



ANNUAL REPORT 2002

SINGULUS 



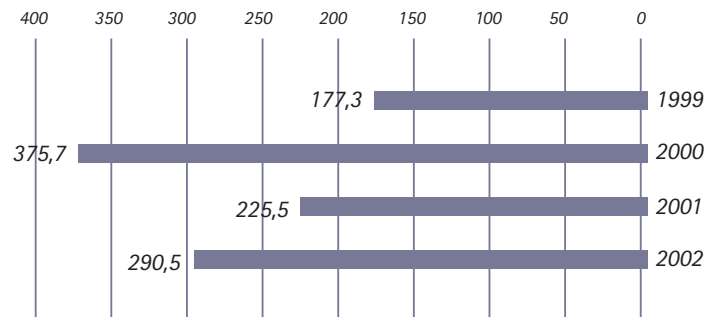
## ❖ AT A GLANCE

	1999 KEUR	2000 KEUR	2001 KEUR	2002 KEUR
Gross Revenues	177,258	375,722	225,525	290,548
Profit before Tax	45,493	94,724	42,448	54,521
Net Income	23,781	48,655	27,935	36,589
Total Shareholders' Equity	56,541	106,484	135,406	181,621
Balance Sheet Total	129,197	199,332	187,662	263,349
Operating-Cash-Flow	11,622	14,775	16,280	20,949
R & D Expenses	4,359	9,013	8,307	16,155
Staff* (31.12.)	212	319	367	502
DVFA/SG Earnings per Share (EUR)	0.66	1.35	0.77	1.01**

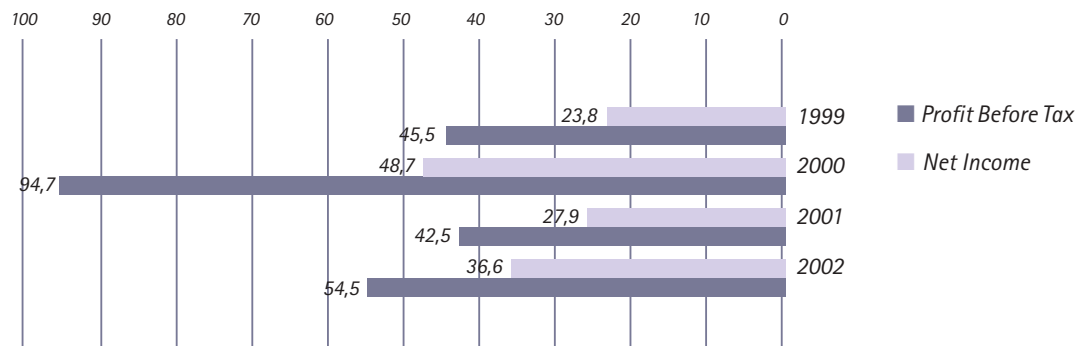
All figures in KEUR, except \* (actual number)

\*\* based on 36,947,226 shares at 1 EUR per value at Dec. 31, 2002

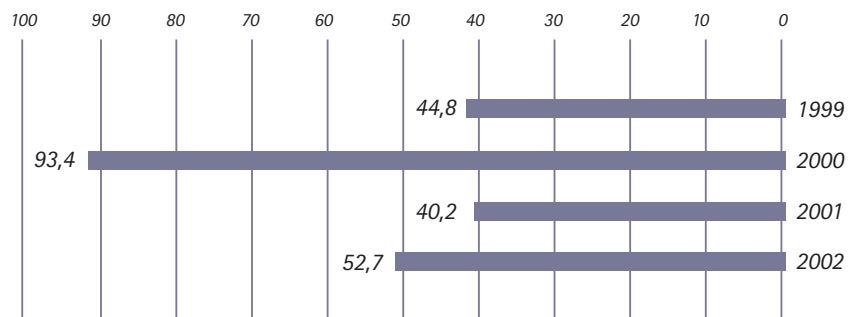
### REVENUES (in Mio. EUR)



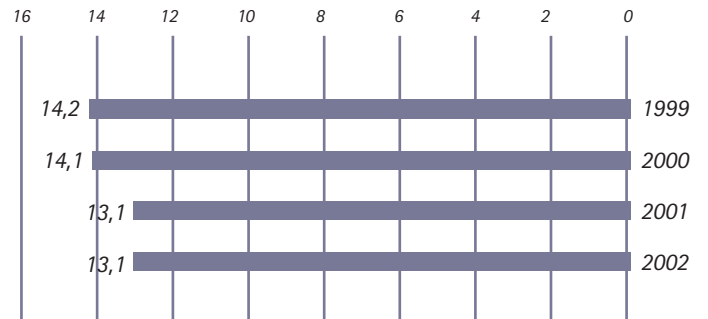
### FINANCIAL RESULTS (in Mio. EUR)



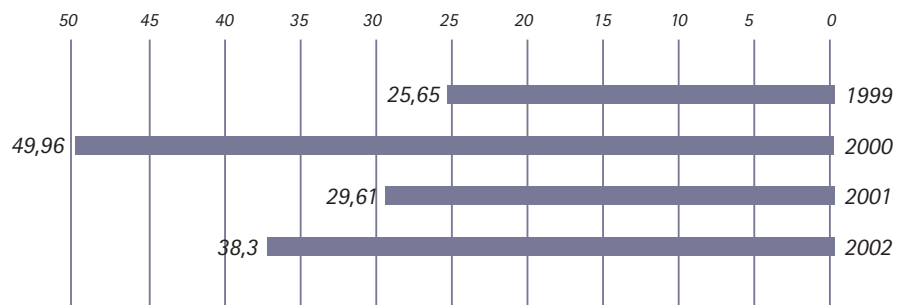
### EBIT (in Mio. EUR)



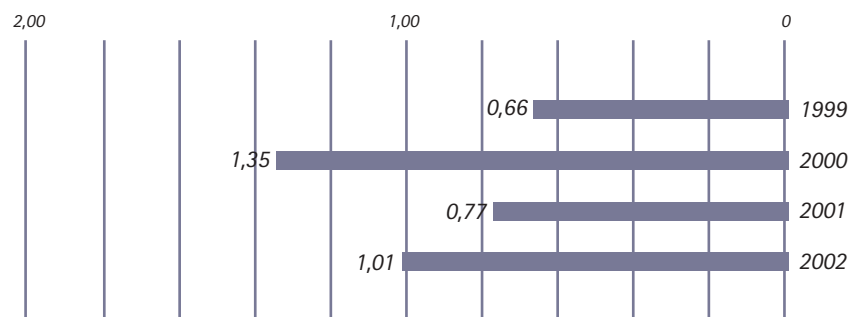
### NET INCOME (%)



### CASH-FLOW (in Mio. EUR)



### EARNINGS PER SHARE (EUR, DVFA / SG)



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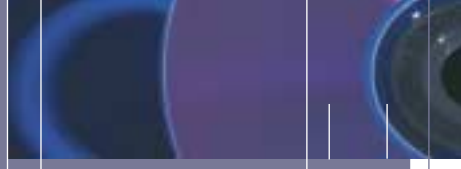
### ● Corporate Calendar 2003

→ NOTABLE EVENTS IN 2002

<p>SINGULUS sets 2002 objectives at international sales meeting.</p>	<p>SINGULUS announces preliminary figures for fiscal 2001: Revenues: 225.5 million Euro; Net Income: 27.9 million Euro.</p>	<p>Fast, 2.7 sec. cycle time CD-R replication line introduced to the market.</p>	<p>Stock reaches 35.50 Euro high for the year.</p>	<p>The new SUNLINE replication line for the manufacture of rewritable DVD is shown in operation at the Media Tech tradeshow in Frankfurt.</p>	<p>Additional major DVD orders are awarded; order intake for the year grows to 130 SPACELINE systems.</p>
		<p>Over 80 analysts and 10 journalists attend the year end Analyst Meeting.</p>	<p>The publication "Focus Money" bestows on SINGULUS its 2nd place award for German Investor Relations in the Neuer Markt.</p>	<p>Quarterly figures 1/2002: 77.5 million Euro order intake and 53,5 Mio. Euro in revenues.</p>	
<p>JANUARY</p>	<p>FEBRUARY</p>	<p>MARCH</p>	<p>APRIL</p>	<p>MAY</p>	<p>JUNE</p>

SINGULUS and Philips finalize a cooperation agreement for CD-RW und DVD+RW.

First major orders awarded for prerecorded DVD systems total over 34 Mio. Euro.



JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
<p>1000 m<sup>2</sup> building addition for R&amp;D and Engineering is started</p> <p>SINGULUS confirms 2002 projections for an increase of at least 20% in net profits</p>	<p>On 08/05/02 extremely strong figures are reported for the 2nd Quarter 2002; the market, however, fears stagnation in DVD growth – stock price plummets.</p> <p>In a letter to shareholders, the Managing Board expounds upon the company's growth strategy.</p> <p>SINGULUS is the largest exhibitor of DVD and DVD±R replication systems at the Replication Expo in Shanghai.</p>	<p>As Reiner Seiler's successor, Klaus Hammen is appointed to the Managing Board, heading R&amp;D, Sales and Marketing.</p> <p>SINGULUS introduces new STREAMLINE DVDR/SP replication line for the manufacture of DVD±R.</p> <p>The German Stock Exchange announces the restructuring of the stock market on 09/26/02.</p> <p>In a letter to shareholders on 9/26/02, the Managing Board endorses the creation of the new sectors in the stock exchange.</p> <p>The Media Tech Showcase convention for the optical disc industry is held in Las Vegas.</p> <p>On 09/04/02, SINGULUS receives 2nd place award for Capital Investor Relations in 2002.</p>	<p>The successful SPACELINE replication line is enhanced to manufacture Super Audio CD (SACD). 3 SPACELINE SACD systems are ordered in 2002.</p> <p>Retirement ceremony held on October 31 for Reiner Seiler, Managing Board Vice Chairman and company co-founder.</p> <p>10/14/02 - SINGULUS receives Investor Relations Magazine's 1st place Euro Award.</p>	<p>3rd Quarter Report 2002 – Figures exceed 2002 projections.</p>	<p>Dr. Christian Holtmann, CFO, resigns on 12/31/02.</p> <p>On 12/12/02, SINGULUS receives written notification of its admission to the Prime Standard.</p> <p>Inclusion in the TecDAX ensued in early February 2003.</p>



## → SUPERVISORY BOARD

### **Alexander von Engelhardt**

Kronberg  
Chairman

### **William Slee**

London  
Vice Chairman

### **Thomas Geitner**

Cologne

## → SUPERVISORY BOARD REPORT

In fiscal 2002, the Supervisory Board regularly addressed the status and development of the company in accordance with the duties and responsibilities it was charged with by law and company statutes. In exercising those duties, it regularly advised the Managing Board on its intended business policies and fundamental administrative issues and monitored the management of the company. The Managing Board conferred with the Supervisory Board on the strategic direction to be taken by the company and also informed the Supervisory Board on the status of its implementation. The Managing Board regularly advised the Supervisory Board, in both verbal and written form, of company plans, business developments, departure from planned activities, the state of the company, and fundamental business events and projects.

In 9 sessions, 2 via written communications and 3 conducted by conference call, the Supervisory Board addressed in detail the status of the company, the acquisition (OMP – NL on January 1, 2002), the corporation's year-end closing, the examination of existing operations (subsidiaries), Managing Board personnel matters and the Managing Board's risk management system. Important specific business incidents were examined by the Supervisory Board which then passed resolutions on business requiring its approval. The Supervisory Board closely monitored the actual corporate governance, adherence to the Code of Corporate Governance and contributed to the compliance declaration.

In addition to their regularly held sessions, the Supervisory Board Chairman had diverse contacts with the Managing Board Chairman to discuss development of the business, individual subsidiaries and business events. The Supervisory Board was informed accordingly (Fig. 5.2 of the German Code of Corporate Governance).

The Supervisory Board also specifically addressed matters of accounting standards and risk management, the necessary independence of the auditor, granting of the audit assignment, the determination of critical audit areas, and the audit fee.

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

Methods for evaluating the duties of the Supervisory Board are to be developed and implemented in fiscal 2003 (Fig. 5.6 of the Code). The approval of Supervisory Board remuneration above and beyond a set profit-based compensation has been available for review as of the last Annual Shareholders' Meeting (Fig. 5.4.5 of the Code).

The fiscal 2002, financial statements for SINGULUS TECHNOLOGIES AG, the fiscal 2002 consolidated financial statements and the consolidated status report were reviewed and approved without reservation by Ernst & Young Revisions- und Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (formerly Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, Eschborn/Frankfurt), the certified public accounting firm appointed as auditor at the Annual Shareholders' Meeting. The auditor presented the Managing Board's Risk management and control system in his report and found it to be suitable for the timely identification of situations threatening the survival of company. At the behest of the Supervisory Board, the auditor examined the Code of Corporate Governance compliance statement for accuracy; no objections were made.

The Supervisory Board examined the year-end financial statements for SINGULUS TECHNOLOGIES AG as well as the year-end consolidated financial statements, the consolidated status report and recommended earnings utilization, discussing the documents in detail with the Managing Board in the presence of the auditor. The auditors reported on the overall results of their audit as well as specific important issues, responding to questions posed by Supervisory Board members in detail. The Supervisory Board acknowledged and approved the auditors' report.

No objections were raised following issuance of the final audit report on the annual closing and consolidated closing. In a session held on March 20, 2003, the Supervisory Board approved and finalized the annual financial statements for SINGULUS TECHNOLOGIES AG; it also acknowledged and approved the consolidated financial statements. The Supervisory Board concurred with the recommendation for the utilization of retained earnings.

On September 18, 2002, Mr. Reiner Seiler retired from the company. He was one of the founders of SINGULUS TECHNOLOGIES GmbH in 1995; the company went public in 1997 and re-named SINGULUS TECHNOLOGIES AG. Mr. Seiler's efforts on behalf of the company yielded exceptional results. We thank him for his service and long-standing commitment to the company.

Mr. Klaus Hammen was appointed to the Managing Board as Mr. Seiler's successor on September 2, 2002 and heads the Marketing, Sales and R&D departments.

Dr. Christian Holtmann resigned from the Managing Board and company at the close of 12/31/02. He will remain associated with SINGULUS TECHNOLOGIES AG in an advisory capacity. We thank Dr. Holtmann for his accomplishments and wish him success in his future endeavors.

Mr. Stefan A. Baustert was appointed to the Managing Board as Dr. Holtmann's successor on 1/15/03. As CFO he is responsible for the Finance, Controlling, and Personnel departments.

The Supervisory Board extends its thanks and gratitude to the Managing Board and employees of the company in recognition of their accomplishments during the past year.

Kahl am Main, March 2003  
**THE SUPERVISORY BOARD**

Alexander von Engelhardt  
Chairman



Roland Lacher



Klaus Hammen



Stefan A. Baustert

→ **MANAGING BOARD**

**Roland Lacher**  
Gelnhausen  
Chief Executive Officer

**Reiner Seiler**  
(until 18.09.2002)  
Gelnhausen

**Dr. Christian Holtmann**  
(until 31.12.2002)  
Kronberg

**Klaus Hammen**  
(from 02.09.2002)  
Untermeitingen

**Stefan A. Baustert**  
(from 15.01.2003)  
Krefeld

→ **LETTER TO SHAREHOLDERS**

Dear Shareholders:

2002 proved to be a very good year for our company. Lively growth permitted the 2001 downturn to recede from memory. A high export rate of over 90 % of our revenues made us largely independent of the ongoing weak German economy. Shipments to Europe, the U.S., and Asia were evenly distributed for the first time, with each region sharing one-third of the business.

The acquisition of SINGULUS EMOULD at the end of 2001 and SINGULUS OMP at the beginning of 2002 has significantly expanded our product line through the addition of injection molding machines and mastering systems. Both companies were successfully integrated into the corporation in 2002. We were also able to concurrently accelerate the technical advances of these products.

The value these acquisitions provide will become evident in the years to come, as they are not based on earnings alone. These acquisitions also provide exclusive in-house development capabilities for additional important technologies. This will lead to improved integration of individual components and more importantly, raise the average rate of our product development.



No competitor can make a similar claim; in conjunction with our global sales and service organization, we have created the best prerequisites for delivering the system solutions our customers desire. Our turnkey, single-source strategy will enable us to gradually expand our world market leadership position.

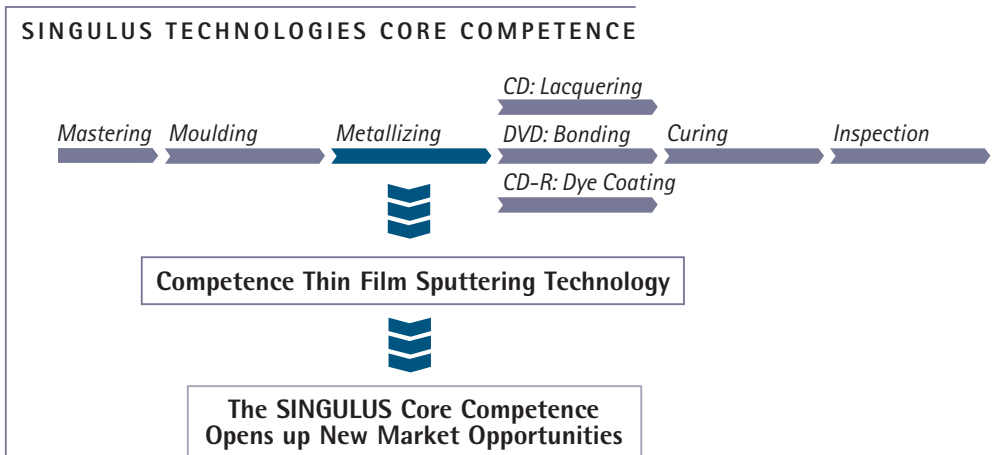
The predominant impetus for growth originated in the DVD sector, triggering strong demand for DVD systems. The successful advances made by DVD movies and computer games in the USA has since fully extended to Europe. Recent advances have also been noted in Asia.

The annual growth rate of the DVD sales market is approximately 40 % at present. Despite this strong growth, the market penetration of DVD players in Europe is just 25 %, compared to 40 % in the USA. Both figures are far removed from the 90 % saturation rate for VHS video recorders. This variance presents a tremendous growth potential for our machines and systems in the years ahead.

→ **EARNINGS ORIENTED GROWTH**

In 2002, consolidated revenues increased 28.8 % over the previous year to 290.5 million Euro. At the same time, growth in annual profits rose by 31 % to 36.6 million Euro so that earnings per share, in accordance with the U.S. GAAP standard, totaled 0.99 Euro (DVFA/SG 1.01 Euro). The high net earnings ratio of 13.1 % remained at the high level achieved the year before (13.1 %) and provided renewed confirmation of the company's exceptionally strong, fundamental profitability. Equity capital grew to 181.6 million Euro (+34.1 %) reaching a 69.0 % share of the balance sheet total (prior year 72.2 %).

It is now evident that the transition from the CD to the DVD generation will be just as widespread for both of the other formats (recordable DVD±R and rewritable



DVD±RW/DVD-RAM). We have already developed the systems and processes required for these formats. We are prepared and determined to conquer these new business sectors and seize the growth opportunities they offer – faster and more successfully than our competitors are able to do.

→ **VACUUM DEPOSITION TECHNOLOGIES: A VAST FIELD**

Manufacturing specialty machines for optical data storage (CD, DVD, etc.) is only one of a number of application areas we consider to be our core competence: the development and manufacture of innovative machines and systems in select areas of application using vacuum thin film deposition technology.

Having achieved an exceptional position in the world market for optical data storage, the development of TMR technologies became our first venture into other business areas. We are currently engaged in securing additional fields of operation.

The SINGULUS TMR technology development team, established expressly for that purpose, completed the new TIMARIS thin film vacuum deposition system during the year in report. As of the first quarter 2003, the system was able to apply sample coatings to silicon wafers for either MRAM chips or new TMR thin film heads for magnetic hard disc drives. As a result, the sale of this new system technology can begin in the major U.S. and Asian markets. We are confident that initial sales will soon be recorded. Related development costs have been absorbed in the 2002 year-end figures.

We intend to clearly expand the business base of our company with these investments in the future. Our motives are apparent: first, we would like to permanently reduce our dependence on a single business or technology, and second, we would like to create the potential for sustained growth.

Our long-term goal is the worldwide recognition of SINGULUS TECHNOLOGIES as a synonym for innovative machines and systems encompassing select, highly profitable applications that employ vacuum thin film deposition technology. We will make great strides towards achieving this goal in 2003.

Kahl am Main, 28.02.2003  
**THE MANAGING BOARD**

Roland Lacher

Klaus Hammen

Stefan A. Baustert

# S U C C E S S

WITH SUPERIOR PRODUCTS...

... AND A SUPERIOR

# S T R A T E G Y

◆ CORPORATE GOALS AND STRATEGIES





## → CORPORATE GOALS AND STRATEGIES

The stock market has moods which are difficult to elude regardless of the direction taken. The direction a stock takes always reflects the overall and financial market sensitivity.

## → EARNINGS AND GROWTH

The SINGULUS stock was able to shake off the pervasive sense of doom during the past three years of decline in the Neuer Markt. The reason is apparent: since the company's founding in 1995 and particularly since its IPO in November 1997, our overall strategy has been clearly and uncompromisingly directed towards earnings and growth. In the company's relatively short history, an organization has been built that is exceptional in terms of substance, technological competence, fundamental profitability and growth potential extending far beyond this segment of the stock market.

During the financial press conference held at the end of March 2002, the Managing Board projected that growth for fiscal 2002 would exceed the preceding year's revenues and net earnings by 20 %. Despite a general decline in the economic mood during the course of the year, these figures were far surpassed as revenues rose to 28,8 % and earnings to 31 %.

The earnings growth with an unchanged equity base kept pace with the growth in revenues. Adjusted by expenditures for entirely new business ventures, SINGULUS exhibited markedly higher growth in earnings. Earnings were intentionally declined in favor of expansion of long-term growth prospects. Not many companies, especially in 2002, were able to create a similar success story.

## → CONTINUOUS GROWTH

Adjusted by the exceptional year 2000, the business model for SINGULUS TECHNOLOGIES AG has been continually directed on an upward course.

Since its founding, the company concentrated its business activities on optical disc replication technology. Its entrepreneurial creativity, technological innovation, and excellent international marketing has transformed the company into a worldwide market leader within a few years. Its goal was to be ever present as the premier supplier of leading technology for CD and DVD replication systems in all three core applications (prerecorded, recordable and rewritable discs).

## → **FASTER AND BETTER**

„Time to Market“, i.e., the period of time that elapses between the inception of an idea and the appearance of a product on the market, is one of the most important factors for success in the technology industry. The first to provide critical mass in terms of market share will be the one to later reap a high quality of earnings. SINGULUS' double-digit net earnings ratios has proved year after year that this correlation could be used for its own development and strategy.

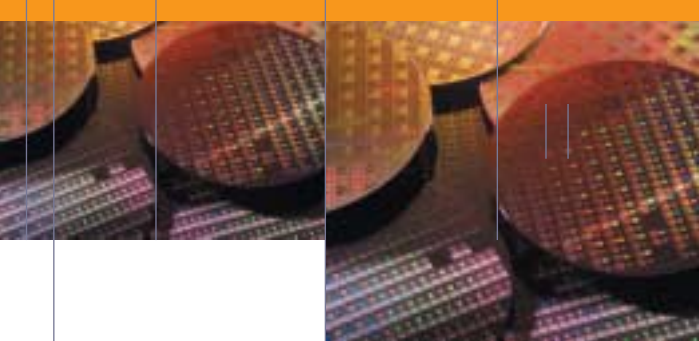
The company's extremely lean business model, coupled with complete outsourcing of production parts and components, led not only to above-average earnings per employee, but to exceptional gross margins without sacrificing low fixed costs.

The factors we believe determine success in the market (design competence, quality control, marketing competence, and excellent service encompassing all products) were continually enhanced by the company. This strategy has paid off.

## → **DEPARTURE FOR NEW MARKETS**

A technology company is always a specialist. A technology company with a future, however, is always able to tap new application areas for its core competence.

As a rule, a technological niche is usually shielded from outside competition by high entry barriers and, is therefore, attractive. The downside is that its size is limited by its very nature. Those achieving leadership in a niche market have virtually exhausted a large portion of its growth potential and ultimately can only grow along with the market.



SINGULUS began to encompass new fields at the end of 2001 after have proved during its nearly eight year history that a company can independently lead a globally superior business model to success in a niche market.

### → **THREE CORE COMPETENCIES**

SINGULUS' core competence is three-tiered: one technical, one strategic and sales and marketing. Technologically, the company is not just a specialist manufacturing replication systems for the optical data storage media, it is also a specialist in the design and manufacture of innovative machines and systems for all aspects of vacuum deposition technology.

An initial new business sector – the development of a TMR thin film sputtering system for the manufacture of MRAM wafer and read-write heads for the next generation of hard disc drives – will be extensively reviewed later in this report (see „SINGULUS goes MRAM“ text that follows). Industry experts predict the introduction of MRAM wafer will produce revolutionary advances in computer technology, particularly for laptops and „smart“ hand-held devices such as PDAs, UMTS cell phones, etc. MRAM storage media are expected to incrementally replace up to 50 % of DRAM storage by the year 2010. Nearly all global semiconductor manufacturers such as IBM, INFINEON, MOTOROLA, MICRON, SAMSUNG, NEC, who, among others, are currently working on the development and future production launch of MRAM technology, are potential customers for the SINGULUS 300mm wafer TMR thin film sputtering system. The prototype was completed at the beginning of 2003.

Long-term, these new business endeavors should be no less profitable than optical disc systems manufacturing. Fundamentally, SINGULUS continues to rely on its program of in-house expansion. Nevertheless, diversification through acquisition cannot be ruled out.

### → **CRITERIA FOR NEW BUSINESS**

- **CORE COMPETENCE IN VACUUM THIN FILM COATING**
- **CORE COMPETENCE IN SYSTEM BUSINESS**
- **CORE COMPETENCE IN GLOBAL MARKETING AND SERVICE**
- **EMERGING AND GROWTH MARKETS**
- **HIGH MARGIN ORIENTATED BUSINESS MODEL**

## → GOOD PROSPECTS ON SOLID GROUND

Exploration of new endeavors were initiated (and, in terms of the profit and loss balance sheet, largely absorbed) at a time when the success of the company's core business was still years away from reaching its apex.

The SINGULUS stock was spared neither the volatility of the new economy nor the effects of the burst in the technology bubble. Nevertheless, the success in its core business, its earnings strength, its technology potential and competitiveness were not affected. The corporation's fundamental values and key figures remain exceptional and can be measured against the best international companies.

