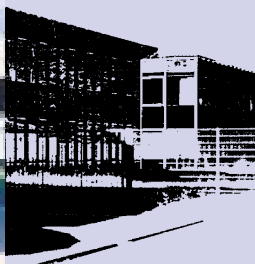
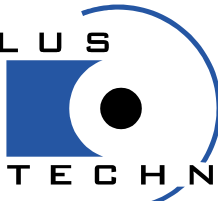


SINGULUS TECHNOLOGIES

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

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

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,

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.

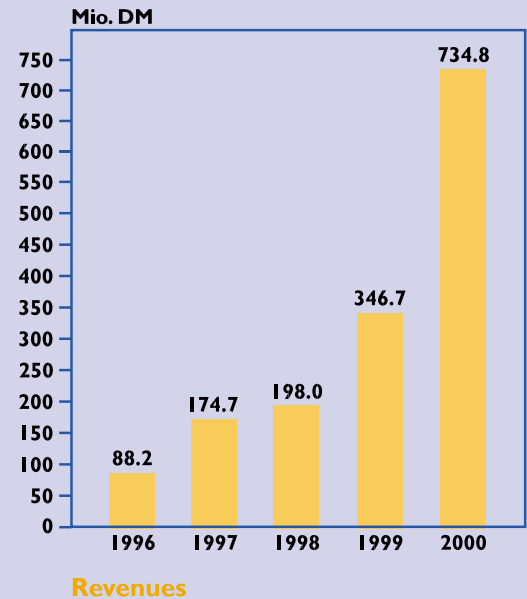
Consolidated gross revenues more than doubled, rising from 346.7 million DM in 1999 to 734.8 million DM (+112%).

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.

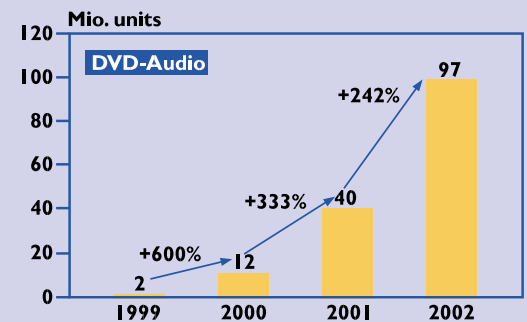
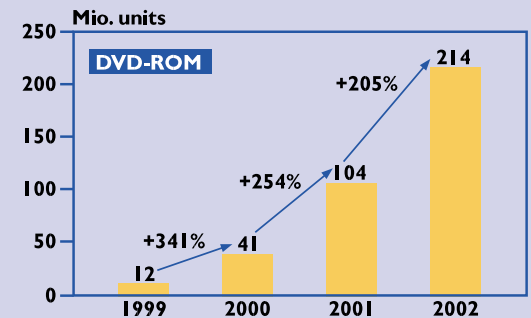
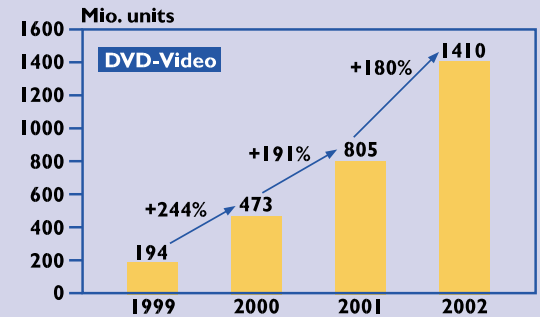
World Markets

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.

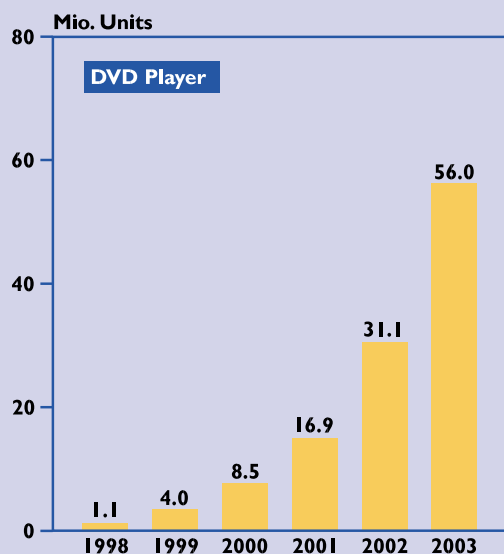
Developments in the Asian market were gratifying with regard to SINGULUS TECHNOLOGIES' business parameters. The extremely brisk Far Eastern demand for SINGULUS TECHNOLOGIES' complete product portfolio, especially in the first few months of the year, definitively raised the region's total revenues. During 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.

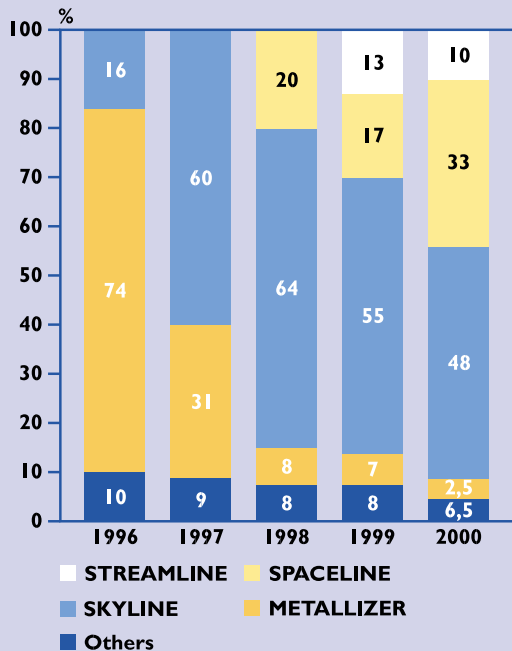
DVD video remained the driving force behind the strong growth in DVD replication lines in the U.S., while DVD-ROM for computer applications has not yet achieved its goals as hoped. This will clearly improve in 2001 once the SONY Playstation 2 and MICROSOFT XBOX game consoles heighten demand for DVD-ROM. 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.

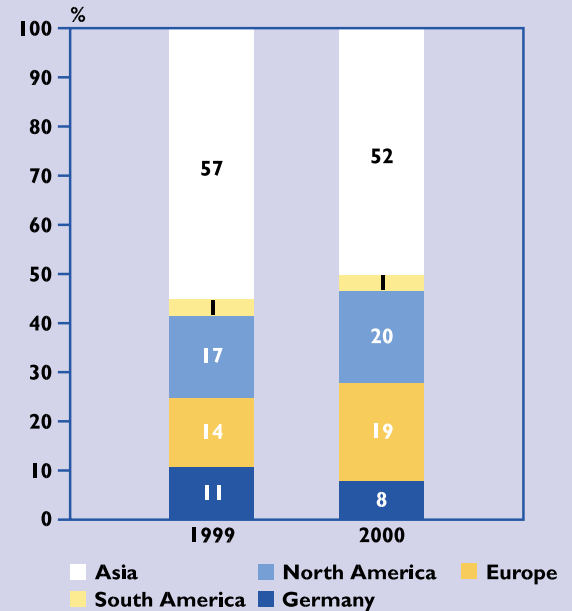
The business strategy pursued by the corporation since its inception calls for the introduction of a matured product to the market every year. This goal was achieved and a milestone set with the introduction of the MODULUS. The refinement of existing systems through continuous innovation and the development 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%).

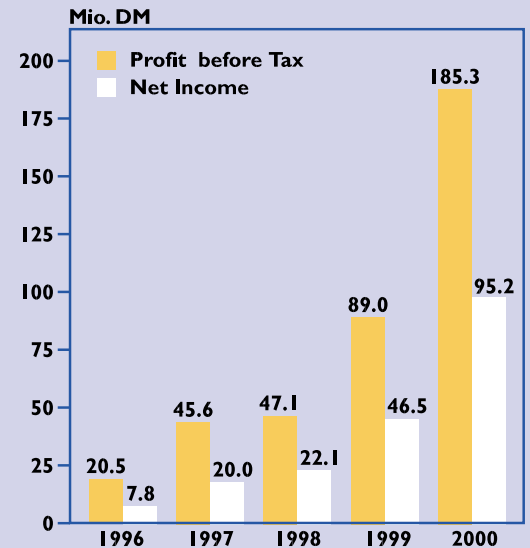
Although the year was characterized by increasingly sharp competition in both regional and individual markets, the overall gross margin of 37.7% was held at nearly the same level as the prior year (38%). By reducing costs and optimizing processes, SINGULUS TECHNOLOGIES made every effort to prevent price 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%).

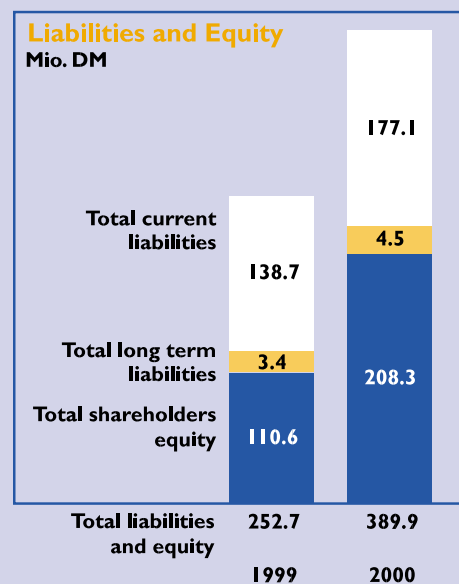
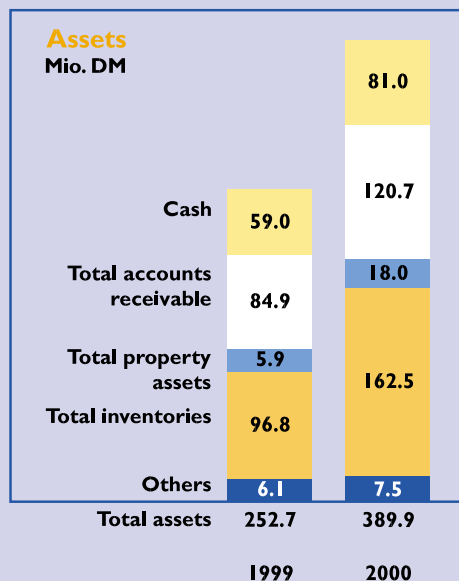
As a result, earnings per share in accordance with DVFA/SG doubled from 0.66 EURO to 1.35 EURO in the year 2000.



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.

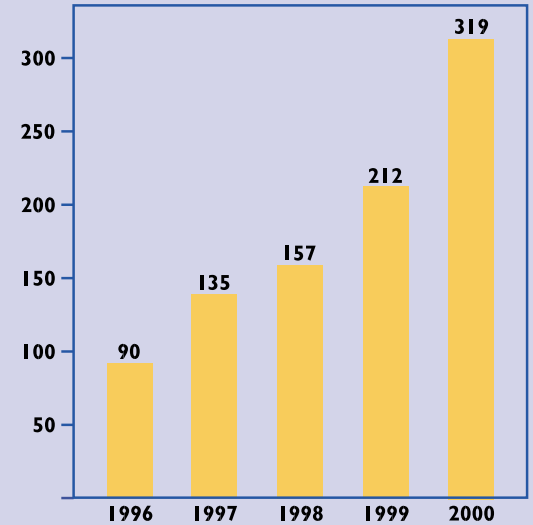
New hires were concentrated in key departments, especially in Production, Development, Engineering and Customer Support. The recruitment of young, innovative-thinking and eager applicants has become the norm for SINGULUS TECHNOLOGIES. The past few years have shown that young graduates of technical high 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
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.

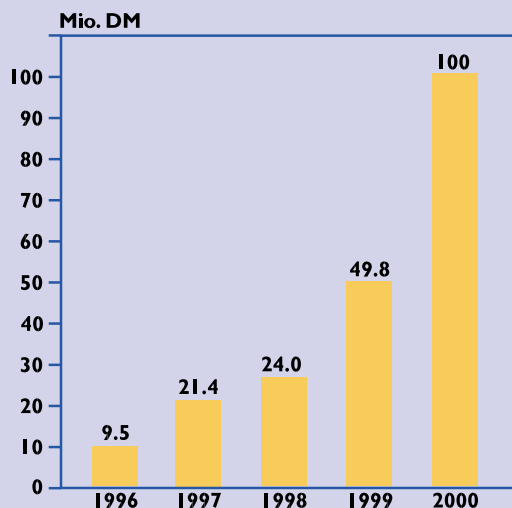
We have, therefore, selected a consistently modular machine concept: modular in terms of the number of process stations and modular in terms of the configuration of individual components. The result is a family of MODULUS metallizers, instead of just one single-use coating system.

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

SINGULUS TECHNOLOGIES Stock

The SINGULUS TECHNOLOGIES stock receives a great deal of attention and continues to rank among the most recognized shares on the Neuer Markt of the German Stock Exchange in Frankfurt. Following an increase in value of 154.8% in 1998 and 91% in 1999, the stock registered a much lower gain of 18% in 2000. This can be attributed to a large extent to an end of the exaggerated euphoria in the Neuer Markt.

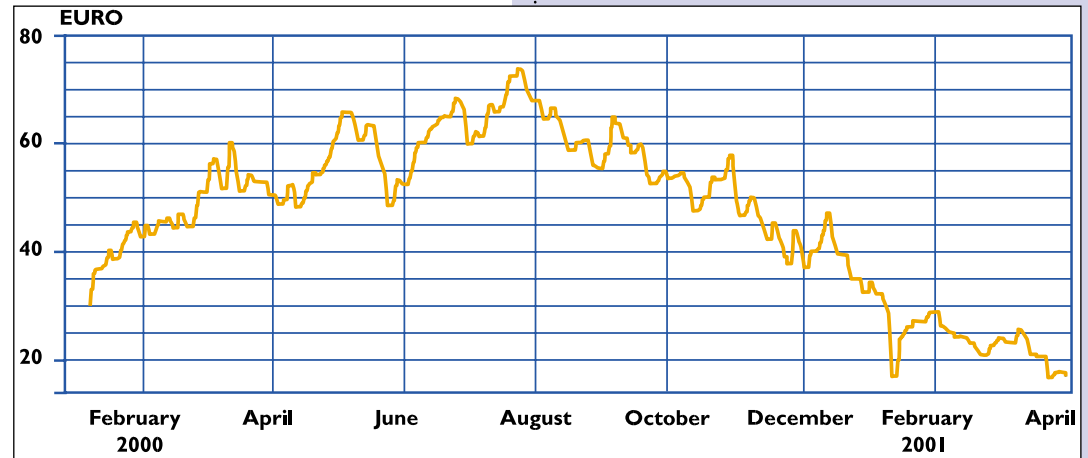
During the course of the year, the SINGULUS TECHNOLOGIES stock was subjected to changing fortunes: bolstered by gratifying business developments and sustained positive valuation by analysts, the stock maintained a positive tone from the beginning of the year through August 2000, culminating in a high of 76.00 EURO. Despite good 3rd quarter revenues and earnings figures, the SINGULUS stock was unable to sustain its valuation at year-end. In the wake of a declining mood which first became apparent in the Neuer Markt sector of the Stock Exchange during the first quarter of 2000, it closed at 36.00 EURO on 12/31/00.

Compared to the Nemax 50 Index, which fell 44% from 5151 to 2869 points during the year in report, the SINGULUS stock continues to perform remarkably well. It displayed an even better performance when measured against the development of the Neuer Markt All Share Index (minus 41%).

With an average daily trading volume of 126,039 shares in Xetra and 93,452 shares on the floor, the SINGULUS stock is one of the most traded shares in the Neuer Markt sector of the stock exchange. With a free float of over 90%, it is considered to be one of the most liquid titles and sought out by major funds. The SINGULUS stock remains within the focus of banks and investors as the optical disc market has become much more transparent; research by analysts has become much easier since four of the largest line suppliers are traded on this market. The abundance of studies is tied to the active participation of financial investors.

At the end of the reporting period SINGULUS TECHNOLOGIES' market capitalization was 1,307 million EURO. At the time, the price-to-earnings ratio for fiscal 2000 was calculated at a factor of 26. Based on 36,321,312 shares, earnings per share in accordance with DVFA/SG rose from 0.66 EURO per share in 1999, to a record-setting 1.35 EURO per share. Despite these fundamentally very positive results, the price performance of the stock when viewed over the course of the year did not correspond to our positive business developments.

At the beginning of the new year the Neuer Markt displayed a generally negative trend from which the SINGULUS stock could not be extricated. In the wake of an announcement in which the corporation expressed expectation that the uninterrupted and at times tumultuous growth of the past five years would be followed by a slowdown in 2001 due in part to a period of consolidation, the stock fell sharply to 17.25 EURO. It then stabilized at



23 EURO by the beginning of March. At the same time, numerous studies conducted by well-known analysts emphasized SINGULUS' unique characteristics in terms of technology, innovation, market leadership and profitability and issued buy recommendations. In the opinion of the experts, the stock still exhibits the potential for growth.

Development of Stock Price January 1, 2000 – March 31, 2001

SINGULUS III



SINGULUS III *Smart metallizer with optical measuring unit TMD I and a 12 spindle turntable*

SINGULUS Metallizer for CD, CD-ROM, CD-R, DVD

Metallization, i. e., the application of a thin metal layer onto a still transparent polycarbonate disc by means of vacuum coating technology, is what enables the information (music/data/video) embedded in the disc during the molding process to be read. Consequently, it is one of the most important manufacturing steps in CD and DVD production.

Because of its key role, this coating technology is the most important core competence of our business. Singulus offers a metallizer family for all optical disc manufacturing applications. The patented cathode technology with integrated closed-loop control of the sputtering process in the SINGULUS III Smart metallizer is attractive not only for our own lines but especially for OEM customers. It meets all criteria set by the market for all gold, silicon and silver layers currently used for DVD applications and is distinguished by its high target utilization.

By the end of 2000, SINGULUS TECHNOLOGIES had built more than 2,500 machines for OEM customers or for use in its own lines.

The corporation is preparing an entirely new generation of metallizers for the year 2001 that will advance SINGULUS TECHNOLOGIES' technological lead even further.

SINGULUS metallizer family for all applications:

- SINGULUS III with 1.5 s or 2.7 s cycle time for **CD Audio/CD ROM**
- SINGULUS III Smart with 1.5 s or 3.0 s cycle time for **CD-R**
- SINGULUS III Smart with 1.5 s or 3.0 s cycle time for **DVD**
- SINGULUS III Twin metallizer for **DVD 9**

SKYLINE



Two SKLYINE replication lines at
MEMORY-Tech, Japan

Right picture: SKYLINE Duplex
during acceptance test

SKYLINE Replication lines for CD, CD-ROM and DVD 5

People shook their heads when the newcomer SINGULUS TECHNOLOGIES introduced a prototype of the SKYLINE CD replication line at the April 1996 European Replitech trade show in Utrecht. "Another supplier" was the general reaction. Although the II lines placed into operation in its first year on the market was an initial success and earned it the respect of the CD industry, a breakthrough had not yet been achieved.

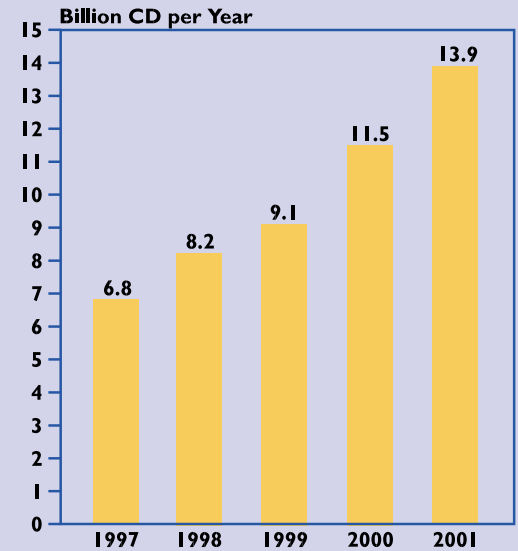
SKYLINE sales will soon cross the 1,000 mark. In the year 2000 alone, 405 lines were realized as sales.

With its basic design unchanged, many details in the system have since been improved. In 1999, the dual-use SKYLINE DUPLEX model provided an interesting alternative for entrants into the DVD market. The CD card version developed at the end of 1999 created additional interesting business for the year 2000.

The SKYLINE replication line for CD/CD ROM, DVD5, CD Card and all 80 mm applications has since



become the benchmark in the industry in terms of production reliability and productivity.



Source: Understanding & Solution and Internal

CD/CD-ROM Market world wide

The market for compact discs continues to evolve. New applications, especially in the realm of CD-ROM, e.g. for PC software, online applications and games, have contributed to positive growth. Video CD and SuperVideo CD are additional factors in Asia, supported in part by the region's large karaoke market.



SPACELINE



**Four SPACELINE replication lines at OEM,
Charlottesville, USA**

**Right picture top: One of 47 SPACELINEs
at INFODISC, Taiwan**

**Right picture bottom: Six of a total of
12 SPACELINEs at FUTURE MEDIA, USA**

SPACELINE Replication lines for DVD

When the SPACELINE DVD replication line was introduced in 1997, the company embarked upon a course viewed as utopian by industry experts: the inline production of prerecorded DVD, particularly DVD9, i.e., production in a line in which the substrate flow would be uninterrupted, from synthetic granulate to finished DVD.

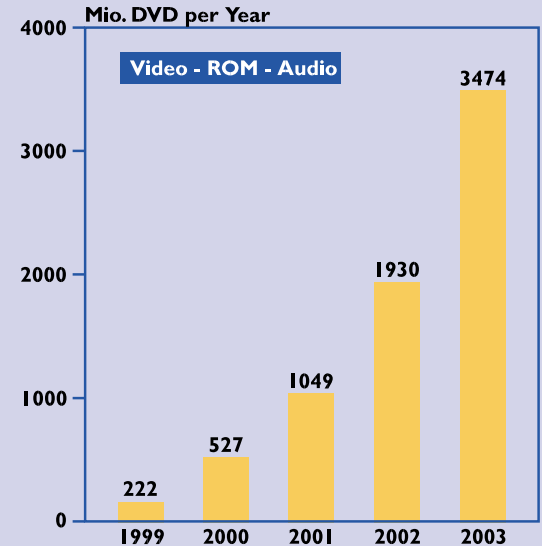
From the outset, SINGULUS TECHNOLOGIES has oriented its line development to the high standards of DVD 9. The first of two discs needed to produce a DVD disc is coated with reflective aluminum, the second with semi-transparent gold (or silicon). The subsequent adhesion of these two DVD disc halves is known as bonding.

The breakthrough of this inline concept was achieved through early, intense cooperation with key customers in 1998 and 1999. In the year 2000 alone, 100 lines were successfully placed into operation at customer facilities.

Numerous advances have been implemented in the SPACELINE DVD



replication line since its market introduction in 1997. The utilization of the SMART CATHODE was a first step that later permitted the successful transition from the use of a gold to a silicon layer. The development of an inline optical measuring device (TMD) with closed loop control of the sputtered layer not only significantly increased the SPACELINE's yield to its current level of 17,000 good discs per day, but for the first time provided 100% quality assurance for all reflective layers.



Source: Understanding & Solution

DVD Market world wide

The market for prerecorded DVD discs is progressing at a rapid pace. Annual growth rates of 100% have already become a reality for DVD video. High growth rates for DV-ROM applications are expected for 2001 and 2002 as a result of game applications for PlayStation 2 and XBOX and high-end audio aficionados will have DVD Audio.

STREAMLINE



Two upgraded STREAMLINEs with a daily capacity of 25,000 disc

Right picture: Two STREAMLINE at ACME, Hong Kong

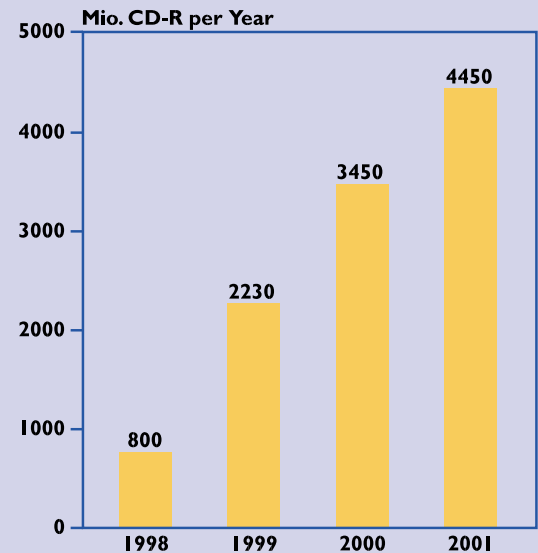
STREAMLINE Replication lines for CD-R, DVD-R

Our STREAMLINE CD-R replication system found recognition among Asia's leading manufacturers following its 1999 introduction. Its compact design and high degree of reliability guarantee replicators very low operating costs. The SINGULUS philosophy that promotes the proprietary development of all key components has been borne out here as well. In conjunction with a modified SKYLINE, the dye module in particular ensures stable production.



The hardware for the future DVD-R format has already been laid out. Here too, emphasis is placed upon the proprietary development of essential process know-how.

A STREAMLINE for production of the new once-recordable DVD-R with its 4.7 Gbyte storage capacity will be introduced during the course of 2001.



Source: IRMA

CD-R Market world wide

According to IRMA, expectations for 2001 include approximately 30% new growth in CD-R. The industry projects that the current overcapacity will be eliminated this year.

The introduction of DVD-R will generate the need for additional systems.

MODULUS



¹³MODULUS with 13 process stations for the production of DVD-RAM

MODULUS Metallizer for CD-RW, DVD±RW and DVD-RAM

After a number of years in the development stage, SINGULUS TECHNOLOGIES introduced the new MODULUS metallizing system in July 2000 to mark the opening ceremonies of its new headquarters in Kahl/Main.

The new multicathode metallizer was developed for the production of CD-RW and especially for the new rewritable DVD. Operating according to the phase change principle, the composition of rewritable CD and DVD discs has a much higher level of complexity than other formats, consisting of layer stacks with up to 8 individual layers.

In 2000, PIONEER/Japan and SINGULUS TECHNOLOGIES entered into a cooperation agreement for the mass production of DVD-RW. The essence of this cooperation is the optimization of the process chain for all operating steps in the manu-

facture of rewritable DVD: particular emphasis is placed on the coating technology in vacuum as the most important production step.

At the end of December last year, the first MODULUS multilayer metallizer was successfully placed into production at the facilities of our Taiwanese customer ITRI (Industrial Technology Research Institute). Following delivery in early December, the full scope of DVD-RAM specifications set forth by ITRI were met in just under two weeks.



Like VHS cassettes, DVD±RW/RAM can be recorded repeatedly but, as a digital optical storage medium (VHS is analog), offers significantly better playback quality than the aging magnetic tape. Due to a unique layer configuration, however, the new rewritable DVD±RW places the utmost demands on manufacturing technology and consequently on the sputtering technology it employs.

STATUS REPORT



Report of independent public accountants

To the Shareholders, the Supervisory Board and the Management of SINGULUS TECHNOLOGIES AG

We have audited the accompanying consolidated balance sheets of SINGULUS TECHNOLOGIES AG and subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing (ISA), which are substantially consistent with those in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Singulus Technologies AG and subsidiaries as of December 31, 2000 and 1999 and the results of their operations and their cash flows for the

years then ended, in conformity with United States Generally Accepted Accounting Principles (US GAAP).

Eschborn/Frankfurt, Germany
February 22, 2001

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Groß
Wirtschaftsprüfer
(German Public Auditor)

Seckler
Wirtschaftsprüfer
(German Public Auditor)

Consolidated balance sheets as of December 31, 2000 and 1999

ASSETS	Dec. 31, 2000 KDM	Dec. 31, 1999 KDM
Cash and cash equivalents	81,030	58,981
Trade accounts receivable, net	112,944	76,497
Other receivables-sundry	7,814	8,410
Total accounts receivables, net	120,758	84,907
Total inventories, net	162,530	96,795
Total current assets	364,318	240,682
Property, plant and equipment-net	17,264	5,594
Intangible assets, net	742	346
Deferred tax asset	7,537	6,065
Total assets	389,861	252,687

LIABILITIES	Dec. 31, 2000 KDM	Dec. 31, 1999 KDM
Bank overdrafts and borrowings	81	160
Trade accounts payable	48,677	47,229
Other current liabilities	24,647	13,722
Progress payments	28,428	39,460
Tax accruals	58,392	27,959
Other provisions	16,911	10,210
Total current liabilities	177,136	138,740
Pension accruals	3,346	2,997
Convertible bonds	1,113	404
Total long-term liabilities	4,459	3,401
Total liabilities	181,595	142,141
Minority interest	- 35	- 39
Share capital (2000: 36,321,312 and 1999: 18,101,448, respectively, authorized, issued and outstanding ordinary shares)	71,038	35,403
Additional paid-in capital	28,719	26,989
Cumulative currency translation adjustment (CTA)	1,460	867
Retained earnings	107,084	47,326
Total shareholders' equity	208,301	110,585
Total liabilities and shareholders' equity	389,861	252,687

The accompanying notes to the consolidated financial statements are an integral part of these consolidated balance sheets.

Consolidated statements of income for the years ended December 31, 2000 and 1999

	Dec. 31, 2000		Dec. 31, 1999	
	KDM		KDM	
Gross revenues	734,848	108.6	346,686	106.0
Sales deductions and direct distribution cost	-58,053	-8.6	-19,490	-6.0
Total net revenues	676,795	100.0	327,196	100.0
Cost of goods sold	-421,752	-62.3	-202,883	-62.0
Gross profit	255,043	37.7	124,313	38.0
Development, design, quality control (thereof R&D expenses)	-11,541 (-10,052)	-1.7 (-1.5)	-6,607 (-6,001)	-2.0 (-1.8)
Sales and customer services	-24,183	-3.6	-13,110	-4.0
General management and administration	-15,360	-2.3	-8,896	-2.7
Projects and reserves (thereof R&D expenses)	-21,253 (-7,576)	-3.1 (-1.1)	-8,127 (-2,524)	-2.5 (-0.8)
Total operating expenses	-72,337	-10.7	-36,741	-11.2
Operating income (EBIT)	182,706	27.0	87,572	26.8
Interest income (net of interest expenses)	2,555	0.4	1,405	0.4
Income before tax	185,261	27.4	88,977	27.2
Income tax	-90,104	-13.3	-42,477	-13.0
Income before minority interest	95,157	14.1	46,500	14.2
Minority interest	4	0.0	11	0.0
Net income	95,161	14.1	46,511	14.2

	2000	1999
Earnings per share – basic (in DM)	2.62	1.28
Earnings per share – diluted (in DM)	2.53	1.26
Weighted average shares outstanding – basic	36,321,312	36,202,896
Weighted average shares outstanding – diluted	37,548,000	36,811,638

The accompanying notes to the consolidated financial statements are an integral part of these consolidated balance sheets.

Consolidated statements of shareholders' equity for the years ended December 31, 2000 and 1999

	Share capital	Additional paid-in-capital	Cumulative translation adjustment	Retained earnings	Total shareholders' equity	Comprehensive Income
	KDM	KDM	KDM	KDM	KDM	KDM
Balance at Dec. 31, 1998	30,000	24,414	18	6,019	60,451	
Capital increase	5,403	2,575		-5,204	2,774	
Translation adjustment			849		849	849
Net income				46,511	46,511	46,511
Balance at Dec. 31, 1999	35,403	26,989	867	47,326	110,585	47,360
Capital increase	35,635	1,730		-35,403	1,962	
Translation adjustment			593		593	593
Net income				95,161	95,161	95,161
Balance at December 31, 2000	71,038	28,719	1,460	107,084	208,301	95,754

The accompanying notes to the consolidated financial statements are an integral part of these consolidated statements of shareholders' equity.

Consolidated statements of cash flows for the years ended December 31, 2000 and 1999

	2000 KDM	1999 KDM
Cash flows from operating activities		
Net income	95,161	46,511
Adjustments to reconcile net income to net cash (used in)/provided by operating activities		
Depreciation	3,677	2,795
Additions to pension accrual	349	322
Deferred tax benefit	-1,472	-5,312
Minority interest	4	-15
Changes in operating assets and liabilities		
Inventories, net	-65,735	-54,108
Trade accounts receivable, net	-42,075	-44,820
Other receivables-sundry	520	-3,483
Tax accruals	30,433	11,056
Other provisions	6,701	3,947
Trade accounts payable	1,448	23,854
Other current liabilities	10,925	4,778
Progress payments	-11,032	37,206
	-68,815	-21,570
Net cash provided by/-used in operating activities	28,904	22,731
Cash flows from investing activities		
Purchase of fixed assets	-15,244	-3,579
Disposal of fixed assets	93	18
Net cash used in investing activities	-15,151	-3,561

Consolidated statements of cash flows for the years ended December 31, 2000 and 1999

	2000 KDM	1999 KDM
Cash flow from financing activities		
Increase in liquid funds from factoring of accounts receivables	5,628	3,570
Decrease in employee loans	76	359
(Decrease)/Increase in bank overdrafts and borrowings	-80	101
(Decrease)/Increase in bonds (stock option plans)	710	-206
Capital increase	1,962	2,773
Net cash provided by financing activities	8,296	6,597
Net increase /-decrease in cash and cash equivalents	22,049	25,767
Cash, beginning balance	58,981	33,214
Cash, ending balance	81,030	58,981
Supplemental cash flows disclosures		
Cash paid for interest	322	257
Cash paid for income taxes	40,843	27,052

The accompanying notes to the consolidated financial statements are an integral part of these consolidated statements of cash flows.

Notes to consolidated financial statements at December 31, 2000

NOTE 1 – Basis of preparation:

The accompanying consolidated financial statements present the operations of SINGULUS TECHNOLOGIES AG and its subsidiaries (the “Company”).

All amounts are stated in Deutsche Marks in thousands (KDM).

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). Following the regulations of the New Market (Neuer Markt) the financial statements have to be prepared in accordance with IAS or US GAAP. The consolidated financial statements have been prepared on a voluntary basis due to the fact that the subsidiaries have no material effect on the consolidated financial statements. German GAAP varies in certain respects from U.S. GAAP. Accordingly, for purposes of preparing these consolidated financial statements, the Company recorded certain adjustments, relating to deferred tax assets due to deductible temporary difference, differences from consolidation as well as the accounting for pension obligations.

NOTE 2 – Description of business:

The Company is engaged in the development, manufacturing and distribution of CD-metallizers for CD-audio/CD-ROM, CD-R and DVD coating and replication lines for the mentioned products. Metallizers are distributed under the name “SINGULUS” and “MODULUS” and replication lines under the names “SKYLINE” for CD-audio/CD-ROM, “STREAMLINE” for CD-R and “SPACE-LINE” for DVD.

NOTE 3 – Accounting policies:

Principles of Consolidation

The consolidated financial statements include the accounts of the following subsidiaries:

SINGULUS TECHNOLOGIES Inc., Windsor USA

SINGULUS TECHNOLOGIES Ltd., Swindon UK

SINGULUS TECHNOLOGIES Asia Pacific Pte. Ltd., Singapore

SINGULUS TECHNOLOGIES Latin America, Sao Paolo, Brazil

SINGULUS TECHNOLOGIES, Sant Cugat des Vallés, Spain

SINGULUS Vika China Limited, Wanchai, Hong Kong

SINGULUS TECHNOLOGIES France, Valence, France

SINGULUS TECHNOLOGIES Italia s.r.l., Senigallia (Ancona), Italy

All subsidiaries are directly or indirectly wholly owned, except SINGULUS Vika China Limited, in which the Company holds a stake of 51%.

All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

The Company recognizes sales of products upon

- shipment of products in the case of metallizers (without MODULUS) and spare parts, or
- acceptance by customers in the case of replication lines.

Sales represent amounts realized, excluding value-added tax, and are net of goods returned, trade discounts, and allowances.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101, “Revenue Recognition in Financial Statements” (SAB 101). SAB 101 outlines the SEC’s views on applying generally accepted accounting principles to revenue recognition in financial statements. Specifically, the bulletin provides both general and specific guidance as to the periods in which companies should recognize revenues.

In addition, SAB 101 also highlights factors to be considered when determining whether to recognize revenues on a gross or net basis. SAB 101, as amended by SAB 101/A and SAB 101/B, is effective beginning no later than the fourth fiscal quarter of the fiscal year beginning after December 15, 1999. The Company believes that its policies with regard to the recognition of revenues are in compliance with the guidance of SAB 101.

Research and Development

Significant costs are incurred each year in connection with research and development and engineering programs that are expected to contribute profits to future operations. Such costs are charged to income as incurred. Total expenditures were KDM 17,628 and KDM 8,525 in 2000 and 1999, respectively.

Warranty Costs

Warranty costs are provided for when the related revenue is recognized based on the estimated costs of fulfilling the warranty obligation, including handling and transportation costs.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are generally valued at the lower of cost or market. Raw materials and supplies including spare parts are valued at average cost. A full cost absorption method is employed using standard cost techniques for the costing of work in process. The standards are reviewed and adjusted annually. Potential losses from obsolete and slow-moving inventories are provided for in the current period.

Property, Plant and Equipment

Property, plant and equipment are recorded at acquisition cost. For financial reporting purposes depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Useful lives have been estimated as follows:

- machinery and equipment: 2 to 10 years
- other: 1 to 4 years.

Gains or losses on sale or retirement of assets are included in income.

Intangible assets

Acquired intangible assets are stated at acquisition cost, less amortization on a straight-line basis over its estimated useful life (3 years for EDP software).

Foreign currency translation

The financial statements of the Company's foreign subsidiaries are measured in the currency in which that entity primarily conducts its business (the functional currency). The functional currency of all these subsidiaries is the applicable local currency. The translation of the applicable foreign currency into Deutsche Mark is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date, except for subsidiaries' share capital which is translated at the relevant historical rate, and for revenue and expense accounts using the weighted-average rates of exchange prevailing during the year. The unrealized gains and losses resulting from such translation are included as a separate component of shareholders' equity.

Gains (losses) from foreign currency transactions are charged or credited to current income.

Derivative Financial Instruments

Generally, revenues are billed in Deutsche Marks. The Company uses foreign currency forward contracts as a means of hedging exposure to foreign currency risks for accounts receivable. The Company and its subsidiaries are end-users and do not utilize these instruments for speculative purposes. The Company has strict policies regarding financial stability and the credit worthiness of its counterparties.

Forward exchange contracts are accounted for in accordance with Statement of Financial Accounting Standards (“SFAS”) 52.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative’s fair value be recognized currently in earnings unless specific accounting criteria are met.

If a derivative instrument qualifies for hedge accounting, the gains or losses from the derivative may offset results from the hedged item in the statement of operations or other comprehensive income, depending on the type of hedge. To adopt hedge accounting, a Company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

In June 2000, the Financial Accounting Standards Board issued SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. This Statement addresses a limited number of issues causing implementation difficulties for numerous entities that apply SFAS 133 and this Statement amends the accounting and reporting standards of SFAS 133 for certain derivative instruments and certain hedging activities.

SFAS 137 delayed the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. A Company may implement the statements as of the beginning of any fiscal quarter after issuance; however, SFAS 133 cannot be applied retroactively.

The adoption of SFAS 133, SFAS 137, and SFAS 138 will not have a material impact on the financial position or the results of operations of the Company.

Impairment of Long-Lived Assets

The Company applies the provisions of SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of”. In accordance with this statement the Company reviews long-lived assets for impairment whenever an event or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The carrying values of long-lived assets are assessed for recoverability by reference to the estimated future undiscounted cash flows associated with them. Where this assessment indicates a deficit, the assets are written down to their market value. For assets which do not have a readily determinable market value, the assets are written down to their estimated market value calculated by reference to the estimated future discounted cash flows.

Accounts Receivable

Invoices for goods sold are generally stated in Deutsche Marks. Allowances are recorded for management’s estimate of the likely uncollectable amounts.

Earnings per Ordinary Share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share are computed by dividing net income applicable to common shareholders by the weighted average number of common and common equivalent shares outstanding.

In addition, the Company calculated the earnings per ordinary share based on the income according to the German association of financial analysis and investment advisory [Deutsche Vereinigung für Finanzanalyse und Anlagenberatung e.V./Schmalenbach Gesellschaft, “DVFA/SG”]. The income in accordance with the regulations of DVFA/SG represents the net result for the year from which abnormal items have been excluded.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating losses and carryforwards. Deferred tax assets and liabilities are measured using enacted weighted average tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Comprehensive Income

The Company adopted SFAS No. 130, Reporting Comprehensive Income. SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements.

Comprehensive income consists of net income, net unrealized gains (losses) on securities and foreign currency translation adjustment and is presented in the consolidated statements of shareholders' equity. The Statement requires only additional disclosures in the consolidated financial statements; it does not affect the Company's financial position or results of operations.

Concentration of credit risk

The Company provides services to a wide range of clients who operate in many industry sectors in varied geographic areas. The Company grants credit to all qualified clients and does not believe that it is exposed to undue concentration of credit risk to any significant degree.

NOTE 4 – Accounts receivable:

	Dec. 31, 2000	Dec. 31, 1999
	KDM	KDM
a. Trade Accounts Receivable:		
Trade Accounts Receivable	117,180	78,806
Less – Allowance for doubtful accounts	(4,236)	(2,309)
	112,944	76,497

	Dec. 31, 2000	Dec. 31, 1999
	KDM	KDM
b. Other Receivables-Sundry:		
Tax refunds	4,897	6,750
Commission claims	789	78
Accrued interest income	550	0
Others	1,578	1,582
	7,814	8,410

NOTE 5 – Inventories:

	Dec. 31, 2000	Dec. 31, 1999
	KDM	KDM
Inventories consist of the following:		
Raw and packing materials	70,247	42,475
Work in process	93,801	52,338
Prepayments to suppliers	6,316	5,058
Less – inventory reserve	(7,834)	(3,076)
	162,530	96,795

NOTE 6 – Property, plant and equipment:

	Dec. 31, 2000 KDM	Dec. 31, 1999 KDM
Land, leasehold improvements, Leasehold rights and buildings including buildings on non-owned land	6,469	3,857
Machinery and equipment	3,835	674
Other equipment, factory and office equipment	11,412	5,920
Payments on account and assets under construction	123	25
Less – accumulated depreciation	(4,575)	(4,882)
	17,264	5,594

NOTE 7 – Intangible assets:

	Dec. 31, 2000 KDM	Dec. 31, 1999 KDM
EDP software	1,612	975
Less – accumulated amortization	(870)	(629)
	742	346

NOTE 8 – Debt:

a. Current liabilities

Other current liabilities:	Dec. 31, 2000 KDM	Dec. 31, 1999 KDM
Accruals for invoices not yet received	6,501	2,049
Annual bonus	4,625	2,767
Commissions	3,164	1,826
Liabilities for employee’s compensation for future absence	2,197	968
Liabilities for social security insurance	1,464	1,032
Other liabilities for employees	1,455	814
Tax liabilities	635	305
Shareholders’ meeting liabilities	500	500
Year-end closing liabilities	464	334
Current portion of convertible bonds	104	103
Accrual for salesmen’s compensation claim	0	796
Accruals for contingent losses	0	700
Other	3,538	1,528
	24,647	13,722

Progress payments:

Dec. 31, 2000 KDM	Dec. 31, 1999 KDM
28,428	39,460

The progress payments at December 31, 2000 and 1999, represent the advance payments received from customers mainly for replication lines included in the work in process due to the accepted payment terms.

The decrease is mainly due to the fact that orders for replication lines are below prior year’s volume.

b. Long-term loans

Long-term loans include only convertible bonds held by employees.

	Dec. 31, 2000	Dec. 31, 1999	
	KDM	KDM	
	1,113	404	

The convertible bonds have been issued according to a management share option plan. This was created for members of the management board and other important employees of the Company in order to motivate the respective subscribers to ensure the success of the Company. The conditional capital increase necessary for the issue of the convertible bonds was agreed upon by the extraordinary general shareholders' meeting on November 6, 1997 and the ordinary shareholders' meeting on May 7, 1999. According to the shareholders' resolutions, the management board is authorized to issue interest-bearing convertible bonds in one or more steps with an aggregate nominal value of up to Euro 900.000 and a maturity up to December 31, 2010, subject to the consent of the supervisory board.

In November 30, 1997 convertible bonds with a nominal amount aggregating to KDM 750 (EURO 383k) with an interest rate of 6% p.a. were issued. Each DM 5 nominal value of convertible bonds may be converted to six

ordinary bearer share with a nominal value of Euro 1. The conversion rate was fixed to the initial offer price of DM 82 per share with a nominal value of 5 DM. In 1998 and 1999 convertible bonds equivalent to Euro 44k have been returned. 15% of the convertible bonds (19,736 convertible bonds with a nominal value of DM 5) have been converted in 2000 and a further 7,5% may be converted on each conversion date thereafter. Conversion dates are May 31 and November 30 of each calendar year up to 2005. On December 31, 2000 the aggregated nominal value of these convertible bonds amounts to KDM 409.

Convertible bonds issued in 2000 with an aggregated nominal value of KDM 966 were issued at nominal value with an interest rate of 6% p.a. Each Euro 1 nominal value of convertible bonds may be converted to two ordinary bearer share with a nominal value of Euro 1. Convertible bonds equivalent to KDM 158 have already been returned and not yet issued again. The conversion rate for convertible bonds with an aggregate nominal value of KDM 730 was fixed to the share price at December 21, 1999 (Euro 59,45 per share) with a nominal value of 1 Euro. The remaining convertible bonds with an aggregate nominal value of KDM 78 was fixed to the share price at January 31, 2000 (Euro 84,90 per share) with a nominal value of 1 Euro. 25% of the convertible bonds may be converted at May 31, 2002 and a further 7,5% may be converted on each conversion date thereafter. Conversion dates are May 31 and November 30 of each calendar year up to 2007.

As of December 31, 2000 the aggregate value of the nominal value of the convertible bonds amounts to KDM 1,217.

Based on the conversion date, the value at maturity of the bonds is as follows:

Due in	KDM
2001	104
2002	365
2003	223
2004	222
2005	121
2006	121
2007	61
	1,217

According to the above table, the current portion of the convertible bonds due within one year amounts to KDM 104 and therefore is stated under “Other current liabilities”.

By applying the regulations of APB Op. 25 the Company recorded compensation expense of KDM 344. Using an option pricing model in accordance with SFAS 123, the weighted-average fair value of the options amounts to approximately KDM 14,301, based on a volatility rate of 58,67% and assuming a risk-free rate of 4,4%.

NOTE 9 – Employee benefits plans:

Pension Plans

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

Consistent with German practice, the pension plan is not funded. Pension costs are recorded based on independent actuarial valuations. Pension benefits under German plans are generally based on a percentage of the employees’ compensation for each year of credited service.

The changes in benefit obligation for the year ended December 31, 2000 and 1999 were as follows:

The changes in benefit obligation for the year ended December 31, 2000 and 1999 were as follows:

	Dec. 31, 2000 KDM	Dec. 31, 1999 KDM
Projected benefit obligation at beginning of year	2,880	2,570
Service cost	169	162
Interest cost	180	161
Benefits paid	0	0
Actuarial loss/-gain	-29	-13
Projected benefit obligation at end of year	3,200	2,880

The following table sets forth the funded status of the Company's pension plans, amounts recognized in the Company's balance sheets, and the principal weighted average assumptions inherent in their determination:

	Dec. 31, 2000 KDM	Dec. 31, 1999 KDM
Actuarial present value of pension obligations:		
Vested benefit obligation	2,390	2,002
Accumulated benefit obligation	2,482	2,107
Projected benefit obligation	3,200	2,880
Plan assets at fair value	0	0
Projected benefit obligation in Excess of plan assets	3,200	2,880
Unrecognized net (gain)/loss	(146)	(117)
Prior service cost	0	0
Pension (asset)/liability recognized in the balance sheet	3,346	2,997

	Dec. 31, 2000 %	Dec. 31, 1999 %
Discount rate	6.25	6.25
Salary increase assumption	3.25	3.50
Pension payment increase assumption	1.75	1.50

The components of net periodic pension cost were as follows:

	Dec. 31, 2000 KDM	Dec. 31, 1999 KDM
Service cost	169	162
Interest cost	180	161
Actuarial loss/-gain	-29	-13
	320	310

NOTE 10 – Other provisions:

Other provisions include the following:

	Dec. 31, 2000 KDM	Dec. 31, 1999 KDM
Warranty obligations	16,775	10,083
Other	136	127
	16,911	10,210

Warranty obligations are determined based on the estimated costs of fulfilling the warranty obligation, including handling and transportation costs.

NOTE 11 – Minority interests:

Minority interests consist of the interest of minority in the capital stock of SINGULUS Vika China Limited holding a stake of 49% including the loss of the current year.

NOTE 12 – Shareholders' equity:**Share capital**

With a shareholders' resolution as of May 8, 2000, the share capital was increased by EURO 18,101,448 (KDM 35,403) in fiscal year 2000 (reclassification of retained earnings) when 18,101,448 new bearer shares were issued.

The share capital increased by an additional KDM 232 due to the conversion of convertible bonds when 118,416 new bearer shares were issued.

At December 31, 2000, the share capital of the Company amounts to KDM 71,038 and consists of 36,321,312 bearer shares, with a nominal value of EURO 1 each. All shares are paid up. Each share is entitled to one vote.

All shares are admitted to the official market [Geregelter Markt] with trading on the New Market [Neuer Markt], a market segment of the Frankfurter Stock Exchange [Deutsche Börse Frankfurt].

Conditional capital

The management board is authorized to issue, in one or more steps, interest-bearing convertible bonds equivalent to EURO 1,597k shares of EURO 1 each with a maturity up to December 31, 2010, subject to the consent of the supervisory board (conditional capital).

On November 30, 1997, a nominal amount, aggregating to KDM 750 (EURO 383k) of the conditional capital, was converted to convertible bonds following a share management option plan.

In 2000, a nominal amount, aggregating to EURO 494k of the conditional capital, was converted to convertible bonds according to an additional share management option plan.

Taking into account the increase in share capital in fiscal year 2000 and 1999 the conditional capital has been completely used.

The long-term portion of the convertible bonds are stated under "Long-term liabilities", the current portion due within one year is stated under "Other current liabilities".

We further refer to our comments under Note 8: Debt.

Authorized capital

The management board is authorized to increase the Company's share capital with the consent of the supervisory board, in one or more steps, until September 30, 2002, by an aggregate nominal amount of up to EURO 6,136 k by issuing new bearer shares with a nominal value of Euro 1 each, against contribution in cash or in kind (authorized capital 1).

Furthermore, the management board is authorized to increase the Company's share capital, in one or more steps, until September 30, 2002 by an aggregate nominal amount of up to EURO 1,534 k by issuing new bearer shares with a nominal value of EURO 1 each, against contribution in cash or in kind (authorized capital 2).

For both authorized capital amounts the pre-emptive rights may, with consent of the supervisory board, be excluded under certain conditions.

Additional paid-in capital

KDM 24,414 of the additional paid-in capital represents an additional capital contribution from a predecessor company made in prior years.

The additional paid-in capital increased by KDM 1,386 and KDM 2,575 respectively due to the conversion of convertible bonds in 2000 and 1999 respectively.

Furthermore, in connection with the issuance of stock options to employees, the Company recorded compensation expenses in accordance with APB opinion 25 "Accounting for Stock Issued to Employees" amounting to KDM 344 and an increase in additional paid-in capital, respectively.

Dividend payments

Dividends may only be declared and paid from accumulated retained earnings (after deduction of certain reserves) shown in the Company's annual statutory unconsolidated accounts. Such amounts differ from the total of additional paid-in capital and accumulated retained earnings as shown in the accompanying consolidated financial statements as a result of the adjustments made to present the consolidated financial statements in accordance with U.S. GAAP. As of December 31, 2000, the Company's German statutory unconsolidated accounts state accumulated retained earnings amounting to KDM 36,264.

NOTE 13 – Leases and rentals:

As of December 31, 2000, minimum annual rental payments for rental commitments were as follows:

	KDM
2001	2,157
2002	2,157
2003	2,157
2004	2,157
2005	2,157
2006 and thereafter	26,965
	37,750

Rental expenses for these operating leases were KDM 1,950 for 2000 and KDM 737 for 1999.

NOTE 14 – Non-operating income (expenses):

	Dec. 31, 2000 KDM	Dec. 31, 1999 KDM
Interest income from financial investments	4,603	1,537
Other interest expenses/-income	(2,048)	(132)
	2,555	1,405

NOTE 15 – Contingent liabilities:

Based on a guideline for the interpretation of the revised sec. 8 para 4 of the Corporation Income Tax Act on the usage of tax loss carry forwards issued by the German tax authorities, the usage of tax loss carry forwards may be limited. This paper presents the interpretation of the tax authorities but does not represent law and may eventually be either confirmed or abolished by the Federal Tax Court. In this opinion the tax authorities state that tax loss carry forwards acquired in connection with a change in ownership of a corporation of more than 50 % of the shares cannot be used against future income if predominantly new assets are supplied in the following five years. Based on this paper, the usage of such tax losses could be disallowed in the case of SINGULUS TECHNOLOGIES AG from fiscal year 1997 onwards.

If this interpretation would succeed in a court case a tax risk with respect to the realization of such tax loss carry forwards for fiscal year 1997 in the amount of up to 9 million Deutsche Mark exists. However, legal proceedings are pending before the federal tax court (Bundesfinanzhof) with regard to the formal unconstitutionality of Sec. 12 (2) UmwStG (Reorganization Tax Law) due to failure to comply with the legislative procedure. As the legislative procedure for Sec. 8 (4) KStG (Corporate Income Tax Act) has the same defects, it is possible that this regulation is formally unconstitutional too.

At present, the outcome of this discussion is uncertain and cannot be finally evaluated. Accordingly, no accrual has been set up for this matter in the financial statements 1997, 1998, 1999 and 2000.

Management is not aware of any other matters that could give rise to any other liabilities to the Company that would have a material adverse effect on the Company's business, financial condition or results of operation.

Beside this contingency, the tax accruals (2000: KDM 58,392; 1999: KDM 27,958) include a provision for income taxes in an amount of KDM 10,000, as the acceptance of the realization of corporate income tax loss carry forwards in prior years by the tax authorities is subject to a final assessment.

NOTE 16 – Income tax:

Income tax data from continuing operations
for the year ended December 31, 2000 and 1999, is as follows:

	2000	1999
Pretax income		
Germany	155,076	76,285
Foreign	32,127	12,778
	187,203	89,063
Consolidation adjustments	(1,942)	(86)
	185,261	88,977
Current income tax		
Germany		
Corporate income tax	58,832	31,890
Trade tax	22,391	12,092
Foreign		
Income tax expenses	10,353	3,841
Tax refunds	0	(33)
	91,576	47,790
Deferred income tax		
Germany	(1,733)	(5,356)
Foreign	261	43
	(1,472)	(5,313)
Total income tax	90,104	42,477

Under German corporate tax law, taxes on income are composed of corporate taxes and trade taxes.

Deferred income taxes are established for all significant temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and for tax purposes.

Deferred tax assets, for which no valuation allowances have been provided, include the following:

	2000	1999
Germany		
Differences between statutory accounts and tax accounts	6,317	5,109
Consolidation effects	1,220	615
Foreign	0	341
	7,537	6,065

The German statutory tax rate (for income tax and trade tax on income) was approximately 50,4% for the years ended December 31, 2000 and 1999. The difference between the statutory tax rates for income taxes and the effective tax rate is as follows:

	2000 %	1999 %
Statutory tax rate	50.4	50.4
Differences in foreign tax rates	-3.0	-2.9
Non tax deductible items (Germany)	1.6	0.0
Non tax deductible consolidation impacts	-0.4	0.2
Effective tax rate	48.6	47.7

NOTE 17 – Segment Reporting:

The product groups of the Company are similar with regard to both production processes as well as marketing

methods and markets. Hence, they are not considered as separate industry segments and do not require individual financial reporting for segments.

Revenue by Product Group

	2000	1999
Prerecorded CDs/DVDs	604,380	250,397
Recordable CDs	71,813	45,885
Other	58,655	50,404
Total	734,848	346,686

Geographic Information at December 31, 2000

	Germany	Rest of Europe	North and South America	Asia
Gross revenues by Country of				
– Origin	713,947	4,130	11,040	5,731
– Destination	58,182	141,632	154,658	380,376

Geographic Information at December 31, 1999

	Germany	Rest of Europe	North and South America	Asia
Gross revenues by Country of				
– Origin	335,009	1,461	6,528	3,688
– Destination	39,393	47,760	61,374	198,159

NOTE 18 – Earnings per share/DVFA/SG income:

		2000	1999
Net Income	TDM	95,161	46,511
Compensation expenses due to the issuance of convertible bonds to employees	TDM	344	–
Expenses incurred in regard to capital increase (net of tax)	TDM	423	165
DVFA/SG income	TDM	95,928	46,676
Income per share – basic	DM	2.62	1.28
Income per share – basic (based on DVFA/SG income)	DM	2.64	1.29
Weighted average shares outstanding – basic		36,321,312	36,202,896
Income per share – diluted	DM	2.53	1.26
Weighted average shares outstanding – diluted		37,548,000	36,811,638

According to international standards our report is concentrated on the 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 is available on request:

Kahl/Main, at December 31, 2000

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Balance sheet as of December 31, 2000 and 1999

ASSETS	Dec. 31, 2000 DM	Dec. 31, 1999 DM
Fixed Assets		
Intangible assets		
Franchises, industrial Trademarks and similar rights and values, as well as licences thereto	2,060,052.75	2,113,434.41
Property, plant and equipment		
Estates, similiar rights and buildings on foreign estates	32,870,992.31	2,189,849.87
Technical equipment, plant and machinery	931,815.64	342,143.54
Other equipment, operational and office equipment	3,953,244.24	2,231,236.79
Prepayments to suppliers	175,000.00	24,750.00
	37,931,052.19	4,787,980.20
Financial assets		
Shares in affiliated companies	1,498,828.76	1,418,175.81
Total Fixed Assets	41,489,933.70	8,319,590.42
Current Assets		
Total inventories		
Raw and packing materials	57,831,878.97	36,836,787.07
Work-in-process and finished goods	93,800,709.13	52,338,220.41
Prepayments to suppliers	6,326,405.20	5,051,592.93
Progress payments received	-28,427,961.69	-39,460,397.72
	129,531,031.61	54,766,202.69
Total accounts receivable		
Trade accounts receivable	106,627,252.78	72,922,067.47
Accounts due from affiliated companies	1,471,500.03	1,313,302.80
Other assets	6,687,561.47	8,884,840.04
	114,786,314.28	83,120,210.31
Checks, cash on hand and in Federal Bank and in postal giro accounts, and cash in banks	76,787,325.13	56,753,405.08
Total Current Assets	321,104,671.02	194,639,818.08
Deferred charges and prepaid expenses	48,251.35	111,934.25
Total Assets	362,642,856.07	203,071,342.75

LIABILITIES	Dec. 31, 2000 DM	Dec. 31, 1999 DM
Shareholders' Equity		
Share capital	71,038,311.65	35,403,355.03
Add. Paid-in capital	28,375,254.12	26,988,521.99
Other earnings reserve	36,854,828.57	35,994,387.59
Retained earnings – ending	36,263,796.04	0.00
Total Shareholders' Equity	172,532,190.38	98,386,264.61
Provisions		
Pension accruals and reserves for similar obligations	3,346,458.00	2,997,473.00
Tax accruals	52,836,348.72	25,138,199.72
Other provisions	31,650,310.18	17,891,261.54
Total Provisions	87,833,116.90	46,026,934.26
Liabilities		
Long-term loans	1,216,716.80	507,285.00
Liabilities against Creditinstitutions	52,959.17	25,849.28
Trade accounts payable	47,621,635.25	46,200,688.25
Accounts due to affiliated companies	21,248,368.43	7,323,435.90
Other liabilities	32,137,869.14	4,600,885.45
therof for taxes DM 634,603.91 (prior year DM 304,881.55)		
therof for social security DM 1,464,276.97 (prior year DM 1,032,363.00)		
Total Liabilities	102,277,548.79	58,658,143.88
Total Liabilities and Shareholders' Equity	362,642,856.07	203,071,342.75

Income statement for the business years 2000 and 1999

	Dec. 31, 2000 DM	Dec. 31, 1999 DM
Gross revenues	730,837,659.47	339,901,626.20
Increase (decrease) in finished goods and work-in-process	41,462,488.72	30,777,879.59
Other operating income	3,811,574.14	3,347,501.71
Cost of materials		
Cost of raw materials, supplies and trading stock	-451,282,324.79	-218,536,670.68
Personnel expenses		
Wages and salaries	-35,198,160.77	-20,075,348.28
Social security, pension and other benefit costs	-4,364,320.53	-3,043,384.00
– thereof for pensions plan DM 351,617.09 (prior year DM 327,479.91)		
Depreciation on intangible assets and plant and equipment	-3,534,144.89	-2,813,966.47
Other operating expenses	-130,497,867.91	-54,617,343.90
Income from affiliated companies	702,752.96	0.00
– thereof from affiliated companies DM 702,752.96 (prior year DM 0.00)		
Other interest and similar income	4,464,734.08	1,517,619.00
– thereof from affiliated companies DM 7,082.26 (prior year DM 113,179.41)		
Write-off financial assets and marketable securities	-123.00	-15,002.00
Interest and similar expenses	-1,632,812.16	-182,572.01
– thereof from affiliated companies DM 0.00 (prior year DM 0.00)		
Operating Income	154,769,455.32	76,260,339.16

	Dec. 31, 2000	Dec. 31, 1999
	DM	DM
Operating Income	154,769,455.32	76,260,339.16
Other taxes	– 20,874.70	– 19,007.20
Taxes on income	– 82,220,988.54	– 43,962,959.60
Net Income	72,527,592.08	32,278,372.36
Retained earnings at beginning of the year	0.00	0.00
Allocation to other earnings reserve	– 36,263,796.04	– 32,278,372.36
Retained earnings at end of the year	36,263,796.04	0.00

Other Information

Employee Count

In the fiscal year concluded, the annual average of permanent employees numbered 208. The annual average for the prior year was 138.

Corporate Bodies of SINGULUS TECHNOLOGIES AG

The Supervisory Board consists of three members who are appointed at the General Shareholders' Meeting. Supervisory Board members for the period under review are listed below:

Alexander von Engelhardt
Chairman

William Slee
Vice Chairman

Thomas Geitner

The appointment of the aforementioned Supervisory Board members is in effect through the General Shareholders' Meeting at which time a discharge decision for fiscal 2001 will be made.

In addition to reimbursement of expenses, Supervisory Board members are compensated 20,000.00 Euro for each full business year of membership. The Chairman receives twice this amount, the Vice Chairman, one and one-half times this amount.

The current occupations of Supervisory Board members are listed below along with any additional supervisory board positions held, i.e. membership in comparable regulatory bodies:

	Professions	Further memberships in Supervisory Boards and other bodies
Alexander von Engelhardt	Supervisory Board	<ul style="list-style-type: none"> ● Gütermann AG (Chairman) ● Kässbohrer Geländefahrzeuge AG (Chairman) ● Dr. Schmidt AG & Co. (Vice Chairman) ● MSH-International AG (to Dec. 31, 2000) ● SAI Automotive AG ● Tarkett Sommer AG ● Comline AG (since Jan. 1, 2001)

William Slee	Supervisory Board	<ul style="list-style-type: none"> ● NIB Capital Bank N.V. (Chairman) ● Virtual Internet.plc (Chairman) ● NIB Capital N.V. ● Algemeen Burgerlijk Pensioenfonds (Mitglied des Investment Komitees) ● Charles Vögele Holding AG
Thomas Geitner	Supervisory Board	<ul style="list-style-type: none"> ● Mannesmann Arcor AG & Co. (Chairman) ● Mannesmann Mobilfunk GmbH ● Babcock Borsig AG ● Telecel Comunicações S.A. ● Libertel N.V. ● Omnitel Pronto Italia, S.p.A.

Members of the company's management board for fiscal year 2000 were:

Roland Lacher
Chairman

Reiner Seiler

Dr. Erich Bischoff
(Feb. 1 up to July 5, 2000)

Dr. Christian Holtmann
(effective Dec. 1, 2000)

In a Supervisory Board resolution on August 21, 2000, Dr. Holtmann was appointed as a member of the Managing Board responsible for financial affairs and assumed his duties on December 1, 2000. The appointment of Dr. Holtmann to the Managing Board was entered into the trade registry on December 19, 2000.

During the period under report, Managing Board compensation totaled 3,486,000.00 DM.

Kahl/Main, February 27, 2001

The Managing Board

R. Lacher

R. Seiler

Dr. C. Holtmann

Glossary of Technical Terms CD/DVD Technology

Bonding	Permanent adhesion of two disc halves to each other, one of the DVD production steps		
CD	Compact Disc ; optical medium for the storage of digital pre-recorded information. During the injection molding process information is embedded in permanent microscopic pits on the CD surface. This information can only be read and not altered (audio, video, computer); 650 megabyte storage capacity; 780 nanometer laser wavelength; one polycarbonate substrate (120mm diameter; 1.2mm thickness)	DVD-Audio	Digital Versatile Disc-Audio Optical medium for the digital storage of music
CD-ROM	Compact Disc – Read Only Memory ; optical data storage medium for prerecorded data (software). This information can only be read and not altered.	DVD-ROM	Digital Versatile Disc-ROM Optical medium for the storage of digital information (data, software, games, etc.); the digital information can be read but not altered.
CD-R	Compact Disc – Recordable ; Optical data storage medium for personal archiving (burning) of digital information; the CD-R can be recorded only once, and thereafter can only be read like a CD-ROM.	DVD-Video	Digital Versatile Disc-Video Optical medium for the digital storage of movies with multiple supplemental features including language options.
CD-RW	Compact Disc – Rewritable Optical data storage medium for archiving (burning) of digital information; the CD-RW can be recorded and erased repeatedly.	DVD-R	Digital Versatile Disc-Recordable ; 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.
CD-View Card	Rectangular-shaped CD-ROM the size of a credit card which can be read using a conventional CD-ROM drive; usually 60 MB storage capacity.	DVD-5	Digital Versatile Disc – 4.7 G byte storage capacity
DVD	Digital Versatile Disc ; Optical medium for the storage of digital information (audio, video, computer data); 9.4 G byte max. storage capacity; 650 nanometer 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-9	Digital Versatile Disc – 8.5 G byte storage capacity
		DVD-10	Digital Versatile Disc – 9.4 G byte storage capacity
		DVD-RW	Digital Versatile Disc – Rewritable ; Optical data storage medium for repeated digital recording for video applications.

DVD-RAM	Digital Versatile Disc – Read Access Memory; Optical data storage medium for repeated digital recording for (PC) ROM applications.	SONY PlayStation 2	DVD game console made by SONY; uses CD-ROM and DVD-ROM storage media for the games
DV-R	Digital Versatile – Rewritable; New optical data storage medium still in the development stages, for repeated digital recording, approx. 20 G byte storage capacity	SPACELINE	Fully automatic replication line for DVD 5, DVD I0 and DVD 9
Dye	Special dye on CD-R and DVD-R discs onto which information is recorded in a CD burner	SPACEBonder	Bonding System for DVD
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 called sputtering	Sputtering	The process by which a thin layer of metal or silicon is deposited onto a transparent polycarbonate disc
MODULUS	Multiple cathode metallizer for coating rewritable CD-RW, DVD-RW, and DVD-RAM media.	Sputter Cathode	Sputtering device in a metallizer
Phase Change Technology	Process in which the composition of a material is converted from an amorphous into a crystalline state and back again	STREAMLINE	Fully automatic replication line for CD-R and DVD-R
Polycarbonate	CD and DVD substrate material	SUNLINE	Fully automatic replication line for rewritable CD-RW, DVD-RW and DVD-RAM discs
SINGULUS III	Metallizing system for CD, CD-R and DVD	Uniformity	Even distribution of layers on a disc
SKYLINE	Fully automatic replication line for CD, CD-ROM and CD business cards	UV-curing	Drying or curing of adhesives or lacquers with the aid of ultraviolet rays
SKYLINE Duplex	Fully automatic replication line for CD and DVD 5	Target	Metal plate which serves as the source of a selected layer material; ionic bombardment of its surface releases the material which subsequently coats the disc.
Smart Cathode®	patented sputter cathode for coating CD and DVD discs with highly uniform reflective layers	XBOX	DVD game console made by MICROSOFT, DVD-ROM is the storage medium used for the games