



Report of the Supervisory Board

Dear shareholders!

The business year 2005 was a difficult year for the SINGULUS TECHNOLOGIES AG and the entire group of companies. Significant worldwide excess capacities in the market for the production of CDs and DVDs led to a situation in which our company as well as the entire sector had to record declines in sales. In addition, there were uncertainties on part of our customers with regard to their investment decisions for equipment of the third format generation due to competing formats on the market (HD DVD / Blu-ray). Since the fourth quarter 2005 we have been experiencing first signs of a market recovery.

Activities of the Supervisory Board.

The Supervisory Board was regularly apprised in detail of the course of business and the Group's situation during the fiscal year 2005 and provided oversight for the Executive Board's leadership of the company. The basis of the information and oversight activities of the Supervisory Board were written and verbal reports by the Executive Board and other employees as well as by auditors and consultants.

The Executive Board informed the Supervisory Board in writing on a monthly basis about the current course of business of the individual segments and their respective market environments. The Supervisory Board was informed about important projects and measures by means of current status quo reports amongst others. Thus, the Executive Board at all times informed the Supervisory Board in detail and promptly about the preparations and the execution of the acquisition of the majority

in the STEAG HamaTech AG from the SES Beteiligungs-GmbH and the public offer for the remaining shareholders of the STEAG HamaTech AG to acquire their shares. Furthermore, the planned measures to cut costs and to enhance the performance were discussed.

Owing to the close coordination and open cooperation with the Executive Board, the Supervisory Board was informed in detail at all times about all important business events and trends of the SINGULUS TECHNOLOGIES Group and was constructively involved in the strategy of the company in the course of its supervisory activities.

The company's plans and strategy were discussed in detail during the meetings on January 20, 2005, March 11, 2005, May 3, 2005, July 28, 2005, November 6, 2005 and November 21, 2005 and addressed with the Executive Board. For each meeting the Executive Board provided the Supervisory Board with a written report of the discussed procedures.

If required, further reports of the Executive Board regarding transactions important for the development of the company were discussed in detail with the Executive Board in the course of extraordinary meetings. In particular the topics Asia strategy, acquisition opportunities and STEAG HamaTech were discussed during these meetings.

During the business year 2005 the Supervisory Board convened nine times, thereof five meetings were ordinary and four meetings extraordinary. In each quarter at least two meetings were convened. A regular topic on the agenda was the business trend of the company, in particular the development of sales and profitability, the comparison of the actual business performance with the budgets, the



company's planning as well as the respective interim reports.

The position of the SINGULUS TECHNOLOGIES Group compared with its competitors and the future strategic positioning were discussed with the Executive Board in detail several times. The Supervisory Board intensively engaged in the start-up of production at the new site in Switzerland (SINGULUS MOLDING) as well as the decision about the production in the People's Republic of China. In this context, the market potential of the Chinese market and the possibility of an acquisition were discussed in detail. The formation of a joint venture with a Chinese partner was resolved.

Additional focal points of the meetings were preparations and the execution of the acquisition of the majority in the STEAG HamaTech AG from the SES Beteiligungs-GmbH as well as the public offer to the other shareholders of the STEAG HamaTech AG to acquire their shares of the STEAG HamaTech AG. In particular, the Supervisory Board dealt intensively with the adequateness of the offered purchase price, the risk assessment of the transaction as well as issues regarding the integration into the SINGULUS Group. The Supervisory Board also obtained an opinion from the advising investment bank. The Supervisory Board concurred with the Executive Board and

supported the acquisition of the shares from the SES Beteiligungs-GmbH as well as the takeover offer to the remaining shareholders of the STEAG HamaTech AG.

The matter of a potential distribution of dividend as well as the start-up of a share buyback program were extensively discussed between the Supervisory Board and the Executive Board. An additional regular topic for the meetings was the monitoring of the effectiveness of the work of the Supervisory Board by means of further developed questionnaires. The Supervisory Board concluded to continue the self-evaluation in the future as well.

The Supervisory Board dealt in detail with accounting principles and the consolidation accounting practices of the SINGULUS TECHNOLOGIES AG as well as the results of the annual audit for the business year 2004. Among the other issues were the preparation of the proposal of the Supervisory Board regarding the agenda item „Election of Auditor“ as well as the further agenda items of the ordinary Annual General Meeting 2005 of the SINGULUS TECHNOLOGIES AG. Also the determination of focus of the audit and the negotiations about the audit fees with the auditor were part of the discussions of the Supervisory Board.

Issues regarding corporate governance, in particular the declaration of conformity pursuant to Art. 161 Stock Corporation Act (Aktiengesetz) were subject matters of the Supervisory Board meetings. In addition, the Supervisory Board was also concerned with the composition and the amount of the total compensation of the members of the Executive Board.

In the course of the regular reporting the Executive Board informed the Supervisory Board also about the introduced risk monitoring system of the SINGULUS TECHNOLOGIES AG pursuant to Art. 91 Par. 2 Stock Corporation Act (Aktiengesetz) and presented the consolidated risk report. This report combines all relevant risks of the business units and functions and presents them accordingly. The Supervisory Board examined the report with respect to plausibility and concluded that there was no doubt about this matter.

The Chairman of the Supervisory Board also met with the Executive Board for numerous individual discussions held in addition to the Supervisory Board meetings to review the status and further development of the company. At all times, the Supervisory Board was informed about these meetings in detail.

There were no objections on part of the Supervisory Board regarding the conduct of business by the Executive Board of the SINGULUS TECHNOLOGIES AG at any time. Furthermore, the Executive Board and Supervisory Board agreed at all times about the assessment of the business trend, the market environment, opportunities and risks.

All the members of the Supervisory Board participated in the meetings of the Supervisory Board during the business year 2005. Two extraordinary meetings were held by means of conference calls.

Corporate Governance, Risk Management and Compensation of the Executive Board.

The SINGULUS TECHNOLOGIES AG and its Supervisory Board subscribe to the principles of proper and responsible corporate governance. In particular against the background of recent changes of the German Corporate Governance Code the Supervisory Board engaged in issues of corporate governance in detail.

No conflicts of interests of members of the Supervisory Board arose during the period under review. The cooperation of the Supervisory Board was characterized by efficiency, professional competence and trust.

Since inception of the company the Supervisory Board is comprised of three members. The Supervisory Board continued to refrain from forming an audit committee or other Supervisory Board committees in the fiscal year 2005, because according to its view there is neither an increase in efficiency to be expected nor an improved handling of complex issues nor a more efficient or improved execution of tasks of the Supervisory Board in connection with issues about accounting principles, risk management or the audit. Accordingly, there were no committee meetings during the business year 2005.

There are no deductibles for the D&O insurance taken out for the members of the Supervisory and Executive Boards. The D&O insurance premiums for the Supervisory and Executive Board are paid by each board member and not by the company. Responsible conduct is a self-evident obligation for the Supervisory and Executive Boards. We presume that deductibles would not heighten the motivation and engagement of the Supervisory and Executive Board members.

The Executive and Supervisory Boards filed a joint declaration of conformity pursuant to Art. 161 Stock Corporation Act (Aktiengesetz) in February 2005 (please refer to the chapter “Corporate Governance” on page 43 of the annual report 2004). In the declaration the Executive and Supervisory Boards jointly declared that the recommendations of the German Corporate Governance Code as amended by the Federal Department of Justice as of May 21, 2003 were adhered to except for the Code recommendations in Art. 3.8 Para. 2 (no deductibles for D&O insurance), Art. 5.1.2 Para. 2 (no age limit for members of the Executive Board as per articles of association), Art. 5.3.1 and 5.3.2 (no formation of committees) and Art. 5.4.1 (no age limit for members of the Supervisory Board as per articles of association) and were adhered to during the business year 2004 as well subject to the exceptions mentioned above. The by-laws of the Supervisory Board stipulate that no person may be proposed for election to the Supervisory Board for a longer term than after the age of 75. In addition, the by-laws of the Supervisory Board stipulate that the age limit for members of the Executive Board is 65.

The amendments of the German Corporate Governance Code by the Federal Department of Justice as of June 2, 2005 were discussed during the business year 2005. According to the opinion of the Supervisory Board no cause for action or change arises from these amendments. In January 2006 the Executive and Supervisory Boards filed an additional joint declaration of conformity pursuant to Art. 161 Stock Corporation Act (AktG) (please also refer to the chapter “Corporate Governance” on pages 21 to 25). In it the Executive and Super-

visory Board declared that the SINGULUS TECHNOLOGIES AG adhered to the recommendations of the German Corporate Governance Code as amended by the Federal Department of Justice as of May 21, 2003 during the business year 2005 subject to the exceptions from the Code recommendations mentioned above. In addition, the Executive and Supervisory Boards declared that the SINGULUS TECHNOLOGIES AG will adhere to the recommendations of the German Corporate Governance Code as amended by the Federal Department of Justice as of June 02, 2005 during the business year 2006 subject to the exceptions from the Code recommendations mentioned above.

The sitting members of the Executive Board have signed individual employment contracts with the company. Pursuant to the legal requirements of the Stock Corporation Act, for the conclusion of the employment contracts the company was represented by the Supervisory Board. There were no changes in the composition of the Executive Board in the business year 2005. In the employment contracts only the calculation of the variable components was adjusted to the transition of accounting according to IFRS. No options were issued from the option program resolved at the Annual General Meeting in 2005. The compensation for the members of the Executive Board is comprised of fixed and variable components. The variable compensatory factors include annually recurring components that are tied to the success of the company. The Supervisory Board reviews the composition of the respective overall compensation package from different compensation components as well as the amount of the overall compensation on a regular

basis. In the course of the review of the compensation the Supervisory Board concluded that the composition of the respective compensation package from the different compensation components as well as the amount of the overall compensation for the business year 2005 was appropriate.

According to relevant regulations of stock corporation and commercial law the SINGULUS TECHNOLOGIES AG is subject to special requirements with respect to company-internal risk management. The SINGULUS TECHNOLOGIES AG has introduced a respective monitoring system. The design and the results of the monitoring system is of particular interest for the Supervisory Board. The Supervisory Board considers the monitoring system of the SINGULUS TECHNOLOGIES AG efficient and concurs with the risk assessment of the Executive Board.

The by-laws of the Supervisory Board were left unchanged in the business year 2005.

The stock holdings of Supervisory Board members are published in the annual report as well as on the internet (for a detailed presentation please refer to the annotations on page 24 of this annual report).

Financial Statements of the AG and the Group, Status Report and Proposal of Profit Appropriation.

The financial statements of the SINGULUS TECHNOLOGIES AG as well as the consolidated financial statements and the combined status report of the SINGULUS TECHNOLOGIES AG drawn up by the Executive Board as of December 31, 2005 were audited by the Ernst & Young AG, Certified Public Accountants, Eschborn.

Pursuant to the requirements of the German Corporate Governance Code, the auditors Ernst & Young AG declared in writing to the Chairman of the Supervisory Board on May 23, 2005, that there are no circumstances possibly affecting the independence as auditors. During the meeting of the Supervisory Board on May 30, 2005 the suitability of Ernst & Young AG, Certified Public Accountants, as auditors for the business year 2005 was discussed by the Supervisory Board in detail and agreed.

Subsequently, as proposed by the Supervisory Board the Ernst & Young AG, Certified Public Accountants, was elected as auditor for the business year 2005 at the ordinary Annual General Meeting of the SINGULUS TECHNOLOGIES AG on May 30, 2005.

The financial statements and the status report of the SINGULUS TECHNOLOGIES AG for the business year 2005 were drawn up pursuant to the regulations of the German Commercial Code (HGB) and the Stock Corporation Act (AktG). The consolidated financial statements were drawn up pursuant to the International Financial Reporting Standards (IFRS). The consolidated financial statements were supplemented by a consolidated status report, which was combined with the status report of the financial results pursuant to Art. 315 Para. 3 read in conjunction with Art. 298 Para. 3 Sent. 1 HGB.

The Ernst & Young AG, Certified Public Accountants, reviewed the financial statements and the consolidated financial statements as well as the combined status report considering the accounting principles and approved them without reservation.

In the course of the review of the financial statements of the SINGULUS TECHNOLOGIES

AG the auditor also had to review whether a risk monitoring system enabling the early detection of risks threatening the continuity of the company has been implemented by the Executive Board. With respect to the monitoring system the auditor stated that the Executive Board had implemented the required measures pursuant to Art. 91 Para. 2 Stock Corporation Act and that the system is capable of an early detection of trends threatening the continuity of the company.

The audited financial statements of the SINGULUS TECHNOLOGIES AG, the audited consolidated financial statements as well as the combined status report as of December 31, 2005 were presented to all Supervisory Board members for examination in a timely manner. The audited financial statements and the combined status report were the subject of the Supervisory Board meeting on March 10, 2006. In the course of this Supervisory Board meeting the Executive Board also reported about the profitability of the company in detail. This report was discussed in detail with the Executive Board.

The approved auditor participated in this Supervisory Board meeting concerning the financial statements and presented the Supervisory Board the course and results of its audits and focal points of the audit. The results of the audit were discussed by the members of the Supervisory Board and the auditor in detail. All questions posed by Supervisory Board members were answered by the auditor in detail. The Supervisory Board took note of the results of the audit of the financial statements and consolidated financial statements by the auditor, discussed them and did not have any objections.

The Supervisory Board reviewed the financial results of the AG as well as the consolidated statements and the combined status report and regards them as true, plausible and complete. As a result of its own review the Supervisory Board was thus able to agree that there are no objections to the financial statements of the SINGULUS TECHNOLOGIES AG, the consolidated financial statements and the combined status report as of December 31, 2005. In its meeting on March 10, the Supervisory Board approved the financial statements of the SINGULUS TECHNOLOGIES AG and the consolidated financial statements drawn up by the Executive Board. Thus the financial statements of the SINGULUS TECHNOLOGIES AG have been finalized.

In the course of the Supervisory Board meeting concerning the financial statements the Supervisory Board also discussed and decided upon the proposal for the resolution at the Annual General Meeting with respect to the appropriation of the net profit. The Supervisory Board agreed to the profit appropriation proposal of the Executive Board for the Annual General Meeting.

In recognition of the accomplishments achieved during the past year, the Supervisory Board extends its thanks and gratitude to the Executive Board and all employees of the company.

Kahl am Main, March 10, 2006

Alexander von Engelhardt
Chairman of the Supervisory Board

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