



New Horizons

Along with the steady growth of the well-established DVD formats, the future of the optical disc will be shaped by digital high definition television. We are actively engaged in the transfer of our inline manufacturing expertise to the third generation of optical discs.

Status Report for the SINGULUS TECHNOLOGIES Group and the SINGULUS TECHNOLOGIES AG

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Status Report of the SINGULUS TECHNOLOGIES Group and the SINGULUS TECHNOLOGIES AG

The company availed itself of the opportunity afforded by §315 Abs. 3 HGB to issue a combined status report for the consolidated SINGULUS TECHNOLOGIES group and SINGULUS TECHNOLOGIES AG. Since business developments, the status of the company, and risk exposure are by and large identical for SINGULUS TECHNOLOGIES AG and SINGULUS TECHNOLOGIES consolidated, the following remarks and, in particular, the figures provided, refer to the SINGULUS TECHNOLOGIES consolidated group.

THE GENERAL ECONOMIC SITUATION. The year 2003 brought an upturn in overall economic terms. Indicators in all industrialized countries initially showed a distinct upturn in mood which was confirmed by hard data showing economic growth during the second half of the year. Central Europe was the only exception to this trend, with Germany approaching economic stagnation.

In 2003, the United States again spearheaded the recovery in the industrialized world. Aggressive fiscal policies, along with massive tax reductions and increased public expenditures, finally produced tangible results in spite of the war in Iraq. The Deutsche Bank estimates that the U.S. economy grew at a rate of 3.2 % in 2003. The only negative is that this growth was spurred primarily by private consumption. The transition to self-sufficient growth, i.e., growth driven by an above-average increase in investments, still lies ahead.

Strong gains in the American stock markets (averaging over 25 % in 2003), however, indicate that this might occur. U.S. industry will benefit from the drastic foreign devaluation of the U.S. Dollar (down approx. 20 % against the Euro for both 2002 and 2003). The American Federal Reserve Bank is currently trying to allay the financial market's fear of a renewed hike in interest rates. The Deutsche Bank expects the American economy to demonstrate robust real growth of 5.2 % in 2004.

With an estimated growth of 2.2 %, even Japan has embarked on the road to recovery after nearly ten years of real stagnation. In addition to benefits derived from initial economic reforms, the country is reaping the rewards of its heavy involvement with the enormous revitalization of the Southeast Asian economy which is spearheaded by the Peoples' Republic of China. A return to Asia's collective average growth rate of over 4 % is possible in 2004.

Conversely, progress in "Euroland" continues to disappoint. With 0.5 % growth, 2003 netted a more or less break-even in terms of economic growth. Nevertheless, economists at the Deutsche Bank expect a 1.8 % rate of economic growth, the highest in the past four years. They are also projecting a noticeable general economic recovery for 2004 and beyond. In addition to the organizational problems of the former EU countries (high national deficits in France, Germany, and Italy as well as inflexible labor markets, strong unions, and high wages), the strength of the Euro continues to plague corporations. While Europe's "global players" strive to achieve relatively balanced cost-to-earnings ratios in all major currency spheres, mid-level European manufacturers with substantial U.S. and Asian exports have suffered a noticeable loss in economic competitiveness. The European Central Bank (EZB), however, does not yet consider the strong Euro to be a critical problem. In January 2004, the EZB announced that interventions such as interest rate reductions or other financial policy measures will only be considered if the exchange rate reaches 1.30 Dollar/Euro.

BUSINESS DEVELOPMENTS IN REVIEW. It still holds true that SINGULUS TECHNOLOGIES is only conditionally dependent on the overall world economy. The current rapid growth rate in DVD distribution as the quintessential mode of storage for films and software in markets all over the world is the most important factor in this regard.

Optimists continue to be pleasantly surprised by the growth in the global DVD market. SINGULUS retained global market leadership for replication systems in 2003, also capturing a larger market share of the important recordable format sector.

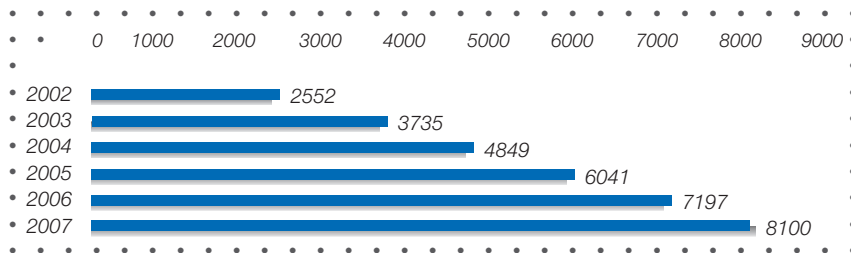
SINGULUS earned consolidated revenues of 362.6 million Euro during the past fiscal year, a 24.8 % gain over the prior year (290.5 million Euro). Due to the drastic devaluation of the Dollar, these revenue figures conceal distinct volumetric growth since the company has grown faster than the market.

The same applies to earnings before interest and taxes (EBIT), which rose by 14.7 %, compared to the preceding fiscal year. At 382.7 million Euro, order receipts were considerably higher than in 2002 (293.3 million Euro). Backlog at December 31, 2003, totaled 78.6 million Euro, an increase of 34 % over the preceding year (58.5 million Euro), which is also an indicator of additional growth in 2004.

During the past fiscal year, SINGULUS earned a 24.8 % gain in revenues.

The high 11.8 million Euro supplemental backlog for the newly-acquired ODME mastering company is particularly gratifying, boosting consolidated backlog to over 90 million Euro as of January 1, 2004. Positive cash flow increased the company's liquid assets to 66.4 million Euro by the end of 2003 (2002 = 53.9 million Euro).

Market Development of Prerecorded DVD (in Mio. Discs)



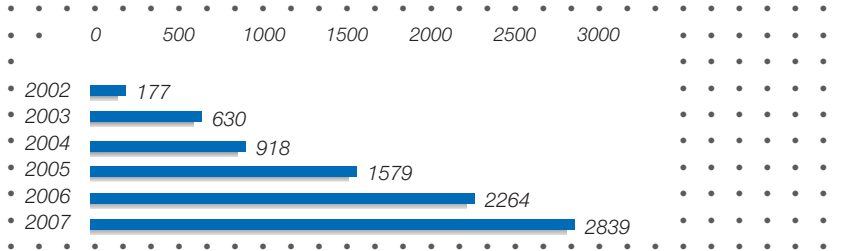
Source: Understanding & Solutions, Nov. 2003

These results can largely be attributed to the continued strong sales of prerecorded DVD replication lines along with the growth in recordable CD-R and DVD-R lines.

In the case of the growth market of write-once DVD, SINGULUS TECHNOLOGIES expects to significantly improve its market position and gain additional market share.

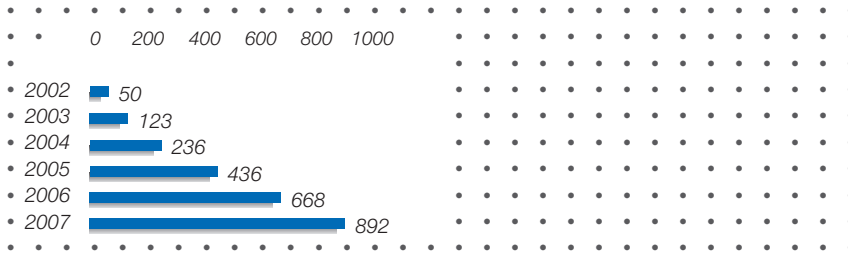
Expected sales of write-once DVD-R over the coming years are several times those for rewritable DVD±RW/RAM.

Market Development of Recordable DVD (in Mio. Discs)



Source: Understanding & Solutions, Nov. 2003

Market Development of Rewritable DVD (in Mio. Discs)



Source: Understanding & Solutions, Nov. 2003

The Global Optical-Disk Market and Market Outlook

OPTICAL DISCS 2003: CD-MARKET STABILIZES, DVD-BOOM

CONTINUES. 2003 was the strongest year in technological history for the use and distribution of prerecorded optical storage formats (CD, DVD). The United States continue to lead the market in these technologies. While the downturn in CD production is subsiding in the U.S., the triumphant advance of the DVD as the premier storage medium, particularly for movies and software, continued unabated. The legal victories in the war against music piracy and the boom in audio books have had a stabilizing effect on CD sales.

According to information published by the industry research firm Understanding & Solutions, global CD production declined slightly from 13.9 to 13.4 billion discs. Meanwhile, worldwide DVD production recorded a dynamic 42 % growth rate, climbing from 2.6 to 3.7 billion discs. North America constitutes approximately half that market while Europe accounts for one-quarter, and Japan and the rest of Asia, approximately 16 % of the world market. The mass markets of India and China hold great promise. Combined, they are home to one-third of the planet's population and still very much shaped by the CD as their primary optical storage medium, especially the special video CD format.

DVD players' penetration of U.S. households continued at an accelerated pace. In 2003, 21.7 million DVD players were sold in the U.S., corresponding to 30.5 % growth over already strong prior-year sales.

According to information supplied by the American "DVD Report," 2.4 billion DVDs were sold in the U.S. during the year in report, corresponding to 33 % growth over the previous year. Sales of DVD software packages for computer games demonstrated above-average growth, increasing by nearly 50 % to 1.02 billion units. U.S. music video sales grew at an above-average rate as well, advancing 100 % to 17.2 million units.



FORMAT CONFLICT DEFUSED. The format conflict (various manufacturers marketed their own formats), long viewed as a hindrance to rapid market penetration by write-once and rewritable DVD formats, has been defused. Leading electronics manufacturers successfully countered format diversity by manufacturing multi-format recorders. The prices for these all-format DVD-recorders have developed favorably from the consumer's point of view, transforming this device into a sales hit for the 2003 Christmas season. While the recordable DVD formats are presently enjoying robust demand, the rewritable DVD format is still just a niche market.

OPTICAL DISCS 2004 TO 2006. The dynamic advances among all DVD formats in developed markets is likely to continue for years. Because of the increased household infusion of DVD players and recorders, DVD sales will continue to grow. All pertinent market studies predict that the development will be reflected in an annual growth rate of 25 % for the next three years.

SINGULUS has earned a market position without equal among replication line manufacturers. SINGULUS is the only worldwide supplier of replication equipment to offer comprehensive lines for all CD and DVD formats including mastering. From the customers vantage point this offers optimal one-stop equipment shopping without forfeitures due to interfacing or attrition. Even service, from installation to process technology as well as user training, maintenance and spare parts deliveries, originates from a single source. Additionally, SINGULUS machines can be employed universally even if various formats in the recordable and rewritable product segments are desired.

In the interim, it will be crucial that these advantages be transferred to the third generation of optical discs. SINGULUS TECHNOLOGIES has created a unique position for itself through the recently completed acquisition of all business shares of ODME B.V., along with the patents and other intellectual property rights for MoldPro injection molding technology. ODME's mastering pilot systems have been setting the pace in Japan since 2003, and have been installed at Philips in Europe for the development of Blu-Ray discs. The Deep-UV laser-beam recorder developed specifically for this purpose has already been delivered to companies including ITRI, Taiwan, and Samsung, South Korea.

The dynamic advances among all DVD formats is likely to continue for the next 3 years.

HDTV AND BLU-RAY/AOD: SOONER THAN EXPECTED? The future of the optical disc sector will not just be shaped by the steady growth of the established DVD formats, but by high-definition digital television (HDTV) as well. Digital television, already the technical standard in Japan and South Korea, has begun its emergence in Europe (the broadcast of the 2006 World Soccer Championship will be entirely digital) and the USA (analog television will be discontinued by 2007). The subject of "digital television" has made further inroads in the U.S. due to the dominating role played by cable TV there. The country's first significant sales of digital TVs occurred in 2003, with approx. 4 million units sold.

The two premier international consumer electronics trade shows, the Internationale Funkausstellung in Berlin (IFA; September 2003) and the Consumer Electronics Show in Las Vegas (CES; January 2004), recently had on display a sampling of the digital age to come. Driven by breakneck competition for technological performance, manufacturers such as Sony and Panasonic introduced their first mass-produced prototypes of these groups of devices. The switch from analog to digital television, however, is not the sole consideration since manufacturers plan to accomplish a concurrent shift to high definition television with its optimal image resolution.



Blu-Ray Disc

Even beyond cable TV, the devices needed for the reception of high-definition digital television (HDTV) are already available in the U.S. market: satellite dishes with digital capability, high definition screens of every size, initial Blu-Ray recorders for recording these data-dense broadcasts and even HDTV set-top boxes. Since numerous manufacturers will be offering these devices by the end of 2004, consumer prices are expected to drop sharply.

In spite of negative experiences with format conflicts in the past, the onset of the third generation of optical discs has sparked another flare-up in the dispute over incompatible product specifications, which has far-reaching impacts on the design of equipment and manufacturing technologies to be employed in the later mass-production of the disks involved.

While the 25-GB storage-capacity Blu-Ray format is backed by major names such as Philips, Sony, Matsushita/Panasonic, and Hitachi, the 15 GB AOD-Advanced Optical Disc is advanced as a competitive alternative by Toshiba and NEC. A dual-layer version could increase storage capacity to 50 GB for Blu-Ray (2 x 25 GB) and 30 GB for AOD (2 x 15 GB). The 30 GB AOD disc would provide sufficient storage capacity for a conventional movie with HDTV specifications.

Consequently, Blu-Ray primarily offers additional upside potential for future storage capacity demands significantly exceeding 30 GB. The Blu-Ray replication technology, however, entails a quantum leap in machine and production technology. Conversely, progressive development of current DVD systems is expected to fulfill AOD requirements and would be associated with significantly lowering overall costs.

Sooner than expected: HDTV and Blu-Ray/AOD!

HDTV-Flat Screen



F.A.Z. Newspaper on 1/27/2004: “High Definition Television is a Blockbuster“

“What has become commonplace in Japan and Korea, remains just a dream for us: to experience the crisp and sharp TV images with their 1920 x 1080 pixel image resolution just once is to be convinced... Whether it's sports, suspense or comedy, the advantages of HDTV are impressive. The smallest details and designs can be seen and the image seems more detailed and precise. Even an uneventful Japanese afternoon TV series kept us spellbound for hours.“



TV Studio with HDTV Equipment
HDTV = High Definition Television

SINGULUS Heralds the Future with Blu-Ray

“Blu-Ray“ – The CD’s Third Life.

During the past ten years, the CD and then the DVD became the quintessential data storage media for all sorts of information such as music, photos, videos and computer data. While the DVD (4.7 Gbyte storage capacity) prepares to take a permanent place alongside the 650 MB CD, the next 25 Gbyte generation of discs known as Blu-Ray has already appeared on the optical storage technology horizon.

With the same geometric dimensions as the conventional CD or DVD, the storage medium of the future has significantly greater storage at its disposal. A blue-violet, particularly short wave laser beam (with a wavelength of 405 nm) can bundle significantly more storage information into a smaller space than can a red laser light (640 nm). The reason: the shorter the wavelength of the light, the better the focus of a corresponding laser beam. The beam spot becomes smaller and thereby fits into a more narrow “groove.”

In the end, more advanced data compression technology can ultimately apply five times the amount of information onto the same surface area. The prescribed optical geometry of the probing beam necessitates that the Blu-Ray disc be free from defects such as scratches so it is protected by a special hard surface layer.

Home video recording, i.e. home recording of digital high definition television (HDTV) is expected to be the principal application for this 3rd generation format. This new TV standard will become viable within a few years. For this reason, research initially concentrated on recordable and rewritable high density discs unlike the CD and DVD formats, which were geared toward prerecorded music or movies.

SINGULUS TECHNOLOGIES’ acquisition of ODME Mastering and MoldPro injection molding technology secured its exclusive access to the technology components needed for the third generation of optical data storage.

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**Deep UV - Mastering System in the Philips
Test Lab for the
3rd Generation of Optical Disc – Blu-Ray**



RESEARCH AND DEVELOPMENT. As world technology leader in the development of optical data storage replication systems, SINGULUS TECHNOLOGIES continues to benefit from steady growth in these markets. Aided by dynamic research and development efforts, SINGULUS continues to expand its technology-based leadership position in the market. With a total of 16.3 million Euro, R&D activities remained at prior year levels (16.2 million Euro). R&D expenditures totalled 4.7 % of revenues. All preparatory work performed during the past two years for the two new MRAM and ophthalmic business segments was financed from the company's own funds.

The cycle time for the new SKYLINE II CD/DVD 5 replication line was reduced specifically for DVD 5 manufacturing from its initial 8.5 seconds to 6 seconds. This speed-up can be equated to significant gains in productivity.

A much improved version of the DVD 9 system concept will be marketed in 2004 in the form of the SPACELINE II. While the cycle time for the DVD 9 system has been reduced from 3 seconds to 2.5 seconds, it incorporates the potential for additional improvements.

SINGULUS TECHNOLOGIES has continued its optimization of the STREAMLINE DVDR/SP-A. Its cycle time is now less than 4.5 seconds. This line was simultaneously qualified for 4 x production of DVD-R. Development work for the next DVD-R generation, 8 x DVD-R, was finished in January 2004.

A new high performance replication system known as the STREAMLINE II has been developed for the manufacture of DVD-R, and was designed specifically to meet the rigorous requirements of our Asian customers. Improved cycle times and low reject quotas along with markedly reduced manufacturing costs were among the major challenges our engineers and physicists had to meet.

At SINGULUS OMP, the newly developed DMS EVOLUTION mastering system was successfully introduced to the market in the Spring of 2003 and followed by mul-



tiple installations around the world. The first laser beam recorder for recordable CD and DVD has also been sold.

By joining forces, our development efforts in 2004 will be systematically furthered and expanded in order to secure a lasting technological lead not just in our core business but in the two new business arenas as well, i.e. across the entire range of application in vacuum coating technology.

INVESTMENT IN THE EXPANSION OF CAPACITY. Following the January 2003 completion of the Kahl headquarters' first addition for Engineering and Development, SINGULUS TECHNOLOGIES expanded its facility by another 3000 sqm, increasing its total operating area to 18000 sqm. The 3.4 million Euro investment in a fourth production hall created the space needed to house the new MRAM and ophthalmic divisions.

SALES AND SERVICE: BEING GLOBALLY ACTIVE. Our market consists of the industrialized nations of the world, with regional strongholds in Europe, Southeast Asia, and the USA.

While our research and development efforts are concentrated in Germany and the Netherlands, the configuration of our Sales and Service organisation is as international as our customers. With its foreign subsidiaries and additional network of agents, SINGULUS maintains the most widespread sales and service network in the industry.

The sales and service activities for the recently-acquired ODME mastering activities are now being integrated into this global network with the clear goal of growing market share for mastering components and systems.

In order to meet the demands of major customers, SINGULUS reinforced its presence in Taiwan during the year in report by establishing SINGULUS TECHNOLOGIES Taiwan. As in all other rapidly growing markets, that organization now offers first-class on-site service.

The SINGULUS Sales and Service network comprised the following subsidiaries as of 12/31/03:

- SINGULUS Emould GmbH, Würselen, Germany
- SINGULUS OMP B.V., Best, Netherlands
- OMP International GmbH, Schaffhausen, Switzerland
- SINGULUS TECHNOLOGIES Inc., Windsor, USA
- SINGULUS TECHNOLOGIES Service Group Inc., Windsor, USA
- SINGULUS TECHNOLOGIES Ltd., Swindon, UK
- SINGULUS TECHNOLOGIESASIA PACIFIC Pte. Ltd., Singapore
- SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paulo, Brazil
- SINGULUS TECHNOLOGIESIBERICA S.L., Sant Cugat del Vallés, Spain
- SINGULUS VIKA CHINA LIMITED, Wanchai, Hong Kong
- SINGULUS TECHNOLOGIES FRANCE S.a.r.l., Valence, France
- SINGULUS TECHNOLOGIES ITALIA s.r.l., Senigallia (Ancona), Italy
- SINGULUS TECHNOLOGIES TAIWAN Ltd., Taipeih, Taiwan

With the exception of SINGULUS VIKA CHINA LIMITED (51 % share), the corporation, directly or indirectly, holds all shares in the aforementioned companies. Agencies and service facilities are also maintained in the following regions:

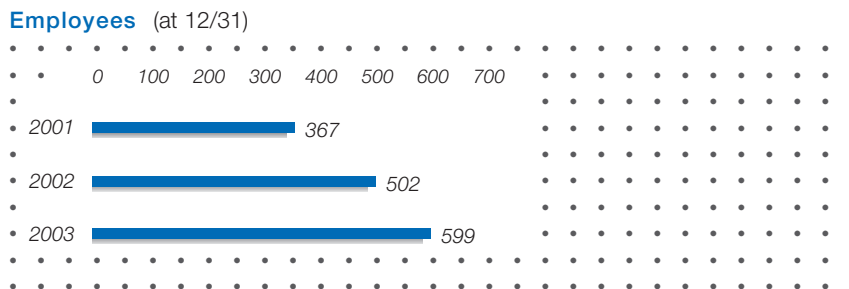
EUROPE: the Benelux countries, Bulgaria, the Czech Republic, Greece, Poland, Sweden, Finland, Norway, Turkey, Russia

NEAR EAST AND ASIA: Egypt, India, Hong Kong, Thailand, Korea, Japan



EMPLOYEES. As of December 31, 2003, SINGULUS TECHNOLOGIES employed 599 people worldwide (12/31/02: 502). 343 people are employed in our headquarters in Kahl and 256 in our subsidiaries. The company expanded its capacity in order to quickly satisfy the increase in machines ordered and sufficiently prepare for the development of new business sectors. In addition to the permanent workforce, 76 temporary workers were taken on board in order to help handle peak manufacturing periods by year-end.

MANAGING BOARD CHANGES. Stefan A. Baustert, who holds a graduate degree in business administration, was appointed to the Management Board effective January 15, 2003, and as Chief Financial Officer (CFO) is responsible for the areas of Finance, Administration and Human Resources. Dr. Reinhard Wollermann-Windgasse joined the Management Board on July 1, 2003 as new Chief Operating Officer (COO), supporting the company's expansion into new business segments.



REVENUES AND EARNINGS. SINGULUS TECHNOLOGIES' revenues for fiscal 2003 grew to 362.6 million €, up by 24.8 % over last year (290.5 million €), continuing the excellent results achieved a year ago. For the first time, the CD-recordable (CD-R) and DVD-recordable (DVD-R) formats were the principal drivers of revenues. While only 10 CD-R replication lines were booked for 2002, 62 were sold in 2003. DVD-R replication line sales were even more successful, with 28 lines sold in 2003, compared to only 4 sold in 2002.

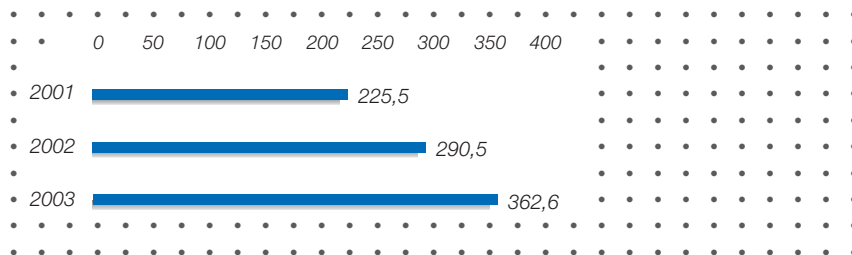
SINGULUS was able to strengthen its global market leadership in the optical disc arena.

Strong results were also posted in the prerecorded CD/DVD 5 sector where volume rose from 134 to 310 machines. The excellent business with China was crucial in achieving these results.

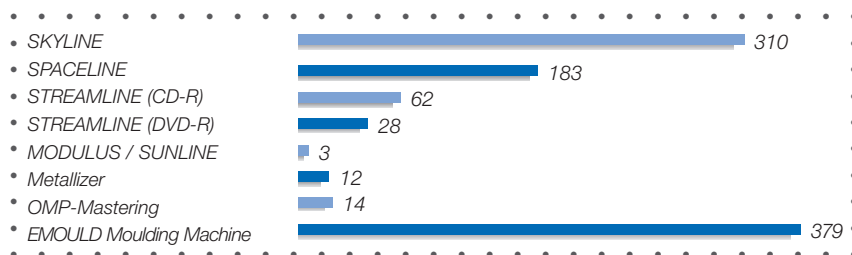
Sold and invoiced DVD-lines for prerecorded discs remained at prior-year levels (183 machines). A concurrent 10 % decline in revenues was recorded, which can largely be attributed to the weak relationship between the U.S. Dollar and the Euro.

SINGULUS was able to strengthen its global market leadership in the optical disc arena, with the DVD replication line share exceeding 65 %.

Gross Revenues (in Mio. Euro)



Number of Booked Machines 2003

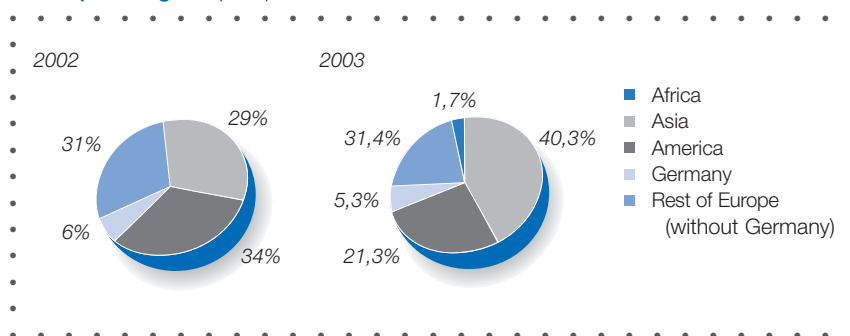


The company followed the 2003 integration of SINGULUS OMP with another acquisition, that of the Dutch global leader in mastering activities, ODME B.V. SINGULUS attained the global lead in the mastering market with this acquisition. Since the closing did not take effect until the beginning of January 2004, ODME is not included in the 2003 consolidated closing statement.

RECORDABLE ON THE UPSWING. Revenues for 2003 were distributed over a wider range of products than in 2002. Revenue share for DVD prerecorded replication lines declined from 58.9 % to 41.9 %. In contrast, revenues for CD and DVD recordable lines rose from 4.1 % to 20.6 %. The share of service and spare parts business dipped slightly from 9.9 % to 9.1 %.

DEVELOPMENT OF REVENUES WORLDWIDE. Asia was our major geographic sales territory in 2003. The Asian share of total revenues was 40.3 % (prior year 29 %). Europe (including Germany) also remained a strong sales territory, capturing 36.7 % (5.3 % from Germany) of SINGULUS machine sales (prior year 37 %, 6 % of which originated in Germany). Revenues from North and South America totaled 21.3 % (prior year 34 %) and in Africa, 1.7 %.

Sales per Region (in %)



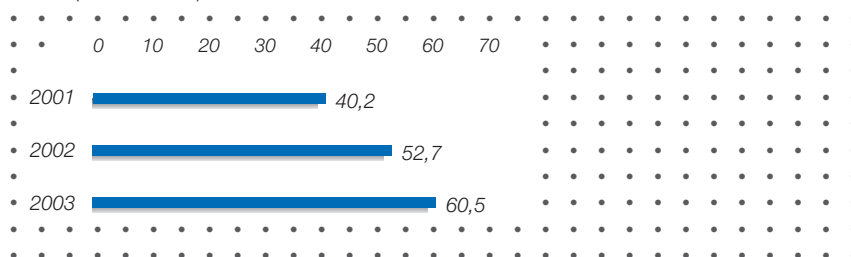
SUSTAINED PROFITABILITY. SINGULUS' gross margin for fiscal 2003 totaled 31.7 % (prior year 35.9 %). The product mix and cost pressure in markets around the world precluded attainment of the previous year's margin. Despite a drastic decline in prices in the Asian market as well as a significant drop in the standing of the U.S. Dollar against the Euro, the company was able to sustain the gross margins for most of its product groups.

While the average forward exchange rate for our U.S. Dollar based contracts was 0.87 Dollar/Euro in 2002, it deteriorated to 1.08 Dollar/Euro in 2003, i.e. approx. 23 %.

Earnings before Interest and Tax (EBIT) totaled 60.5 million Euro (prior year 52.7 million Euro). The EBIT yield totaled 17.3 % (prior year 18.9 %). The decline in the EBIT yield can be mainly attributed to a shift in the product mix. The operating expense share of net revenues declined from 17 % to 14.4 %.

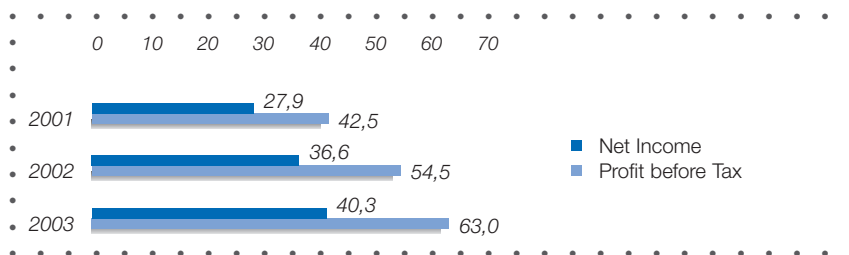
Financial results for 2003 totaled 2.5 million Euro (1.8 million Euro last year). Pre-tax earnings totaled 63.0 million Euro (prior year 54.5 million Euro). This led to a pre-tax gain of 18.1 % (19.6 % a year ago). Compared to 2002, the pre-tax rate of return grew 15.6 %.

EBIT (in Mio. Euro)



The tax rate for the year in report was 36.1 % (prior year 32.9 %). The higher taxation rate for fiscal 2003 was due to the offsetting effects of corporate income taxes and business taxes in both years, along with a higher domestic taxation rate due to contributions under the Flood-Victim-Solidarity Act dated September 19, 2002, and a higher percentage of total pretax earnings earned domestically for fiscal 2003. SINGULUS attained a net income of 40.3 million Euro (preceding year, 36.6 million Euro). The rate of return on after-tax earnings for 2003 was 11.5 % (preceding year, 13.1 %).

Financial Results (in Mio. Euro)



BACKLOG AND ORDER RECEIPTS. Order receipts for 2003 totaled 382.7 million Euro. As of 12/31/03, backlog totaled 78.6 million Euro. Acquisition of ODME B.V.'s mastering business added 11.8 million Euro to backlog, which rose to 90.4 million Euro at the beginning of January 2004.

FIXED ASSETS. Fixed assets (excluding long-term accounts receivable and the long-term portion of capitalized latent taxes) rose to 33.1 million Euro. 15.8 million Euro thereof went toward plant and equipment (prior year 14.6 million Euro) and 17.2 million Euro for intangible assets (prior year 17.0 million Euro).

Depreciation allowances on fixed and intangible assets totaled 3.7 million Euro.

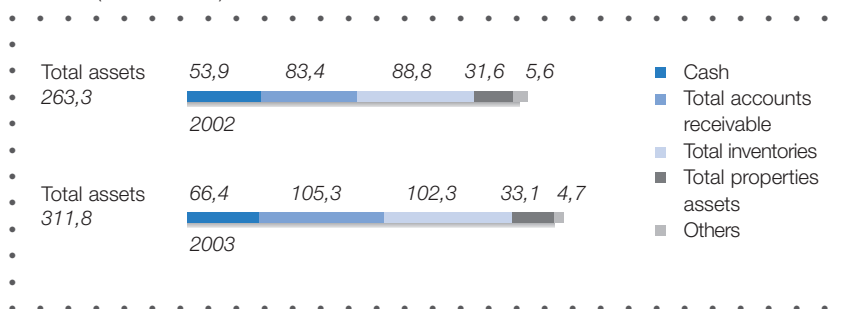
BALANCE SHEET AND LIQUIDITY. Working capital (including long-term accounts receivable, but excluding the short-term portion of capitalized latent taxes) grew by 47.9 million Euro. The increase can be attributed primarily to receivables and inventory value.

Current liabilities rose slightly from 77.8 million Euro to 88.1 million Euro. Trade payables rose by 3.4 million Euro. Discount opportunities were utilized whenever possible. Customer progress payments rose by 7.1 million Euro to 19.1 million Euro.

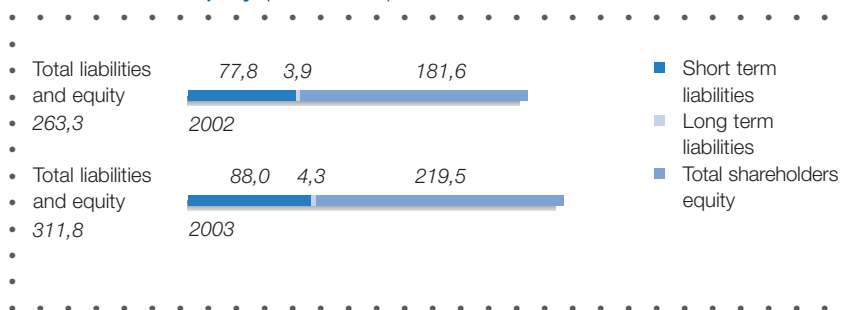
Long-term liabilities include pension funds and liabilities for convertible bonds and rose slightly, from 3.9 million Euro to 4.3 million Euro over the reporting period, where the increase in pension-fund reserves was offset by a reduction in accounts payable arising from convertible notes.

Total liabilities rose by 10.7 million Euro from 81.7 million to 92.4 million Euro.

Assets (in Mio. Euro)



Liabilities and Equity (in Mio. Euro)



EQUITY AND EARNINGS UTILIZATION. The company's shareholder equity rose from 181.6 million Euro on 12/31/02 to 219.5 million Euro by the end of 2003. Retained earnings had the most significant impact on this development. The equity ratio is 70.4 % (prior year 69.0 %). The equity return, measuring the relationship between pre-tax earnings and equity capital – totals 28.7 % (30.0 % for the preceding fiscal year). Fiscal 2003 earnings, capital, and financial figures were, once again, extraordinarily good for the SINGULUS Group.

The conversion of net income into the company's reserves is a consequence of Board recommendations made to shareholders. In accordance with § 16.3 of the statutes, half of the 30.3 million Euro net income will be converted to "other retained earnings." The remaining 15.2 million Euro profit is also to be converted into "other retained earnings" by means of a General Shareholders' resolution. Earnings per shares were 1.09 Euro.

ALLOCATION OF RETAINED EARNINGS. Because double-digit corporate growth was achieved in 2003 and prospects for 2004 point to further revenue growth, the Management Board once again recommends that the company retains all earnings.

GROWTH. The results achieved in 2003 were based entirely on internal growth. The ODME B.V. acquisition finalized early in 2004 is not included in the 2003 consolidated financial statement. The purchase price for this company totaled 23 million Euro; 20 million Euro of which was paid in January 2004 from cash on hand. The Management Board is confident that solid earnings will be achieved in 2004 with the capital utilized.

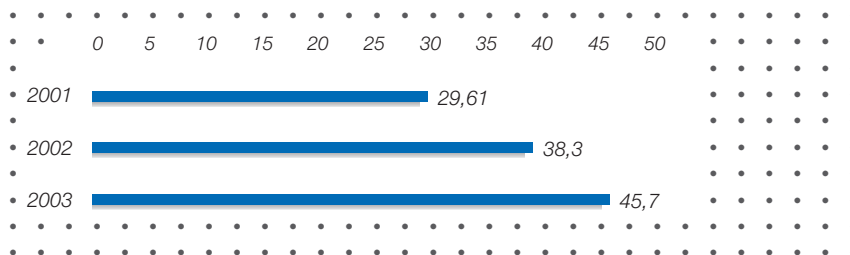
CAPITAL INVESTMENTS AND FINANCING. Additions to gross fixed assets totaling 8.4 million Euro were divided between SINGULUS TECHNOLOGIES AG, which accounted for 7.2 million Euro SINGULUS EMOULD, which accounted for 0.4 million Euro and SINGULUS OMP, which accounted for 0.4 million Euro. The remaining 0.4 million Euro were accounted for by sales subsidiaries. Gross fixed asset capital expenditures totaling 3.4 million Euro for SINGULUS Kahl went toward building expansion. Additional space was created for technical personnel and manufacturing additional machines, since the number of replication machines sold (excluding metallizers) rose from 332 for fiscal 2002 to 586 for fiscal 2003. Facilities for our new MRAM and ophthalmic lens coating system operations also had to be created.

A total of 2.3 million Euro (1.3 million Euro in Kahl) was spent on facility and office equipment.

Investments were once again financed entirely from cash flow.

CASH FLOW. The company's cash flow from normal operations, prior to adjustments to allow for changes in working capital, increased by 7.4 million Euro totaling 45.7 million Euro for fiscal 2003, up from 38.3 million Euro (before change of working capital). Working capital (liquid assets minus current liabilities) grew by 38.7 million Euro. This growth is attributed to an increase in inventory as well as short-term accounts receivable. Inventories and gross accounts receivable grew in step with the growth of our business.

Cash-Flow from Normal Operations (in Mio. Euro)



In terms of risk, the configuration of our receivables improved. Consequently, that portion of accounts receivable due in one year or more declined by 1 million Euro, despite a nearly 25 % growth in revenues.

SINGULUS remains totally debt-free, on a net basis.

Capital investments and investments in financial instruments, along with the increase in working capital, were financed out of cash flow from normal operations. Moreover, liquid assets rose to 66.4 million Euro by the closing date.

RISK REPORT / KONTRAG. The SINGULUS TECHNOLOGIES Group is subject to particular risks due to its business model and export sales of more than 90 %. The risks that must be covered are technological risks, market risks, foreign-exchange risks, purchasing risks, political risks, and customer risks. SINGULUS recently introduced and upgraded control and monitoring systems in order to detect, assess, and cover these risks.

A highly significant aspect thereof are customer risks, duly allowing for the sales markets involved. Assessments of customer risks were refined by the introduction of associated analyses and reports.

Business risks that might arise due to competitive pressures, as well as such that might arise from technological developments are tracked and assessed.

Market risks must also be assessed. Our business has increasingly shifted from CDs to DVDs over recent years. During fiscal 2003, we experienced a significant shift in our business toward recordable lines. SINGULUS has formed its own teams of experts in order to be able to rapidly detect such shifts in our markets.

Forward exchange rates are used to cover foreign-exchange risk exposures arising from invoices written in foreign currencies, a practice that we have adhered to during 2003.

On the procurement front, our supplies are secured by negotiating appropriate long-term blanket agreements. Regular quality audits are conducted in order to prevent vendor related quality risk exposures.

The company fully complies with regulations set forth in the German law called KonTraG. The instruments with which we monitor risk have been reviewed with our auditors and the Supervisory Board and are adequate for the timely identification of risks endangering the company.

The Management Board is convinced that no risks jeopardizing the survival of the company have been identified for the current fiscal year or ensuing years.

ENVIRONMENTAL AWARENESS. Long-term economic success is only possible if economic, ecological, and social responsibilities are continually improved and advanced in a balanced manner. SINGULUS is committed to mindful management and the systematic reduction of all environmental hazards.

SINGULUS TECHNOLOGIES AG does not produce hazardous waste in its manufacturing. Even water and energy consumption are limited to normal usage for a mid-sized manufacturing operation. As a consequence of our investment in a closed-loop cooling water system for commissioning and testing of our machines prior to delivery, water resources are handled sparingly and responsibly.

The company is represented by an external safety agent for matters concerning occupational safety and legal requirements affecting the environment. The new office and manufacturing spaces at the Kahl headquarters conform to the most modern building codes. The environmental standards employed in the expansion of our manufacturing space exceeded legal requirements. High standards of environmental protection are in force at all SINGULUS locations, particularly with respect to occupational safety.

Corporate Governance at SINGULUS TECHNOLOGIES

The term “corporate governance” represents the governance and management of corporations which has long-term value enhancement as its goal. Consideration of shareholder interests, efficient cooperation between Management and Supervisory Boards, as well as openness and transparency are central to these considerations.

An appreciation of responsible organizational leadership has been held in high regard at SINGULUS TECHNOLOGIES ever since the company’s inception. As a result, no special measures have been needed to assure compliance with the principles of conduct established in the “German Code of Corporate Governance.”

The Management and Supervisory Boards as well as executives at SINGULUS TECHNOLOGIES support the principles and tenets of transparent and responsible corporate management and governance, since these criteria help maintain and improve the confidence that shareholders, employees, business associates, and members of the general public have in us.

The in-depth, ongoing dialogue between the Management and Supervisory Boards is the basis for efficient corporate administration. The Management Board advises the Supervisory Board in a timely and comprehensive manner of all relevant matters pertaining to corporate planning and strategic development, business transactions, the status of the business, including risk exposures, as well as risk management. Deviations from established plans and goals are discussed at length. The company’s strategic management is thoroughly reviewed with the Supervisory Board on an ongoing basis.

SINGULUS TECHNOLOGIES Stock

FINANCIAL MARKETS IN GENERAL. Following a three-year downhill trend, many stock markets around the world hit a low in the Spring of 2003. The end of the Iraq war and the containment of the SARS disease improved prospects for the future development of financial markets. The recovery in corporate earnings anticipated by the markets, low capital investment interest rates, as well as high cash reserves around the world have since caused the stock markets to rebound.

SINGULUS TECHNOLOGIES' STOCK. SINGULUS' stock was also hit by the general stock-market volatility during the early weeks of calendar 2003, and reached a low for the year of 8.93 Euro/share in March 2003. By year-end, it had reached 16.70 Euro in XETRA-trading. The rise during fiscal 2003 was 32.54 %.

TECDAX AS THE NEW BENCHMARK. In February 2003, the TecDAX was established as the stock market successor to the New Market's "Nemax-50" Index. SINGULUS was one of 30 publicly-traded companies admitted to the TecDAX, and has been a heavyweight in this index ever since.

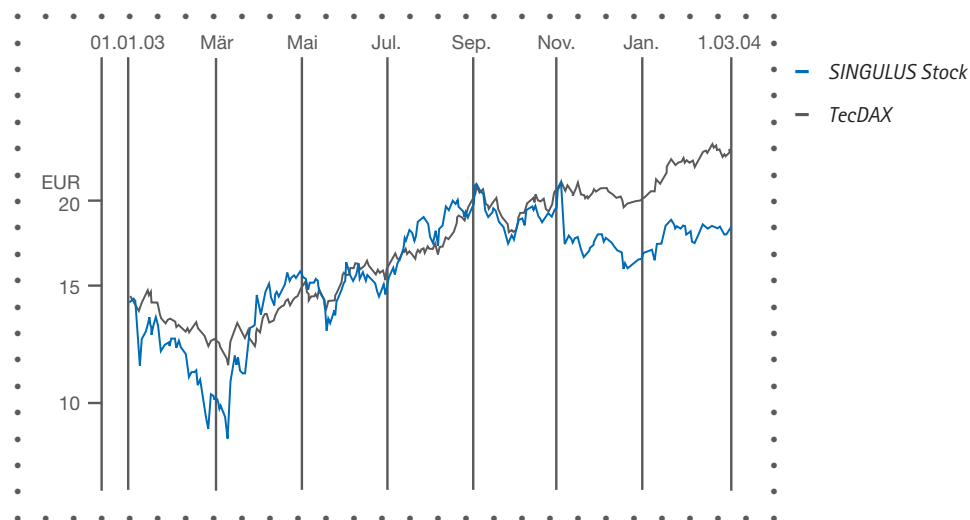
SINGULUS' market capitalization improved from 462 million Euro to 619 million Euro over fiscal 2003. By year-end, approximately 37 million shares were in circulation. The free float stands at 100 %.

Its average 2003 trading volumes of 194,139 shares in Xetra and 38,724 shares in floor trading make it one of the most frequently traded stocks in the TecDax. Its price-to-earnings ratio on 12/31/03 was 15.58. Earnings per share grew from 0.99 Euro in 2002 to 1.09 Euro in 2003 (DVFA/SG: 1.06 Euro/share).

Stock Key Figures

Stock exchange:	Frankfurt, Market Segment TecDAX
ISIN:	DE0007238909
Master data:	723890
Stock symbol:	SNG / Reuters SNGG.DE / Bloomberg SNG.NM
Type of shares:	Ordinary bearer shares for EUR 1
Issued share capital:	37,064,316
Nomical capital:	EUR 37,064,316
Indices:	NEMAX-All-Share, TecDAX
Prime Standard:	Technology
Freefloat, approx.:	100 %
Shares per 12/31/2003:	37,064,316
Market Cap per 12/31/2003:	619 Mio. EUR
Annual low 2003:	8.93 EUR
Annual high 2003:	21.40 EUR
Year-end 12/31/2003:	16.70 EUR
Trade volumina, Ø Xetra:	194.139 pieces / day
Trade volumina, Ø Parkett:	38.724 pieces / day
KGV (12/31/2003):	15.58
Earnings per share in EUR:	1.09

The SINGULUS TECHNOLOGIES Stock In Comparison



Analyst-Coverage



ABN Amro Bank AG	HSBC Trinkaus & Burkhardt KG
B. Metzler Seel. Sohn & Co.	Hypo Vereinsbank
Bank Vontobel	Independent Research
Bankhaus Reuschel & Co.KG	ING Financial Markets
Bayerische Landesbank	Kepler Equities
Berenberg Bank	Landesbank Baden-Württemberg LB BW
Berliner Bankgesellschaft	Mainfirst Bank AG
BNP Paribas	Merrill Lynch
BW Bank	Metzler Equity Research
Citigroup	Morgan Stanley
Commerzbank AG	Sal. Oppenheim
CA Indosuez Cheuvreux	SG Securities
CSFB Credit Suisse First Boston	SEB Research
Deutsche Bank AG	SES Research GmbH
DZ BANK	UBS Investment Bank
Dresdner Kleinwort Wasserstein	West LB Equity Markets
Helaba Trust	

INVESTOR RELATIONS
Efforts Remain a High
Priority!

Post-12/31/2003 Events

On January 9, 2004, SINGULUS TECHNOLOGIES AG legally acquired all shares of ODME B.V., Eindhoven, The Netherlands, and acquired from the OTB Group B.V., Eindhoven, The Netherlands, the exclusive rights to patents and other intellectual property rights of MoldPro injection-molding technology. The firm's optical data storage replication line business had previously been divested, and remained with the OTB Group. The purchase price for all of the mastering system product lines involved totaled 23 million Euro, 20 million of which was paid out of cash on hand during January, 2004. The ODME mastering business is profitable, earning margins similar to those of SINGULUS. A total of 96 employees were transferred as a result of the acquisition.

Outlook

GROWTH IN OUR CORE BUSINESS MARKETS. All leading market observers expect that the annual growth rate in global DVD-production will average 25 % over the next three years, i.e., over the period 2004 - 2006. SINGULUS expects to sustain its dominant role in this dynamic growth market.

The company is particularly attentive to growth in the DVD-R market, i.e. once-recordable DVDs. This disc format is primarily used in "stand-alone" DVD recorders but is increasingly being used in DVD burners for PCs. This market has broadened enormously due to the sharp drop in the price of recorders and will presumably be as successful as the CD-R market was in the past. In accordance with our own projections, the SINGULUS product portfolio will see a corresponding marked increase in the sale of its recordable-format replication systems.

By the end of 2004, high-definition digital television (HDTV) will achieve a technological breakthrough in the markets of North America and Japan, and will proliferate in 2005 and beyond. Conventional DVD formats are not suitable for storing or recording this amount of data. Digital TV will accelerate the demand for the new formats needed, especially "Blu-Ray" or "AOD," or even both of these options that are vying to become the third generation optical disc.

The SINGULUS mastering capabilities are already spearheading the development of the third generation of optical data storage. SINGULUS TECHNOLOGIES will provide all prerequisites for the Blu-Ray/AOD replication line market and once again demonstrate its technological leadership.

NEW BUSINESSES ENHANCE IMAGINATION. SINGULUS TECHNOLOGIES' projected success in optical data storage-replication systems continues to provide the company the opportunity to expand into promising new vacuum thin film technology applications (MRAM, ophthalmic lenses, specialty lenses, etc). Their market introduction has been scheduled for fiscal 2004. The Management Board has set a goal of increasing the revenues and earnings of new business segments 20 % within five years. These new activities should thus be reporting above-average growth rates commencing in 2005.

The decline of the U.S. Dollar against the Euro exerted sale pricing pressures on SINGULUS' products during fiscal 2003. The U.S. Dollar-Euro exchange rate will continue to affect the course of our business during fiscal 2004.

The company enters fiscal 2004 with a higher backlog than a year ago. The general mood in the "digital industry" remains very upbeat. SINGULUS TECHNOLOGIES has grown at double-digit average annual growth rates throughout its entire eight-year history.

In view of its core areas of technological expertise, leading position on the world market for optical disk replication systems, and expansion into new lines of business, the company believes that it is well-equipped to remain on a dynamic growth track and to continue to report solid earnings over the medium-term as well.

Kahl am Main, February 24, 2004

The Managing Board

Roland Lacher

Stefan A. Baustert

Klaus Hammen

Dr. Reinhard Wollermann-Windgasse

