



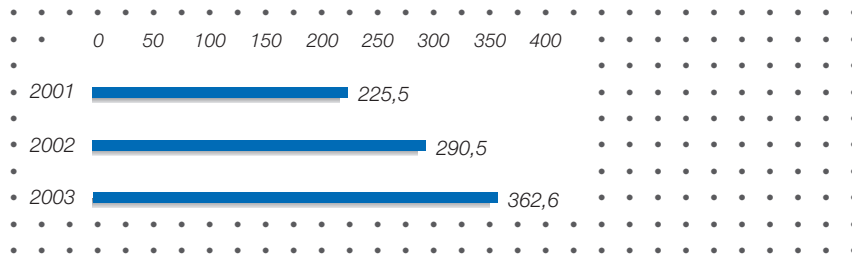
Right Direction



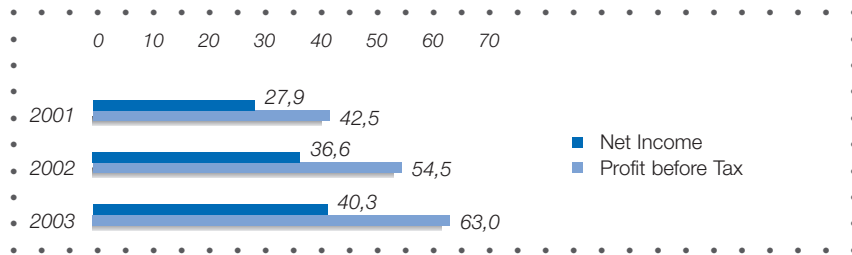
SINGULUS TECHNOLOGIES made several seminal decisions in 2002/2003. Our corporate strategy is directed toward technological leadership.

At a Glance

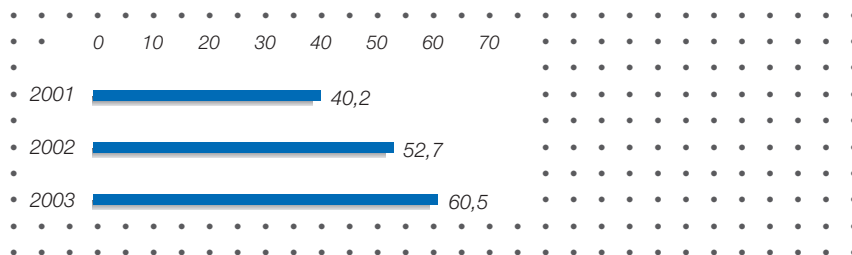
Gross Revenues (in Mio. Euro)



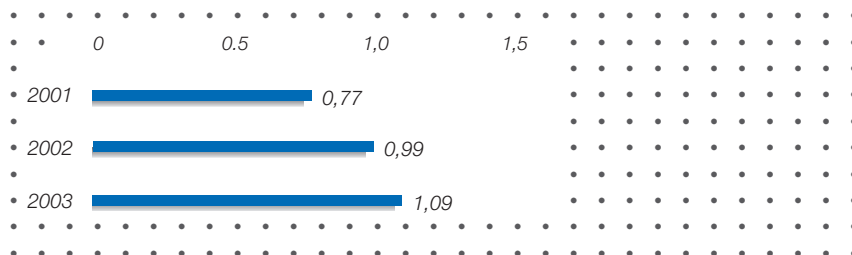
Financial Result (in Mio. Euro)



EBIT (in Mio. Euro)



Earnings per Share (in Euro)



	2001	2002	2003
	KEUR	KEUR	KEUR
Gross Revenues	225,525	290,548	362,559
EBIT	40,227	52,741	60,488
Profit before Tax	42,448	54,521	63,002
Net Income	27,935	36,589	40,257
Total Shareholder's Income	135,406	181,621	219,467
Balance Sheet Total	187,662	263,349	311,837
Operating-Cash-Flow	16,280	20,949	18,387
R & D Expenses	8,307	16,155	16,290
Employees* (31.12.)	367	502	599
Earnings per Share (EUR)	0.77	0.99	1.09**

All figures in KEUR, except * (actual number)

** based on 37,064,316 shares at 1 EUR per value at Dec. 31, 2003

Company Calendar 2004

30.03.04	Quartely Report 4/2003 and Annual Closing 2003 Annual Press Conference, 10:00 am, Commerzbank DVFA-Meeting, 1:00 pm, Commerzbank, Frankfurt/Main
05.05.04	Quartely Report 01/2004
13.05.04	Annual Shareholders Meeting 10:30 am, Deutsche Bank, Hermann-Josef-Abs Saal, Frankfurt/Main
27.05.04	Analyst/Investors Meeting, Frankfurt/Main
02.08.04	Quartely Report 02/2004
04.11.04	Quartely Report 03/2004

Contents

At a Glance	
Corporate Calendar 2004	
Major Events in 2003	002
Supervisory and Management Boards	
Supervisory Board Report	004
Letter to Shareholders	008
Corporate Goals and Strategies	014
Corporate Goals and Strategies	
A Successful Business Model	015
Business Models Must Be Enhanced	017
Systematic Expansion of Growth Strategy	018
Technological Expertise	019
Vacuum Thin Film Deposition Technology	
in Three Application Areas	
Optical Disc -	022
TMR Technology -	025
Optical Coatings -	026
Status Report for the SINGULUS TECHNOLOGIES Group	
and SINGULUS TECHNOLOGIES AG	
The General Economic Situation	030
Business Development in Review	031
The Global Optical-Disc Market and Market Outlook	034
Research and Development	040
Sales and Service: Being Globally Active	041
Employees, Managing-Board Changes	043
Revenues and Earnings	044
Backlog and Order Receipts	048
Fixed Assets	048
Balance Sheet and Liquidity	048
Equity and Earnings Utilization	050
Capital Expenditures and Financing	051
Cash-Flow	051
Risk Report / KonTraG	052
Environmental Awareness	053
Corporate Governance	054
SINGULUS TECHNOLOGIES Stock	055
Post-Closing Events	057
Outlook	058
Year-End Closing SINGULUS TECHNOLOGIES Consolidated	060
Year-End Closing SINGULUS TECHNOLOGIES AG	105
Glossary of Technical Terms	114
Declaration in Accordance with § 161 AktG	120
Annual Shareholders Meeting 2004	121

Notable Events in 2003

FEBRUARY. SINGULUS

OMP introduces new

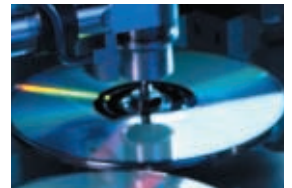
DMS Evolution
mastering system.

APRIL. SINGULUS

introduces TMR technology at
the Semicon Europe in Munich.

The new SKYLINE II is
introduced to the market.

The 4.5 second cycle time
STREAMLINE DVDR/SP-A is
introduced to the market.



JUNE. The company
resolves to expand its
manufacturing capacity.

JANUARY. Dr. Holtmann
resigns from the company
and Stefan A. Baustert
becomes new CFO.

SINGULUS announces
preliminary (unaudited)
figures for 2002: Revenues
286 million €, Net Income:
35 million €.



MARCH. SINGULUS
participates in the
Replication Expo in India.

SINGULUS announces
final year-end figures for
2002: Revenues 290.5
million € (+28.8 %), Net
Income 36.6 million €
(+31 %).

SINGULUS announces
launch of a third business
division for optical coatings
and the expansion of its
Managing Board.

Approximately 15
journalists and 60 analysts
attend the financial press
conference and DVFA
conference.

MAY. SINGULUS' order
intake for Q1 2003 grows
to 128.6 million Euro.
Revenues total 56.9 million
Euro.

SINGULUS participates in
the industry's largest
international trade show in
Las Vegas, USA, exhibiting
the new SKYLINE II
CD/DVD 5 replication line,
the new STREAMLINE
DVD-R replication line, and
the new DMS Evolution
mastering system.

The General
Shareholders' Meeting is
held in Frankfurt with
approximately 800 share-
holders in attendance.

AUGUST. Successful mid-year figures reflect high order intake and revenue growth.

OCTOBER. SINGULUS receives 2nd place Investor Relations Award for the TechDax Index from Focus Money.

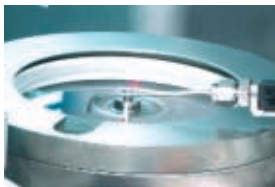
DECEMBER. SINGULUS exhibits 3 machines at the Replication Expo, Shanghai and simultaneously presents its TMR activities at Semicon Japan.

JULY. TMR technology is introduced at the world's largest semiconductor show, Semicon West, USA.

SEPTEMBER. SINGULUS exhibits at Semicon Taiwan.

NOVEMBER. Markedly increase of revenues and EBIT.

SINGULUS signs letter of intent to acquire ODME mastering and MoldPro injection molding technology from OTB/NL, extending its market leadership position in the optical disc market.



Supervisory Board Report



SUPERVISORY BOARD

Alexander von Engelhardt
Kronberg
Chairman

William Slee
London
Vice Chairman

Thomas Geitner
Cologne

In fiscal 2003, the Supervisory Board regularly reviewed the position and progress of the company in accordance with the functions and responsibilities with which it was charged by law and company statutes. In exercising these duties, the Supervisory Board regularly advised the Management Board on matters of proposed policies, the administration of fundamental future business ventures, and provided oversight of executives. The Supervisory Board was advised, verbally and in writing, of all significant business transactions.

In seven sessions the Supervisory Board thoroughly reviewed the status of the company, completed and pending acquisitions, start-ups, the corporation's annual financial statements, the ongoing review of existing operations (subsidiaries), Management Board personnel matters, and the Management Board's risk-management system. The Supervisory Board reviewed important business transactions and passed resolutions on matters requiring its consent.

The Supervisory Board additionally addressed accounting standards, particularly as they pertained to working capital and risk management, auditor autonomy, the auditor appointment, as well as the determination of the audit focus and honorarium.

The Supervisory Board devoted special attention to improving the practical implementation of the Code of Corporate Governance. In some instances business practices were revised in order to comply with the recommendations and suggestions set forth in the Code. The annual Compliance Declaration of which the annual submission is mandated by §161 AktG was jointly issued by the Management and Supervisory Boards.

The Supervisory Board and the auditor agreed that the Supervisory Board would be informed if, while conducting the audit, the auditor discovered any material misstatements during the audit with respect to the declaration submitted by the Management and Supervisory Boards (Code Fig. 7.2.3, Par. 2). The auditor discovered no unfounded statements in the Compliance Declaration.

All members of the Supervisory Board attended at each of the Supervisory Board sessions. In addition to regularly-held meetings, the Supervisory and Managing Board chairmen maintained close contact with regard to business developments and individual subsidiaries. The Supervisory Board was subsequently advised of these interactions (German Code of Corporate Governance Fig. 5.2).

Because the Supervisory Board comprises only 3 members, no committees are formed: all issues are addressed in plenary sessions.

In fiscal 2003, the Supervisory Board developed procedures to evaluate its activities and will implement these measures at the start of the new fiscal year (Code Fig. 5.2). No conflicts of interest among members of the Supervisory Board arose during the period in report.

The 2003 annual and consolidated financial statements for SINGULUS TECHNOLOGIES AG and the composite annual and consolidated status reports were reviewed and approved without reservation by Ernst & Young AG, Certified Public Accountants, Frankfurt am Main, the auditing firm appointed at the General Shareholders' Meeting. The audit report found the early risk identification system implemented by the Management Board to be suitable for the early detection of events jeopardizing the company's survival.

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, conducting detailed discussions on these matters with the Management Board in the presence of the auditor. The auditors presented the results of the overall audit and the major audit focus in particular, providing detailed responses to the questions asked by the members of the Supervisory Board. No objections were made to these reports.

No objections were raised following issuance of the final audit report on the annual closing and consolidated financial statements and summarized status report.

The Supervisory Board approved the SINGULUS TECHNOLOGIES AG annual and consolidated financial statements during its session held on March 15, 2004. The annual financial statement has thereby been finalized. The Supervisory Board concurred with the recommendations submitted for the utilization of earnings.

Mr. Stefan A. Baustert became a member of the Management Board on January 15, 2003, and took over as Chief Financial Officer (CFO) responsible for the departments finance, controlling, human resources, and IT. He already took part in last year's general shareholders' meeting.

Effective July 1, 2003, Dr. Reinhard Wollermann-Windgasse was appointed to the Management Board, assuming responsibility as Chief Operating Officer (COO) for engineering matters (assembling, engineering, and procurement). He introduced himself to the shareholders during last year's general shareholders' meeting.

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

Kahl am Main, March 2004

The Supervisory Board

Alexander von Engelhardt

Chairman

Letter to Shareholders

Dear Shareholders,

2003 was another excellent year in the company's history. Despite numerous challenges, double-digit growth was achieved in both revenues and earnings. We were able to provide seamless continuity with the successes of our intrinsic core business. The market launch of new high performance machines further enhanced our global leadership in optical data storage replication machines (CD, DVD). Even in its eighth year of operation, SINGULUS has remained true to its strategy of independently sustaining double-digit average annual revenues and earnings growth.

The acquisition of the ODME B.V., Eindhoven/NL mastering business along with the acquisition from the Dutch OTB Group B.V. of patents and other rights to MoldPro injection molding technology which took effect January 1, 2004 were among the measures taken to bolster our technological lead. These strategic acquisitions have secured our exclusive access to components needed for the third generation of optical data storage known as Blu-Ray, and enabled us to cut our own research efforts in this area by 1-1/2 to 2 years. This acquired technology will become the base technology for video recording in the era of high definition television (HDTV). Our newly gained technological leadership in this area gives us an opportunity vis-à-vis our competitors to sell our systems and processes based primarily on innovation, technical performance, and quality instead of price.

Despite the enormous growth in DVD sales around the world, the heightened competition among CD and DVD manufacturers increased the pressure exerted on our prices and margins during the course of the year. The positive effects of the dynamic growth in the DVD-market was partially offset by the repeated revaluation of the Euro. These combined factors are reflected in a disproportionately lower ratio between earnings growth and revenues. Despite this, we were undeterred in our quest to increase our earnings per share and to independently finance all investments.

Stefan A. Baustert
(from 01/15/2003)
Krefeld

Klaus Hammen
Untermeitingen

Roland Lacher
Gelnhausen
Chairman

**Dr. Reinhard
Wollermann-Windgasse**
(from 07/01/2003)
Maulbronn



SINGULUS TECHNOLOGIES' evolution into a comprehensive supplier for all optical data storage replication machines remains our primary goal. The purchase of the EMOULD injection molding machine business and the OMP acquisition were initial measures taken toward achieving this end. The ODME acquisition, providing us leadership in the mastering market, as well as our ramp-up in the "new formats" segment have led to our firm conviction that our company is well-equipped for further developments in the optical disc industry. Our awareness of "time to market," i.e. the rapid implementation of technical innovations, remains one of the hallmarks of our organization.

The accelerated new business program implemented by the company two years ago was designed to ensure that our organization become well-versed in new technology markets that are growth and profit oriented. Our concentration is focused on areas related to our core competence in vacuum thin film technology.

In 2002/2003, important investments were made in a special segment of the computer industry's new generation of permanent storage known as MRAM. By the end of 2003, the development of a new vacuum thin film coating and system technology was completed to the point of market introduction. Additionally, two application systems were operated in a semiconductor cleanroom for 200 and 300 mm silicon wafers for MRAM coatings. We have meanwhile started marketing this product.

A third line of business, ophthalmic lens coating systems, was also initiated in 2003. Our innovative system for coating eyeglass lenses will contribute to a drastic reduction in production costs and is unique throughout in the world. A key customer has successfully conducted operating trials of the first system. Interest among other eyeglass manufacturers in the industry is enormous. The emergence of another application for coating optical products with functional optical layers such as lenses and filters has already begun. We will continue to actively pursue our technology-based growth strategy in this manner and to expand the breadth of its foundation.



The exploration of new business endeavors has transformed SINGULUS from the “CD machine manufacturer“ of the nineties into a nanotechnology company in vacuum thin film technology for a variety of industries. Our innovative capabilities continue to serve as the cornerstone that will enable us to replicate SINGULUS' past successes in new markets. New technologies are the prerequisite for the emergence of new markets. Conversely, tomorrow's technological possibilities soon become the customer's demands.

Our prioritization of technological leadership on all business fronts is a costly and demanding strategy; however, it is our firm conviction that it will yield the most lasting success. Technical competence will remain the essential driver of value for our company.

Kahl am Main, February 24, 2004

The Managing Board

Handwritten signature of Roland Lacher in black ink.

Roland Lacher

Handwritten signature of Stefan A. Baustert in black ink.

Stefan A. Baustert

Handwritten signature of Klaus Hammen in black ink.

Klaus Hammen

Handwritten signature of Dr. Reinhard Wollermann-Windgasse in black ink.

Dr. Reinhard Wollermann-Windgasse

Our Objective

We have defined a long-term goal to make our company synonymous with innovative systems and technologies centered around selected, highly profitable applications in vacuum thin film technology.

Corporate Goals and Strategies

A Successful Business Model	015
Business Models Must be Enhanced	017
Systematic Expansion of Growth Strategy	018
Technological Expertise	019



Corporate Goals and Strategies



Fiscal 2003 was another extraordinarily successful year. An accelerated rate of technical innovation and a focused expansion of our product portfolio and production capacity enabled us to achieve repeated double-digit growth in revenues and earnings. The company succeeded in raising revenues by 24.8 % and earnings before interest and tax (EBIT) by 14.7 %.

The rapid dissemination of DVD technology into private households was the principal source of the positive development.

The rapid dissemination of DVD technology into private households throughout the industrialized world was the principal source of these developments. As successor to the video cassette and the data storage medium of choice for video games, the prerecorded DVD had a major impact on this success. According to recent statistics, worldwide DVD production grew 46 % to 3.7 billion discs in 2003 but still has attained only a quarter of global CD production which, at last count, numbered 13.3 billion discs. All leading market research institutes agree that DVD production will grow at an average rate of at least 25 % annually for years to come even though it has barely affected the heavily populated countries in Asia.



**STREAMLINE Replication
Lines for the Production of
CD-R**

A SUCCESSFUL BUSINESS MODEL Thanks to our intense market research and equally important dialog with leading customers the world over, we were well-prepared for these developments. Consequently, we have been able to fully satisfy the explosive demand generated during the past two years and still maintain our high quality standards. We expect the DVD market to exhibit dynamic growth well beyond the year 2007. As a result, the production capacity of the replicators who purchase our DVD replication systems for their manufacturing needs will also expand. As is the nature of all new technologies, however, growth in production capacity will taper off over time. It is therefore critical that our technologies stay well ahead of the markets in order to capitalize on the new growth areas of our core business. Our strategy of upgrading our value-added supply chain in-house, complementing our product line, and achieving technological leadership in all sectors of our business has enabled us to achieve an unrivaled position of leadership in our markets.

During the course of 2002/2003 we began to implement the complete re-engineering of our product line with a series of technical innovations. Our base component, the metallizer, was upgraded first, culminating in the 2002 unveiling of the SINGULUS V. Incorporating countless updates, this core component is incorporated throughout our comprehensive line program. We revamped our successful SKYLINE line during 2003 and introduced it to the market under the name "SKYLINE II." Thereafter, all development efforts focused on our SPACELINE DVD-line and STREAMLINE DVD-R-line. SPACELINE II has already successfully completed beta-testing at key clients. Both systems will be shown at the "Media-Tech Expo 2004" trade show to be held in Frankfurt/Main in May 2004. The aim of the new designs was improving both machines' performance and implementing engineering advances. Considerable attention was also devoted to cutting manufacturing costs and stabilizing or improving profit margins.

In November 2003 we finally announced our planned acquisition of all shares in ODME B.V., Eindhoven/NL along with the patents and other intellectual property rights to MoldPro injection molding technology from the Dutch OTB Group B.V., Eindhoven/NL which took effect 1/1/2004. On January 9, 2004 this process was legally concluded. This action secures for SINGULUS exclusive access to all technological components needed for the third generation of optical data storage.

ODME will join forces with the existing SINGULUS OMP mastering business. The new company, operating under the name SINGULUS MASTERING BV, Eindhoven/NL, leads the world market in mastering with its comprehensive advanced portfolio for all existing and emerging optical disc formats. In other words, our strategy for achieving world market leadership in all segments of optical data storage through our command of technology has been put into practice and is nearing completion.

Our strategy for achieving world market leadership through our command of technology has been put into practice.

The year 2003 certainly presented increased risks that a globally-arrayed market leader must surmount. Compared to the U.S. Dollar, and as a consequence of its function as a key currency in relation to a wide range of the Asian economy, the Euro experienced an drastic upward revaluation in 2003. A negative effect on our traditionally high profit margins could no longer be completely avoided.

Our strategic response to global challenges in international markets comprises three essential elements:

- The expansion of our technological leadership will enable us to sell products based on increased performance and quality instead of on price alone. Our short Time-to-Market cycles for development of new products allow us to maintain our technological leadership and stay ahead of the competition.
- The accelerated generational shift in our product line will be completed in 2004 and will result in manufacturing cost advantages.
- Finally, the acquisitions that complete our value-added supply chain provide us with synergistic potential which we will now systematically develop.



Blu-Ray Recorder

BUSINESS MODELS MUST BE ENHANCED In last year's annual report we announced our consideration of strategic business development. We declared our long-range goal of becoming "globally synonymous with innovative systems and machines centered around select, highly-profitable areas of application in vacuum thin film technology."

Our reasoning is apparent: Technology-based business models have relatively typical life cycles. This holds true for the demand for optical data storage media from the CD to the current DVD to the emerging Blu-Ray disc, and to the profitability of the businesses to which they are tied. Despite the dynamic development of the DVD market, the technology itself is mature and the markets for DVD manufacturers, i.e., replicators, are in the midst of a consolidation trend. Cost pressures are mounting throughout the entire physical DVD production process.

This development is quite normal and comes as no surprise. It is one we countered very early on by using the high profitability of our core business to explore new, technologically-related applications.

Nevertheless, the current growth in the DVD market is extraordinarily dynamic. The new DVD recordable (DVD±R) and rewritable (DVD±RW/DVD-RAM) formats provide additional growth, and the third generation of optical-data-storage media (Blu-Ray, AOD) will be accelerated by the introduction of digital high-definition television in Japan and the U.S.

SYSTEMATIC EXPANSION OF GROWTH STRATEGY Two years after the announcement of our technological venture into new areas of application, we can look back on the considerable progress made. Our TMR technology, which SINGULUS has worked tirelessly on since the beginning of 2002, has passed all trial runs and sample coatings successfully.

Our advanced technological position in the field of vacuum thin film technology, which was derived from our core business and largely patented, made possible the transition from our core business into an entirely new arena. In accordance with major members of the semiconductor industry, we agree that MRAM (magnetic-random-access-memory) technology will become the storage technology of the future. MRAM combines the advantages of numerous current storage technologies; it has the speed of SRAM and achieves the storage density and cost advantages of DRAM while consuming considerably less energy and retaining stored data, despite removal from a power source, (i.e. a power outage). MRAM uses magnetic elements for the storage of data bits instead of an electrical charge. SINGULUS systems will become an important link in the value-added chain of supply for this new technology.

In March 2003 we announced our entry into a third domain. Close cooperation with a renowned key customer led to the 2003 development of an innovative technology for anti-reflective eyeglass coatings. Our vacuum thin film coating technology is a frontrunner in this area as well. The savings eyeglass manufacturers can realize during the production process approaches 50 %. The system prototype will be delivered shortly. Further deliveries during 2004 may be expected.

TECHNOLOGICAL EXPERTISE As the world's largest manufacturer of CD-machines and DVD-machines, SINGULUS has been experiencing higher sales growth rates than competitors for years. Among other reasons, this has been due to our continual upgrading of our equipment. Our intensive involvement in our core area of expertise, vacuum thin-film technology, has allowed us to penetrate attractive new application areas over time. One example is coating ophthalmic lenses. Industry interest has meanwhile progressed well beyond that; new applications will emerge for coating of all sorts of optical lenses, such as lenses for a variety of projectors, binoculars, cameras, etc.

Our expertise in high-performance coating is the key to arousing the interest of product manufacturers. This technological innovation provides our customers with clear economic advantages over conventional processes.

We believe that dynamic growth in our core business as a result of these two new lines of business will boost both revenues and earnings. This projected growth is based on the prioritization of our technological and system leadership across all business sectors and our ability to successfully market technological innovations.

