





*The first optical disc of the world. About 1700–1600 B.C. the ancient culture of Crete used clay discs to preserve and optically communicate information by scratching hieroglyphic script into spiral patterns on both sides.*

## SINGULUS TECHNOLOGIES CONSOLIDATED

	1998 KEUR	1999 KEUR	2000 KEUR	2001 KEUR
Gross Revenues	101,259	177,258	375,722	225,525
Profit before Tax	24,094	45,493	94,724	42,448
Net Income	11,278	23,781	48,655	27,935
Total Shareholders' Equity	30,909	56,541	106,484	135,406
Balance Sheet Total	62,128	129,197	199,332	187,662
DVFA-Cash-Flow	12,292	25,459	51,106	30,283
R & D Expenses	3,505	4,359	9,013	8,307
Employees* (Dec. 31)	157	212	319	367
DVFA/SG				
Earnings per Share (EUR)	0.31	0.66	1.35	0,77**

All figures in KEUR, except \* (actual number)

\*\* based on 36,436,440 shares at 1 EUR per value at Dec. 31, 2001



○ *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

**Reiner Seiler**  
Gelnhausen



During the past fiscal year, the Supervisory Board regularly advised and reviewed the work of the Managing Board. Managing Board reports were received during joint board sessions and discussed in detail. Detailed written information was provided on decisions or measures to be taken by the Managing Board requiring a Supervisory Board vote as mandated by law, statutes or rules of order.


Appropriate documents were reviewed during our sessions and necessary resolutions were enacted. Resolutions were also executed in writing. In addition to the Supervisory Board sessions, the Managing Board regularly apprised us on the status of the corporation. Additionally, an ongoing exchange of information outside of the Supervisory Board sessions was conducted by the Chairmen of the Managing and Supervisory Boards (14 meetings).

Six Supervisory Board sessions were held in fiscal 2001. The general economic situation, corporate growth prospects and areas of operation along with investment, finance and manpower planning were among the topics addressed. In particular, we discussed the earnings-oriented growth and further internationalization of the corporation as well as investment in additional companies. A review of the future direction taken by the corporation following the events of September 11 became an additional strategic requirement.

The formation of committees was waived as the Supervisory Board is comprised of just three members. All concerns were addressed in plenary sessions.

The consolidated financial statements were set up according to the U.S. GAAP, as was the case last year. In accordance with § 292a Par. 1 und 2 HGB, we availed ourselves of the exemption from summarization of consolidated financial statements as provided by German Commercial Code regulations. The consolidated financial statements, consolidated status report on SINGULUS TECHNOLOGIES AG as well as the requirements for exemption stated in § 292a HGB were reviewed by ARTHUR ANDERSEN Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, Eschborn/Frankfurt am Main, the certified public accounting firm appointed as auditor at the Annual Shareholders' Meeting.

Following a resolution by the Supervisory Board, the order to audit the annual report was issued to the aforementioned certified public accounting firm by the chairman of the Supervisory Board. As is internationally customary, the auditor's report referred to both the responsibilities of the Supervisory Board and auditor emphasizing audit standards and central issues. As determined by the auditor, the



accounting methods of the U.S. GAAP were completely adhered to. The SINGULUS TECHNOLOGIES AG Annual Report received an unreserved audit certificate in accordance with § 322 HGB.

Within the scope of his audit and in accordance with § 317 Abs. 4 HGB, the auditor also examined the monitoring system of SINGULUS TECHNOLOGIES Consolidated as proscribed in § 9 Abs. 2 AktG. As a result of his audit, his auditor's report confirms that the monitoring system established by the Supervisory Board is appropriately equipped with regard to the risk environment and satisfies its requirements.

The annual reports, status reports and auditor's report were all submitted in a timely manner. The auditor participated in the Supervisor Boards' financial session and reported extensively on the findings of his report. Assisted by the auditor, closing documents were discussed in great detail. We concur with the results of the audit as submitted by the auditor.

The audit of the annual closing of the AG was initiated by the Supervisory Board and a final report was issued. The final report includes the status report, consolidated closing with the consolidated status report and the recommendation for earnings utilization. No objections were raised. As a result the Supervisory Board Chairman approved the 12/31/01 Annual Report and Annual Financial Statements presented by the Managing Board. We concur with the Managing Board's recommendation for the utilization of retained earnings.

We extend our thanks to the Managing Board, executives and employees of the consolidated SINGULUS companies for their contributions, commitment and constructive cooperation.

Kahl/Main, March 18, 2002

The Supervisory Board

Alexander von Engelhardt

Chairman



*Dr. Christian Holtmann*

*Roland Lacher*

*Reiner Seiler*

*Dear Shareholders,*

In economic, financial, and geopolitical terms, 2001 was characterized by increasingly dismal news. The decade-long period of growth in the US economy came to a close, the boom in the "new economy" that began in the year 2000 underwent a rapid reversal, and the challenges of international terrorism took on an entirely new dimension.


Within this framework, the market for our specialized optical media replication machines also suffered a harsh setback. Following years of continuous growth, the year 2001 became engulfed in a period of consolidation. The fallout included the insolvency of two competitors.

Within this environment, SINGULUS TECHNOLOGIES not only maintained but expanded its position as the preeminent supplier of optical disc replication machinery.

Still, the corporation's consolidated revenues fell to 225.5 million Euro, down 40 percent from the prior year. Following the exceptional year 2000, this drastic slump distorts the year as a point of reference. Spurred by market conditions, the record year 2000 became a runaway success. In retrospect, many technology-driven markets including our own were caught up in an unhealthy state of euphoria in the year 2000.

This trend was accommodated by an expansion of our fixed capacities only as tied to long-term growth projections. The employment of temporary personnel helped to defray the peaks in our production growth. This approach averted the underutilization of capacity and its attendant difficulties. Thus the year 2001 became one of normalization and consolidation. By comparison, 2001 revenues were still considerably higher than the 177.3 million Euro posted in 1999.

Despite the difficult conditions presented by extreme volatility in demand, the company's streamlined financial infrastructure enabled us to post annual earnings of 27.9 million Euro with a net return of 13.1 percent. Our company's high earnings capacity was maintained throughout this period of consolidation.



Despite the downturn in revenues, progress was made in 2001 towards accomplishing some of the strategic steps necessary to ensure the long-term success of the company. Innovations and strategic acquisitions enabled us to significantly expand our product portfolio and considerably increase the organization's earnings capabilities.

We have long pursued a strategy of maintaining a leading technological presence in all three major applications for CD and DVD replication systems. These core applications are:

- prerecorded
- recordable
- rewritable

CDs and DVDs. The principal feature that distinguishes the DVD from the CD is its exponentially greater storage capacity (see also "What is CD-ROM and DVD?" in the technology section of this report).

An important milestone towards the planned expansion and completion of our product portfolio was achieved with last year's launch of our MODULUS and SUNLINE machines for all rewritable technologies.

Not only were new markets penetrated with these new machines; our value-added supply chain was extended as well. It is still our goal to expand this supply chain by adding elements with strong margins and of strategic importance. Most customers prefer comprehensive replication line vendors. Comprehensive solutions lack the vulnerabilities inherent in technical interfaces. All the customer needs is one partner with single-source fulfillment capabilities – the technological concept, hardware, training and service.

The acquisitions made on 10/1/01 and 1/1/02 have allowed us to complete the expansion of our value-added supply chain. EMOULD GmbH in Wuerselen near Aachen augments our CD and DVD replication with moulding machines for the production of carrier media (polycarbonate discs). The acquisition of the Dutch company Optical Measuring-Equipment and Projects BV (OMP) headquartered in Best near Eindhoven, will enhance our business by adding the mastering process,

the first step in the replication of discs. We have now become independent in both technologically sensitive areas and have gained another opportunity to extend our technological lead. Both acquisitions were made under very reasonable conditions since a good portion of the companies' value is brought about by their assimilation into SINGULUS TECHNOLOGIES' strategic trade channels.

The outcome of our strategic innovations and acquisitions: Globally present, SINGULUS TECHNOLOGIES is now by far the preeminent comprehensive supplier of all optical disc replication technologies and systems. We are also the only supplier in this market with enough critical mass in terms of market share to provide consistently strong earnings.

In times of consolidation – attaque! We have fully developed and secured our position in the market. From this position we will be able to gain additional market share and profit more than any competitor from a renewed growth in the market. The time has come to venture into a new market related to our core business.

The Managing Board



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