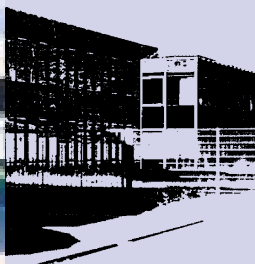
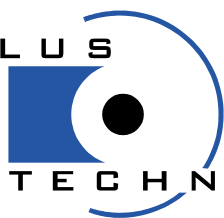


SINGULUS TECHNOLOGIES

ANNUAL REPORT
2000



SINGULUS



TECHNOLOGIES

At a Glance
SINGULUS TECHNOLOGIES CONSOLIDATED

	1996 KDM	1997 KDM	1998 KDM	1999 KDM	2000 KDM
Gross Revenues	88,225	174,701	198,046	346,686	734,848
Profit before Tax	20,469	45,620	47,123	88,977	185,261
Net Income	7,846	20,037	22,057	46,511	95,161
Total Shareholders' Equity	-1,585	38,720	60,452	110,585	208,301
Balance Sheet Total	36,147	111,257	121,512	252,687	389,861
DVFA-Cash Flow	9,452	21,426	24,041	49,793	99,954
R & D Expenses	3,966	5,046	6,855	8,525	17,628
Employees (Dec. 31)	90	135	157	212	319
DVFA/SG Earnings per Share (EURO)*		0.30	0.31	0.66	1.35

* based on 36,321,312 shares at 1 EURO per value as at Dec. 31

Supervisory Board and Managing Board

Supervisory Board

Alexander von Engelhardt

Kronberg
Chairman

William Slee

London
Vice Chairman

Thomas Geitner

Cologne

Managing Board

Roland Lacher

Gelnhausen
Chief Executive Officer

Dr. Christian Holtmann

Kronberg
(effective December 1, 2000)

Reiner Seiler

Gelnhausen

Dr. Erich Bischoff

Burgdorf
(prior to July 5, 2000)

Supervisory Board Report

The Supervisory Board regularly conferred with and was advised by the Managing Board, both verbally and in writing, of planned business policies, fundamental administrative issues, the status and development of the corporation, and significant business events.



New corporate Headquarters in Kahl/Main

In seven sessions spread evenly over the course of the fiscal year, the Managing Board provided the Supervisory Board with extensive information on the status of the corporation. The principal topics of discussion concerned investments, the corporation's year-end closing, the ongoing review of subsidiary commitments,

Managing Board personnel matters, and the Managing Board's risk management system. The Supervisory Board reviewed significant business events and resolved issues requiring its approval, particularly resolutions regarding the establishment of the Training and Demonstration Centers in Windsor/CT, USA and Penang/Malaysia.

Between regularly scheduled meetings the Chairmen of the Supervisory Board and Managing Board remained in close contact, discussing business developments as well as specific associated companies (10 meetings).

Because the Supervisory Board consists of only three members, the formation of a committee was waived. The Supervisory and Managing Boards consist of a relatively small circle (6 persons) who, in close cooperation, conduct proceedings in confidential settings for the benefit of the corporation. The rules of procedure for the Managing and Supervisory Boards are adapted to this efficient form of resolution. Among other

things, this helps the Supervisory Board reach resolutions pertaining to business requiring its consent as called for in the Managing Board's rules of procedure.

Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, the public accounting firm appointed at the General Shareholders' Meeting, audited the annual and status reports presented by the Managing Board and certified both without reservation. This was also the case for the corporation's consolidated annual and status reports. The annual report, status report, auditor's report and Managing Board's recommendation for the utilization of earnings were submitted to the Supervisory Board in a timely manner. This also applies to the corporation's consolidated annual and status reports as well as the auditor's consolidated report.

The Supervisory Board Chairman and Managing Board held detailed discussions on the company's annual and status reports and consolidated financial statements in the presence

of the auditor. The auditor participated in the Supervisory Board's balance session. He reported on the overall audit and on central points of the audit and provided members of the Supervisory Board with detailed answers to their questions. The auditor also reported on the Managing Board's risk management and surveillance system and found it to be suitable for the early identification of developments which might jeopardize the survival of the corporation.

There were no objections noted at the conclusion of the Supervisory Board's review, and the results of the audit were approved. In its 03/23/01 meeting, the Supervisory Board approved the Annual Report and Status Reports prepared by the Managing Board which, in accordance with Par. 172, AktG, are now finalized. The Supervisory Board concurs with the recommendation for the utilization of year 2000 retained earnings.

Dr. Bischoff withdrew from the Managing Board on July 5, 2000. Dr. Christian Holtmann was appointed to the

Managing Board effective December 1, 2000, assuming responsibility for the areas of Finance, Controlling, Personnel and Administration.

The Supervisory Board would like to thank the members of the Managing Board and all employees of SINGULUS TECHNOLOGIES AG, for their service and commitment to the company.

Kahl/Main, March 23, 2001

The Supervisory Board

Alexander von Engelhardt
Chairman

Status Report for SINGULUS TECHNOLOGIES CONSOLIDATED and SINGULUS TECHNOLOGIES AG



Dr. Christian Holtmann, Roland Lacher,
Reiner Seiler

As a leader in many segments of the market, SINGULUS TECHNOLOGIES used these opportunities to increase its competitive lead. In doing so, the quality of our products and product families has increasingly become an industry standard.

From this solid foundation, it becomes imperative to look to the future with confidence. SINGULUS TECHNOLOGIES has achieved brand name recognition in the market. Our products, sales organization, expanded customer service centers, and most importantly, our company's innovative prowess have forged strong customer ties. Our name is recommended to others. "Made by SINGULUS TECHNOLOGIES" has become a recognized label in Asia, in the USA, and in Europe.

Overview

Fiscal year 2000 was marked by very strong growth and was an extraordinarily successful year for SINGULUS TECHNOLOGIES. Lively and at times fervent demand for our products was experienced, particularly in the early months of the year. As the region most important to our company, Asia dramatically expanded its capacity. The U.S. and European markets also registered growth but with far less volume.

Given this background, the figures for the fiscal year are the summation of true success. The corporation's 95.2 million DM net income was more than double that of 1999 (46.5 million DM). The consolidated gross margin reached 37.7% (prior year 38.0%) underscoring our exceptional earnings strength.

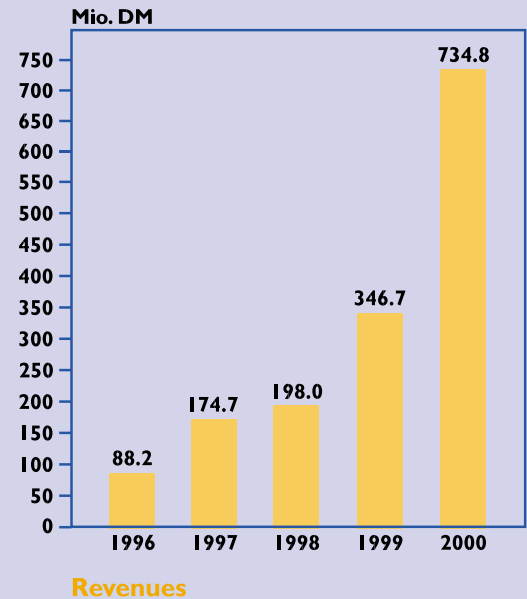
Consolidated gross revenues more than doubled, rising from 346.7 million DM in 1999 to 734.8 million DM (+112%).

Product Markets

The increased demand for our DVD replication lines has been especially gratifying. Revenues were significantly increased by 320% over the previous year. The share of this business sector grew 34% confirming its position as a pillar of our overall business. Our DVD replication lines have been able to attain the market leadership position in this important new growth market. The inline production technology we introduced in 1997 has prevailed in the world

market. Even our competitors in this segment of the market have recognized the advantages of our technology. The pioneering efforts we undertook in the past continue to provide us with a clear lead in process technology and overall productivity of our systems.

CD replication lines also made extraordinary strides during the past year. Revenues rose 83.2% over the year before. Not only was SINGULUS TECHNOLOGIES able to maintain its market leadership position, but with 405 systems delivered, was able to clearly extend its competitive lead. The principal reason for this success is the continued maturation of the SKYLINE into a family of systems that now includes DVD 5 and CD-Card applications.



Our strategy has proven to be successful. SINGULUS TECHNOLOGIES' pursuit of market leadership in technology and innovation has been achieved but does not end there. The satisfaction provided by continuous innovation is not achieved at the expense of competitive pricing. We pay close attention to streamlined price structures in order to lead the competition in spite of the intensification of competitive pricing.

When developing technological innovations into mature products, it is imperative to act more quickly than the competition. SINGULUS TECHNOLOGIES has accomplished this in the recordable and rewritable disc segments of the markets. These branches of the industry have always been viewed as attractive supplements to the business for machines and systems for prerecorded discs. Now that the STREAMLINE CD-R replication line has been firmly established in the market, we have moved a decisive step closer to the attainment of this goal. The features of this system most appreciated by our customers

are the stability of the dye process technology and the resultant high quality of the discs produced. The STREAMLINE is steadily moving closer to assuming a significant role in this sector of the market.

The first installation of our new MODULUS multilayer metallizer for coating rewritable CD and DVD discs was another important milestone. The future undoubtedly belongs to rewritable technologies; the new MODULUS metallizer will provide the company entry to this very promising market.

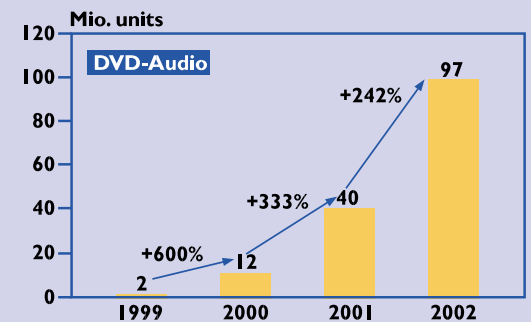
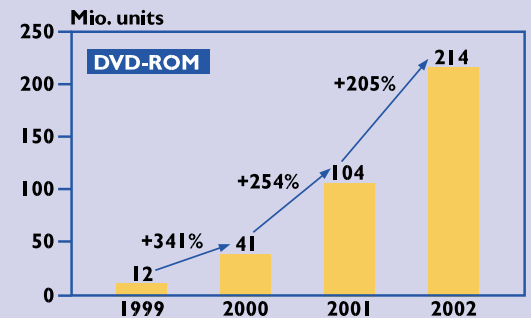
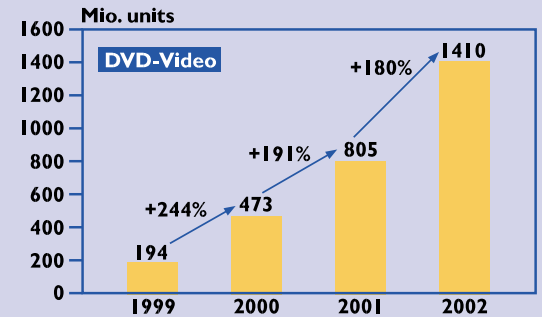
World Markets

Over the years, Asia has become SINGULUS TECHNOLOGIES' most important export market. In terms of technology and pricing, ours has become the brand name to beat in this region. In the year 2000, the growth capitals of Hong Kong and Taiwan exhibited rampant demand for all CD, CD-R and especially DVD replication systems. The first half of the year required our best efforts to satisfy the extreme demand. We would like to use this opportunity to thank our vendors for their cooperation during this period.

It became evident to management that such exorbitant growth could not be sustained indefinitely. While the CD and DVD replication line business continued at a brisk pace in 1999, the market for CD-R replication lines showed signs of consolidation by the 2nd quarter of 2000. The expanded capacity, especially in Taiwan, is no longer being fully utilized. Initial indications of a slowdown

in the DVD market were noted at the end of 2000 as customer order activities waned.

An early phase of vigorous growth evolved into a high level of consolidation as the year progressed. With this as a backdrop, business expectations for the beginning of 2001 are somewhat restrained. In light of the present circumstances, a repeat of the exorbitant increase in revenues and earnings achieved in the year 2000 and in preceding years is unlikely. From our current vantage point, we actually expect a reduction in the corporation's revenues.



Source: Understanding & Solution and Internal

DVD Market world wide

Stock Markets

In view of the stock market year, SINGULUS TECHNOLOGIES stock closed 14% over its opening value. It rose from 31.5 EURO to 36.00 EURO (adjusted by an increase in share capital from corporate assets and a 1:1 stock split). Our corporation's successful growth in revenues and earnings was recognized by investors in the Neuer Markt on the German stock Exchange in Frankfurt.

Management pursues a course of growth for both SINGULUS TECHNOLOGIES and its stock.

The elation exhibited in the young Neuer Markt that resulted in a valuation high of 76.00 EURO will not, however, deter the Managing Board from prioritizing the long-range development of the corporation.

Staff

The development of staffing figures was also extremely gratifying. Personnel was increased by 107 employees necessitated primarily by the rapid growth at the beginning of the fiscal year; our workforce now totals 319 worldwide. Up to 70 temporary employees were also hired in order to contend with peaks in demand. With its current workforce, SINGULUS TECHNOLOGIES can address the future demands of the market and master its own internal technological goals.

Economic Climate

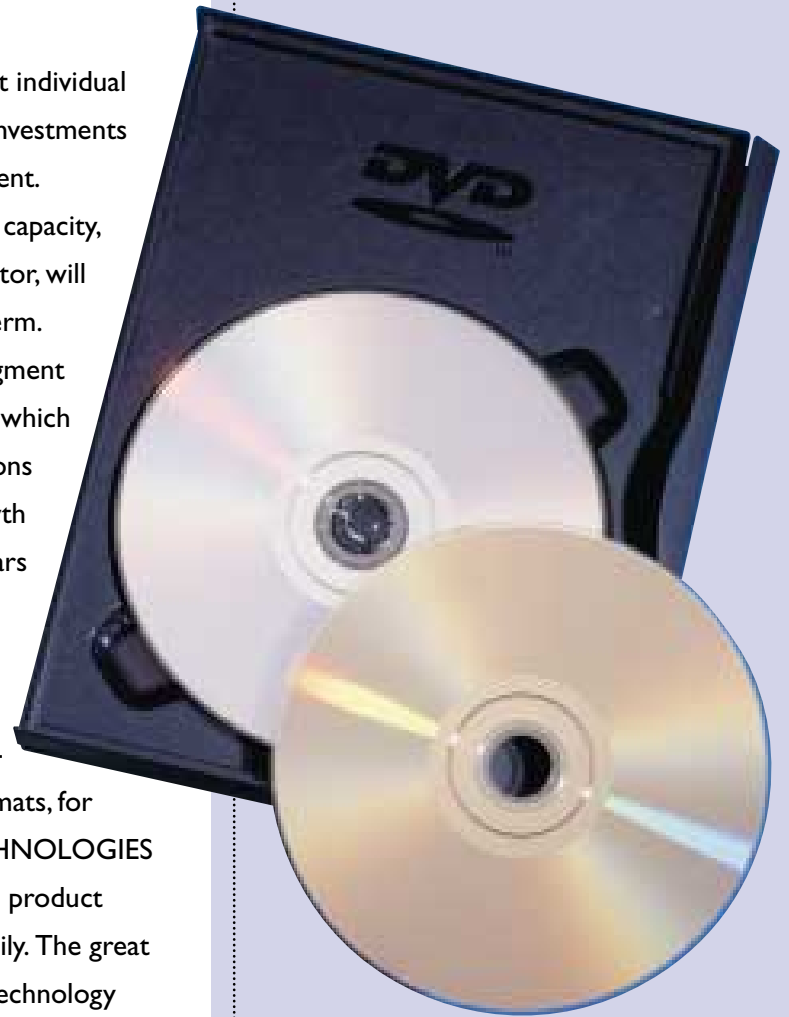
The CD, CD-R and DVD system business is conducted in a global market. Despite the gradual erosion of prices and enormous competitive technological pressures, SINGULUS TECHNOLOGIES was able to assert itself in the market and even extend its premier position in many sectors of the business. Centers of activity are the Far East, particularly Hong Kong and Taiwan, Europe, and, with marked gains in its volume of business, the USA.

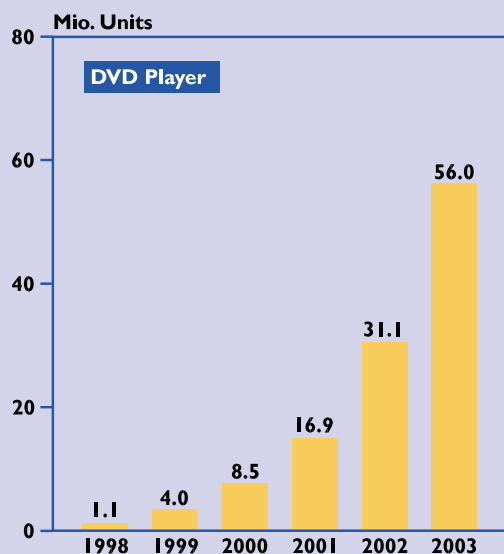
Developments in the Asian market were gratifying with regard to SINGULUS TECHNOLOGIES' business parameters. The extremely brisk Far Eastern demand for SINGULUS TECHNOLOGIES' complete product portfolio, especially in the first few months of the year, definitively raised the region's total revenues. During the course of the fiscal year individual markets such as Taiwan and later Hong Kong, experienced consolidation in the CD-R sector resulting in a freeze on previously-planned invest-

ments. The improvement of existing systems and the development of new technological alternatives and innovations are determining factors in the generation of new demand.

In the interim we expect individual markets to focus their investments on replacement equipment. Additional expansion of capacity, at least in the CD-R sector, will occur only in the mid-term. Prices in this market segment are currently in decline, which precludes new installations from achieving the growth rates experienced in years past.

All future expectations are therefore geared toward the new DVD formats, for which SINGULUS TECHNOLOGIES can offer an appropriate product with its SPACELINE family. The great market success of this technology has already become evident.





Source: DVD Report and Internal

Distribution of DVD Player in USA

SINGULUS TECHNOLOGIES relies not only on existing markets but also concentrates on the penetration of new regions with strong projected growth rates. The continued and improved penetration of the market in the People's Republic of China, first accessed in 1999, has led to gratifying business developments in this growth market. The combination of our technological know-how, efficient sales network and product development that is in touch with the market, has become the hallmark of SINGULUS TECHNOLOGIES in this region as well. Should government-imposed restrictions on the allocation of import licenses be relaxed in the near future, we can expect extremely positive business developments in the Chinese market. There is a high demand for our systems in China; increasing acceptance of DVD products will trigger the need for additional production capacity.

The North American CD/CD-ROM and DVD line business also showed dynamic progress. We solidified and expanded the premier position we have held in the U.S. since 1999. We were able to more than double our U.S. revenues over the year before. The U.S. share of our total revenues rose from 17% to 20%, impacted by the continued expansion of Asian markets.

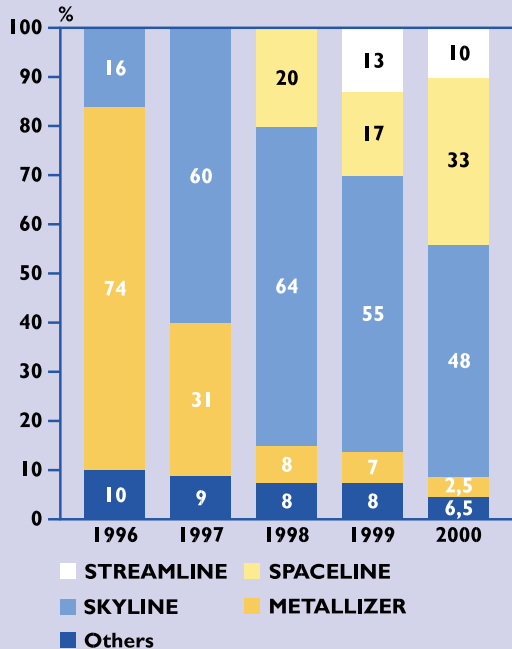
DVD video remained the driving force behind the strong growth in DVD replication lines in the U.S., while DVD-ROM for computer applications has not yet achieved its goals as hoped. This will clearly improve in 2001 once the SONY Playstation 2 and MICROSOFT XBOX game consoles heighten demand for DVD-ROM. As a result, 100% growth rates in DVD sales appear realistic for the coming years. We are prepared to secure large portions of this growth for SINGULUS TECHNOLOGIES' products.

The CD and DVD line business was expanded in Europe as well. Advances made in the markets of Great Britain and France were particularly gratifying. On the whole, however, the European demand for DVD lags significantly behind the US market, which is certainly due in part to the weak position of the European film industry as compared to Hollywood.

The limited capacity for CD-R lines in the European market is confined to a few manufacturers supplying market niches with relatively few systems. These suppliers cannot withstand the competitive pricing of the mighty Taiwanese CD-R replicators and consequently cannot successfully supply the mass markets.

Despite the often vehement demand for optical disc replication lines in the year 2000, it became evident by mid-year that the allocation of business among line suppliers would be quite mixed: business for suppliers with a concentration in CD-R replication lines collapsed due to the overall weakness in the market for

this application, while suppliers with a predominance of prerecorded disc systems enjoyed continued growth. Furthermore, the gradual erosion of prices placed smaller suppliers under increased pressure leading to an industry-wide trend towards consolidation. Therefore, it is expected that for the mid-term few system suppliers with a comprehensive product program encompassing multiple disc technologies will possess the technical and economic wherewithal to successfully survive in the global markets. SINGULUS TECHNOLOGIES will most certainly be among them.



Sales split by Product Group

Revenues and Income

In the past year, we did not lose sight of our goal to develop superior technological know-how and, with streamlined pricing, bring matured products to the market. This strategy is reflected in earnings not just by revenue growth, but by high margins as well. While 1999 growth in revenue was 75% over the prior year, it was even more dynamic in 2000.

With consolidated revenues of 734.8 million DM, SINGULUS TECHNOLOGIES advanced ahead of all competitors worldwide. As expected, our enhanced product portfolio was a contributing factor. The new MODULUS multilayer metallizer for rewritable CD and DVD was brought to the market as planned, creating a fifth product segment to complement the metallizer, CD line, DVD line, and CD-R line segments. This will significantly enhance and continue to stabilize our overall product portfolio.

Categorized by product type, our CD lines represent our largest business segment with a 48% share of total revenues. Marked by a strong upward trend, DVD lines follow at 33%. CD-R lines at 10%, Service and Spares at 6.5%, and the still young metallizer segment at 2.5%, represent our remaining revenue pillars.

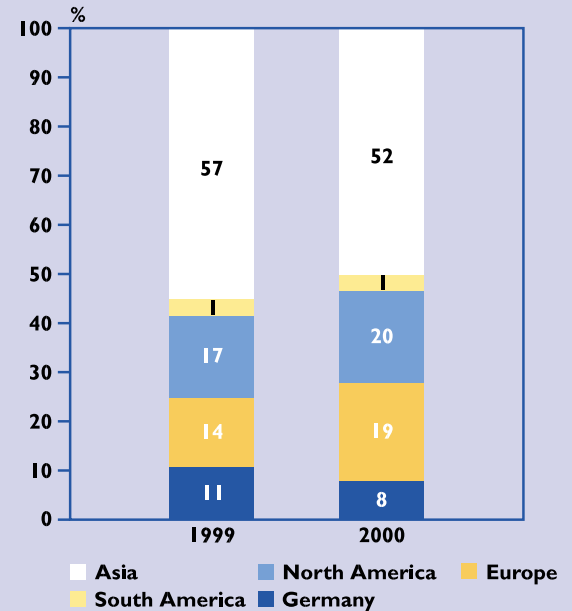
The business strategy pursued by the corporation since its inception calls for the introduction of a matured product to the market every year. This goal was achieved and a milestone set with the introduction of the MODULUS. The refinement of existing systems through continuous innovation and the development of entirely new product lines is a strategy important to the continued growth of our business.

The regional revenue distribution for 2000 is as follows: Germany, 8% (prior year 11%); remainder of Europe, 19% (prior year 14%); North America, 20% (prior year 17%), South America 1% (prior year 1%), and Asia, 52% (prior year 57%).

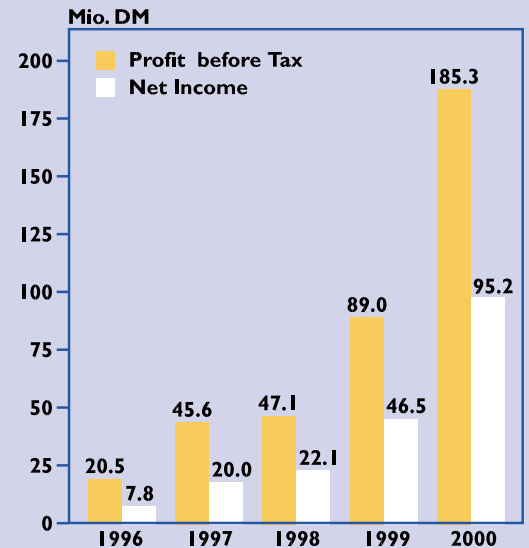
Although the year was characterized by increasingly sharp competition in both regional and individual markets, the overall gross margin of 37.7% was held at nearly the same level as the prior year (38%). By reducing costs and optimizing processes, SINGULUS TECHNOLOGIES made every effort to prevent price pressures in the market from impacting the margin. This was not accomplished to our satisfaction for CD lines, on which the heaviest pressure was exerted.

The corporation's consolidated EBIT for fiscal 2000 totaled 182.7 million DM (1999: 87.6 million DM), income before taxes rose by 108% to 185.3 million DM (1999: 89.0 million DM). Net income rose by 104.5% to 95.2 million DM (1999: 46.5 million DM) and remained virtually unchanged at 14.1% of net revenues (1999: 14.2%).

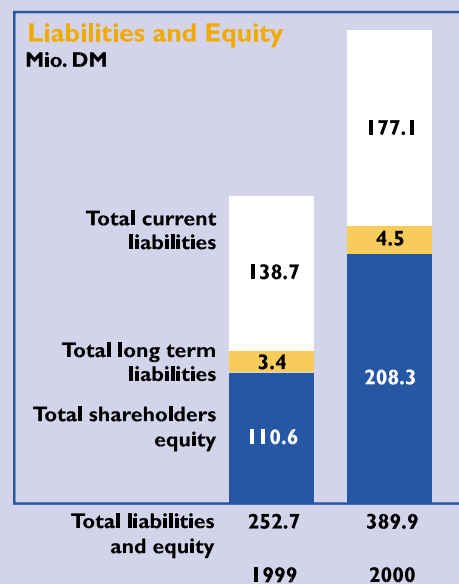
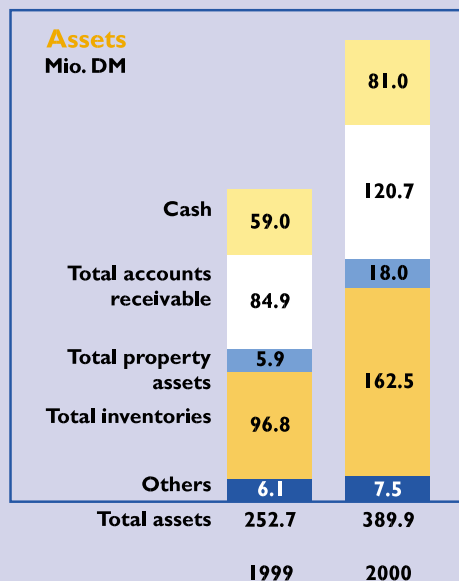
As a result, earnings per share in accordance with DVFA/SG doubled from 0.66 EURO to 1.35 EURO in the year 2000.



Sales per Region



Financial Results 1996 - 2000



Balance Sheet and Earnings Utilization

The constant growth of the SINGULUS TECHNOLOGIES corporation is reflected in the excellent structure of its assets and capital. By the 12/31/00 closing date, the balance sheet total rose to 389.9 million DM from 252.7 million DM the year before.

Fixed assets rose from 5.9 million DM to 18.0 million DM. Purchases were primarily made for furnishings associated with the relocation to the new production and administrative facility, as well as the procurement of machines and operating equipment necessitated by strong growth. By year-end closing, fixed assets comprised a mere 4.6% of total assets (prior year 2.4%) which can be attributed to the corporation's streamlined business model.

Total current assets rose to 364.3 million DM by the closing date, from 240.7 million DM the previous year. Increases in inventory, receivables and liquid assets were principally a result of the significant increase in the volume of business.

Total current liabilities grew from 138.7 million DM last year to 177.1 million DM. One of the reasons for this development was the increase in tax reserves and the reduction in down payments received compared to the year before. Despite the increased purchase volume, trade accounts payable rose just 3.2% to 48.7 million DM at the time of reporting. The long-term liabilities include pension reserves as well as liabilities from convertible loans made within the framework of a stock option program for executives. Overall, long-term liabilities rose from 3.4 million DM last year to 4.5 million DM at reporting time.

Total shareholders' equity grew by 88.3% to 208.3 million DM in 2000 (prior year 110.6 million DM). This is primarily the result of an increase and from retained earnings of 95.2 million DM. At 53.4%, shareholders' equity for the year clearly exceeded the previous year's figures of 43%. Equity covered both fixed assets and an additional 52% of the total current liabilities by year-end closing. These figures clearly demonstrate the extremely solid structure of SINGULUS TECHNOLOGIES' assets and capital.

The recommendation for the utilization of earnings is based on the individual year-end closing of SINGULUS TECHNOLOGIES AG as provided for by German law. In accordance with Par. 16.3 of our statutes, half of the 72,528 million DM in retained earnings shall be incorporated into other capital reserves. The remaining 36,264 million DM in retained earnings shall also be incorporated into other capital reserves by resolution of the shareholders at the annual shareholders' meeting in 2001.

The increase in share capital from retained earnings will be available for the future intense development and launch of new products which is typical for companies such as ours that are subject to rapidly changing technology and markets. Our expectation for mid-term business expansion is unchanged and will necessitate substantial financial means for internal and, if appropriate, external growth, including the development of new business sectors.

Furthermore, the tough price competition and consolidation phase currently being observed for optical disc system manufacturers will pose special challenges to the liquidity of our corporation. As market leader we must secure all financial means and options available in preparation for the proactive management of a consolidation process, should this become necessary.

The same applies to all additional considerations for developing external growth through new business segments, given the appropriate opportunity for acquisition. It has always been our strategy to hone our technical know-how, improve products, and guide new applications through to maturity using the corporation's own resources and manpower. This will not fundamentally change in the future. However, following the completion of important projects in our current business strategy in fiscal 2000, this would be the time for appropriate diversification. This could tap new growth sectors that could become new sources for a long-term improvement in the company's valuation.

In light of the present volatility in the stock market, especially on the Neuer Markt, the typical use of one's own stock as currency in such situations appears to be a less suitable form of payment from the shareholders' point of view. The currently undervalued SINGULUS TECHNOLOGIES stock would be an expensive form of currency.

Sales and Service

Pre- and After-Sales Support pose tremendous challenges for corporations engaged in technically demanding markets such as SINGULUS TECHNOLOGIES. Our worldwide organization for Marketing and Sales as well as Spares and Service has once again proven its efficacy. Maximizing our presence with customers is the highest command for all in-house and field personnel in order to rapidly assess and fulfill the needs of our customers, thus creating greater customer utilization.

An equitable customer-supplier relationship can be achieved only by those who take the customer seriously over the long-term, and are able to adjust to their needs, demands and unique situations. A close customer relationship is a long-term goal and can flourish only on the basis of cooperation and teamwork. For this reason we have made every effort to nurture initial contacts with new customers and build lasting relationships. To achieve this we have



significantly expanded our Sales and Support organization and clearly decentralized business responsibilities.

The initial fruits of this long-range company philosophy are becoming evident in the home market of our strongest competitor for DVD systems. In addition to CD lines, we have now sold our first DVD lines in Japan. This particularly gratifying market achievement underscores the esteem in which our leading systems and process technology is held.

- Headquarters in Kahl/Main, Germany
- Subsidiaries
- Representatives



Training center in Europe



Training center in America



Training center in Asia

The number of our foreign subsidiaries has grown to nine following the establishment of new branches in France and Malaysia. Our network of agents in Eastern Europe and the Near East was also reinforced.

Efficient product management in all sectors has enhanced our internal sales organization. This ensures reliable optimization of new developments following initial installations as well as the transfer of know-how to the customer. Special technical support is provided to key customers as experience has shown that they place the highest demands of perfection on systems and production support.

By establishing three demonstration and training centers in Kahl for Europe, Windsor, Connecticut for North and South America, and Malaysia for all of Asia, we have strongly conveyed our commitment to training our customers' operators and maintenance personnel. Professional training conducted by employees dedicated to this endeavor addresses machine and process technology,

software, spare parts logistics and hot line support. In addition to English, training courses held for our Asian customers at our Malaysian facility will be gradually expanded to include the most widespread Southeast Asian languages.

These training centers will also be used for intense training and development of our own employees. Rapid product development and constant expansion of our product portfolio demand intense internal training. The on-site transfer of comprehensive product and technology information will remain a major challenge for our corporation and a deciding factor in our continued success.

Staff

The 107-employee increase in our workforce coincided with the rapid rise in revenues during the past fiscal year. By year-end 2000, the corporation employed 319 people worldwide (+ 50%). Eighty of these employees (25%) work for our foreign subsidiaries.

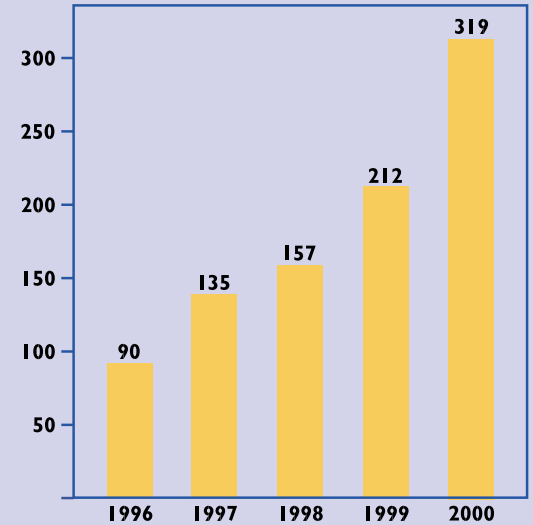
New hires were concentrated in key departments, especially in Production, Development, Engineering and Customer Support. The recruitment of young, innovative-thinking and eager applicants has become the norm for SINGULUS TECHNOLOGIES. The past few years have shown that young graduates of technical high schools and universities can be easily assimilated into our existing workforce and groomed to become productive members of our staff within a few months' time.

The move to the new plant in Kahl/Main has created optimal working conditions for our employees, whether in production departments, commer-

cial and technical offices, or research labs. This sends an important message to the corporation, its employees



and customers: from its humble beginnings, our company has grown into a globally operating corporation at the apex of the world market.



Staff

Research and Development



I+5 Stations 5MODULUS for
R & D of rewritable CD and DVD

rewritable (repeatedly recordable) discs. The products serving these new market segments should be compatible with both first-generation CD and second-generation DVD optical discs. We are well on our way to achieving this goal. The expertise we have gained thus far will serve as the basis for ongoing and new developments.

The SKYLINE, initially developed only for CD/CD-ROM, has been successfully expanded into an entire family of systems. The SKYLINE DUPLEX added the DVD 5 application to our portfolio, providing our customers with an extremely cost-effective means of admission to the rapidly growing DVD market.

The market for optical discs is constantly in flux. The demand for new products is most often issued by end users. As a supplier for replicators, SINGULUS TECHNOLOGIES closely watches the consumer market in order to quickly respond to new trends in the market with appropriate equipment. The goal of our mid-range product strategy is to supplement our machines and systems for prerecorded CD and DVD by developing the technology for once recordable and

Enhanced by additional features, the SKYLINE has emerged as the perfect solution for the mass production of CD cards. Offering countless geometric contours and dimensions, these cards have taken the market by storm. Their up to 60 Megabyte storage capacity provides sufficient memory for company profiles and product presentations. A simple click of the mouse can connect CD card users to a profiled company's web site.

Steady improvements have also been made to individual components in our SPACELINE. Shortened cycle times, increased machine uptime, and product quality have significantly improved the overall productivity of this complex DVD replication system. Since its introduction in 1997 the achievable daily yield of this system has nearly doubled. Thus the SPACELINE has become the benchmark for the entire DVD industry.

The development of the STREAMLINE for CD-R applications was the first major step towards successfully establishing a new business sector for

once-recordable discs. The concept and design of the system is distinguished by its innovative dye spin coater and drying modules and has been proven in the field. The high quality of discs produced at low production costs provides our customers, particularly in the Far East, with excellent prerequisites for survival in this "high volume, low margin" business.

DVD-R, the next application, is close at hand. New special dye processes as well as production procedures were developed and transferred to the STREAMLINE. Initially, a multiple use system for both CD-R and DVD-R is considered to be the most logical concept for the introduction of DVD-R in 2001 until such time as rising DVD-R volume proves a single-purpose mass production system to be more economical. We will then be able to successfully transfer our extensive experience with bonding technology to the STREAMLINE for DVD-R.





Successful acceptance test for the first MODULUS at ITRI, Taiwan

Right picture: I + I3 Stations
I3 MODULUS for DVD-RAM

Rewritable CD and DVD formats are already available for mass production and will bestow tremendous growth on the optical disc industry in the next few years. The coating technology for the various CD-RW, DVD±RW and DVD-RAM layer systems are exceptional technological challenges to machine manufacturers and disc replicators alike, reaching the limits of physical feasibility for production processes.

The rewritable formats utilize “phase change” technology with a variety of layer systems and materials. Due to the regrettable absence of an established standard for the overall rewritable media market, there remain numerous production requirements that whenever possible should be addressed by a single, universal multilayer metallizer system.

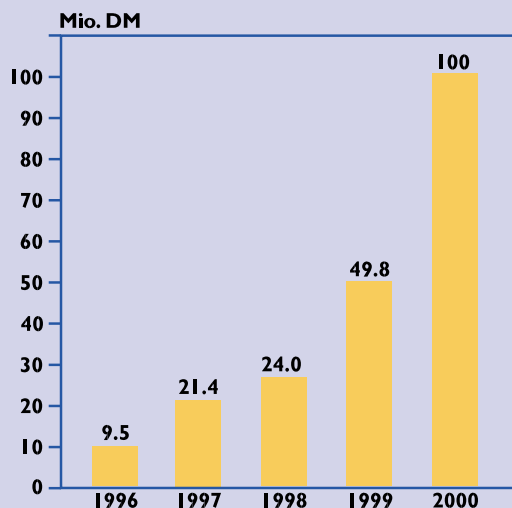
We have, therefore, selected a consistently modular machine concept: modular in terms of the number of process stations and modular in terms of the configuration of individual components. The result is a family of MODULUS metallizers, instead of just one single-use coating system.

All layers must be sputtered; this applies to the application of metallic as well as dielectric materials. The best technology for the simultaneous sputtering of DC and RF will determine which multilayer metallizer and its manufacturer will emerge as the victor. The criteria for this success are high sputter rates, superior uniformity and maximum target utilization.



For these reasons, the SMART CATHODE will be our component of choice for all sputter cathodes utilized. It has been proven in the SPACELINE and was modified for use in RF processes. Another difficulty posed by DVD±RW/RAM not present in CD-RW, is effective heat management needed to prevent permanent damage to the 0.6 mm thick polycarbonate substrate caused by intense sputter plasma and the heat released by layer condensation.

At the conclusion of an intense 3-year research and development period, the first MODULUS multilayer metalizer was completed and delivered at the end of the year 2000.



Development of Cash Flow
(follow. DVFA)

Capital Expenditures and Financing

Because our manufacturing process is basically limited to assembly and commissioning, we require far fewer investments than our competitors engaged in full-spectrum manufacturing. The advantage of this consistent orientation towards a level of manufacturing with less depth is that investments can be kept relatively low.

The investment volume for fiscal 2000 was overlain by a unique effect. Investments made during in the reporting period rose to 15.2 million DM compared to 3.6 million DM the year before. A portion of these expenditures is tied to the move to our new, larger operating facility. The move became necessary in order to concentrate and optimize the various processes scattered in numerous locations. We expect this consolidation of activities in our new location in Kahl/Main to be cost-effective on both the production and research and development levels. Furthermore, we have responded to the existing

and future market demands by providing spacious assembly and testing facilities. Investments were made in lease fixtures (i.e. media supply, clean room) and operating equipment. An 18-year lease with a purchase option was chosen to finance the construction of the new facility.

Our business objective is to supply customers with cost-effective machines providing superior technology and yield. With this in mind, the decision was made to supplement the Kahl training facility by investing in two additional Demo and Training Centers in the USA and Malaysia. This decision placed the corporation in an advantageous position over its competitors in the market. SINGULUS TECHNOLOGIES is steadfastly fulfilling its business strategy of conducting its operations in proximity to the customer.

In just six months, the company successfully implemented a new process-inclusive SAP software system, completing the project by 12/31/00. Furthermore new CAD stations were provided and analysis and measuring devices procured. The investments were offset by depreciation totaling 3.7 million DM during the year in report (previous year 2.8 million DM). Expenditures were effortlessly financed by our positive cash flow.

Even in light of the doubling of our volume of business, the financial stability of the corporation was strengthened. Cash flow (the sum of annual net income, depreciation, pension reserves, and deferred taxes) rose to 97.7 million DM, up 53.4 million DM from 44.3 million DM the year before. The growth resulted primarily from the increase in net income and the change in deferred taxes. Cash flow from operating activities rose from 22.7 million DM to 28.9 million DM, while the increase in cash flow from financing activities from 6.6 million DM to 8.3 million DM was to a great extent affected by

the increase in liquid funds from factoring of accounts receivable. The cash used for investment activities rose from 3.7 million DM in 1999 to 15.1 million DM due to expenditures made.

In total, the cash flow balance rose by 22.1 million DM during the year in report, i. e., up 37.5%, from 58.9 million DM to 81.0 million DM. This balance sheet gain not only demonstrates that SINGULUS TECHNOLOGIES can finance expenditures through positive cash flow but can generate additional cash. The corporation has once again demonstrated its self-financing capabilities.



Minister of Bavaria State Dr. Erwin Huber and CEO Roland Lacher at the formal dedication ceremony on July 27, 2000.

Corporate Control and Transparency Act

Within the framework of its international operations, SINGLULUS TECHNOLOGIES corporation is unavoidably exposed to risks related to its entrepreneurial activities.

A series of instruments is used to manage these risks extending far beyond classic Controlling. All business processes exposed to risks that may have a potentially negative impact on the development of the corporation are subject to an internal control and monitoring system for the early detection and timely implementation of countermeasures.

The following dependencies have been recognized as substantive risk factors: The success of the corporation depends to a great extent on the successful sale and service of equipment for the manufacture of optical discs. Market and currency fluctuations could trigger a reduction in demand that could lead to a considerable loss in revenue. The corporation views the Asian markets,

which accounted for a 52% share of revenues (prior year 57%), as particularly vulnerable to market-dependent fluctuations in demand. In specific segments of the market such as once-recordable CD-R, production overcapacity has caused planned investments to be put on hold. Combined with restrained demand, additional risks could arise from aggressive price competition that would exert pressure on the margins of individual segments of the market.

SINGULUS TECHNOLOGIES engages in careful market observations and is prepared to employ countermeasures in the event of negative economic developments. Risks to earnings as the result of a decline in demand or risks due to price erosion are minimized by permanent measures including technological improvement of products, adjustments in purchasing conditions and a portfolio that continually offers new economical products. All measures with regard to capacity risks are supported by our overall concept and business model for streamlined pro-

duction with minimal manufacturing depth and a low share of fixed costs.

Risk exposure from the payment practices of customers is prevented by delivery against letters of credit, particularly in the Asian market. Risk exposure from customer financing is controlled by credit risk management and currency risks are generally covered by securing currency rates.

Our risk management system has implemented the requirements of KonTraG. As a corporation listed on the stock exchange, we joined our auditors and Supervisory Board in examining the instruments for early identification of risks and for our internal controlling system. It was determined that our early detection system is capable of identifying potential risks jeopardizing the survival of the corporation. The Managing Board is convinced that no present or future risks capable of endangering the survival of the company are evident.

Fiscal 2001 Forecast

In a year initially marked by enormous growth, SINGULUS TECHNOLOGIES recorded an unsatisfactory level of order entries at the end of fiscal 2000 which has led to the expectation of a business slowdown in 2001. The fundamental reasons for this can be found in the consolidation of Far East markets in Hong Kong and Taiwan. This indicates that the market, characterized by years of strong and steady growth, is now more likely to display cyclical developments.

Nevertheless, the growth in business for optical disc replication systems is still viewed as very positive for the mid-term. An increase in game consoles such as SONY's Playstation 2 and MICROSOFT's XBOX will lead to continued worldwide expansion of production capacities. The once-recordable CD-R and more recent DVD-R discs will also show clear growth. More importantly, the new rewritable CD-RW and DVD±RW/RAM media will trigger new demand.

With the help of these new media, new applications will steadily grow the total market.

Now the largest organization in the industry, SINGULUS TECHNOLOGIES can refer to its unique strengths in metallizer, CD, and DVD systems as well as to the worldwide leadership position it has achieved through outstanding technology and product innovations. A recent major order for our DVD systems emphatically reaffirmed this fact.

Although the years of rapid growth in some segments of the market may temporarily come to a standstill, SINGULUS TECHNOLOGIES can look to the future optimistically. We can offer technologies in these new production processes that will successively supplant those currently available and satisfy the traditional "Made by SINGULUS" standard of quality.

The successful introduction of the MODULUS for all rewritable media, especially the most technologically challenging DVD-RW/RAM, is a priority for fiscal 2001. The SUNLINE is another complete replication line for this product segment and will be introduced during the course of the year. As a result of the technology agreement with PIONEER, it will become possible to provide our customers with complete turnkey replication systems and extensive process know-how for all rewritable media.

It is probable that stiff competition in pricing throughout the optical disc replication line manufacturing industry will lead to a shake out period. Our leading market position and streamlined business model provide us with optimal prerequisites to emerge from this phase of the market strengthened. Predominantly smaller suppliers will be forced from the market during this consolidation phase.

As a result, SINGULUS TECHNOLOGIES is presented with two major opportunities: 1. As the market leader, we will benefit from the shake out because of our brand name recognition and superior sales and customer support network. 2. absent the financial strength to compete in new markets, smaller suppliers will be forced out, so that positive effects are to be expected here as well.



New rewritable DVD for computer applications



New XBOX game console from Microsoft