 in order to provide closer customer contact and improve service levels. Major customers are now offered on-site service. In 2004, SINGULUS TECHNOLOGIES was still the company with the most extensive marketing & sales and service network in the industry. Speedy response to inquiries and decentralized hotlines around the world ensure that SINGULUS systems purchased by customers are in a continually high state of production readiness and represent an extremely important sales argument to the customer.

On December 31, 2004, the SINGULUS sales & marketing and service network comprised the following subsidiaries:

Europe

- SINGULUS EMOULD GmbH, Würselen, Germany
- SINGULUS MASTERING BV, Eindhoven, Netherlands
- SINGULUS MASTERING International GmbH, Schaffhausen, Switzerland
- SINGULUS MOLDING AG, Schaffhausen, Switzerland
- SINGULUS TECHNOLOGIES Ltd., Swindon, UK
- SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat des Vallés, Spain
- SINGULUS TECHNOLOGIES FRANCE S.a.r.l., Valence, France
- SINGULUS TECHNOLOGIES ITALIA s.r.l., Senigallia (Ancona), Italy

USA/South America

- SINGULUS TECHNOLOGIES Inc., Windsor, USA
- SINGULUS TECHNOLOGIES Service Group Inc., Windsor, USA
- SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil

Asia

- SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore
- SINGULUS VIKA CHINA LIMITED, Wanchai, Hong Kong
- SINGULUS TECHNOLOGIES TAIWAN Ltd., Taipeih, Taiwan

With the exception of SINGULUS VIKA CHINA LIMITED (51 % share), the company controls, directly or indirectly, all shares of the aforementioned companies. Agents and service facilities are also maintained in 17 other countries.

SINGULUS MASTERING B.V.

Last year SINGULUS strategically repositioned itself in the mastering systems business. After its initial foray into mastering had been concluded with the 2002 acquisition of OMP, Best, Netherlands, SINGULUS was able to expand significantly in January 2004 by acquiring the ODME, Eindhoven, Netherlands mastering business and thereby securing a key position for the emerging technologies of the future.

The new acquisition has now been merged with the existing mastering activities of SINGULUS OMP to form SINGULUS MASTERING B.V. During the course of 2004, the company successfully implemented all the steps needed to transform the two former competitors into an integrated, synergistic business. The consolidated company is global market leader with a technologically leading and comprehensive portfolio for all existing optical disc formats. The company's service and worldwide marketing & sales have been integrated into, and can now utilize, the density and global capabilities of the SINGULUS TECHNOLOGIES network.

SINGULUS MASTERING has made every effort to emerge as a lead developer and "first mover" in the race for the third generation of optical data storage.

Employees

By the end of 2004, the SINGULUS TECHNOLOGIES Group employed 736 people (December 31, 2003: 599). A company-wide staff increase of 137 full-time employees included 96 people from the initial ODME B.V. consolidation and 41 people for the rest of the organization.

A staff of 459 people was employed in Germany and 277 abroad. In addition to its permanent employees, SINGULUS had hired 15 temporary employees, 11 of whom were employed in the Netherlands. In 2004, investments made by SINGULUS in Kahl were primarily for the Commissioning and R&D departments. Employee training and continuing education programs for fiscal 2004 included weekly product training sessions (new products, cross-training on the SINGULUS product line), language training for staff with customer contacts abroad, as well as professional seminars for managers and purchasing staff. Peaks in staffing demands were handled by temporary employment agencies since the use of short-term employees permits flexible adaptation of capacities and can be adjusted to the flow of orders. By year-end, the order situation prompted us to cut virtually all temporary positions. The absentee rate in Germany for fiscal 2004 was 2.5 %. The personnel turnover rate was low at 3.4 %.

Employees (as of Dec. 31)

Revenues and Earnings

For the third year in a row, SINGULUS TECHNOLOGIES was able to markedly increase its revenues and earnings. At 439.5 million €, revenues rose by 21.2 % over the prior year (362.6 million €). The revenue growth can be attributed in large part to machines for prerecorded DVD as well as the initial consolidation of OMDE Mastering. The number of DVD machines rose from 183 in 2003 to 255 in 2004. This corresponds to a volume growth of approx. 40 %. Mastering machines sales rose from 14 in 2003 to 41 in 2004.

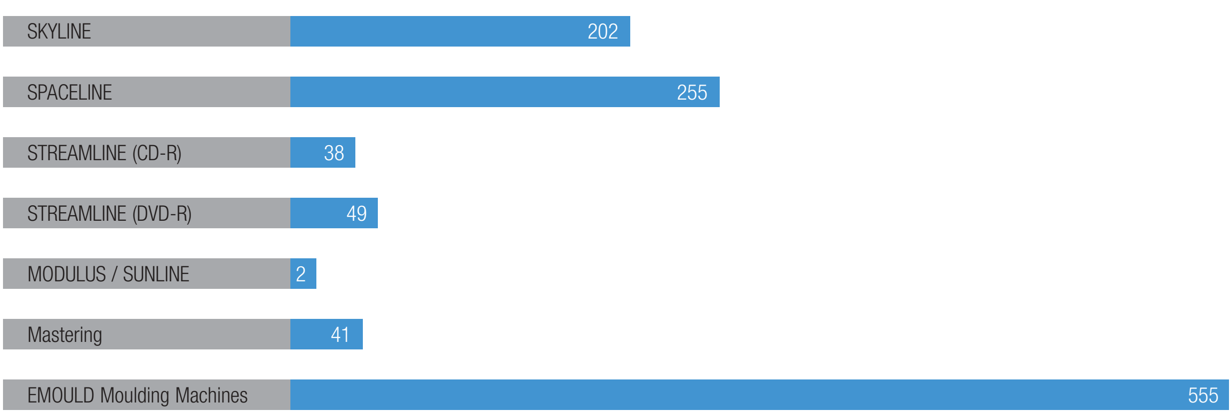
The once-recordable DVD formats also progressed favorably. With 49 machines sold in 2004, the volume rose by 75 % over the prior year. The sale of machines for prerecorded and once-recordable CDs declined. In 2004, 202 CD/DVD 5 machines (prior year 310) and 38 CD recordable machines (prior year 62) were sold.

The machine inventory for once-recordable CD (CD-R) and DVD (DVD-R) was essentially depleted during the first half of the year. The order intake for these machines was restrained during the second half of the year as a result of the weak business in Asia.

SINGULUS was yet again able to expand its position in the global market based upon the excellent sale of mastering systems and pre-recorded DVD machines. The company's global market share is estimated at 65 % for pre-recorded DVD replication lines and at over 70 % for mastering systems.

Gross revenues (in million €)

Number of booked machines



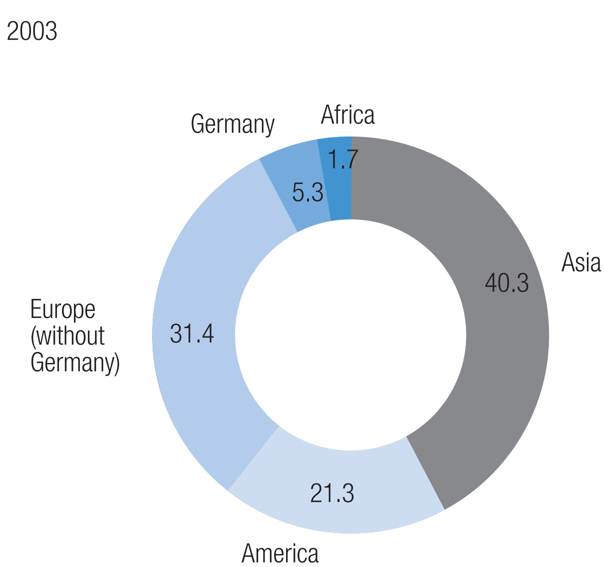
Revenues for fiscal 2004 were again characterized primarily by our DVD business. Machines for the manufacture of pre-recorded DVDs as well as once-recordable DVD-Rs accounted for 58.8 % of revenues. Revenues for prerecorded CDs and once-recordable CD-Rs totalled 21.1 %.

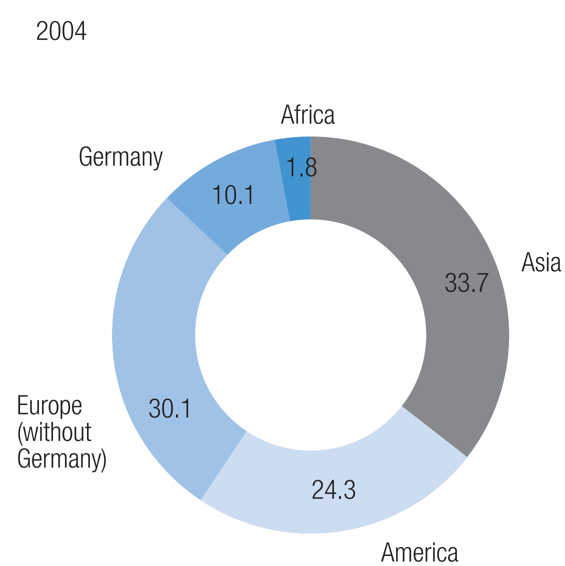
Revenues and earnings for the combined mastering business developed satisfactorily last year despite the burden caused by the merger of SINGULUS OMP Mastering and ODME Mastering to form SINGULUS MASTERING B.V. The revenue share for the Group's mastering activities nevertheless rose considerably from 4.7 % in 2003 to 10.0 % in 2004. Business prospects for 2005 are also favorable for this business.

Development of Revenues worldwide

Europe (including Germany) was our most important sales region in 2004, capturing 40.2 % of total revenues (previous year 36.7 %). The decline in the Asian share to 33.7 % (previous year 40.3 %) became most evident during the second half of the year. The revenue share for North and South America totaled 24.3 % (previous year 21.3 %) and for Africa, 1.8 % (previous year 1.7 %).

Breakdown of revenues by region (in %)





Solid Earnings Growth Again

For the first time, the fiscal 2004 consolidated year-end closing for the SINGULUS TECHNOLOGIES Group was issued in accordance with the International Financial Reporting Standards (IFRS). Figures for fiscal 2003 were similarly adjusted to IFRS standards.

With a growth in Earnings before Interest and Taxes (EBIT) of approx 7 % to 73 million €, the EBIT ratio totals 17.2 %. The decline from last year (19.6 %) can be attributed primarily to the growth in other operating expenditures as well as the rise in administrative costs essentially due to the acquisition and integration of ODME B.V.

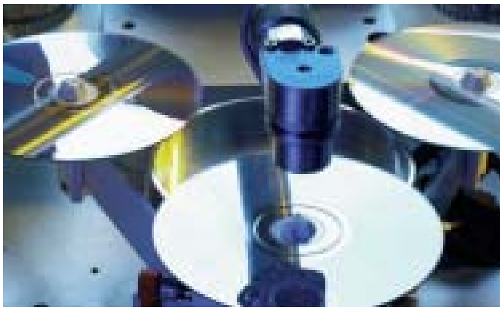
At 31.7 %, the gross margin for fiscal 2004 was identical to last year's figure. The price erosion affecting replication lines once again became quite noticeable in 2004. In this regard, holding the gross margin at prior-year levels is satisfactory. This was achieved through a further reduction in purchase prices and by our product mix.

The average US Dollar exchange rate for SINGULUS was 1.22 US Dollars/€ in 2004. Compared to the 2003 rate of 1.11 US Dollars/€, this 10 % devaluation contributed to the price erosion in international markets.

Financial results for 2004 totaled 1.3 million € (prior year 2.5 million €). Profit before tax totaled 74.3 million €. This is a 3.4 million (+ 4.8 %) € increase compared to a year ago. The effective tax rate for the year under review totals 36.5 % (37.3 % a year ago).

EBIT (in million €)

Earnings per share (in €)



Order Backlog and Order Intake

During the course of 2004, order intake totaled 417.6 million €. Approximately 31 % of these orders originated in Asia, while approx. 25 % originated in America (North and South America), and roughly 42 % in Europe. The remaining 2 % were distributed between Africa and Australia.

While the order intake for the first half of 2004 significantly surpassed that of the prior year, the 3rd and especially the 4th quarters were disappointing. Due to a significant decline in orders from Asia towards the end of fiscal 2004, the 56.7 million € order backlog on December 31, 2004 fell below the prior-year 90.4 million € order backlog.

Fixed Assets

Fixed assets (excluding long-term receivables and excluding the long-term portion of deferred tax assets) rose to 89.1 million €. Tangible assets accounted for 13.9 million € (15.8 million € last year) of this figure, 33.7 million € for development projects (previous year 19.1 million €), 31.2 million € for goodwill (previous year 13.0 million €) and 10.3 million € for other intangible assets (previous year 0.6 million €).

Depreciation of tangible assets and intangible assets totaled 10.8 million €. This includes depreciation of goodwill totaling 2.9 million €.

Balance Sheet and Liquidity

Overall, current assets (plus long-term accounts receivable) in 2004 rose by 11.3 million € (+ 4.1 %). This includes a 10.7 million € increase in liquidity.

At a 21.2 % growth in revenue for 2004, short- and long-term receivables for goods and services rose by just 2.3 %. This includes the initial consolidation of ODME. The stock value even declined slightly (- 0.4 %).

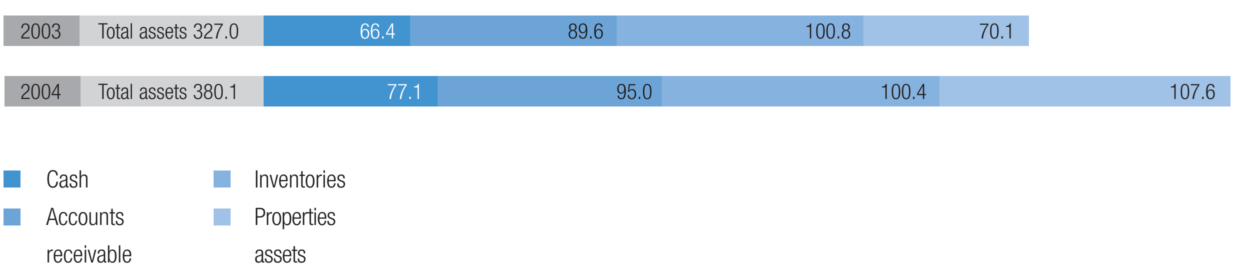
Short-term liabilities rose by 7.2 million € (+ 8.3 %). While accounts payables for goods and services declined, all other short-term liabilities increased. The increase in deferred tax liabilities is associated primarily with capitalization of development expenses as well as the realization of undisclosed reserves associated with the initial consolidation of ODME B.V.

As in previous years, cash discounts were used for trade payables in 2004 whenever possible. The increase in long-term assets resulted from the initial consolidation of the new SINGULUS MASTERING company for one and from the capitalization of development expenses in the course of adoption of the IFRS principles.

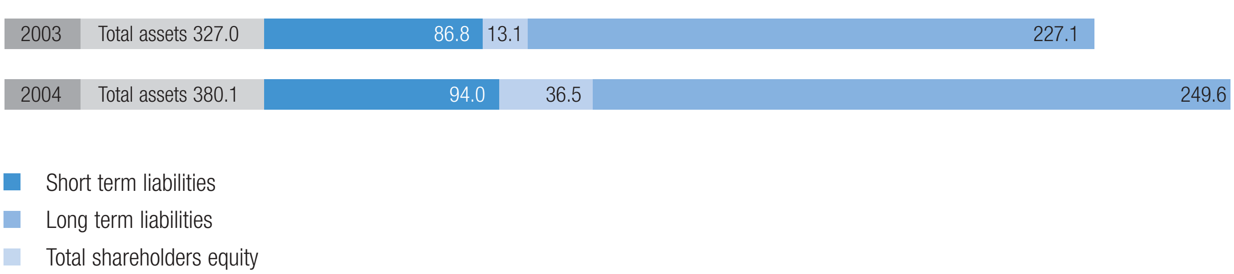
Equity and Earnings Utilization

The company's equity rose from 227.1 million € on 12/31/03 to 249.6 million € by the end of 2004. The retention of earnings from 2004 was an integral factor in this development. The equity ratio thus totals 65.7 % (previous year 69.4%). The return on equity, measured as the ratio between pre-tax earnings and equity, totaled 29.8% (previous year 31.3 %). All key financial figures for the SINGULUS Group were exceptional in 2004 again.

Assets (in million €)



Liabilities and Equity (in million €)



The management of SINGULUS TECHNOLOGIES AG will recommend to the Annual Shareholders' Meeting to transfer the net earnings to the retained earnings. In accordance with Art. 16.3 of the company's statutes, half of the net earnings (22,315,581.44 €) have to be added to the retained earnings. The company's representatives will propose to the Annual Shareholders' Meeting to transfer the remaining part of the net earnings 11,157,790.72 € also to the retained earnings.

Share Buyback

On October 6, 2004, SINGULUS TECHNOLOGIES started a share buyback program authorized at the Annual Shareholders' Meeting on May 13, 2004. By February 28, 2005, more than 5 % of own shares were acquired. The company is convinced that a long-term share buyback program designed to significantly reduce the available number of SINGULUS shares outstanding over the course of several years could have lasting positive effects on the SINGULUS stock.

Growth

Internal as well as external growth occurred during fiscal 2004. The acquisition of ODME Mastering at the beginning of 2004 already made a positive contribution to the development of earnings for fiscal 2004.

Capital Expenditures and Financing

The gross addition to tangible assets of the SINGULUS TECHNOLOGIES Group totalled 6.5 million € for fiscal 2004. Property, rights equivalent to real property, and buildings on others' properties, made up approximately 22 % of the aforementioned figure.

Intangible assets rose by roughly 51 million €. Included in these are concessions, commercial property rights, and similar rights and assets, as well as licenses for such rights and assets (10.9 million €), the capitalization of development costs (18.9 million €) as well as goodwill (21.2 million €).

Capital expenditures for the year in report were financed entirely by the cash flow.

Cash Flow

The cash flow from business operations rose by 30.8 million € from 18.4 million € to 49.2 million € in fiscal 2004.

Trade accounts receivable once again developed favorably in comparison to revenues. Even the structure of trade accounts receivable continued to improve as long-term receivables continued a marked decline. Liquid assets increased by 10.7 million €.

Cash flow from business operations (in million €)

Risk Report / KonTraG

The SINGULUS TECHNOLOGIES Group conducts a quarterly review, analysis, and, in management's best estimate, an assessment of the company's various risk exposures. This risk report is presented to the Supervisory Board on an annual basis. The outcome is a comprehensive inquiry and assessment of the company's various risk categories within a clearly-defined timeframe.

During the Supervisory Board meetings, discussions are held and findings made pertaining to possible risks to the company's continued development. This applies to regularly-held Executive Board meetings as well. Individual risk categories include customer and management procurement and purchasing risks, IT management, project management, R&D, worldwide markets, production and quality assurance, as well as risk exposures at both our SINGULUS MASTERING and SINGULUS EMOULD manufacturing subsidiaries.

The procurement and purchasing divisions conduct periodic supplier credit assessments. The ability of our suppliers to make timely deliveries is also regularly monitored. This includes the turnover rate for raw material, supply, and fuel inventories as well as a product aging analysis.

IT management risks refer to the evaluation of possible server failures, information theft or unauthorized data access. Appropriate security systems have been put in place to address these issues.

The project management must ensure that internal and external logistical procedures are smoothly implemented. This is important in order to minimize the acceptance periods of our products at the customer site. Revenues are not booked by SINGULUS TECHNOLOGIES until the machines have been accepted by the customer.

Even the R&D division has been integrated into the risk management report. The analysis of market needs and the assurance that our developments do not bypass these needs are substantial aspects of the R&D risk evaluation.

Another high risk exists in our sales and marketing division and is one of the most difficult to assess. It is imperative that risks arising from potentially erroneous assessments of individual markets or products are identified and evaluated. External data such as market research results as well as intensive contacts to companies such as SONY or PHILIPS help to better assess future developments.

Risk assessments for the production and quality control operations primarily address machine processes and possible deficiencies.

The company will try to reduce the risk of losing key employees by means of a new stock option plan.

The practice of hedging currency exposure is used to address currency risks that may arise through foreign currency billing. We did not deviate from this practice in 2004.

The credit standing of our customers is yet another risk. In order to assess these risks, evaluations are conducted on an ongoing basis, compiled monthly, and assessed. If necessary, bad debt provisions are made for risks that are considered critical.

In summary, it has been determined that the regulations of KonTraG are complied with in full. The instruments with which we monitor risks have been examined by our auditors and Supervisory Board. They effectively identify risks endangering the company's survival in a timely manner. The Executive Board is confident that no risks jeopardizing the survival of the company are visable for either the current fiscal year or subsequent years.

The Environment as an element of our Company Philosophy

SINGULUS TECHNOLOGIES does not perform any machining functions typical in a classic machine manufacturing plant. Individual components for our machines are procured from suppliers and these prefabricated products are used to build our end products. As such, no environmental waste is generated during the manufacture of our machines. Electrical and water consumption are comparable to the usage of average mid-sized industrial plants. Occupational safety and environmental protection issues are regularly monitored by an outside safety representative and high standards apply. A company physician attends to the health concerns of our employees.

Post-Closing Events

On January 19, 2005, SINGULUS TECHNOLOGIES announced that an investment bank had been appointed to search for a partner for the company's MRAM activities. The involvement of a partner in the MRAM business is designed to increase sales prospects for our product.

Furthermore, a February 7, 2005, announcement publishing the preliminary figures for 2004 also disclosed that the SINGULUS TECHNOLOGIES Group would reduce its workforce by 120 employees worldwide. This was necessitated by projections placing 2005 revenue and earnings below those of 2004.

Forecast

Our forecast provides our assessment of the future prospects in our industry for 2005 and beyond. This mid-term view is designed to provide interested readers and investors with an impression extending beyond historical quarterly reporting.

Although the information and communication technology age began several years ago, a long-term perspective reveals that we are still in its very early stages. Optical storage media, or today's CD and DVD and tomorrow's HD DVD and Blu-ray formats, will still serve as audio and video storage media 10 years from now.

We will see a transformation in buying habits as evidenced by the transition in Asia from CD/DVD 5 to the superior-quality DVD 9, we will see a transformation of the competitive arena as evidenced by the withdrawal of some European business from CD and DVD replication line manufacturing, and we will see new competitors from Taiwan and China enter the market. Our industry must live with and is sustained by constant change. Nevertheless, the developments occur in a large, constantly growing mega-market. It is within this context that we reflect on the future of our business. Sporadic market slumps in individual regions of the world do not change our expectations for a continued positive overall development in our industry.

Positive advances were made in recent months in the important and seminal technologies for the third generation of optical storage media, HD DVD and Blu-ray, irrespective of the continual technological improvements being made to CD and DVD replication machines.

We are convinced and confident that, the HD DVD and Blu-ray formats will become an integral part of our market alongside the CD and DVD. The vastly improved playback quality of the DVD promoted its marketplace triumph over the VHS cassette years ago in much the same way HD DVD and Blu-ray, along with high-definition television, will be positioned beside the conventional DVD. The trend toward digitalization will continue in the future.

We expect that the successful introduction of third generation formats will generate additional sales and make an important contribution to safeguarding the future of our industry.

SINGULUS will achieve success as a leading supplier of replication lines for the third format generation along with its cooperation partners MEMORY-TECH and SONY, who both display a high level of commitment to HD DVD and Blu-ray, respectively.

In addition to forging alliances with development partners for new replication lines and unlike its competitors, SINGULUS has accessed the key industry of prerequisite products. The CD or DVD replication process begins with mastering. This is also true for the HD DVD and Blu-ray arena where, since 2004, we are well-positioned with SINGULUS MASTERING and where we will develop the technologies needed for third generation formats.

Optical disc, however, will not entirely determine our future. Another step was taken towards the successful diversification of our core business when the first machine for the optical coating of ophthalmic lenses was delivered in January of this year. This expansion of our fundamental business will provide significant contributions to our revenues and earnings within a few years time.

We have chosen a different path for MRAM. We are convinced that a well-positioned partner with access to the semiconductor industry will accelerate the success of our MRAM activities.

When looking at the current fiscal year 2005, numerous factors that place a burden on the market for optical storage media become apparent.

The near doubling within a year's time of the price of polycarbonate, the raw material used to produce the CD or DVD end product, means that our customers must now deal with clearly reduced margins. The outcome is a pronounced reluctance toward capital expenditures, particularly in the Asian market.

Europe and North America are not as seriously affected by this in part because these regions predominantly use machines for prerecorded discs. The margins on these content-filled discs are better than those for recordable discs. Consequently, the increase in the price of raw materials has not led to the same reluctance to invest seen in Asia.

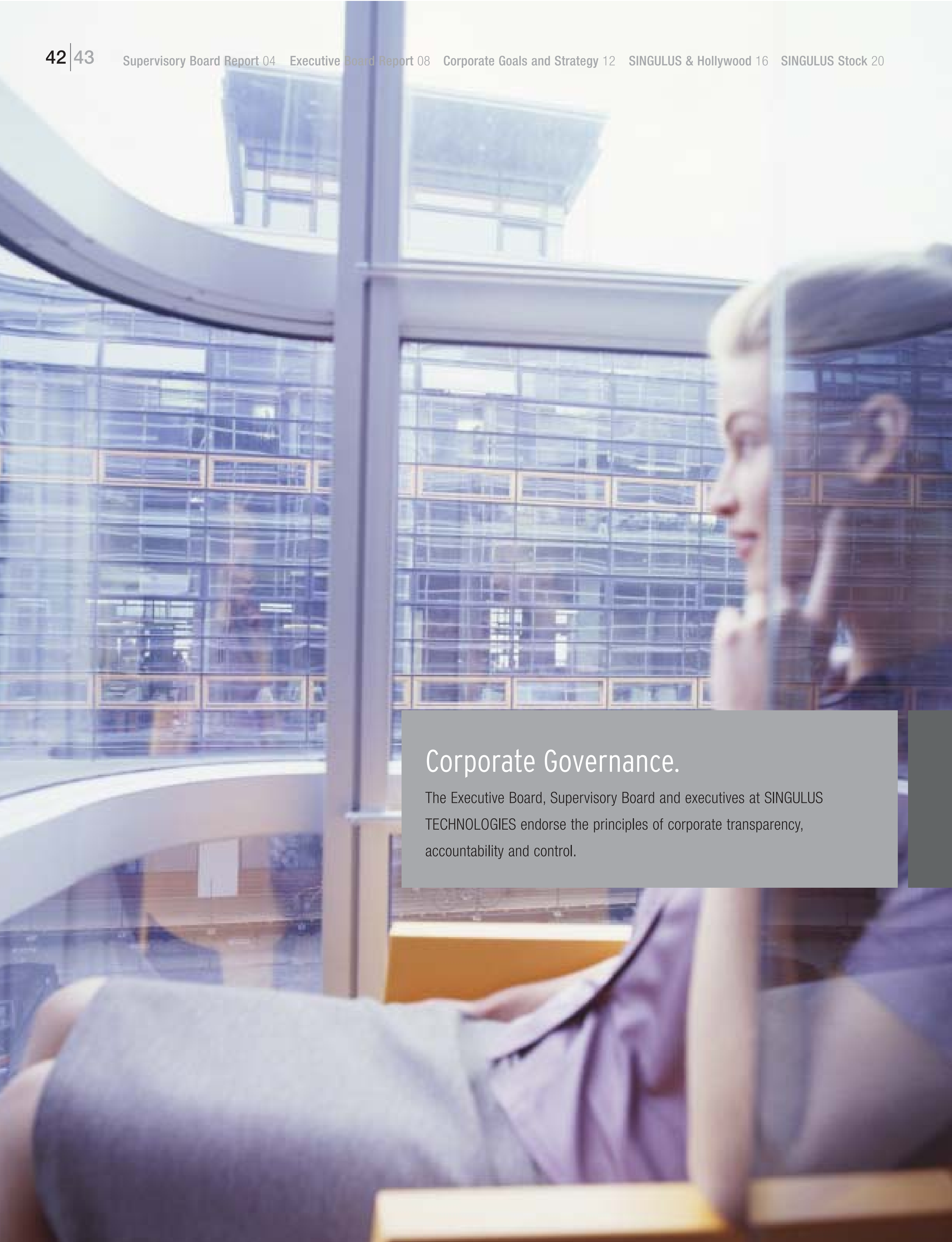
It must be noted however that there is a lingering uncertainty with regard to the timing of the market launch of the third generation of optical discs, especially among the major DVD replicators in the USA and Canada. It is not yet known whether both HD DVD and Blu-ray or just one of these formats will prevail in the market and when players and discs will finally be sold in larger quantities. This uncertainty could have a negative influence on the order quantities for individual machine types in 2005 regardless of the mid-term upswing these new formats are expected to provide for the business.

While we generally expect 2005 revenues and earnings to weaken compared to fiscal 2004, we are optimistic about the mid- to long-term prospects. For this reason, the company implemented a share buyback at the beginning of October 2004 and will recommend to the Annual Shareholders' Meeting in May 2005 that authorization for another share buyback be given the Executive Board. A share buyback will lead to a mathematical improvement in our earnings per share.

We are open to possible future acquisitions irrespective of a share buyback and, as in the past, will carefully weigh the prospects and risk factors involved.

Kahl, March 11, 2005

Roland Lacher Stefan A. Baustert Klaus Hammen



Corporate Governance.

The Executive Board, Supervisory Board and executives at SINGULUS TECHNOLOGIES endorse the principles of corporate transparency, accountability and control.

Corporate Governance

SINGULUS TECHNOLOGIES has always been committed to responsible business policies directed toward long-term value enhancement. In as far as possible, the Executive and Supervisory Boards follow the recommendations of the German Code of Corporate Governance which champions the rights of the shareholders who provide the company with necessary equity and thereby bear the entrepreneurial risk.

The trustworthy, candid, and close collaboration among members of the Executive and Supervisory Boards extends beyond regular board meetings and contributes to SINGULUS TECHNOLOGIES' ability to quickly respond to a changing environment while being ever mindful of our objective to sustain the value of the company. The Executive Board's regular, timely, and comprehensive reporting to the Supervisory Board on questions of corporate planning and strategic development, business progress, the status of the company, as well as risk management, have for years been an integral part of our corporate governance. This includes intense discussions addressing the reasons for deviations from established goals and plans. The company's strategic position is reviewed at regularly-scheduled intervals.

Corporate Governance Statement

The Executive Board, Supervisory Board and executives at SINGULUS TECHNOLOGIES endorse the principles of corporate transparency, accountability and control which serve to preserve and strengthen the confidence of shareholders, employees, business partners and the public in general.

SINGULUS TECHNOLOGIES AG – Declaration in Accordance with Art. 161 of the Stock Corporation Act (AktG)

The company complied with the German Code of Corporate Governance recommendations issued by the German Federal Ministry of Justice on May 21, 2003 ("Code") during fiscal 2004 and will continue to do so during the current fiscal year. Exceptions are as follows:

1. In lieu of a deductible for its directors and officers liability insurance ("D&O insurance"), the company and the members of its governing bodies agreed that members' respective insurance premiums for D&O insurance be borne individually (Code Fig. 3.8, Par. 2).

2. In lieu of a statutory provision, the company's Supervisory Board bylaws stipulate that the retirement age for Executive Board members will be considered during succession planning (Code Fig. 5.1.2, Par. 2).

3. Committees have not been and will not be formed as long as the Supervisory Board comprises only three members (Code Fig. 5.3.1 and 5.3.2).

4. In lieu of a statutory provision, the Supervisory Board bylaws stipulate that the retirement age for Supervisory Board members will be considered when exercising nominating rights for new elections (Code Fig. 5.4.1).

Kahl, February 2005
SINGULUS TECHNOLOGIES AG

Alexander von Engelhardt	Roland Lacher
William Slee	Stefan A. Baustert
Thomas Geitner	Klaus Hammen

The worldwide demand for storage capacity increases nearly daily.

Who Will Win the Race?

The advent of high definition television (HDTV) and the development of increasingly complex video games will give rise to a demand for greater storage capacity than is now available on DVD.

HD DVD versus Blu-ray Disc 046
HD DVD: 15/30 Gbyte 046
Blu-ray: 25/50 Gbyte 047

Essay: Third Generation Optical Storage Media Who Will Win the Race?

HD DVD versus Blu-ray Disc

The advent of high definition television (HDTV) and the development of increasingly complex video games will give rise to a demand for greater storage capacity than is now available on DVD.

A contest between two formats looms on the horizon as the mass marketing of the third generation of optical storage media ramps up. Reminiscent of the Video 2000 (Grundig), Betamax (Sony), and VHS (JVC) versions of the video cassette invented in the mid-seventies, two new formats are now appearing on the market that will greatly increase the storage capacity of discs. Both are based on the shorter wavelength blue laser which allows for more data storage density.

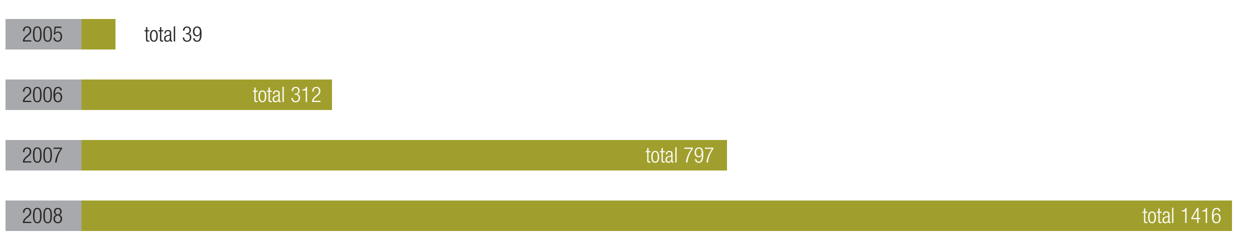
Both manufacturing groups want backward-compatible devices, i.e., players and recorders that can also read CDs and DVDs. It is possible that for the mid-term both formats will be concurrently produced for different applications. HD DVD may conceivably be first employed for private use and Blu-ray for professional use. The technical performance of the latter is greater when compared to the DVD format.

HD DVD: 15/30 Gbyte

A recorded single-layer HD DVD can store up to 15 Gbytes of data while a dual-layer disc stores up to 30 Gbyte. Manufacturers claim these discs can store up to four hours of high definition films. The first discs are scheduled to be released in late 2005.

A number of strategic steps were recently implemented by the HD DVD Promotion Group led by Toshiba that were designed to transform this format into the dominant movie, software, and computer gaming storage medium. This alliance includes equipment manufacturers such as NEC, Thomson/RCA, and Sanyo, and as of November 2004 (within the framework of a non-exclusive agreement), Hollywood studios including Disney, Warner Video, Paramount.

Market Development Blu-ray and HD DVD (worldwide in million Disc)



Source: Understanding & Solutions, Feb. 2005

The principal argument made by HD DVD proponents is that the new discs will be more cost-effective than Blu-ray discs. Industry insiders believe that this may be true only for the short-term. In the long run, manufacturing costs for the two formats may be comparable.

SINGULUS is currently working on the mass production of HD DVD replication systems in close cooperation with Memory Tech Corp., Japan, one of the world's largest DVD producers.

Blu-ray: 25/50 Gbyte

The second format is known as Blu-ray. Its single-layer version stores 25 Gbyte of data, its dual-layer version, 50 Gbytes. While the manufacturing technology for HD DVD is essentially comparable to DVD, the Blu-ray format will require completely new process and system technology.

The group of Blu-ray proponents led by Sony is backed by a large number of equipment manufacturers including Dell, HP, Hitachi, LG, Sharp, Philips, Matsushita (Panasonic), Canon, Ricoh, and Kenwood as well as film studios such as MGM, 20th Century Fox, Disney, and Columbia Tristar. With an 8,000-title color film library, the MGM studio acquired by Sony during the second half of 2004 is ranked No. 1 in the movie world.

Sony was the first company in the world to introduce Blu-ray recordable and rewritable recorders to the market in 2004. "Playstation 2", the leading global game console distributed by Sony, will be succeeded by a soon-to-be-released, mass-produced Playstation 3 model equipped with Blu-ray drives. In November 2004, SINGULUS and Sony entered into a Blu-ray replication line development alliance.

1

Coordination of the entire recordable disc manufacturing process on the EMOULD injection molding machines produced by our subsidiary SINGULUS EMOULD, Wuerselen/Aachen guarantees a high yield of good discs.

2

A newly-developed dye module provides process security and flexibility during disc manufacturing. This is true for the production of CD-R as well as the various DVD-R formats such as 16x DVDR or dual layer DVDR. The recorder is later used to burn the information into the dye layer.

3

The application of the silver layer onto one of the DVDR halves occurs in our standard SINGULUS V metallizer. This layer reflects the player's laser beam and so guarantees that the recorded information can be read.

4

Both disc halves are joined together and bonded in the central module. The bonded discs are cured, inspected in a scanner, and then sent to the output station.

5

Output module with an upstream laser marker. The finished discs are marked with a laser and placed on spindles. Discs that do not meet specifications are automatically rejected.

Business Areas

SINGULUS TECHNOLOGIES is the only global manufacturer of replication systems for all CD and DVD formats to offer a comprehensive line of optical disc manufacturing processes. The company has the entire value-added chain of supply at its disposal.

Business Areas

Optical Disc

SINGULUS TECHNOLOGIES is the only global manufacturer of replication lines for all CD and DVD formats to offer the full spectrum of optical disc manufacturing processes. Thus, the company has the entire value-added chain of supply at its disposal. SINGULUS is world leader for the most vital processes such as mastering and replication. In 2004, its worldwide market share for all ROM formats approached 65 %. For mastering its share was even higher.

Development efforts have now been focussed on DVD-R/Dual layer replication lines and on the HD DVD and Blu-ray "third generation" optical storage media.

Modeled on our SPACELINE II, the first HD DVD replication systems will be ready in the Spring of 2005. These will be the dual use systems requested by our major customers, i.e., replication systems on which DVD as well as the new HD DVD can be produced.

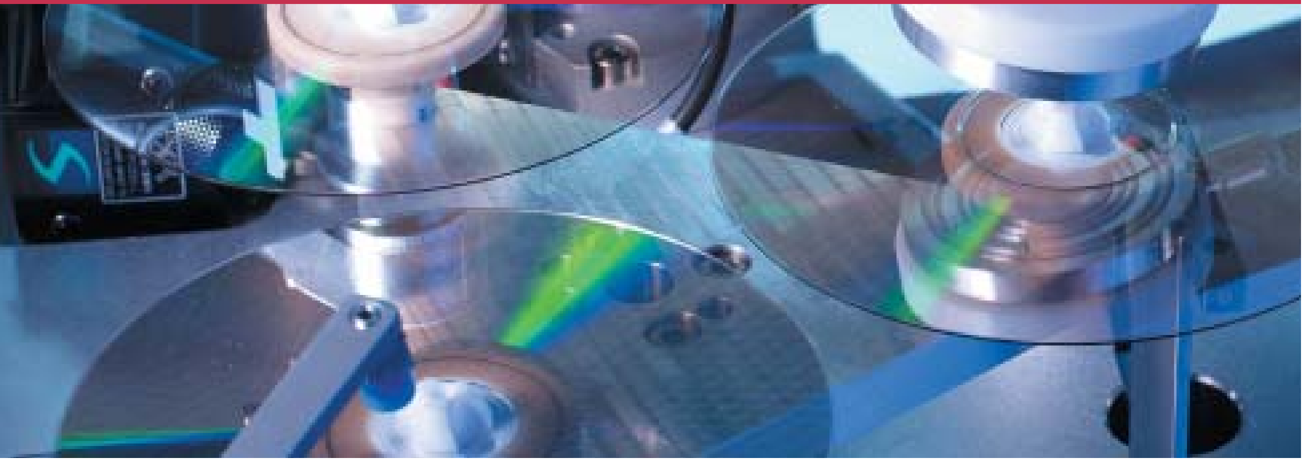
To accelerate this development, a strategic partnership was established with our long-standing customer Memory Tech/Japan who, together with the HD DVD format developer Toshiba, could develop HD DVD manufacturing technology know-how.

The first replication systems for the production of the single-layer Blu-ray disc format will be completed by mid-2005, the dual-layer format will be ready by the end of 2005. After having signed a cooperation contract, Sony has become the format developer for this new product.

With these strategic alliances in place, we have positioned ourselves early and optimally as „first mover" for the emerging systems business for the third generation of

Our product line for optical discs comprises:

- Mastering systems for all applications supplied by our SINGULUS MASTERING subsidiary
- Injection molding machines for all applications supplied by our SINGULUS EMOULD subsidiary
- Metallizers and targets for all formats
- SKYLINE II – the replication line for CD und DVD 5
- SPACELINE II – the replication line for DVD 5, 9 und 10
- STREAMLINE II - the replication line for all recordable formats (CD-R and DVD-R as well DVD+R Dual Layer)
- MODULUS and SUNLINE for all RW formats



optical discs, irrespective of the still unanswered question as to which format consumers will demand over the short- and long-run. SINGULUS has all the options at its disposal with which to successfully continue its market leadership for the foreseeable future.

Optical Coatings – First System Delivered

The OPTICUS machine, employing an automated inline process for coating eyeglass lenses and jointly developed with a key customer, was delivered following a successful trial and optimization phase. The coating technology was developed along with Rupp + Hubrach and the demanding process steps optimized during the second half of 2004. This was the basis for the expansion into new areas of application for inline technology.

The renowned SINGULUS inline process modeled on CD and DVD mass production techniques automates the ophthalmic lens manufacturing process and hence reduces customer costs. The process employs the technological expertise gained from inline vacuum coating experience. The optical coatings market was identified as one of the most attractive business arenas for diversification.

Age demographics suggest that the global market for eyeglasses will grow steadily for years to come. Over 70 million coated eyeglasses are sold annually in Europe while only 25 million are sold in the USA.

The OPTICUS ophthalmic fabrication system represents true “game-changing technology” and was developed to the level of market readiness. Following delivery of the first machine, the company expects initial contributions will be made to revenues and earnings in fiscal 2005.

The OPTICUS can fundamentally be utilized for other optical coating applications outside the ophthalmic industry, especially for fabricating lenses for telescopes, binoculars, projectors, etc. Consequently, the new business arena has significant potential for other applications in the refinement of optical substrates.

TMR Technology / MRAM

MRAM is a new „non-volatile“ computer storage medium which, unlike the conventional DRAM (Dynamic Random Access Memory) now in use, does not lose stored information when deprived of a power source. The MRAM chip also uses less energy than a DRAM element which has raised industry expectations for revolutionary possibilities in computer technology, primarily for laptops and “smart” hand-held devices.

We have concluded the process development of our TMR thin film coating systems for 200 and 300 mm semiconductor substrates. SINGULUS TECHNOLOGIES will take the next step of integrating these developments into the global semiconductor industry by aligning itself with a strategic partner within this industry. To this end, the Executive Board appointed an investment bank to identify a partner within the semiconductor industry with whom a strategic alliance for its MRAM (Magnetic Random Access Memory) manufacturing technology can be established. This new partner should augment SINGULUS TECHNOLOGIES’ marketing expertise and assist in achieving a breakthrough in the market for its TMR (Tunnel Magnetic Resistance) thin film coating system for the production of MRAM wafers and thin film heads.

Financial Statements

Financial Statements

The Financial Statements for fiscal 2004 have been audited by Public Auditors Ernst & Young on February 22, 2005.

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Report of Independent Auditors

“We have audited the consolidated financial statements of SINGULUS TECHNOLOGIES AG, Kahl am Main, comprising the balance sheet, income statement, statement of changes in equity and cash flow statement as well as the notes to the consolidated financial statements, for the fiscal year from January 1 to December 31, 2004. The preparation and content of the consolidated financial statements are the responsibility of the Company’s management board. Our responsibility is to assess whether the consolidated financial statements comply with International Financial Reporting Standards (IFRSs) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and the generally accepted German standards for the audit of financial statements promulgated by the IDW (“Institut der Wirtschaftsprüfer und Wirtschaftsprüfergesellschaften”:

Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and the disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IFRSs.

Our audit, which also extends to the combined management report prepared by the management board for the fiscal year from January 1 to December 31, 2004, has not led to any reservations. In our opinion, the combined management report, together with the other disclosures in the consolidated financial statements, on the whole provids a suitable understanding of the Group's position and suitably presents the risks to future development. In addition, we confirm that the consolidated financial statements and the combined management report for the fiscal year from January 1 to December 31, 2004 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and a group management report in accordance with German law."

Eschborn/Frankfurt am Main, February 22, 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Bösser	Weber
Wirtschaftsprüfer	Wirtschaftsprüfer

Consolidated Balance Sheets as of December 31, 2003 und 2004

ASSETS

	Note	2004 K€	2003 K€
Cash and cash equivalents	5	77,148	66,425
Trade receivables	6	85,869	79,275
Other receivables and assets	7	9,143	10,351
Total receivables		**95,012**	**89,626**
Raw materials, consumables and supplies		30,951	27,208
Work in process		69,432	73,612
Total inventories	8	100,383	100,820
Total current assets		**272,543**	**256,871**
Non-current receivables	6	12,789	17,209
Property, plant and equipment	10	13,917	15,842
Capitalized development costs	9	33,685	19,102
Goodwill	9	31,249	12,953
Other intangible assets	9	10,275	567
Deferred tax assets	18	5,640	4,414
Total non-current assets		**107,555**	**70,087**
Total assets		**380,098**	**326,958**

LIABILITIES

	Note	2004 K€	2003 K€
Trade payables		24,312	28,957
Current bank liabilities	14	3,785	0
Other current liabilities	11	23,127	19,304
Advance payments received	12	21,255	19,116
Tax provisions	18	11,299	10,031
Other provisions	16	10,222	9,382
Total current liabilities		**94,000**	**86,790**
Non-current bank liabilities	14	10,313	0
Other non-current liabilities	13	3,826	719
Pension provisions	15	4,800	4,215
Deferred tax liabilities	18	17,583	8,180
Total non-current liabilities		**36,522**	**13,114**
Total liabilities		**130,522**	**99,904**
Share capital	17	35,392	37,064
Capital reserves	17	28,347	27,650
Other reserves		–5,518	–4,287
Accumulated profit		191,355	166,627
Total equity		**249,576**	**227,054**
Total equity and liabilities		**380,098**	**326,958**

Consolidated Income Statements for 2003 and 2004

		2004		2003	
	Note	K€	%	K€	%
Revenues (gross)	20	**439,535**	**103.8**	**362,559**	**103.9**
Sales deductions and direct selling costs	21	–15,993	**–3.8**	–13,771	–3.9
Revenues (net)		**423,542**	**100.0**	**348,788**	**100.0**
Cost of sales		–289,226	**–68.3**	–238,233	–68.3
Gross profit on sales		**134,316**	**31.7**	**110,555**	**31.7**
Research and development	23	–8,963	–2.1	–6,038	–1.7
Sales and customer service		–22,575	–5.3	–19,148	–5.5
General administration	22	–17,116	–4.0	–10,887	–3.1
Goodwill amortization		–2,905	–0.7	–1,692	–0.5
Other operating income/ (expenses)	24	–9,717	–2.3	–4,358	–1.2
Total operating expenses		–61,276	–14.5	–42,123	–12.1
EBIT		**73,040**	**17.2**	**68,432**	**19.6**
Interest income	25	4,203	1.0	4,044	1.2
Interest expense	25	–2,912	–0.7	–1,530	–0.4
EBT		**74,331**	**17.5**	**70,946**	**20.3**
Income taxes	18	–27,101	–6.4	–26,436	–7.6
Net income		**47,230**	**11.2**	**44,510**	**12.8**
Basic earnings per share (in €)		1.28		1.20	
Diluted earnings per share (in €)		1.28		1.20	
Weighted number of shares – basic		36,769,485		36,986,738	
Weighted number of shares – diluted		36,769,485		36,986,738	

Statement of Changes in Consolidated Equity as of December 31, 2003 and 2004

	Share capital K€	Capital reserves K€	Other reserves K€	Accumulated profit K€	Equity K€
Balance on January 1, 2003	36,947	26,950	–1,380	122,117	184,634
Capital increase	117	700			817
Exchange differences in the fiscal year			–2,907		–2,907
Net income				44,510	44,510
Balance on December 31, 2003	**37,064**	**27,650**	**–4,287**	**166,627**	**227,054**
Capital increase	116	697			813
Repayment of share capital	–1,788		–22,502		–24,290
Exchange differences in the fiscal year			–1,150		–1,150
Financial instruments			–81		–81
Net income				47,230	47,230
Balance on December 31, 2004	**35,392**	**28,347**	**–5,518**	**191,355**	**249,576**

Consolidated Cash flow Statements 2003 and 2004

	2004 K€		2003 K€	
Cash flows from operating activities				
Profit for the period		47,230		44,510
Adjustment to reconcile consolidated profit for the period to income/expenses				
Depreciation/amortization on non-current assets	10,814		7,310	
Net allocation to pension provisions	585		1,452	
Other non-cash expenses/income	0		– 1,126	
Deferred taxes	8,177	19,576	2,029	9,665
		66,806		**54,175**
Decrease/increase in assets and increase/decrease in equity and liabilities				
Trade receivables	9,348		– 25,813	
Other receivables and assets	8,571		3,245	
Capitalized development costs	– 18,909		– 12,148	
Inventories	725		– 14,486	
Trade payables	– 16,824		3,502	
Other liabilities	– 805		1,002	
Advance payments received	2,139		7,132	
Tax provisions	– 1,625		3,932	
Other provisions	– 194	– 17,574	– 2,154	– 35,788
Net cash flow from operating activities		**49,232**		**18,387**

	2004 K€		2003 K€	
Cash flows from investing activities				
Investments in assets	–8,126		–8,866	
Disposals of assets (net)	5,952		3,622	
Cash paid for the acquisition of consolidated companies	–23,807	–25,981	0	–5,244
Net of cash and cash equivalents acquired		**–25,981**		**–5,244**
Cash flows from financing activities				
Cash paid to redeem shares	–24,290		0	
Cash paid to redeem loans	–2,573		0	
Cash received from the raising of loans	14,098		0	
Issue/redemption of convertible bonds	–24		–250	
Capital increase	764	–12,025	769	519
Net cash flow from financing activities		**–12,025**		**519**
Increase in cash and cash equivalents		**11,226**		**13,662**
Effect of exchange rate changes		–503		–1,152
Cash and cash equivalents at the beginning of the fiscal year		**66,425**		**53,915**
Cash and cash equivalents year-end		**77,148**		**66,425**
Cash paid in the fiscal year for				
Interest		*331*		*117*
Taxes		*13,911*		*14,597*
Cash received in the fiscal year for				
Interest		*5*		*0*
Taxes		*0*		*430*

Statement of Non-current Assets in Fiscal Year 2004

	Cost				
	Jan. 1, 2004 K€	Additions K€	Disposals K€	Reclassi-fications K€	Exchange rate differences K€
Property, plant and equipment					
Land, land rights and buildings, including buildings on third-party land	11,247	1,444	5,891	235	7,035
Technical equipment and machines	1,155	3,067	16	0	24
Other equipment, furniture and fixtures	8,594	1,746	40	0	36
Leased assets	1,574	0	1,574	0	0
Payments on account and assets under construction	235	194	0	–235	0
	22,805	6,451	7,521	0	60
Intangible Assets					
Franchises, industrial and similar rights and assets, and licenses in such rights and assets	1,713	10,869	0	0	0
Development costs	21,629	18,909	0	0	0
Goodwill	16,539	21,200	0	0	0
	39,881	**50,978**	**0**	**0**	**0**
	62,686	**57,429**	**7,521**	**0**	**60**

		Accumulated Amortization/Depreciation					Carrying Amounts	
	Dec. 31, 2004 K€	Jan. 1, 2004 K€	Allocations K€	Reversals K€	Exchange rate differences K€	Dec. 31, 2004 K€	Dec. 31, 2004 K€	Dec. 31, 2003 K€
	848	294	325	0	817	6,218	10,399	
	4,230	496	343	2	13	850	3,380	659
	10,336	4,637	1,606	49	17	6,211	4,125	3,957
	0	982	181	1,163	0	0	0	592
	194	0	0	0	0	0	194	235
	21,795	6,963	2,424	1,539	30	7,878	13,917	15,842
	12,582	1,146	1,161	0	0	2,307	10,275	567
	40,538	2,527	4,326	0	0	6,853	33,685	19,102
	37,739	3,585	2,905	0	0	6,490	31,249	12,954
	90,859	**7,258**	**8,392**	**0**	**0**	**15,650**	**75,209**	**32,623**
	112,654	**14,221**	**10,816**	**1,539**	**30**	**23,528**	**89,126**	**48,465**

SINGULUS TECHNOLOGIES AG
Notes to the Consolidated Financial Statements as of December 31, 2004

Note 1 – General Information

The consolidated financial statements present the operations of SINGULUS TECHNOLOGIES AG, Hanauer Landstrasse 103, 63796 Kahl am Main and its subsidiaries (hereinafter referred to as “SINGULUS” or the “Company”).

The consolidated financial statements have been prepared in euros (€). Unless stated otherwise, all figures are disclosed in thousands of euros (K€).

The consolidated financial statements of SINGULUS TECHNOLOGIES AG have been prepared for the first time in accordance with the International Financial Reporting Standards (IFRSs). In preparing the IFRS consolidated financial statements, IFRS 1 “First-Time Adoption of International Accounting Standards” was applied. The date of transition to IFRSs is January 1, 2003. The last US GAAP financial statements were prepared for the period ending December 31, 2003.

When preparing the opening IFRS balance sheet as of January 1, 2003, which serves as the basis for IFRS accounting, the Company carried out the following steps:

a) Recognized all assets and liabilities whose recognition is required by the IFRSs
b) Did not recognize items as assets or liabilities if IFRSs do not permit such recognition
c) Reclassified items that were recognized under US GAAP as one type of asset, liability or component of equity, but qualify as a different type of asset, liability or component of equity under IFRSs
d) Applied the IFRSs in measuring all recognized assets and liabilities

All changes resulting from the transition to IFRSs were offset against revenue reserves in the opening IFRS balance sheet.

When converting to IFRS accounting, SINGULUS made use of the exemption under IFRS 1 relating to employee benefits in that it recognized all cumulative actuarial gains and losses at the date of transition.

Along with IFRS 1, the Company applied all mandatory standards of the International Accounting Standards Board (IASB), London, as of the balance sheet date. The IFRSs also include the International Accounting Standards (IAS) that are still effective. All interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – formerly the Standing Interpretations Committee (SIC) – that were mandatory for fiscal year 2004 were likewise applied.

The consolidated financial statements are in compliance with the 7th EU Directive based on the interpretation of German Accounting Standard 1 (GAS 1), “Exempting Consolidated Financial Statements in Accordance with Sec. 292a HGB”. Since the Company is listed on a German stock exchange, it has been exempted under German commercial law from its duty to prepare and disclose consolidated financial statements according to German generally accepted accounting principles (German GAAP).

German GAAP differs in some respects from the IFRSs. As the Company maintains its books and records in accordance with German GAAP, certain adjustments were necessary in order to prepare the IFRS consolidated financial statements. These adjustments mainly relate to consolidation differences, the recognition of leases and pension liabilities, and the treatment of hedging transactions and development expenses.

Note 2 – Business Operations

The Company is engaged in the manufacture and distribution of metallizers for prerecorded, recordable and rewritable CDs and DVDs as well as replication lines for these products. Metallizers are distributed under the brand names "SINGULUS" and "Modulus", and replication lines under the brand names "Skyline" (prerecorded CD and DVD), "Streamline" (CD-R and DVD-R), "Spaceline" (Video DVD) and "Sunline" (CD-RW and DVD-RW). Since fiscal year 2002, the Company has been involved in the manufacture and distribution of mastering systems, which complement the Company's replication lines.

Note 3 – Significant Accounting Principles

Consolidation Principles

Along with SINGULUS TECHNOLOGIES AG, the consolidated financial statements include all entities under the legal and/or constructive control of the Company.

The following subsidiaries are included in the consolidated financial statements:

- SINGULUS EMOULD GmbH, Würselen, Germany
- SINGULUS MASTERING B. V., Eindhoven, Netherlands
- SINGULUS MASTERING INTERNATIONAL GmbH, Schaffhausen, Switzerland
- SINGULUS MOLDING AG, Schaffhausen, Switzerland
- SINGULUS TECHNOLOGIES Inc., Windsor, USA
- SINGULUS TECHNOLOGIES SERVICE GROUP Inc., Windsor, USA
- SINGULUS TECHNOLOGIES Ltd., Swindon, UK
- SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore
- SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil
- SINGULUS TECHNOLOGIES IBERICA S. L., Sant Cugat del Vallés, Spain
- SINGULUS VIKA CHINA Limited, Wanchai, Hong Kong
- SINGULUS TECHNOLOGIES FRANCE s. a. r. l., Valence, France
- SINGULUS TECHNOLOGIES ITALIA s. r. l., Senigallia (Ancona), Italy
- SINGULUS TECHNOLOGIES TAIWAN Limited, Taipei, Taiwan

With the exception of SINGULUS VIKA CHINA Limited (51 % share), the Company directly or indirectly holds all shares in the subsidiaries listed above.

The share of equity and profit attributable to minority interest is shown separately in the balance sheet and income statement. However, if the loss attributable to minority interest exceeds the carrying amount of their share of equity, this carrying amount is adjusted to zero and no further proportionate losses are recorded. Therefore, no share of equity or profit or loss attributable to minority interest has been disclosed for SINGULUS VIKA CHINA Limited in the consolidated statements as of December 31, 2004 and 2003 . The total value of the share of losses attributable to minority interest not recognized is € 5k as of December 31, 2004, and € 19k as of December 31, 2003.

The net profit/loss of acquired entities is recognized in the consolidated financial statements from the date of acquisition. All material intragroup transactions are eliminated during consolidation.

Acquisitions

With effect as of January 9, 2004, the Company acquired all shares in ODME B. V., Eindhoven, Netherlands, for a purchase price of € 23,813k. The purchase price was paid in full from the Company's cash and cash equivalents. The Company accounted for the acquisition in accordance with IAS 22. € 3,818k of the purchase price was mainly allocated to intangible assets. The resulting goodwill of € 21,198k was amortized in the fiscal year, assuming a useful life of 15 years. From fiscal year 2005, no further amortization of goodwill will be charged due to the application of IFRS 3.

With effect as of October 1, 2004, ODME B. V., Eindhoven, Netherlands, was merged with Optical Measuring-Equipment & Projects B. V., Best, Netherlands (OMP) to form SINGULUS MASTERING B. V., Eindhoven, Netherlands.

Foreign Currency Translation

The financial statements of the foreign subsidiaries are prepared in the currency in which the majority of transactions are concluded (functional currency). The functional currency is the respective local currency. Balance sheet items are translated at the rate on the balance sheet date and income statement items at the average rate of the fiscal year. The capital stock of the investments is measured at the historical rate. Currency differences arising from the application of different rates are shown in other reserves.

Foreign currency monetary items are translated at the closing rate. Translation differences are recognized as income or expenses in the period in which they occurred.

Use of Assumptions

The preparation of financial statements in accordance with IFRSs requires estimates and assumptions to be made by management which have an effect on the amounts stated in the balance sheet as well as the disclosure of contingent assets and liabilities at the balance sheet date and on the income and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

Revenue Recognition

Revenue is recognized when a contract has become effective, delivery has been made (in the case of metallizers – excluding Modulus – and injection molding machines), and accepted by the customer (in the case of replication lines) or services have been rendered, a price has been agreed and is determinable and payment thereof is probable.

Revenue is stated net of VAT, returns, sales deductions and credit notes.

Goodwill

Goodwill resulting from an acquisition is initially measured at cost, that being the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Up to and including fiscal year 2004, goodwill was amortized over its expected useful life. From fiscal year 2005, no further amortization of goodwill will be charged due to the application of IFRS 3.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Research and Development Costs

Research costs are expensed as incurred. Pursuant to IAS 38, development costs are recognized as intangible assets at cost, provided that the conditions of IAS 38.45 are fulfilled. Cost encompasses all costs directly allocable to the production process as well as appropriate shares of development-related overheads. Amortization is charged using the straight-line method over the expected useful life of the developed products (generally assumed to be five years).

Other Intangible Assets

Intangible assets acquired separately are recognized at cost and from a business combination are capitalized at fair value as of the date of acquisition. After initial recognition, these intangible assets are carried at amortized cost.

Intangible assets, excluding development costs, created within the Company are not capitalized; associated costs are expensed as incurred.

Cash and Cash Equivalents

Cash and cash equivalents comprise monetary investments with a remaining maturity of up to three months at the time of acquisition as well as bills with an original maturity of up to three months.

Receivables

Invoices for goods and services are mainly issued in euros.

To cover credit risks, specific bad debt allowances are recognized for trade receivables. For details on the recognition of foreign currency receivables and the related hedging transactions, we refer to our comments under “Derivative Financial Instruments”.

Inventories

Inventories are carried at the lower of cost and net realizable value. Raw materials, consumables and supplies including spare parts are measured using the average cost method. Work in process is measured using the full cost approach based on standard cost. The standard costs are reviewed once a year and adjusted if necessary. Appropriate allowances are made for potential losses due to obsolete or slow-moving inventories.

Property, Plant and Equipment

Property, plant and equipment are carried at cost of purchase less straight-line depreciation. Depreciation is charged over the economic lives of the assets.

The economic lives are estimated as follows:

Buildings	25 years
Machines and technical equipment	2 to 10 years
Other assets	1 to 4 years

Gains or losses on the disposal of assets are recognized in profit or loss.

Leases

The Company is a lessee of property, plant and equipment and a lessor of machines (replication lines). The criteria defined in IAS 17 for assessing, based on the risks and rewards, whether beneficial ownership of the leased asset is attributable to the lessor (operating lease) or the lessee (finance lease), are used to assess all the leases and account for them accordingly.

For leases in which the Group is lessee, beneficial ownership of the leased assets is attributable to the lessor pursuant to IAS 17 if the lessor bears all the risks and rewards incidental to ownership of those assets. The leased assets are recognized in the financial statements of the lessor. The incurred lease expenses are recognized as expenses in the full amount.

Assets leased from the Company under operating leases are recognized at cost of conversion and depreciated using the straight-line method over an expected useful life of five years. The related lease income is recognized in income on a straight-line basis over the term of the leases.

Impairment of Assets

Property, plant and equipment and intangible assets (including goodwill) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized as soon as the carrying amount exceeds the amount recoverable. The recoverable amount is the higher of an asset’s net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Cash flows are determined in accordance with IAS 36. The recoverable amount is estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

In fiscal years 2004 and 2003, no events or changes in circumstances occurred that could indicate an impairment.

Other Receivables and Assets

Other receivables and assets are recognized at amortized cost. Bad debt allowances are recorded for specific identifiable risks and general credit risks.

Deferred Taxes

Deferred taxes are recognized for all temporary differences between the tax balance sheet and the consolidated balance sheet. In addition, deferred tax assets resulting from loss carryforwards are recorded if it is likely that they will be used.

Deferred taxes are recognized in the amount expected to be paid or recovered in subsequent fiscal years based on the tax rate enacted at the time of recognition. The tax consequences of distributions are not recognized before the resolution on the appropriation of net profit has been passed.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable profit in the years in which these temporary differences are expected to be settled. In the event of a change in tax rate, the effects on deferred tax assets and liabilities are recognized in profit or loss in the period to which the new tax rate applies.

Pension Provisions

The actuarial measurement of pension provisions is based on the projected unit credit method prescribed by IAS 19 for benefit obligations for old-age pensions. This method takes into account both the pensions known and vested benefits as of the balance sheet date and the increases in salaries and pensions to be expected in the future.

Provisions for Taxes

The provisions for taxes include obligations arising from current income taxes. Deferred taxes are disclosed separately in the balance sheet.

Other Provisions

Under IAS 37, provisions are recognized if a present obligation toward a third party as a result of a past event exists which will probably result in a future outflow of resources, and whose amount can be reasonably estimated. Provisions that are not expected to lead to an outflow of resources in the subsequent year are carried at their discounted settlement amount on the balance sheet date. The discount factor is based on market interest rates. The settlement amount also includes the expected cost increases. Provisions may not be offset against contingent assets.

Provisions for warranty costs are recognized as soon as the respective revenues are realized. The provision is measured on the basis of historical estimates of the costs of meeting warranty obligations, including handling and transport costs.

Liabilities

Current liabilities are stated at the redemption or settlement amount. Non-current liabilities are recognized at amortized cost in the balance sheet. Differences between historical cost and the redemption amount are accounted for by using the effective interest rate method.

Finance lease liabilities are carried at the present value of the lease payments.

Share-Based Payment

The treatment of employee ownership models is stipulated in IFRS 2 (Share-based Payment). IFRS 2 must be applied for the first time in fiscal years beginning on or after January 1, 2005. IAS 19 (Employee Benefits), which is still applicable to fiscal year 2004, does not specify recognition and measurement requirements for equity compensation benefits. The disclosures in the notes required by IAS 19 are given in Note 13.

Earnings Per Share

Basic earnings per share are calculated by dividing net profit by the weighted average number of shares outstanding. Diluted earnings per share are calculated by dividing net profit by the weighted average number of shares outstanding plus the number of convertible bonds outstanding, provided that the exercise of conversion rights is reasonably certain.

Derivative Financial Instruments

The Company concludes foreign currency forward contracts to hedge foreign currency risks from trade receivables. These financial instruments are not used for speculative purposes. The Company has detailed regulations for checking the credit ratings of its counterparties.

In order to hedge foreign currency risks from trade receivables, the Company had concluded foreign currency forward contracts of USD 16.6m as of December 31, 2004 (December 31, 2003: USD 7.9m). In the case of fair value hedges for existing receivables, the hedging transaction and the risk portion of the hedged item are carried at fair value. Changes in value are recognized in profit or loss. In the case of cash flow hedges, the hedging instruments are likewise carried at fair value. Changes in value, provided that the hedges are deemed to be effective, are initially disclosed in other reserves, taking into account any deferred taxes, and only recognized in profit or loss when the cash flow is realized. The ineffective portion is reported immediately in profit or loss.

Note 4 – Significant Effects of Transition to IFRSs

SINGULUS TECHNOLOGIES AG has chosen to apply the IFRSs for the first time for fiscal year 2004. The date of transition to IFRSs is January 1, 2003. The last US GAAP financial statements were prepared for the period ending December 31, 2003.

Reconciliation of equity and profit or loss:

	Jan. 1, 2003 K€	Changes 2003 K€	Dec. 31, 2003 K€
Equity under US GAAP			
Share capital	36,947	117	37,064
Reserves	26,950	700	27,650
Accumulated other comprehensive income	–1,523	–3,238	–4,761
Revenue reserves	119,257	40,257 [a)]	159,514
Total equity	**181,631**	**37,836**	**219,467**
Effects of Transition to IFRSs			
1. Goodwill	–1,893	–1,692	–3,585
2. Intangible assets – pensions	–191	63	–128
3. Development costs	8,850	10,252	19,102
4. Pension provision	–496	–161	–657
5. Deferred taxes	–3,266	–3,878	–7,144
Total effects	**3,004**	**4,584 [b)]**	**7,588**
Adjustment of items recorded in equity under US GAAP			
6. Difference from pension measurement	143	331	474
Total adjustments	**143**	**331**	**474**
Equity under IRFSs			
Share capital	36,947	117	37,064
Reserves	26,950	700	27,650
Other reserves	–1,380	–2,907	–4,287
Revenue reserves	122,117	44,510 [c)]	166,627
Total equity	**184,634**	**42,420**	**227,054**

a) Net profit for 2003 under US GAAP
b) Transition effects on net profit
c) Net profit for 2003 under IFRSs

Reconciliation Notes

1. SINGULUS has opted for full retrospective application of the IFRSs regarding business combinations and not for the simplifications specified under IFRS 1. The goodwill resulting from a business combination is amortized over an economic life of 15 years (mastering business) and five years (injection molding business), respectively. As of January 1, 2003 and December 31, 2003, this led to a reduction in goodwill of € 1,893k and € 3,585k, respectively. Goodwill amortization in fiscal year 2003 amounted to € 1,692k.

   In March 2004, the IASB passed the first set of new rules for business combinations, which, akin to US GAAP, include the requirement to conduct an annual impairment test from 2005. SINGULUS will therefore only conduct an annual impairment test for goodwill resulting from business combinations dating back prior to March 31, 2004 from fiscal year 2005.

2. US GAAP statement SFAS 87, "Employee Benefits" regarding the recognition of pension liabilities requires that an additional minimum pension liability be recognized once a certain level of underfunding has been reached. In this context, an intangible pension asset must be recognized up to the amount of the unrecognized prior service cost. If no unrecognized prior service cost exists or is not sufficient, an offsetting entry is made in other comprehensive income, less the deferred tax effect.

   As IAS 19, "Employee Benefits", does not provide for additional minimum pension liabilities, the intangible pension asset recognized under US GAAP in connection with the pension measurement was not recognized under IFRSs.

3. Under US GAAP, development costs were expensed as incurred. According to IAS 38, "Intangible Assets", development costs are capitalized if the conditions defined therein are met. As such, the Company capitalized development costs of € 8,850k and € 19,102k on January 1, 2003 and December 31, 2003, respectively. Taking account of the related amortization charges, this increased profit in fiscal year 2003 by € 10,252. In this regard, we also refer to our comments in Note 3.

4. The Company recognized all cumulative actuarial gains and losses resulting from the initial recognition of pension liabilities according to IAS 19, "Employee Benefits" at the date of transition to IFRSs. Taking account of the further differences arising from measurement according to SFAS 87 and IAS 19, the pension provision as of January 1, 2003 and December 31, 2003, increased by € 496k and € 657k, respectively.

5. Due to the aforementioned transition effects, deferred tax liabilities increased as of January 1, 2003 and December 31, 2003 by € 3,186k and € 6,877k, respectively. Deferred tax assets decreased on these dates by € 80k and € 267k, respectively.

6. As explained under Section 2 of the Reconciliation Notes, the "additional minimum pension liability" principle under US GAAP provides for the recognition of certain amounts in other comprehensive income. As this principle does not exist under IAS 19, corresponding adjustments were made to revenue reserves as of January 1, 2003 and to profit for fiscal year 2003.

   There are no material differences between the cash flow statement prepared according to IFRSs and the cash flow statement presented under US GAAP.

Note 5 – Cash and Cash Equivalents

	2004 K€	2003 K€
Cash at bank and in hand	77,082	65,884
Bills with an original maturity of up to three months	66	541
	77,148	**66,425**

Note 6 – Trade Receivables

	2004 K€	2003 K€
Current trade receivables	92,406	82,169
Non-current trade receivables	12,937	17,209
Less bad debt allowances	(6,685)	(2,894)
	98,658	**96,484**

The non-current receivables accrue interest at normal market conditions.

Note 7 – Other Receivables and Assets

	2004 K€	2003 K€
Tax refunds	2,558	2,772
Advance payments	1,777	1,503
Prepaid expenses	1,540	1,815
Foreign currency forward contracts at fair value	1,188	1,540
Credit with suppliers	220	1,048
Employee loans	177	171
Accrued interest	3	27
Insurance claims	0	70
Other	1,680	1,405
	9,143	**10,351**

With regard to the fair value of foreign currency forward contracts, we refer to “Derivative Financial Instruments” in Note 3.

Note 8 – Inventories

Inventories break down as follows:

	2004 K€	2003 K€
Raw materials, consumables and supplies	35,588	32,279
Work in process	72,139	73,612
Less allowances for potential losses	(7,344)	(5,071)
	100,383	**100,820**

Inventories do not comprise any assets carried at net realizable value.

Note 9 – Intangible Assets

€ 18,909k of the development costs incurred in fiscal year 2004 qualify for recognition as an asset under IFRSs. The capitalized development costs mainly relate to expenses in the Company’s core business areas, optical disc and mastering, as well as the new areas Optikus and TMR technology.

With effect as of January 9, 2004, the Company acquired all shares in ODME B. V., Eindhoven, Netherlands, for a purchase price of € 23,813k. € 3,818k of the purchase price was mainly allocated to intangible assets. The resulting goodwill of € 21,198k was amortized in the fiscal year, assuming a useful life of 15 years. From fiscal year 2005, no further amortization of goodwill will be charged due to the application of IFRS 3. With effect as of October 1, 2004, ODME B.V., Eindhoven, Netherlands, was merged with Optical Measuring-Equipment & Projects B.V., Best, Netherlands (OMP) to form SINGULUS MASTERING B.V., Eindhoven, Netherlands.

Other intangible assets primarily comprise patents and licenses acquired in connection with the takeover of ODME B. V., Eindhoven, Netherlands.

As regards the development of intangible assets, we refer to the appendix to the explanatory notes.

Note 10 – Property, Plant and Equipment

As regards the development of property, plant and equipment, we refer to the appendix to the explanatory notes.

Note 11 – Other Current Liabilities

	2004 K€	2003 K€
Sales commissions for foreign sales agents	4,401	4,858
Annual bonus	2,921	2,288
Outstanding invoices	2,664	1,444
Other personnel liabilities	1,793	1,405
Accrued vacation/flexitime/free time	1,548	1,415
Audit, legal and consulting fees	1,247	450
Deferred interest portion of installment arrangements	1,147	1,925
Tax liabilities	1,129	1,112
Liabilities for social security insurance	1,113	708
Patent liabilities	1,000	0
Outstanding credit notes	917	595
Current portion of convertible bonds	779	639
Outstanding wages and salaries	738	272
Other	1,730	2,193
	23,127	**19,304**

For details on liabilities from convertible bonds, we refer to Note 13.

Note 12 – Advance Payments Received

	2004 K€	2003 K€
Advance payments received from customers	**21,255**	**19,116**

Advance payments received as of December 31, 2004 and 2003 mainly relate to advance payments for replication lines, which are disclosed in inventories under work in process.

Note 13 – Other Non-Current Liabilities

€ 3,322k of non-current liabilities relates to remaining purchase prices for acquisitions of intangible assets in fiscal year 2004.

The item also contains liabilities from convertible bonds as part of a stock option plan for management board members and senior employees.

	2004 K€	2003 K€
Non-current portion of convertible bonds	**504**	**719**

By resolution of the extraordinary shareholders' meeting on November 6, 1997 and the ordinary shareholders' meeting on May 7, 1999 and May 7, 2001, the management board was authorized, with the consent of the supervisory board, to issue convertible bonds in one or more tranches with a total nominal value of up to € 1,800,000 and a maturity up to December 31, 2010 to management board members and senior employees. The purpose of the stock option plan was to motivate the management board and senior employees and encourage them to contribute toward the success of the Company.

On November 30, 1997, 150,000 convertible bonds with a nominal value of € 383k and an interest rate of 6 % p. a. were issued. Each DEM 5 (€ 2.56) in nominal value of the convertible bonds may be converted into six shares with a nominal value of € 1. The conversion rate for six shares with a nominal value of € 1 each equaled the placement price (€ 41.93) less the nominal value at which a share with a nominal value of DEM 5 (€ 2.56) was issued during the Company's IPO. Considering a 3 for 1 share split and another 2 for 1 share split, the current conversion rate is € 6.99. In 1998 and 1999, convertible bonds with a nominal value of € 38k were returned by employees who have left the Company. In 1999, 2000, 2001, 2002 and 2003, 114,203 of the convertible bonds with a total nominal value of € 292k were converted into shares. A further 19,415 convertible bonds with a total nominal value of € 50k were converted in 2004. A further 7.5 % may be converted on each conversion date thereafter (May 31 and November 30 of each year up to 2005). As of the balance sheet date, the nominal value of the outstanding convertible bonds of this tranche is € 5k.

In 2000, a further 494,181 convertible bonds with a total nominal value of € 494k were issued as part of a stock option plan. The convertible bonds also bear interest at 6 % p. a. Each € 1 in nominal value of the convertible bonds may be converted into two shares with a nominal value of € 1. In fiscal year 2002, 121,000 convertible bonds with a nominal value of € 121k were returned by employees who have left the Company. The convertible bonds were reissued to new employees in fiscal years 2000 and 2001. The conversion rate for convertible bonds with a nominal value of € 373k was fixed to the share price as of December 21, 1999 (€ 29.73 per share, considering a 2 for 1 share split). The conversion rate for convertible bonds with a total nominal value of € 81k was fixed to the share price as of November 30, 2000 (€ 37.50 per share). The conversion rate for the remaining convertible bonds with a nominal value of € 40k was fixed to the spot price as of January 31, 2000 (€ 42.45 per share, considering a 2 for 1 share split). 25 % of the convertible bonds may not be converted before May 31, 2002. A further 7.5 % may be converted on each conversion date thereafter (May 31 and November 30 of each year up to 2010). In fiscal year 2002, 153,181 convertible bonds with a total nominal value of € 153k were returned to the Company. In fiscal year 2003, 158,500 convertible bonds with a total nominal value of € 159k were returned. In fiscal year 2004, 27,500 convertible bonds with a total nominal value of € 28k were returned to the Company. As of December 31, 2004, the total nominal value of the outstanding convertible bonds of this tranche amounted to € 155k.

In fiscal year 2001, 711,000 convertible bonds with a nominal value of € 711k and an interest rate of 4 % p. a. were issued. Each € 1 in nominal value of the convertible bonds may be converted into one share with a nominal value of € 1. The conversion rate for the convertible bonds was fixed at € 32.53, equaling 130 per cent of the average share price for the period from May 14 to May 18, 2001 (€ 25.02 per share). 25 % of the convertible bonds may not be converted before May 31, 2003. A further 15 % may be converted on each conversion date thereafter (May 31 and November 30 of each year up to 2006). In fiscal year 2002, 61,432 convertible bonds with a total nominal value of € 61k were returned to the Company. In fiscal year 2003, 221,000 convertible bonds with a total nominal value of € 221k were returned. In fiscal year 2004, 74,500 convertible bonds with a total nominal value of € 75k were returned to the Company. As of December 31, 2004, the total nominal value of the outstanding convertible bonds of this tranche amounted to € 354k.

In fiscal year 2002, 563,182 convertible bonds with a nominal value of € 563k and an interest rate of 4 % p. a. were issued. Each € 1 in nominal value of the convertible bonds may be converted into one share with a nominal value of € 1. The conversion rate for the convertible bonds was fixed at € 19.09, equaling 130 per cent of the average share price for the period from September 9 to September 13, 2002 (€ 14.69 per share). 25 % of the convertible bonds may not be converted before November 30, 2004. A further 15 % may be converted on each conversion date thereafter (May 31 and November 30 of each year up to 2008). In fiscal year 2003, a further 130,000 convertible bonds of this tranche with a total nominal value of € 130k were issued. In fiscal year 2004, 62,500 convertible bonds of this tranche were returned to the Company. Also in fiscal year 2004, a further 140,000 convertible bonds with a total nominal value of € 140k were issued. As of December 31, 2004, the total nominal value of the outstanding convertible bonds of this tranche amounted to € 771k.

As of December 31, 2004, the total value of all four tranches of convertible bonds amounted to € 1,284k. Based on the stipulated conversion dates, the value at maturity of the convertible bonds is as follows:

	K€
Due in 2005	779
Due in 2006	235
Due in 2007	162
Due in 2008	87
Due in 2009	21
	1,284

According to the above table, the current portion of convertible bonds due within one year (€ 779k) is disclosed under other current liabilities as of the balance sheet date.

Note 14 – Bank Liabilities

As of December 31, 2004, there are bank liabilities of € 14,063k, which are the result of two loans granted in October 2004 in the amount of € 15,000k. The loans are repayable in equal annual installments, with the last installment payable on September 30, 2008. The interest rate on the loans is adjusted to the 3-month €IBOR rate on a quarterly basis. As of year-end, the interest rate is 2.679 %.

Note 15 – Pension Liabilities

In Germany, the Company sponsors a pension plan for employees who were taken over from Leybold AG and hired by Leybold AG on behalf of the Company as well as for the management board. The pension plan is based on the benefit plan established in 1969 and the amendments thereto as of 1977, 1986 and 2001.

Consistent with German practice, the pension plan is not funded. Pension provisions are determined on the basis of an independent pension report. Pension benefits under the plan are based on a percentage of the employees' current compensation and their years of service.

The change in pension liabilities as of December 31, 2004 is presented as follows:

	2004 K€	2003 K€
Change in pension liabilities:		
Projected benefit obligation at the beginning of the fiscal year	4,215	3,260
Service cost	257	149
Interest expense	219	185
Actuarial losses	187	700
Benefits paid in the fiscal year	(78)	(79)
Projected benefit obligation at the end of the fiscal year	**4,800**	**4,215**

The assumptions on which the calculation of pension liabilities are as follows:

	2004	2003
Discount rate	5.00 %	5.25 %
Increase in wages and salaries	3.00 %	3.00 %
Future pension increase	1.50 %	1.50 %

Net pension expenses break down as follows:

	2004 K€	2003 K€
Service cost	257	149
Interest expense	219	185
Actuarial gains/losses	187	700
	663	**1,034**

Note 16 – Other Provisions

Other provisions developed as follows in the fiscal year:

	Jan. 1, 2004 €	Utilization €	Reversal €	Allocation €	Dec. 31, 2004 €
Provisions for warranties	8,739	7,857	310	9,365	9,937
Buy-back obligations	350	0	175	0	175
Other	293	183	0	0	110
	9,382	**8,040**	**485**	**9,365**	**10,222**

Provisions for warranty costs are recognized as a percentage of revenue as well as for individual warranty risks. The percentages are based on historical values and amount to 2 % for all sales and 6 % for prototypes, as in the prior year.

Buy-back guarantees were given to leasing companies and relate to the sale of replication lines. Provisions for buy-back guarantees are set up if there is evidence that products will be returned.

Note 17 – Shareholders' Equity

Share Capital

By resolution of the shareholders' meeting on May 13, 2004, the management board was authorized to acquire shares representing up to € 3,706,431.00 of capital stock in full or in part until November 13, 2005 and cancel them with the consent of the supervisory board. The capital stock amounts to a total of € 35,569,387 and consists of 35,569,387 ordinary bearer shares with a nominal value of € 1 each. 177,402 of these shares were acquired for the purpose of cancellation. As the shares in question had not been cancelled as of the balance sheet date, their nominal value of € 177,402 was disclosed separately in the balance sheet under share capital. The year-on-year change in capital stock is chiefly attributable to a capital repayment of € 1,611,417.00 in connection with the acquisition and cancellation of the Company's own shares. By contrast, the increase in capital stock of € 116,490.00 was due to the conversion of convertible bonds.

As of November 21, 1997, the entire capital stock was admitted to the regulated market (Neuer Markt) of the Frankfurt Stock Exchange.

Conditional Capital

By resolution of the shareholders' meeting on November 6, 1997, the management board was authorized, with the consent of the supervisory board, to issue interest-bearing convertible bonds in one or more tranches with a total nominal value of up to € 1,597k (convertible to shares with a nominal value of € 1) and a maturity up to December 31, 2010 (conditional capital I). By resolution of the shareholders' meeting on May 7, 2001, the management board was authorized, with the consent of the supervisory board, to issue interest-bearing convertible bonds in one or more tranches with a total nominal value of up to € 1,800k (convertible to shares with a nominal value of € 1) and a maturity up to December 31, 2010 (conditional capital II). On November 30, 1997, convertible bonds with a total nominal value of € 383k were issued as part of a stock option plan for management board members and other employees of the Company. In fiscal years 1999 and 2000, convertible bonds with a total nominal value of € 494k were issued as part of another stock option plan. In fiscal year 2001, convertible bonds with a total nominal value of € 711k were issued. In fiscal year 2002, convertible bonds with a total nominal value of € 563k were issued as part of a further stock option plan. In fiscal year 2003, convertible bonds with a total nominal value of € 130k were issued. In fiscal year 2004, further convertible bonds with a total nominal value of € 140k were issued. The non-current portion of the convertible bonds is disclosed under non-current liabilities and the current portion under other current liabilities. Please also see our comments in Note 11, "Other Non-Current Liabilities".

Approved Capital

The management board is authorized, with the consent of the supervisory board, to increase the Company's capital stock until June 21, 2007 in one or more steps by a maximum of € 7,363k by issuing new bearer shares with a nominal value of € 1 each, against contribution in cash or in kind (approved capital 1). Furthermore, the management board is authorized, with the consent of the supervisory board, to increase the Company's capital stock until June 21, 2007 in one or more steps by a maximum of € 1,841k by issuing new bearer shares with a nominal value of € 1 each, against contribution in cash or in kind (approved capital 2). For both approved capital amounts, the subscription rights of shareholders may, with the consent of the supervisory board, be excluded under certain conditions.

Capital Reserve

Due to the conversion of convertible bonds, the capital reserve increased by € 697k in fiscal year 2004 and by € 4,203k in the prior years.

Dividend Payments

Dividends may only be paid from distributable shareholders' equity as disclosed in the Company's separate HGB financial statements. As of December 31, 2004, the Company's separate financial statements show an accumulated profit of € 11,158k and revenue reserves of € 110,403k.

Note 18 – Income Taxes

In 1997, a provision for corporate income tax of € 5.1m was recognized as the final assessment of the tax loss carryforward of a predecessor of SINGULUS TECHNOLOGIES AG depends on the outcome of future tax field audits at former subsidiary partnerships.

The last tax field audit of SINGULUS TECHNOLOGIES AG was completed in 2004 and relates to the period from 1997 to 2000 inclusive. Additional taxes for the tax audit period including interest of € 1,684k were paid in 2004 and are disclosed under tax expenses. For the subsequent years, tax refunds totaling € 810k were accounted for due to the continuation of the tax field audit assessments.

Furthermore, the tax field audit for the period from 1997 to 2000 led to objections in 1997 as to the use of tax loss carryforwards pursuant to Sec. 8 (4) KStG ["Körperschaftsteuergesetz": Corporate Income Tax Act]. This resulted in an additional tax risk of approximately € 5.8m plus interest (approximately € 3.2m) for 1997. However, an appeal was lodged against the tax field audit assessment and an application for the suspension of execution filed. The suspension of execution was granted as legal proceedings are currently pending before the Federal Constitutional Court with regard to the formal unconstitutionality of Sec. 12 (2) UmwStG ["Umwandlungssteuergesetz": German Reorganization Tax Act] due to failure to comply with the legislative procedure. As the legislative procedure for Sec. 8 (4) KStG has the same defects, it is possible that this regulation is formally unconstitutional as well. Due to the pending legal proceedings regarding the unconstitutionality of the respective legal norms, appeal proceedings will be suspended until a decision has been reached by the Federal Constitutional Court. There are therefore no taxes payable. Due to the suspension of execution granted, the Company did not recognize a provision for this potential risk.

Besides this contingency, provisions for taxes (2004: € 11,299k; 2003: 10,031k) include a provision for corporate income tax set up in prior years of € 5,113k, as the acceptance of the use of the corporate income tax loss carryforward in prior years by the tax authorities is still subject to a final tax field audit.

As of December 31, 2004 and 2003, income tax data are presented as follows:

	2004 K€	2003 K€
Earnings before tax:		
Germany	54,871	56,456
Abroad	24,148	17,013
	79,019	73,469
Consolidation adjustments	(4,688)	(2,524)
	74,331	**70,945**
Current income tax:		
Germany:		
Corporate income tax	9,434	9,938
Trade tax	5,679	5,415
Abroad		
Tax expenses	6,990	5,363
	22,103	**20,716**
Deferred taxes:		
Germany	5,260	5,655
Abroad	(262)	65
Total tax expenses	**27,101**	**26,436**

Under German tax law, taxes on income are composed of corporate income tax, trade taxes and the solidarity surcharge. Deferred taxes are recorded for all major temporary differences between the commercial and tax balance sheets and for consolidation measures.

Deferred tax assets break down as follows:

	2004 K€	2003 K€
Differences between the commercial and tax balance sheets due to		
Inventory allowances	2,311	1,790
Other provisions/liabilities	232	299
Warranty provisions	959	804
Bad debt allowances	305	293
Other differences between the commercial and tax balance sheets	643	338
Consolidation adjustments	1,190	890
	5,640	**4,414**

Deferred tax liabilities break down as follows:

	2004 K€	2003 K€
Capitalized development costs	12,127	6,877
Disclosed hidden reserves from first-time consolidation	3,206	244
Difference between the commercial and tax balance sheets	2,250	1,059
	17,583	**8,180**

The German statutory tax rate (for corporate income tax, trade tax and solidarity surcharge) was approximately 36.0 % for 2004 and approximately 37.3 % for 2003. The reconciliation from the statutory tax rate to the effective tax rate is as follows:

	2004	2003
Statutory tax rate	36.0 %	37.3 %
Differences in foreign tax rates	–2.1 %	–1.9 %
Non-tax deductible items (incl. goodwill amortization)	1.9 %	1.2 %
Tax refunds/backpayments for prior years	0.7 %	0.7 %
Effective tax rate	**36.5 %**	**37.3 %**

Note 19 – Contingent Liabilities and Other Financial Obligations

Contingent liabilities and other financial obligations not recognized in the consolidated balance sheet amount to € 49,215k (prior year: € 41,208k) and represent buy-back guarantees given to leasing companies relating to the sale of replication lines (€ 33,307k; prior year: € 25,143k) and contingent liabilities in connection with the discount of bills (€ 15,908k; prior year: € 16,065k). Any claims under the guarantees given to the leasing companies will be offset by the revenue realized from the resale of the returned machines.

Management is not aware of any other matters that would have a material adverse effect on the Company's business, financial situation or results of operations.

Note 20 – Segment Reporting

The product groups of the Company are comparable with regard to both production processes and marketing methods. They are therefore not considered as the Company's primary segment reporting format for the purposes of IAS 14 and do not require formal segment reporting. There are likewise no geographical segments which could be defined as the Company's primary segment reporting format. However, selected information on revenue has been presented in the following table:

Gross revenue by product group

	2004 K€	2003 K€
Prerecorded CDs/DVDs	268,106	229,976
Recordable CDs/DVDs	82,998	74,657
Mastering systems	43,877	16,934
Service and other	44,554	40,992
	439,535	**362,559**

Geographical information as of December 31, 2004

	Germany K€	Rest of Europe K€	Americas K€	Asia K€	Africa K€
Revenue by					
Country of origin	368,915	49,513	13,516	7,591	0
Destination	44,399	132,500	106,655	147,967	8,014

Geographical information as of December 31, 2003

	Germany K€	Rest of Europe K€	Americas K€	Asia K€	Africa K€
Revenue by					
Country of origin	326,850	19,195	10,082	6,432	0
Destination	19,232	113,962	77,185	145,934	6,246

Note 21 – Sales Deductions and Direct Selling Costs

Sales deductions comprise all discounts granted. Direct selling costs mainly relate to packing, shipping and commission expenses.

Note 22 – General Administrative Expenses

Administrative expenses include management expenses, personnel expenses and finance and accounting expenses as well as the premises and vehicle expenses attributable to such areas. Ongoing IT costs, legal and consulting fees, investor relations costs as well as costs of shareholders' meetings and the financial statements are also recognized in this item.

Note 23 – Research and Development Costs

Research and development costs relate not only to research and non-capitalizable development costs but also to the amortization of capitalized development costs of € 4,326k (prior year: € 1,896k).

Note 24 – Other Operating Income/Expenses

Other operating expenses primarily comprise expenses resulting from bad debt allowances (€ 3,301k; prior year: € 1,786k) as well as maintenance costs (€ 3,229k; prior year: € 1,628k). Other operating income mainly relates to income from the reversal of bad debt allowances (€ 109k, prior year: 4,343k).

Note 25 – Interest Income/Expenses

Interest income/expenses break down as follows:

	2004 K€	2003 K€
Interest income from non-current receivables from customers	3,622	3,423
Interest income from time deposits	576	589
Other interest income	5	32
Interest expenses	(2,912)	(1,530)
	1,291	**2,514**

Note 26 –
Rentals and Leases

As of December 31, 2004, future minimum payments arising from rental agreements and operating leases are:

	K€
2005	1,637
2006	1,637
2007	1,637
2008	1,481
2009	1,481
2010 and beyond	10,846
	18,719

Lease expenses amounted to € 1,122k in 2004 and € 1,103k in 2003.

Note 27 –
Events After the Balance Sheet Date

Events after the balance sheet date which provide further evidence of conditions that existed at year-end and bring about new findings and affect the Group's financial position as of the balance sheet date are recognized in the consolidated financial statements. Events after the balance sheet date which are not recognized as of the balance sheet date in the consolidated financial statements are disclosed in the notes and management report if material.

Note 28 –
Related Party Disclosures

SINGULUS TECHNOLOGIES AG renders various services for related parties in its ordinary course of business. Conversely, the various group companies also render services within the SINGULUS TECHNOLOGIES GROUP as part of their business purpose. These extensive deliveries of goods and services are transacted at market prices.

In accordance with the articles of incorporation, the supervisory board of SINGULUS TECHNOLOGIES AG has three members. The members of the supervisory board in fiscal year 2004 were:

Alexander von Engelhardt,
Kronberg (Taunus) Chairman
William Slee, London Deputy Chairman
Thomas Geitner, Köln

The aforementioned members of the supervisory board have been appointed until the shareholders' meeting which is to decide on their exoneration for fiscal year 2005 closed.

In addition to compensation for expenses, each member of the supervisory board receives fixed remuneration amounting to € 15,000 for each full fiscal year of supervisory board membership. In addition, following the decision on profit appropriation, each supervisory board member receives, for membership on the supervisory board during the preceding fiscal year, performance-based remuneration of € 800.00 for each cent by which the consolidated earnings per share, pursuant to US GAAP, exceeds the amount of € 0.30. The basis of assessment is at most equal to the Company's accumulated profit less an amount of four percent of the capital invested in the lowest issue amount of the shares.

The chairman of the supervisory board receives twice this amount, and the deputy chairman one and a half times this amount.

The remuneration of the supervisory board of SINGULUS TECHNOLOGIES AG (including payments for supplementary services) totaled € 353k (prior year: € 352k).

The following supervisory board members hold shares in the Company:

	No. of shares as of December 31	
	2004	**2003**
William Slee	29,520	29,520
Thomas Geitner	1,500	1,500
	31,020	**31,020**

The current occupations of supervisory board members are listed below along with any additional supervisory board positions held or memberships of similar bodies:

	Occupation	Membership of other supervisory boards and similar bodies
Alexander v. Engelhardt	Supervisory board	■ WashTec AG (Chairman) ■ Dr. Schmidt AG & Co. (Deputy Chairman) ■ Gütermann AG ■ Tarkett Sommer AG
William Slee	Supervisory board	■ The Game Group plc, UK (Non-Executive Director) ■ Dimon Inc., Danville, Virginia, USA (Non-Executive Director) ■ ECOFIN Water + Power Opportunities plc., UK (Non executive Director)
Thomas Geitner	Executive Director Vodafone Group plc.	■ Vodafone D2 GmbH, Düsseldorf ■ Arcor AG & Co., Eschborn (Chairman)

Members of the management board in fiscal year 2004 were:

Roland Lacher Chairman
Stefan A. Baustert
Klaus Hammen
Dr. Reinhard Wollermann-Windgasse (until June 30, 2004)

The management board received total remuneration of € 2,089k in the period under review. This breaks down as follows:

	Fixed K€	Variable K€	Total K€
Roland Lacher	360	312	672
Stefan Baustert	267	312	579
Klaus Hammen	240	312	552
Dr. Reinhard Wollermann-Windgasse	130	156	286
	997	1,092	2,089

The following convertible bonds are held by the management board members Roland Lacher (indirectly via VVG Roland Lacher GbR), Stefan Bausert and Dr. Reinhard Wollermann-Windgasse:

	No. of convertible bonds as of December 31	
	2004	2003
VVG Roland Lacher GbR	0	4,050
Stefan Baustert	160,000	80,000
Dr. Reinhard Wollermann-Windgasse	110,000	50,000
	270,000	134,050

Furthermore, VVG Roland Lacher GbR holds 141,750 shares in the Company (prior year: 117,450)

Note 29 –
Disclosures on Shareholdings

	Currency	Shareholding %	Shareholders' equity in thousands	Profit in thousands
Germany:				
SINGULUS EMOULD GmbH, Würselen, Germany	€	100	862	2,782
Abroad:				
SINGULUS TECHNOLOGIES Inc., Windsor, USA	USD	100	13,938	7,161
SINGULUS TECHNOLOGIES UK Ltd., Swindon, UK	GBP	100	1,549	468
SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore	SGD	100	8,808	8,341
SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil	R$	91.5	1,980	2,759
SINGULUS TECHNOLOGIES IBERICA S. L., Sant Cugat del Vallés, Spain	€	100	1,036	671
SINGULUS VIKA CHINA Limited, Wanchai, Hong Kong	HKD	51	52	297
SINGULUS TECHNOLOGIES FRANCE S. A. R. L., Valence, France	€	100	978	1,335
SINGULUS TECHNOLOGIES ITALIA s. r. l., Ancona, Italy	€	99.99	882	351
SINGULUS MASTERING B. V., Eindhoven, Netherlands	€	100	17,007	3,290
SINGULUS TECHNOLOGIES TAIWAN Ltd., Taipei, Taiwan	TWD	100	2,475	9,308
SINGULUS MOLDING AG, Schaffhausen, Switzerland	CHF	100	13,109	0

SINGULUS MASTERING B.V., Eindhoven, Netherlands, owns all the shares in Mastering International GmbH, Schaffhausen, Switzerland. Furthermore, SINGULUS TECHNOLOGIES SERVICE GROUP Inc., Windsor, USA, is wholly owned by SINGULUS TECHNOLOGIES Inc., Windsor, USA.

The remaining 8.5 % stake in SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil, is held by SINGULUS TECHNOLOGIES IBERICA S. L., Sant Cugat del Vallés, Spain.

SINGULUS TECHNOLOGIES Inc., Windsor, USA, owns all the shares in SINGULUS TECHNOLOGIES SERVICE GROUP Inc., Windsor, USA.

Note 30 –
Financial Risk Management

Currency Risk

Foreign currency risks from operations abroad are assessed as part of a risk analysis. A large majority of revenues generated by the SINGULUS TECHNOLOGIES GROUP are subject to the US dollar risk. As a result, derivative financial instruments are used to hedge against USD exchange rate risks. Foreign currency risks are constantly assessed as part of the risk management system.

Liquidity Risk

The Group has adequate cash and cash equivalents to cover all its payment obligations. No liquidity risk exists for the Group at present.

Interest Rate Risk

As of December 31, 2004, there are bank liabilities of € 14,063k, which are the result of two loans granted in October 2004 in the amount of € 15,000k. The interest rate on the loans is adjusted to the 3-month EURIBOR rate on a quarterly basis. The last installment on the loan is payable on September 30, 2008. No notable interest rate risks exist as a result of these loans. Furthermore, there are no other circumstances which pose interest rate risks. Financial instruments are therefore not used to hedge against interest rate risks.

Note 31 – Employees

In the fiscal year, the Company had an annual average of 707 permanent employees. In the prior year, the annual average was 543.

Note 32 – Corporate Governance

The management board and the supervisory board have made the declaration for 2004 pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] and made this available to shareholders on a permanent basis.

Kahl am Main, February 22, 2005

SINGULUS TECHNOLOGIES AG
The Management Board

R. Lacher S. Baustert K. Hammen

According to international standards our report is concentrated on SINGULUS TECHNOLOGIES GROUP.

On the following pages you will find the balance sheets and the income statement of the legal entity SINGULUS TECHNOLOGIES AG in prepared conformity with German accounting principles and translated into English.

The complete German report (HGB) is available on request:

SINGULUS TECHNOLOGIES AG

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email: investor-relations@singulus.de

Balance Sheet as of December 31, 2004

(According to HGB)

ASSETS

	Dec. 31, 2004 €	€	Dec. 31, 2003 €
A. NON-CURRENT ASSETS			
I. Intangible assets			
Franchises, industrial and similar rights and assets and licenses in such rights and assets		308,488.19	445,425.42
II. Property, plant and equipment			
1. Land, land rights and buildings including buildings on third-party land	19,885,364.73		19,917,835.75
2. Technical equipment and machines	430,043.43		461,352.83
3. Other equipment, furniture and fixtures	2,945,133.73		2,756,163.32
4. Payments on account and assets under construction	0.00		234,780.00
		23,260,541.89	**23,370,131.90**
III. Leased assets		0.00	591,943.04
IV. Financial assets			
1. Shares in affiliates	61,497,495.54		28,910,155.47
2. Loans to affiliates	1,075,401.10		1,075,401.10
		62,572,896.64	**29,985,556.57**
		86,141,926.72	**54,393,056.93**
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials, consumables and supplies	19,917,866.00		20,885,995.74
2. Work in process	54,725,791.28		63,920,111.52
3. Advance payments	872,964.50		695,111.15
4. Advance payments received	– 16,329,235.16		– 18,438,134.33
		59,187,386.62	**67,063,084.08**
II. Receivables and other assets			
1. Trade receivables	80,821,200.05		79,710,603.68
2. Receivables from affiliates	8,077,294.81		4,762,807.76
3. Other assets	2,144,555.99		4,232,095.32
		91,043,050.85	**88,705,506.76**
III. Cash on hand, balances at banks		67,053,269.46	57,986,583.08
		217,283,706.93	**213,755,173.92**
C. PREPAID EXPENSES		2,292,802.96	1,703,653.98
Total Assets		**305,718,436.61**	**269,851,884.83**

EQUITY AND LIABILITIES

	Dec. 31, 2004 €	€	Dec. 31, 2003 €
A. EQUITY			
I. Share capital	35,569,389.00		37,064,316.00
Repayment of share capital	– 177,402.00		0.00
II. Capital reserves	28,347,000.14		27,649,507.34
III. Revenue reserves	110,402,591.41		106,370,060.50
IV. Accumulated profit	11,157,790.72		15,169,306.76
		185,299,369.27	**186,253,190.60**
B. PROVISIONS			
1. Pension provisions	4,799,954.00		3,557,507.00
2. Tax provisions	5,971,560.27		6,730,250.55
3. Other provisions	19,928,213.55		16,820,605.35
		30,699,727.82	**27,108,362.90**
C. LIABILITIES			
1. Bonds	1,283,986.05		1,358,119.71
2. Liabilities to banks	14,097,209.91		0.00
3. Trade payables	17,655,477.49		21,240,501.94
4. Liabilities to affiliates	30,758,067.82		16,943,934.76
5. Other liabilities	24,777,572.78		14,995,656.78
thereof taxes € 354,786.62 (prior year: € 361,207.12)			
thereof for social security € 573,930.66 (prior year: € 560,748.40)			
		88,572,314.05	**54,538,213.19**
D. DEFERRED INCOME		1,147,025.47	1,952,118.14
Total liabilities and shareholders' equity		**305,718,436.61**	**269,851,884.83**

Income Statement for Fiscal Year 2004

(According to HGB)

	2004 €	€	2003 €
1. Revenue	382,565,988.96		341,689,110.34
2. Increase (+)/decrease (–) in finished goods inventories and work in process	–9,194,320.24		12,229,496.34
3. Own work capitalized	0.00		1,574,100.80
4. Other operating income	2,706,175.42		5,711,371.23
		376,077,844.14	**361,204,078.71**
5. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased goods	–248,871,131.74		–232,309,313.82
b) Cost of purchased services	–7,927,339.01		–7,882,004.29
6. Personnel expenses			
a) Wages and salaries	–23,971,907.69		–21,431,114.89
b) Social security, pension and other benefit costs thereof for old-age pensions € 882,762.57 (prior year: € 603,534.23)	–6,070,258.68		–4,964,841.28
7. Amortization/depreciation on intangible assets and property, plant and equipment	–2,353,104.08		–3,777,598.54
8. Other operating expenses	–55,655,217.20		–51,639,353.05
		–344,848,958.40	**–322,004,225.87**
9. Income from investments thereof from affiliates € 4,193,828.03 (prior year: € 4,214,403.29)	4,193,828.03		4,214,403.29
10. Other interest and similar income thereof from affiliates € 25,287.16 (prior year: € 12,439.67)	3,823,171.22		3,902,984.88
11. Interest and similar expenses	–3,541,154.13		–2,053,369.88
		4,475,845.12	**6,064,018.29**

	2004		2003
	€	€	€
12. Profit/loss from ordinary operations		**35,704,730.86**	**45,263,871.13**
13. Income taxes	–13,295,988.28		–14,885,593.80
14. Other taxes	–93,161.14		–39,663.81
		–13,389,149.42	–14,925,257.61
15. Profit for the period		**22,315,581.44**	**30,338,613.52**
16. Accumulated profit of the prior year		15,169,306.76	12,441,183.89
17. Transfer to other revenue reserves		–26,327,097.48	–27,610,490.65
18. Accumulated profit		**11,157,790.72**	**15,169,306.76**

Glossary of Technical Terms

AM Master High performance mastering system for pre-recorded, recordable and re-writable CD and DVD.

AM Direct Mastering system for the manufacturing stampers without using a galvanic process

Anti-Reflective (AR) - Coating Reduces distracting reflections on glass surfaces.

Blu-ray New, third generation optical data storage medium. Storage capacity is 25 Gigabyte per layer, works with the blue laser (405 nm), 120 mm disc diameter.

Blu-ray Dual Layer Blu-ray disc with two active layers. 50 Gigabyte storage capacity

Blu-ray ROM Prerecorded Blu-ray, digital information can be read, but not altered

Blu-ray R Recordable Blu-ray optical data storage medium used for personal archiving (burning) of digital information; information can be recorded only once and thereafter can only be read.

Bonding One of the DVD production steps in which two disc halves are permanently adhered to one another.

CD Compact Disc; first generation optical storage medium for digital pre-recorded information (audio, video, computer data); 650 megabyte storage capacity; 780 nm laser wavelength; one polycarbonate substrate.

CD-ROM Compact Disc – Read Only Memory; first generation optical data storage medium used for pre-recorded data (software). This information can be read but not altered.

CD-R Compact Disc – Recordable; optical data storage medium used for personal archiving (burning) of digital information; information can be recorded onto a CD-R only once, thereafter it can only be read like a CD-ROM.

CD-RW Compact Disc – Rewritable; first generation optical data storage medium used for archiving (burning) digital information; the CD-RW can be recorded and erased repeatedly.

CD-Card First generation optical storage medium with size of a credit card which can be read on a conventional CD-ROM drive; usually 60 MB storage capacity.

Cleaning Performed to prepare eyeglass lenses for additional processing/coating.

Curing Drying or curing of adhesives or lacquers through exposure to ultraviolet light.

Deep UV First mastering test system for Blu-ray glass masters

Digital high definition television (HDTV) High resolution television with a 1920 x 1080 pixel image resolution.

DMS Evolution Cost-effective mastering system for pre-recorded, recordable and rewritable CD and DVD

DVD Digital Versatile Disc; second generation optical storage medium for digital information (audio, video, computer data); 9.4 (2 x 4.7) Gigabyte max. storage capacity; 650 nm laser wavelength; 2 polycarbonate substrates (120 mm diameter; 0.6 mm thickness each), individually produced, coated and subsequently bonded together. The digital information can be read but not altered.

DVD-Audio Digital Versatile Disc-Audio; second generation optical data storage medium for music.

DVD-Plus Second generation optical storage medium combining CD and DVD technology on a single disc. A CD is bonded to the flip-side of a DVD 5 disc.

DVD-ROM Digital Versatile Disc-ROM; second generation optical data storage medium for digital information (data, software, games, etc.); the digital information can be read but not altered.

DVD-Video Digital Versatile Disc-Video; second generation optical storage medium for movies with multiple supplemental features including language options.

DVD R Digital Versatile Disc-Recordable; second generation optical data storage medium for personal archiving (burning) of digital information; the DVD-R can be recorded only once, and thereafter can only be read like a normal DVD. This format has a 4.7 Gigabyte storage capacity.

DVD-R Digital Versatile Disc-Recordable; (format used by Pioneer and others)

DVD+R Digital Versatile Disc-Recordable; (format used by Philips and others).

DVD+R DL Dual Layer Digital Versatile Disc-Recordable; optical data storage medium for personal archiving (burning) of digital information with 2 active layers; 8.5 Gigabyte storage capacity.

DVD 5 Digital Versatile Disc – 4.7 Gigabyte storage capacity

DVD 9 Digital Versatile Disc – 8.5 Gigabyte storage capacity

DVD 10 Digital Versatile Disc – 9.4 Gigabyte storage capacity

DVD-RW Digital Versatile Disc – Rewritable; second generation optical data storage medium for repeated digital recording, used for PC and video applications. (format used by Pioneer and others).

DVD+RW Digital Versatile Disc – Rewritable; second generation optical data storage medium for repeated digital recording, used for PC and video applications. (format used by Philips and others).

DVD-RAM Digital Versatile Disc – Read Access Memory; second generation optical data storage medium for repeated digital recording, used for PC and video applications. (format used by Hitachi and others).

Dye Special dye on CD-R and DVD-R discs onto which information is recorded in a CD or DVD burner.

EMOULD Electric injection molding machine for the manufacture of disc blanks.

Finishing Refining the mechanical and optical properties of eyeglass lenses through the application of multiple functional thin coatings.

Forming Adaptation of eyeglass lens geometry to correct vision impairment.

Hard Coat (Scratch-Resistant Coating) First layer applied to synthetic eyeglass lenses during the finishing process. Lens wear- and scratch-resistance are enhanced, thereby improving the durability of the lenses.

HD DVD High Density Digital Versatile Disc. Third generation optical data storage medium. Storage capacity up to 15 Gigabyte (single layer) per layer. Operates with the blue laser (405 nm), Disc Ø 120mm.

HD DVD Dual Layer High Density Digital Versatile Disc with 2 active layers. 30 Gigabyte storage capacity

HD DVD ROM Prerecorded High Density Digital Versatile Disc = prerecorded HD DVD;
the digital information can be read but not altered.

HD DVD R Recordable High Density Digital Versatile Disc; optical data storage medium for personal archiving (burning) of digital information; the disc can be recorded only once, and thereafter can only be read

HDTV High Definition Television. The new High Definition Television (HDTV) will become the next television standard. For an optimum HD picture a resolution of 1920 x 1080 pixels is necessary.

Hydrophobic Coat (Easy Care Coating) Hydrophobic (water repellent) coating to prevent the adhesion of dust and other contaminants on the lens surface. The Hydrophobic Coat layer reduces the frequency of eyeglass lens cleaning during daily use.

Immersion Coating Process by which the surface of an object is coated by immersion into a liquid.

Injection Molding Machine Used to create a disc blank by molding thermoplastic material. Melted polycarbonate is injected into a mold cavity where it is pressed into shape, impregnated with digital content, and cooled. (See molding).

Laquering Process by which the hard coat layer is applied during an immersion or spin coating process

Mastering The mastering process converts digital music, data, or video information into pits. The disc master created during this process is the foundation for the subsequent replication process.

Metallizing Application of a thin layer of metal (aluminum, gold, silver) or silicon onto a CD or DVD disc; this reflective layer serves to reflect the laser beam; the cathode technology employed is known as sputtering.

MODULUS Multiple-cathode metallizer for coating rewritable CD-RW, DVD-RW, DVD+RW and DVD-RAM media.

MRAM (Magnetic Random Access Memory) Contrary to conventional technology, this non-volatile storage medium does not lose memory in the absence of power, uses less energy, and exceeds the read/write speeds and data density of other forms of storage.

Molding Injection molding process used to manufacture and shape disc blanks.

MoldPro New injection molding machine.

OPTICUS An inline process system for coating ophthalmic lenses

Organic Glass A vitriform, entirely synthetic material characterized by its low specific weight and impact resistance.

PECVD Plasma Enhanced Chemical Vapor Deposition - Plasma Enhanced Chemical Vapor Deposition – process used to apply Hard Coat and Top Coat to eyeglass lenses. Plasma is used in this process to deconstruct complex gas molecules. The product of this reaction precipitates onto the surface of a substrate forming a thin, hard layer.

Phase-Change Technology Process during which the composition of a material is alternately converted between an amorphous and crystalline state.

Polycarbonate Substrate material for optical disc.

SACD (Super Audio CD) Optical data storage medium and advancement of the Audio CD combining the advantages of analog and digital formats.

Semiconductor Industry Field engaged in research and the manufacture of microelectronic integrated circuits or transistors commonly known as microchips used in electronic devices.

Semiconductor material (i.e., silicon) good insulator at low temperatures and good conductor of electricity at high temperatures.

SKYLINE II New, fully automated replication line for CD introduced in April 2003. Fully automated replication line for CD, CD-ROM and CD cards.

SKYLINE II Duplex Fully automated replication line for CD and DVD 5.

Smart Cathode® Patented sputter cathode for coating CD and DVD discs with highly uniform reflective layers.

SPACELINE II New, fully automated replication.

Spin-Coating A coating process during which liquids such as dyes or lacquers are spun onto the surface of an object.

Sputtering The process by which a thin layer of metal or silicon is deposited onto a polycarbonate disc. Material bombarded by electrically-charged particles (ions) in a vacuum is knocked loose and precipitates onto the surface of a substrate forming a thin coating.

Sputter Cathode Sputtering device in a metallizer.

STREAMLINE DVDR / SP-A Fully automated replication line for DVD±R.

STREAMLINE II New, fully automated replication line for DVD±R and CD-R.

SUNLINE Fully automated replication line for rewritable CD-RW, DVD-RW, DVD+RW and DVD-RAM discs.

Target Metal plate which is the source of the selected disc layer material (i.e., aluminium, silver); ionic bombardment of its surface releases the material which subsequently coats the disc.

Tempering Heat treatment of eyeglass lenses in preparation for subsequent manufacturing steps

TIMARIS Vacuum coating system which operates in accordance with TMR principles, designed for use in the semiconductor industry. Manufactures either MRAM wafers or future read-write heads for magnetic hard disc drives.

TMR (Tunnel Magnetic Resistance) Effect Electrical resistance can be altered depending on the external magnetic field applied. The application of this external magnetic field can alter the magnetic alignment in one of the ferromagnetic portions of a three-tiered sandwich (two ferromagnetic layers and a middle, non-magnetic isolating layer). The magnetization of the second layer remains unchanged. These two alignment options, parallel or anti-parallel, can now be used to store bits of information.

Top Coat (Easy Care Coating) Hydrophobic (water-repellent) coating which inhibits dust and other contaminants from adhering onto surfaces. A Top Coat application reduces the cleaning frequency needed for everyday lens care.

Uniformity Consistency in the thickness of a layer applied to the surface of an object.

UV Curing Drying or curing of adhesives or lacquers through exposure to ultraviolet light.

Vaporization Vacuum coating process for applications such as anti-reflective coatings on eyeglass lenses in which a material is melted and evaporated in a vacuum. This vapor condenses uniformly, forming a thin layer that coats the surface of an object.

Wafer Extremely thin slice of silicon up to 300 mm in diameter. Serves as the substrate material for integrated circuits (also known as chips).

Annual Shareholders Meeting 2005

You can find detailed information on the SINGULUS TECHNOLOGIES AG homepage
http://www.singulus.de/english/2_investor/index_investor.htm

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   - Your way to the Hermann-Josef-Abs Saal
   - Frankfurt city map
   - Routing
   - Your way by the German Railway
   - Agenda Shareholders Meeting (available from 20.04.2005)
   - Invitation as PDF file (available from 20.04.2005)

2.
   - All counter motions

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   - Important questions as HTML-document

4. About the Annual Shareholders Meeting:
   - Speech from Roland Lacher as Text-document
   - Presentation as PDF file
   - Video of the speech from Roland Lacher, AVI file (temporarily delayed)
   - Audio recording of the speech from Roland Lacher (temporarily delayed)

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