



ANNUAL REPORT 2007



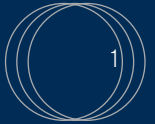
SMART SOLUTIONS TO DRIVE THE FUTURE








At a Glance – Consolidated Key Figures

The consolidated financial statements of the years 2003 to 2007 were drawn up pursuant to the International Financial Reporting Standards (IFRS).

		2003	2004	2005	2006	2007
Sales (gross)	in mn. €	362.6	439.5	244.4	283.1	229.5
Sales (net)	in mn. €	348.8	423.8	232.3	272.5	223.0
– Sales Germany	%	5.3	10.1	13.3	11.7	11.3
– Sales Rest of Europe	%	31.4	30.1	36.5	30.2	28.6
– Sales Americas	%	21.3	24.3	20.1	28.0	32.1
– Sales Asia	%	40.3	33.7	24.4	27.5	25.9
– Sales Africa/Australia		1.7	1.8	5.7	2.6	2.1
Order intake	in mn. €	382.7	417.6	248.7	319.0	203.8
Order backlog (31.12.)	in mn. €	90.4	56.7	60.9	81.5	55.8
EBIT	in mn. €	68.4	72.6	2.1	4.0	1.1
EBIT margin	%	19.6	17.1	0.9	1.5	0.5
Earnings before taxes	in mn. €	70.9	73.9	3.3	4.3	1.6
Net profit	in mn. €	44.5	46.8	7.3	11.1	3.0
Operating cash flow	in mn. €	18.4	49.1	8.3	9.0	-3.6
– in % of net sales		5.3	11.6	3.6	3.3	-1.6
Tangible assets	in mn. €	15.8	13.9	12.9	22.3	12.5
Financial assets	in mn. €	13.0	31.2	31.2	31.2	76.8
Current assets	in mn. €	256.9	284.9	238.8	248.2	212.1
Shareholders' equity	in mn. €	227.1	249.6	255.5	274.7	293.3
Equity ratio	%	69.4	63.0	71.0	69.1	66.1
Balance sheet total	in mn. €	327.0	396.0	359.9	397.6	443.9
Research & Development	in mn. €	16.3	22.8	19.4	23.5	25.6
– in % of net sales		4.7	5.4	8.4	8.6	11.5
Employees (31.12.)		599	736	636	796	764
Weighted average shares outstanding, basic		36,986,738	36,769,485	35,065,241	34,941,929	35,610,088
Weighted average shares outstanding, diluted		36,986,738	36,769,485	35,065,241	35,015,262	37,194,844
Stock price at year-end	€	16.70	12.90	14.50	12.13	6.97
Earnings per share	€	1.20	1.27	0.21	0.35	0.05

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



The company exercised its right pursuant to Art 315 Para. 3 German Commercial Code (Handelsgesetzbuch (HGB)) to prepare a combined status report for the SINGULUS TECHNOLOGIES Group and the SINGULUS TECHNOLOGIES AG. Since the course of business, the situation of the company as well as the opportunities and risks of future development of the SINGULUS TECHNOLOGIES AG and the SINGULUS TECHNOLOGIES Group broadly coincide, the following statements, in particular references to specific data, refer to the SINGULUS TECHNOLOGIES Group.

Overall business situation – Group Structure and Operating Activities

Work areas

SINGULUS TECHNOLOGIES develops, manufactures and sells mainly automated production machines for optical discs. Starting point of our company's development following the buyout in 1995 were the fully integrated production lines for CDs. From 1997 on we also integrated the DVD production of the discs in a fully automated production process of our production lines. Due to our plant concept and the high level of reliability of our machines, SINGULUS TECHNOLOGIES was able to rapidly become market leader the segment of CD and DVD. We have a global market share of more than 65 % for machines for the production of DVDs. The entire process steps from injection molding and vacuum coating to the final production of the disc are integrated in a fully automated production process of our production lines.

In the past business year SINGULUS TECHNOLOGIES established the new business division Solar. To realize a quick entry into the strongly-growing solar equipment market, SINGULUS TECHNOLOGIES bought 51 % of the shares of the STANGL Semiconductor Equipment AG (STANGL) in September 2007. For the remaining 49 % of the shares a put/call option was agreed on. Accordingly, the buyer has a call option and in turn, the seller has been granted a put option. The call option can either be exercised in the period from January 1, 2010 until May 31, 2010 (call option 1) or in the period between January 1, 2011 and May 31, 2011 (call option 2). The put option can either be exercised in the period from June 1, 2010 until October 31, 2010 (put option 1) or in the period between June 1, 2011 and October 31, 2011 (put option 2).

The business activities of STANGL include the manufacturing of machines for the solar industry. STANGL is one of the globally leading providers of equipment for wet-chemical processes.

Global locations

SINGULUS TECHNOLOGIES has a global sales and service network with branches in all of the important regions for our industry. Service centers are operating in Kahl am Main (Europe), Singapore (Asia) as well as Windsor, CT (USA). They offer service availability day and night for all inquiries worldwide and therefore ensure our customers to have the required high production availability of their production machines.

Production sites

- _ SINGULUS TECHNOLOGIES AG, Kahl am Main, Germany
- _ SINGULUS Nano Deposition Technologies GmbH, Kahl am Main, Germany
- _ SINGULUS MASTERING B.V., Eindhoven, Netherlands
- _ SINGULUS MOLDING AG, Schaffhausen, Switzerland
- _ SINGULUS MANUFACTURING GUANGZHOU Ltd. (SMG), Guangzhou, China
- _ HamaTech APE GmbH & Co. KG, Sternenfels, Germany
- _ STANGL Semiconductor Equipment AG, Eichenau, Germany

Distribution subsidiaries worldwide

- _ SINGULUS MASTERING INTERNATIONAL GmbH, Schaffhausen, Switzerland
- _ SINGULUS TECHNOLOGIES UK Ltd., Swindon, UK
- _ SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat del Vallés, Spain
- _ SINGULUS TECHNOLOGIES FRANCE S.a.r.l., Valence, France
- _ SINGULUS TECHNOLOGIES ITALIA s.r.l., Senigallia (Ancona), Italy
- _ SINGULUS TECHNOLOGIES Inc., Windsor, USA
- _ SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., São Paulo, Brazil
- _ SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore
- _ SINGULUS VIKA CHINA LIMITED, Wanchai, Hong Kong
- _ SINGULUS TECHNOLOGIES TAIWAN Ltd., Taipei, Taiwan

Except for SINGULUS VIKA CHINA LIMITED, SINGULUS MANUFACTURING GUANGZHOU, HamaTech and the STANGL Semiconductor Equipment AG, SINGULUS TECHNOLOGIES directly or indirectly owns the entire shares of the abovementioned companies.

HamaTech AG

At the end of the year under review the SINGULUS TECHNOLOGIES AG held about 91.3% of the shares of its former competitor, the HamaTech AG, in total. The majority of the HamaTech AG was acquired in the business year 2006. In addition to the manufacturing of machines for the production of optical discs the portfolio also included the business division for the construction of inspection systems (ETA-Optik), and division for the manufacturing of cleaning machines for photo masks (APE) as well as a company for the manufacturing of input products for the optical disc and semiconductor sector (SESS), which is located in Slovakia.

In the past fiscal year 51 % of the shares of the operating unit of STEAG Electronic Systems (SESS) in Nove Mesto, Slovakia, were sold. To realize this sale it was necessary to establish a new company, BÖHM Electronic Systems (BESS), to which the operating parts of SESS were transferred. Since then, SESS only holds land and buildings. The remaining 49 % of BESS were disposed in the course of the exercise of a call option in the business year 2007. The company ETA-Optik was sold in 2007.

At the beginning of 2008 the remaining optical disc activities were relocated from Sternenfels to the main site of SINGULUS TECHNOLOGIES in Kahl am Main. The profitable business division for the manufacturing of machines for the cleaning of photo masks was spun-off into an independent GmbH & Co. KG named HamaTech APE, Sternenfels. As of December 31, 2007, the HamaTech AG employed 14 people in total, the HamaTech APE GmbH & Co. KG together with HamaTech USA had 97 employees overall.

Merger requested

Until June 30, 2007 the SINGULUS TECHNOLOGIES Beteiligungs-GmbH held 88.77 % of the share capital and the voting rights of the HamaTech AG in total. For the share transfer, the SINGULUS TECHNOLOGIES Beteiligungs-GmbH was merged to the SINGULUS TECHNOLOGIES AG with effect from June 30, 2007. This resulted in a loss from the merger in the separate financial statements of the SINGULUS TECHNOLOGIES AG in the amount of € 24.0 million. This loss mainly arose in connection with the assumption of the net loss of the HamaTech AG in the amount of € 22.2 million in the business year 2006, i.e. this loss from the merger at the SINGULUS TECHNOLOGIES AG results from events in the business year 2006. Within the Group this loss is eliminated due to consolidation.

As a consequence of this procedure, on November 1, 2007 SINGULUS TECHNOLOGIES and HamaTech announced in an ad-hoc release that the Supervisory Boards agreed on the share exchange ratio and the merger of the HamaTech AG to the SINGULUS TECHNOLOGIES Aktiengesellschaft. Accordingly, the shareholders of the HamaTech AG will receive two SINGULUS TECHNOLOGIES shares for nine HamaTech shares.

The merger agreement was accepted at the extraordinary shareholder meeting of the HamaTech AG on December 17, 2007 with an acceptance of about 98.7%. Due to objections filed by shareholders the entry of the merger is still pending.

HamaTech APE, Sternenfels

The segment Advanced Process Equipment for the production of cleaning equipment of photo masks is – as previously announced on November 1, 2006 – continued in Sternenfels as an independent subsidiary under the name of HamaTech APE. The demand in the market segments for cleaning equipment for photo masks served by the division Advanced Process Equipment showed a favorable trend. The business division Advanced Process Equipment was able to exceed the previous year's level of sales and contributed positively to earnings. We expect HamaTech APE to make a positive operating earnings contribution in the fiscal year 2008, too.

SINGULUS MANUFACTURING GUANGZHOU, China

SINGULUS TECHNOLOGIES and its long-time partner VIKA, Hong Kong, founded the joint venture SINGULUS MANUFACTURING GUANGZHOU (SMG) in Guangzhou, Southern China in 2006 as an assembly site for DVD replication lines of prerecorded discs. SINGULUS TECHNOLOGIES owns 51% of the shares in this company. In Guangzhou, DVD machines and EMOULD injection molding equipment are assembled on a business space of 10,000 sqm. and sold to the Chinese market. As of December 31, 2007, SMG employed 41 people in Guangzhou in total.

SINGULUS EMOULD GmbH, Würselen, Germany

SINGULUS TECHNOLOGIES announced in November 2007 to center its competence for the manufacturing of injection molding machines at SINGULUS MOLDING in Schaffhausen, Switzerland. In the future, the so far produced injection molding machines of the EMOULD type will be manufactured at the SINGULUS MOLDING AG in Schaffhausen.

The operations at the SINGULUS TECHNOLOGIES AG in Kahl am Main will be responsible for services as well as spare parts for this machine type in future. Here, services and spare part activities have already been centered. The shut-down affected 40 employees overall. The step will further reduce the cost base in the Group and strengthen the earnings in the segment of optical disc production lines.

SINGULUS MOLDING AG, Schaffhausen, Switzerland

Since the summer of 2005, SINGULUS TECHNOLOGIES has been producing a new generation of electromechanical injection molding machines in Schaffhausen. 71 machines of this new concept were produced and shipped in 2007. Since the beginning of 2008 the EMOULD machines are also assembled in Schaffhausen. As of December 31, 2007 SINGULUS MOLDING employed 41 people in total.

SINGULUS MASTERING B.V., Eindhoven, Netherlands

SINGULUS MASTERING located in the Netherlands develops and manufactures mastering systems for all formats of optical storage media. In 2007 the new PTM (phase transition mastering) for the Blu-ray standard was launched, which had been developed in cooperation with Philips. At the MEDIA-TECH Expo in the US in May 2007 SINGULUS MASTERING presented the newly developed inline mastering systems with the brand name CRYSTALLINE for the first time in public. Besides SONY, SINGULUS

MASTERING is the only company in the world able to offer an inline mastering system for all DVD and in particular also Blu-ray formats. As of December 31, 2007 SINGULUS MASTERING employed 79 people overall.

SINGULUS Nano Deposition Technologies GmbH, Kahl am Main

In June 2007 SINGULUS TECHNOLOGIES spun-off its business activities TMR (tunnel magnetic resistance) into an independent subsidiary. With this step we clearly document to the market the independence and autonomy of these activities from the core activities “Optical Disc”. Furthermore, we expect an improved sales approach with this step. As of December 31, 2007 the SINGULUS Nano Deposition Technologies GmbH employed 26 people in total.

STANGL Semiconductor Equipment AG, Eichenau

In September 2007 the SINGULUS TECHNOLOGIES AG, Kahl am Main, acquired 51 % of the STANGL Semiconductor Equipment AG (STANGL) and has been consolidating the company since September 1, 2007. For the full-year 2007 STANGL reported sales pursuant to IFRS amounting to € 30.1 million. The company is one of the globally leading suppliers of machines for wet-chemical processes for photovoltaics applications. As of December 31, 2007 STANGL employed 122 people overall.



Strategy

Expansion strategy: diversification into the growth market Solar

Since its foundation and IPO SINGULUS TECHNOLOGIES has been a growth company. The earnings generated in the operating activities were always reinvested for the expansion of existing and the establishment of new business areas. This expansion strategy over the years was reflected by increasing key figures of the company such as sales, number of employees, earnings and market share.



However, the trend of these key figures declined in the past couple of years in the course of the consolidation of the optical disc market. The strategic positioning of the company rests on the goal to once again enter the temporarily disrupted growth process. Accordingly, we have further strengthened our market position in the past couple of years through acquisitions in our core activities Optical Disc. The development of the Blu-ray technology at SINGULUS TECHNOLOGIES has secured us a leading position in the future market of the third format generation. In addition to the further development of Optical Disc we have reviewed other technologies in the past years as well. Our goal was to generate sales with the launch of new products, which are independent of the cyclical fluctuations in the optical disc market. Correspondingly, we generated double-digit million sales with profit contributions outside of our core activities for the first time in 2007 with our own product developments in the segment Nano Deposition Technologies and the coating of ophthalmic glasses as well as decorative coatings.

This organic growth with own product developments was supplemented in 2007 by the first acquisition outside our traditional work area with the entry into the solar industry.

Own developments and acquisitions are the two complemented elements of our expansion strategy. With these two instruments SINGULUS TECHNOLOGIES will generate growth in the future as well. A large market potential as well as the proximity to the core competencies of our company are the essential factors in examining additional internal or external growth opportunities.

**Service and sales strategy:
expansion of market leadership in the optical disc market**

Following a pioneer stage in the optical disc machine business with a constantly rising number of competitors the sector has consolidated in the meantime. SINGULUS TECHNOLOGIES contributed actively to this consolidation. Depending on process step and format the number of suppliers of machines for the production of optical discs was reduced to three to four globally active companies. SINGULUS TECHNOLOGIES is the only supplier offering production equipment for all process steps.

This position as a one-stop supplier is appreciated by our customers because one contact person for all technologies and formats reduces complexity and correspondingly the associated production risks. Due to its unique position SINGULUS TECHNOLOGIES is able to take advantage of synergies in development, production, sales & marketing as well as services. Therefore it is only due to the broad range of products and services offered that we are able to provide a tightly-knit sales and service network worldwide for our customers. SINGULUS TECHNOLOGIES will also offer the entire value chain from mastering and injection molding to replication in the currently evolving market of the third format generation.

**Production strategy:
focus of manufacturing capacities at competence centers**

In order to make use of synergies all production capacities for replication lines of all optical disc formats were centered at the site in Kahl am Main in 2007. The site in Würselen was closed and the production of EMOULD injection molding machines relocated to Schaffhausen. An additional center of competence is intended to be established in the greater Munich area. Here we will expand the development of production know-how for wet-chemical processes and equipment for the photovoltaics sector. In order to be able to better address the peculiarities of the Chinese market, we have a joint venture for the assembly of optical disc replication lines in China. Our entire know-how for mastering is centered in Eindhoven.

Research and development

Research and development

In the core work area Optical Disc SINGULUS TECHNOLOGIES works intensively in further developing and optimizing the product range established in the market to maintain our achieved competitive edge. At the same time SINGULUS TECHNOLOGIES also invests in new work areas, such as in particular the use of solar energy, with the goal to develop additional, profitable business areas for the future, which will strengthen the sustainability of the company.

Currently, spread over the competence centers we are employing substantially more than 100 people in the divisions Research & Development and Construction. The machines developed in the business year 2007 such as the high density mastering system CRYSTALLINE and the new replication line BLULINE II will start in 2008 to contribute a constantly rising share to sales and earnings. The same holds true for the development of a coating machine for silicon solar cells, which we started in the 2nd half of 2007. Here, we expect considerable shares of sales in the strongly growing Solar activities from 2009 and onwards.

Optical Disc

SINGULUS TECHNOLOGIES continuously improves the efficiency of its entire product range with respect to reliability, production speed and quality of the produced discs. Therefore, our machines are thus the most productive and thus guarantee the highest efficiency in the market.

In 2007 we concentrated our development efforts in Kahl on the new modular production platform BLULINE II for the production of prerecorded and recordable Blu-ray Discs. The flexible systems enables our customers to start the production of single layer Blu-ray Discs (25 gigabyte) with a



low investment outlay and to upgrade the machine with an additional module for the production of dual layer Blu-ray Discs (50 gigabyte) at any-time, if required. The machine uses an economic centrifugal lacquering process for the extremely homogenous top layer and the material-efficient wet embossing process developed by SONY for the production of the second information layer.

The development considered many of the customers' demands and the long-time experience of our development and construction teams. If possible, proven hardware elements and components were used. The BLULINE II is extremely compact and characterized by both ease of use and service. It is marketed since the beginning of 2008.

At SINGULUS MASTERING in Eindhoven a new mastering system for the formats of the third generation named CRYSTALLINE was developed. The process technology applied is based on phase transition of specific materials under thermal impact. For the writing of information only the thermal part of a laser light source is used. This enables structures which are significantly smaller than the wavelength of the used laser.

The CRYSTALLINE fully automatically performs several partial processing steps from the cleaning of the glass substrates to the application of the nickel base layer for the subsequent galvanization process. This development was originally started with Philips Laboratories, Eindhoven, and will be supported by SONY DADC, Austria, in the future.

Solar

SINGULUS TECHNOLOGIES acquired the solar equipment maker STANGL in the business year 2007. With this step SINGULUS TECHNOLOGIES was successful in entering the rapidly growing solar market.

The core competencies of the two companies complement each other in an ideal way. While STANGL is specialized in the construction of machines for wet-chemical processes, SINGULUS TECHNOLOGIES' strength rests on vacuum coating processes and industrial automation.



SINGULUS TECHNOLOGIES decided to develop its own coating machine for the application of antireflective layers which is fully integrated into the production of silicon solar cells. Because of the extremely high quality of the layer, the anti-reflective and passivation characteristics will be improved and therefore the energy efficiency of the finished cells improved. The first SINGULUS TECHNOLOGIES coating machine is schedule for delivery in 2008 already.

Additional product developments

NANO DEPOSITION TECHNOLOGIES

The TIMARIS machine is characterized by its ability to apply extremely thin (sub-nanometer dimensions) and at the same time very homogenous layers in high vacuum on substrates with diameters of up to 300 mm. In a virtually user-defined sequence, up to ten different materials can be applied. Areas of application are for example semiconductor elements such as memory chips (MRAM) and logistics ICs as well as read/write heads for magnetic hard disc drives. New applications are currently being developed.

The TADERIS coating machine was developed for extremely thick layers (micrometer dimension). With the machine very thick insulating and protective layers, for example of aluminum oxide, can be applied with high coating rates and therefore very economically. These coatings are also

used in write/read heads for magnetic hard disc drives. In this work area we were able to record double-digit million sales with a positive earnings contribution in 2007.

OPTICAL COATINGS

On the basis of sputter and PECVD (physical enhanced chemical vapor deposition) processes SINGULUS TECHNOLOGIES developed the OPTICUS, a fully-automated inline coating machine for individual substrates. In less than 30 minutes including quality control, all coating steps are performed on both sides of the eye lenses at the same time. The automation enables a reduction in the production costs of up to 25 % compared with the traditional vacuum deposition equipment used by the market for decades. The development efforts in 2007 were focused on customer specific coatings for high refractive plastic lenses.

DECORATIVE COATINGS

SINGULUS TECHNOLOGIES has transferred the inline production process proven for optical disc to three-dimensional plastic parts. Similar to the CD or DVD production, the plastic parts are formed in an injection molding machine, an undercoat lacquer applied if necessary, metallized and a protective layer applied in the end, while completely solvent-free lacquer is used, which is hardened by ultraviolet light. Using suitable metal alloys enable almost limitless coating colors. The fully-automated DECOLINE distinguishes itself through high efficiency and ecological advantages.

ADVANCED PROCESS EQUIPMENT

The HamaTech APE is active in baking and developing of exposed photoresist layers as well as in various cleaning steps during the mask production and its application. Several photo masks are required in the production process of nearly all semiconductor elements. The focus in 2007 was set on the development of a high temperature hotplate for the removal of crystals (haze), which emerge from the glass substrate during the exposure with ultraviolet light and which without cleaning make the photo masks unusable.

Together with the development consortium Sematech APE developed the cleaning technology for the future lithography processes with extremely short-wave ultraviolet light (EUV).

Employees

SINGULUS TECHNOLOGIES emphasizes the continuous further training of its workforce. The development and assembly of state-of-the-art machines with latest technologies require a high level of skills. Therefore, the share of employees with an academic degree is comparably high in our company. This is complemented by further training programs in the areas of leadership, producer development, foreign languages and customer focus.

Continuous further training

In addition to professional training for employees, the company offers vocational training for five occupational fields. Moreover, we offer internships for pupils and students and mentor diploma theses. At the end of 2006 the SINGULUS TECHNOLOGIES Group employed 796 people. Due to restructuring measures and the sale of a subsidiary the number of employees declined to 764 people as of the end of 2007. This includes a headcount of 111 at the HamaTech Group. For the first time 122 employees at the STANGL Semiconductor Equipment AG were consolidated in the business year 2007. The average number of employees in the Group amounted to 717 people in 2007 (previous year: 1,129 employees).

Employees as of December 31	2005	2006	2007
HamaTech	-	226	111
STANGL	-	-	122
SINGULUS TECHNOLOGIES	636	570	531
SINGULUS TECHNOLOGIES Group	636	796	764
Germany	393	485	498
Abroad	243	311	266

Economic Situation

The Global Economy

The overall economic development in the full-year 2007 was stable. However, there was some deterioration during the 2nd half of the year caused by the impact of the credit crisis on the US real estate market. According to experts, the consequences of the US real estate crisis will continue to have a negative impact on the financial markets in 2008. The year 2007 was also characterized by a constantly rising oil price and a weak US-Dollar exchange rate against other currencies. Nevertheless, the impact of the Dollar on exports from the Euro-zone was less pronounced than feared.

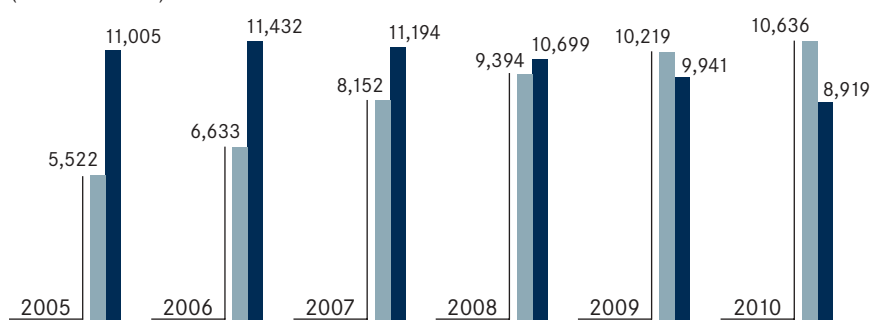
The economic trend in Germany was positive once again in 2007. The figures for 2007 released by the German Federal Bureau of Statistics published in 2008 showed a slightly lower growth rate than in 2006, but the gross domestic product (GDP) still rose by 2.5% (previous year: 2.9%), which is the second highest reading since 2000. The main reason for this growth was again the level of investments in equipment (machines, plants, vehicles), which increased by 8.4% compared with the previous year. The data reported by the trade association VDMA confirms this trend. Accordingly, the production volume of the German engineering sector reached a record level of € 181 billion in the year under review. This corresponds to a growth rate of 11% compared with 2006. The VDMA forecasts a sector growth of five percentage points in 2008 compared with 2007. Due to the imminent technology change, which had not yet taken place in 2007, SINGULUS TECHNOLOGIES as well as the entire optical disc equipment sector did not participate in the overall growth of the global economy. In particular, the impact of the “format war” between Blu-ray and HD DVD contributed to this trend, which will be explained in detailed in the following section.

Experts expect the global economy to continue its growth in the year 2008 albeit at a lower rate. However, an economic growth rate of 1.75% is still deemed possible. According to GfK (Gesellschaft für Konsumforschung) the consumption climate in Germany is viewed favorably, but the market researcher fears that it could suffer from recessionary trends in the US or intensifying turbulences on the international financial markets. This is an assessment the VDMA agrees to, while the latter projects a higher degree of independence of the global economy from the US market.



Global market trend recordable and rewritable CDs/DVDs

(million discs)



Source: Understanding & Solutions (U&S), May 2007

■ CD ■ DVD



Global market trend prerecorded DVDs

(million discs)



Source: Understanding & Solutions (U&S), Sept./Oct. 2007

Optical disc market

The development in the optical disc market is described by individual data mediums and format generation in the following.

CD: a slight decline

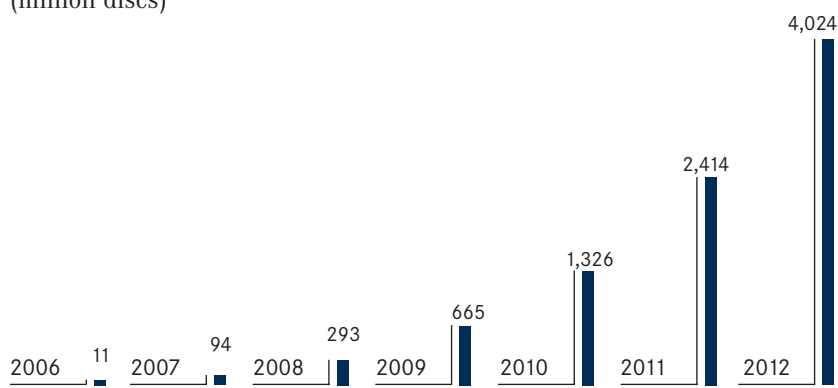
In 2007 the CD celebrated its 25th anniversary. The medium has proven to have a longer life than forecast. Worldwide about 11.8 billion prerecorded CDs and 11.2 billion once-recordable and rewritable CDs were sold in 2007. Due to the high capacities available in the market for CD production, the demand for machines for the production of CDs declined compared with the previous year.

DVD: stable business

The total volume of sold DVDs, the format of the second generation, amounted to 8.1 billion discs for prerecorded DVDs (according to U&S Sept./Oct. 2007). Market researchers project an additional, slight increase to 8.2 billion units in the current business year. The market for once-recordable and rewriteable discs is expected to continue to grow in the next couple of years as well.



Global market trend recordable and prerecorded Blu-ray Disc / HD DVD
(million discs)



Source: Techno Systems Research, December 2007

Many regions in the world have not or only to a limited extent been penetrated by DVDs. Therefore, this still offers stable business with resulting equipment investments in the near future.

High-Definition: decision in favor of Blu-ray

The past business year was impacted by the prevalent uncertainties regarding the competing formats of the third generation, namely Blu-ray Disc and HD DVD. This uncertainty resulted in a general restraint in capital spending on part of disc producers of all formats. With the movie studio Warner Bros.' decision in January 2008 to offer its movies exclusively on Blu-ray Discs in high-definition quality, Toshiba was forced to end the "format war" and withdrew its format HD DVD from the market. Therefore, in the end all Hollywood studios, but also other film studios worldwide, will use the Blu-ray technology. SINGULUS TECHNOLOGIES has particularly worked on this technology in its R&D strategy and therefore expects to participate disproportionately from the currently emerging market growth in Blu-ray.

According to studies by the market researchers Techno Systems Research the production of prerecorded Blu-ray Discs is set to more than double from 2008 to 2009 (to 536 million discs compared with forecast 254 million in 2008) and to rise to 2.3 billion discs by 2012. Inexpensive players and blockbuster movies from Hollywood in high definition quality will

lead to rapidly increasing disc sales and require capital spending on part of our customers for new equipment technology according to market observers. The still growing market for game consoles supporting Blu-ray should also have a positive impact on the sales of our production equipment.

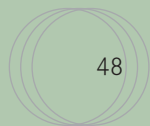
Photovoltaics market:

high new investments for the solar cell production expected

The developments in the field of renewable energies, at the forefront solar energy, were fast in the past couple of years. Studies (e.g. Bank Sarasin & Cie AG, November 2007) show that the newly installed power from solar cells amounted to about 1,647 MWp in 2006. The study projects a rise to 2,747 MWp in 2007 and to 3,975 MWp in 2008.

In this process the production capacities in all stages of the value-added chain are expanded and therefore enable the rapid growth of the entire photovoltaics industry. For the future development of the global photovoltaics market some hurdles such as silicon shortages and a lack of support programs have been cleared. In its report in November 2007 Sarasin thus projected a newly installed photovoltaics volume of around 8,25 GWp (gigawatt peak) for 2010. This corresponds to a compounded annual growth rate of approx. 50% for the years 2006 to 2010.

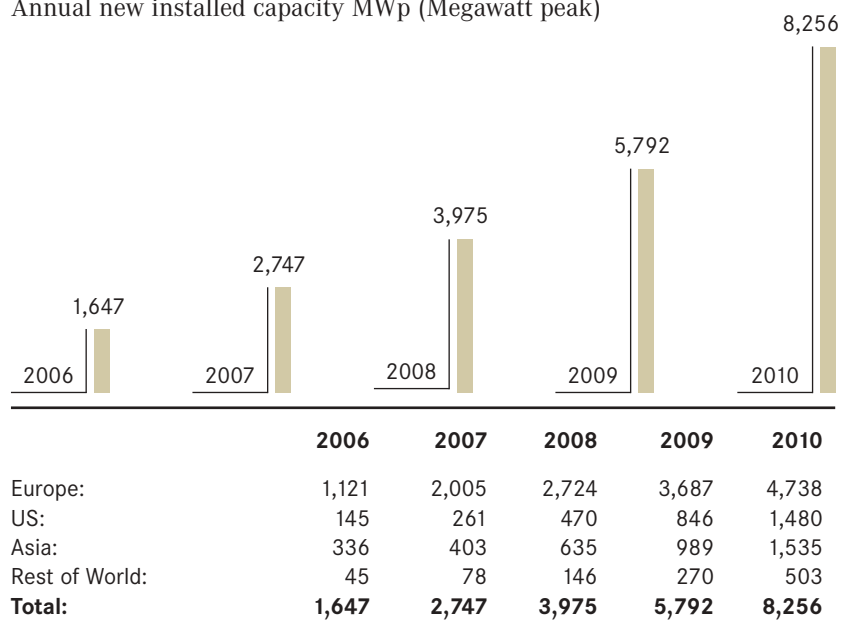




Here, crystalline silicon solar cells represent the majority of the market. In view of these growth rates in the next couple of years, a respectable boost for investment in plant and equipment for new solar cell factories is expected. The market for thin-film solar cells is projected to grow from 511 MWp in 2007 to 1,983 MWp in 2010.

Country-specific projection for the PV market

Annual new installed capacity MWp (Megawatt peak)



Source: Sarasin Sustainability Research, November 2007

Financial Report of the SINGULUS TECHNOLOGIES AG

Sales and earnings

Compared with the previous year sales declined by € 53.6 million from € 283.1 million to € 229.5 million. Adjusted for the companies ETA-Optik and BESS, which were deconsolidated in the meantime, the decrease in sales amounted to € 24.2 million compared with the prior-year. For the first time SINGULUS TECHNOLOGIES reports for the business year 2007 split by the divisions, Optical Disc, Solar, Semiconductor and Coating. In the segment Optical Disc net sales dropped by € 54.5 million compared with the previous year and totaled € 169.8 million in the year under review. The reason for the decline in this segment was mainly a volume effect. In the year under review the segment Solar includes sales in the

Sales	2005	2006	2007
(in million €)			
Sales (gross)	244.4	283.1	229.5
Individual selling expenses	12.1	10.7	6.5
Sales (net)	232.3	272.5	223.0

Breakdown of sales by region	2005	2006	2007
(in %)			
Asia	24.4	27.5	25.9
Americas	20.1	28.0	32.1
Germany	13.3	11.7	11.3
Europe (excl. Germany)	36.5	30.2	28.6
Africa & Australia	5.7	2.6	2.1

Number of invoiced systems	2005	2006	2007
BLULINE (Blu-ray Disc)	-	-	5
SKYLINE (CD)	82	113	80
SPACELINE (DVD)	149	123	113
STREAMLINE (CD R)	11	4	9
STREAMLINE (DVD R)	32	9	6
TAURUS (DVD R)	-	28	23
MASTERING	42	25	14
EMOULD/MoldPro	336	344	311

Key earnings figures (in million €)	2005	2006	2007
EBIT	2.1	4.0	1.1
Earnings before taxes	3.3	4.3	1.6
Net profit	7.3	11.1	3.0
Earnings per share	0.21	0.35	0.05

net amount of € 13.8 million for the first-time consolidated STANGL AG. In the segment Semiconductor sales rose by € 15.4 million to € 37.1 million in total. The segment Coating reporting net sales in the amount of € 2.3 million in the year under review, which means a slight increase compared with the prior-year.

During the year under review sales in the segment Optical Disc were considerably shaped by the Prerecorded business with our SPACELINE and SKYLINE machines.

In the fiscal year 2007, Europe (including Germany) was once again our main sales region with a share of total sales of 39.9% (previous year: 41.9%). In the year-over-year comparison the Americas increased their share slightly to 32.1% (previous year: 28.0%). The region Asia accounted for 25.9% of sales (previous year: 27.5%). On a low level the activities in Africa and Australia declined slightly to 2.1% of sales (previous year: 2.6%).

The gross profit margin rose significantly in the business year 2007. The increase to 29.3% (previous year: 25.2%) was mainly due to the high share of total sales in strong-margin activities in the segments Semiconductor and Solar.

The operating expenses amounted to € 64.2 million and remained close to previous year's level (previous year: € 64.6 million) However, the prior-year operating expenses included extraordinary effects in connection with the first-time consolidation of the HamaTech AG. They stem from an extraordinary gain in the amount of € 33.8 million from the purchase accounting as a result of the acquisition of this company as well as restructuring charges in the amount of € 27.2 million. Overall, the figure for the prior-year results included a positive extraordinary effect in the net amount of € 6.6 million. Adjusted for this effect the operating expenses dropped by € 7.0 million compared with the previous year. Specifically, development expenses in the amount of € 16.4 million (previous year: € 21.2 million) were incurred in the year under review. The expenses for sales & marketing and customer service totaled € 22.9 million (previous year: € 24.0 million), the general, administrative expenses come to € 18.7 million (previous year: € 25.9 million).

The other operating expenses in the amount of € 9.1 million mainly include expenses due to write-offs on accounts receivable totaling € 1.6 million, currency-related losses of € 2.9 million as well as a deconsolidation loss of ETA-Optik in the amount of € 1.1 million.

The earnings before interest and taxes (EBIT) declined to € 1.1 million (previous year: 4.0 million). Specifically, the operating result of the Optical Disc segment including restructuring charges in the amount of € 3.1 million was negative at € 4.2 million. The Solar division posted a positive EBIT in the amount of € 2.9 million. In the Semiconductor segment a positive earnings contribution totaling € 4.8 million was achieved. The Coating segment was negative at € 2.5 million in the year under review.

The EBIT margin within the Group came to 0.5% (previous year: 1.5%). The financial result of € 0.5 million remained around the prior-year level (previous year: € 0.3 million). The net profit amounted to € 3.0 million (previous year: € 11.1 million). This decline is mainly based on an extraordinary effect in the prior-year in the amount of € 8 million in connection with the first-time capitalization of corporate tax assets from the transition to the so-called “half-income procedure” pursuant to the German Tax Reduction Act as of October 23, 2000 through the revision of the “Act on Accompanying Measures for the Introduction of the European Company and Amendment of Further Tax Provisions” (SEStEG) as of December 7, 2006. The tax income in the year under review amounting to € 1.5 million predominantly results from a tax refund in connection with changes in tax assessments for the years 1997 to 2000 due to the acceptance of loss carry-forwards.

Order intake and order backlog (in million €)	2005	2006	2007
Order intake	248.7	319.0	203.8
Order backlog (Dec. 31)	60.9	81.5	55.8

Order backlog and order intake

The order intake including the first-time consolidated STANGL AG came to € 203.8 million in the year under review (previous year: € 319.0 million) and was 36 % below previous year's level. The order backlog as of end of 2007 recorded a significant decline over the previous year (€ 81.5 million) and stood at € 55.8 million including the consolidated STANGL AG.

Balance sheet and liquidity

The non-current assets (excluding long-term receivables and capitalized tax assets) increased by € 83.0 million compared with the previous year mainly due to the acquisition of STANGL. Specifically, the item Goodwill increased by € 45.6 million in connection with the first-time consolidation of the abovementioned company. In addition, intangible assets in the amount of € 39.5 million were recognized in the course of the first-time consolidation. These intangible assets include technology (€ 6.8 million), customer relationships (€ 27.8 million) as well as the "STANGL" brand (€ 4.8 million). Furthermore, the capitalized development expenses increased by € 9.4 million compared with the previous year due to the development activities for new equipment of the third generation of optical discs. The amount of property, plant and equipment recorded an opposite trend with a decline totaling € 9.9 million compared with the prior-year. This reduction is mainly based on the Group management's decision to sell the real estate of the HamaTech AG in Sternenfels. In this context, property, plant and equipment of € 5.7 million were transferred to the item "Assets of a disposal group classified as held for sale".

For the first time in the business year 2006 commercially used land and buildings, which were leased, were recorded under the line item "Real estate held as financial assets" in the amount of € 8.8 million. As of December 31, 2007, the book value of these assets amounted to € 8.7 million.

Depreciation (incl. extraordinary write-offs) on property, plant and equipment and intangible assets amounted to € 18.1 million compared with € 30.6 million in the previous year. This decline is mainly due to an extraordinary effect in the prior-year period in connection with the shut-down of the recordable activities at the site in Kahl am Main and the shut down of the prerecorded operations in Sternenfels as a consequence of the restructuring of the Group and the resulting extraordinary write-offs totaling € 12.6 million.

Current assets were reduced by € 36.1 million during the period under review. Specifically, cash and cash equivalents declined by € 19.3 million. This decline mainly occurred in connection with the payment of the cash components in the amount of € 25 million for 51 % of the shares of STANGL. In addition, compared with the previous year inventories declined by € 14.9 million for balance sheet date related reasons. Other receivable and other assets declined by € 0.1 million compared with the previous year. The short-term accounts receivable decreased slightly by € 1.9 million compared with the prior-year level.

The “Assets of a disposal group classified as held for sale” in the amount of € 5.2 million and consolidated for the first time in the business year 2006 are in connection with the sale of 100 % of the shares of the STEAG ETA-Optik GmbH, Heinsberg, which was completed at the beginning of February 2007. In the year under review this item represents the real estate of the HamaTech AG in Sternenfels.

Compared with the previous year the short-term liabilities decreased by € 9.1 million. This decline is based on opposing effects. Specifically, this amount includes decreases of € 11.7 million for prepayments received, € 3.7 million of accounts payable as well as € 1.8 million of other provisions. In contrast, short-term bank liabilities rose by € 8.2 million. The increase in bank liabilities results mainly from making use of a credit line in the amount of € 10.0 million in connection with the financing of the acquisition of 51 % of the shares of STANGL.

Similar to the previous years, cash discounts for accounts payable were used in the business year 2007, if possible.

Compared with the prior-year the long-term liabilities increased by € 37.2 million and amounted to € 74.1 million at the balance sheet date. This increase in the amount of € 37.2 million is due to the accounting of the put/call option in connection with the acquisition of STANGL. Furthermore, compared with the previous year tax liabilities rose by € 7.9 million. This increase is predominantly due to tax effects stemming from uncovering hidden reserves in the course of the first-time consolidation of STANGL. In contrast, long-term bank liabilities declined by € 6.3 million due to the repayments of loans.

Shareholders' equity

As of the end of 2007 the equity of the Group increased slightly from € 274.7 million as of December 31, 2006 to € 293.3 million. This increase is mainly based on the issuance of 2,004,478 shares in connection with the financing of the acquisition of 51 % of the shares of STANGL. Equity attributable to shareholders of the parent company amounted to € 287.2 million. Minority interests totaled € 6.0 million.

The equity ratio stood at 66.1 % and was thus only slightly below previous year's level (69.1 %). The return on equity - measured by the ratio of earnings before taxes to equity - amounted to 1.1 % (previous year: 1.6 %).

Capital expenditure and financing

The gross addition to property, plant and equipment (including additions due to acquisitions) in the SINGULUS TECHNOLOGIES Group amounted to € 2.4 million in the business year 2007. This is set against depreciation of property, plant and equipment in the amount of € 4.8 million. As of December 31, 2007, the intangible assets amounted to € 176.5 million. This includes € 48.3 million of capitalized development expenses, € 76.8 million of goodwill as well as € 51.4 million of other intangible assets. The depreciation of intangible assets amounted to € 13.3 million in the year under review.

Cash flow

During the year under review the cash flow from operating activities was negative at € 3.6 million. In the prior-year period the operating cash flow had been positive at € 9.0 million. The decline is mainly due to the reduction of prepayments received. In addition, the investments for the development of new equipment for the third generation of optical discs contributed to this.

The cash flow from investing activities was negative at € 16.7 million compared with € 20.3 million in the previous year. This is mainly a result of the acquisition of 51 % of the shares of STANGL. In this connection cash and cash equivalents of the SINGULUS TECHNOLOGIES Group declined by € 18.7 million. In contrast, the proceeds from the sales of ETA-Optik and the minority stake in BESS had a compensating effect totaling € 4.5 million.

In the period under review the cash flow from financing activities amounted to € 1.2 million compared with a negative cash flow of € 0.3 million in the prior-year. The positive cash flow from financing activities mainly results from the use of a current account loans in the amount of € 10.0 million in connection with the financing of the payment of the cash component for the acquisition of 51 % of the shares of STANGL. In contrast, loans in the total amount of € 8.1 million were repaid in the business year 2007.

As an overall result, cash and cash equivalents declined by € 19.3 million in the year under review.

Cash flow (in million €)	2005	2006	2007
Cash flow from operating activities	8.3	9.0	-3.6
Cash flow from investing activities	-9.9	-20.2	-16.7
Cash flow from financing activities	-11.9	-0.3	1.2
Exchange rate related changes	4.1	0	-0.2
Total cash flow	-9.4	-11.5	-19.3
Cash and cash equivalents at the beginning of the business year	77.1	67.7	56.2
Cash and cash equivalents at the end of the business year	67.7	56.2	37.0

Assets	2005	2006	2007
(in million €)			
Cash & cash equivalents	67.7	56.2	37.0
Receivable and other assets (short-term)	92.1	86.3	84.3
Inventories	78.9	105.7	90.8
Non-current assets	121.1	144.2	226.2
Others	-	5.2	5.7
Balance sheet total	359.9	397.6	443.9

Liabilities and shareholders' equity	2005	2006	2007
(in million €)			
Short-term liabilities	68.5	84.5	75.4
Long-term liabilities	35.9	36.9	74.1
Shareholders' equity	255.5	274.7	293.3
Others	-	1.5	1.1
Balance sheet total	359.9	397.6	443.9



Important events after December 31, 2007 Supplementary Report

Important events after the Balance Sheet Date (Dec. 31, 2007)

With effect from January 1, 2008 per resolution of the Supervisory Board on November 15, 2007, Hans-Jürgen Stangl (44) was appointed to the Executive Board of the SINGULUS TECHNOLOGIES AG responsible for the newly established business division Solar.

Warner Bros.' decision in January 2008 to support the Blu-ray optical disc format has definitely changed our future expectations for our core activities Optical Disc. In view of the decision many other studios in the US and in Europe followed and opted for the publication of their movies on Blu-ray Discs. This development forced the Japanese company TOSHIBA, which had been trying to push a competing format to Blu-ray for many years, to withdraw its product HD DVD from the market. The long-time expected breakthrough of the Blu-ray Disc has therefore finally happened and will have a positive impact on the course of the business developments in our view.

SINGULUS TECHNOLOGIES signed an agreement with the Oerlikon Balzers AG (Oerlikon) for the acquisition of the Blu-ray Disc machine activities on January 31, 2008. With this strategic acquisition SINGULUS TECHNOLOGIES took over the entire Blu-ray activities as well as the support of all the Blu-ray production lines already delivered by Oerlikon. In addition, OERLIKON will stop its CD and DVD production line operations.

On January 16, 2008 SINGULUS TECHNOLOGIES decided to double the production capacities for solar equipment at the subsidiary STANGL by the spring of 2009. The expansion of the location offers the opportunity to combine the production of STANGL in Eichenau and surroundings at four assembly sites to one complex of buildings. STANGL intends to use the enlarged production capacity for the processing of the continuing order boom in the solar industry by the first half of 2009.

There were no other events of particular importance of the balance sheet date.

Outlook

Optimistic future outlook

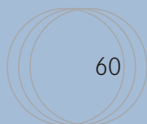
The strength of our company is its unique position in the market for machines for the production of optical storage media. Already a few years after its foundation SINGULUS TECHNOLOGIES had reached a market share of more than 50 % for machines for the production of CDs and DVDs. Today, our market share for machines for the production of DVDs exceeds 65 %. The slump of the optical disc industry in the past three years has even strengthened our market position. SINGULUS TECHNOLOGIES contributed actively to the consolidation of the machine manufacturers of optical disc with the acquisition of HamaTech. Moreover, more competitors have withdrawn from the market.

From this position of strength we expect long-term growth for equipment for the production of Blu-ray Discs. Since the beginning of 2008 the Blu-ray technology has finally shown to be the future storage medium for movies of high definition TV, so-called HDTV.

With the acquisition of the Blu-ray activities from Oerlikon in January 2008 SINGULUS TECHNOLOGIES now also has a unique market position for this future technology.

It is expected, that a majority of households in many parts of the world will use high definition TV sets (HDTV) in a couple of years already. Movies with a significantly improved picture quality, which this TV standard offers compared to the traditional technology, can only be stored on Blu-ray Discs due to the four times higher data volume required. Therefore, there will eventually be a change from the DVD in favor to Blu-ray. For us, this means a return to growth in our core area Optical Disc in the next couple of years.

With respect to our only recently started business activities Nano Deposition Technology, Optical Coatings and Advanced Process Equipment, which have performed favorably in the past year, we will review additional growth opportunities.



In the summer of 2007 the Executive and Supervisory Boards decided the entry into the solar industry. With the acquisition of 51 % of the STANGL Semiconductor Equipment AG SINGULUS TECHNOLOGIES was able to purchase the majority in a leading manufacturer of equipment for the production of solar cells. With this company as a starting point, we will strengthen our market position in the manufacturing of equipment for the solar cell production in the coming years to establish an additional significant business division next to Optical Disc. Moreover, based on our know-how in the area of surface coating, an automated machine for the application of anti-reflective coatings is scheduled to be sold from 2009. This will continue to strengthen our position in the solar market.

The members of the Executive Board are convinced that the two core business divisions Optical Disc and Solar form an attractive combination for the new positioning of the Group and hence look for the development of the company optimistically into the future.

General economic conditions: cautiously optimistic

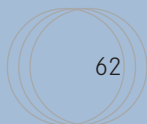
The general economic situation around the globe in 2008 will still be impacted by the global financial crisis. The weakening economy in the United States could result in a continuing weak Dollar exchange rate. However, we expect that the willingness to invest in equipment for the production of Blu-ray Discs will increase substantially. For the Solar activities we project continuing double-digit growth rates in sales. Overall, the outlook for the current business year 2008 is cautiously optimistic. SINGULUS TECHNOLOGIES will take advantage of its strong position in the market for equipment for the production of optical discs of the third format generation following the acquisition of the Blu-ray activities from Oerlikon to attain market leadership in this new future market as well.

Risk report

On a quarterly basis the different risk positions of the company are reviewed, analyzed and evaluated within the SINGULUS TECHNOLOGIES Group according to the management's best assessment. This report is presented to the Supervisory Board once every year. Insofar there is an extensive gathering of information of the different risk categories within the company in predefined periods of time.

Furthermore, there are regular discussions with the Supervisory Board during the Supervisory Board meetings with respect to potential risks of the further development of the company. This holds also true for the meetings of the Executive Board, which take place on a regular basis. In addition to customer and currency risks, the individual risk categories include procurement and purchasing, IT management, project management, research & development, sales markets, production, financial risks and quality assurance as well as risks stemming from our three producing subsidiaries SINGULUS MASTERING, SINGULUS EMOULD and SINGULUS MOLDING. Furthermore, the HamaTech AG was included in the risk reporting for the first time at the end of 2006. Appropriate key figures, which are part of the risk reporting since the 1st quarter 2007, were included for the joint venture in China. We are currently in the process of developing risk reporting for the subsidiary STANGL acquired in September 2007. This should be included in the risk reporting of the SINGULUS TECHNOLOGIES Group from the 1st quarter 2008.

Basically, the risk management information system is built in a way to classify the individual risk categories as very low, low or high risk. This reflects that from SINGULUS TECHNOLOGIES' specific company perspective different segments also represent different risk potentials for our company. The probability of occurrence of such risks also differs from company to company. The lowest probability of occurrence is set to 0-10%, followed by the categories 10-25% and 25-50%. We do not see higher probabilities of occurrence in any risk category. Furthermore, the potentially resulting impact on the operating result in case of occurrence of a risk is analyzed. This assessment ranges from < k € 250 (very little) to k € 250 - k € 1,250 (medium) up to k € 1,250 - k € 5,000 (high).



The before mentioned risk categories, the definition of probabilities of occurrence as well as the potential impact on the results are evaluations and assessments of the company as a result of a detailed review of the business processes. One example of the process robustness of our risk management system is the early detection of changes in demand in some markets towards the end of 2004 and the immediately initiated cost reduction measures at the beginning of 2005. An analogous analysis of the situation at the end of the business year 2005 induced us to implement additional, significant restructurings in the 1st quarter of 2006.

The individual risk segments are set out below:

For the segment procurement and purchasing credit assessments of our suppliers are performed on a regular basis. In addition, the ability to supply us as well as the meeting our quality requirements for supplier parts are regularly reviewed. This segment also includes the review of the inventory turnover of raw materials and supplies as well as the analysis of the age distribution of our goods. Due to the risk categorization the impact on the operating result, which could potentially arise from the above mentioned risk category, is assessed as being very small. The probability of occurrence is determined to be 0-10 %.

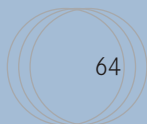
IT management risks include the evaluation of potential failures of servers, data theft or unauthorized data access. In this context relevant security systems have been implemented. The risk of a server failure as well as data theft is regarded as low and assessed with a probability of occurrence of 10-25 %. As a risk precaution daily backups of data on magnetic tape are performed. On a weekly basis, the tapes are stored in a bank's safe deposit box. To prevent data theft the data access is controlled by a special access authorization procedure.

Project management has to make sure that the internal and external logistics can be implemented smoothly. This is important to minimize the acceptance period of our products by the customer. SINGULUS TECHNOLOGIES recognizes sales in the segments Optical Disc and Semiconductor only after the customer's acceptance of the machines.

An exception to this rule is implemented in the Solar segment. Here, production orders are accounted for pursuant to the percentage-of-completion method. With respect to delays a medium range of probability (10–25 %) is assumed. Potential delays in acceptance are prevented through active construction site management, which takes care of the preparation of machine assembly and the ongoing service during commissioning at the site.

The segment R&D is also integrated in the risk management report. One essential aspect of the review of the R&D risk is the analysis of market requirements. The risk of misinterpretation or a delayed development is regarded as relatively high and is assessed at a probability of 25–50 %. Misinterpretations, i.e. development of machines missing the market requirements, have not occurred since the company was founded. However, this risk is high since machines will be developed in the future – as was the case in the past – that, amongst others following the diversification strategy, are not only affecting the core activities. In this area no significant additional risks have arisen compared with 2006, because further developments have been progressed in the course of the already implemented diversification approach.

A risk, which is also the hardest to assess, exists in the sales and marketing segment. The segment's task is to recognize and evaluate sharp declines in demand or risks of potentially misleading assessments in individual markets or products. External data such as market research results but also close contacts with our customers and companies such as SONY or PHILIPS help to improve the evaluation of future trends. These risks are regarded as high and could also result in material effects on the company's results in case of misinterpretations. From a historic point of view it can be seen that market changes are only visible with a lead time of about 3 – 4 months and therefore immediate action is required. With respect to currency risks resulting from invoicing in foreign currencies the principles of hedging are applied. Once again, we did not deviate from this principle in 2007.



In the segment production and quality in particular the processes and potential deficiencies of our machines are analyzed in the course of the risk assessment. Production interruption and process risks are regarded as low and the probability of occurrence determined to be at the medium level of 10–25 %. A comparable risk assessment of the different risk groups is also performed at SINGULUS MASTERING. SINGULUS MOLDING is a pure production operation with an exclusive supply to SINGULUS TECHNOLOGIES and limited to construction, procurement, production and commissioning in terms of risks assessments.

The SINGULUS TECHNOLOGIES Group is primarily exposed to liquidity risks, default risk, exchange rate risks and interest rate risks as financial risks. In order to secure the ability to meet financial obligations and its financial flexibility in the SINGULUS TECHNOLOGIES Group, a liquidity reserve in the form of credit facilities and cash is held. In the connection, a syndicated credit line in the amount of € 60.0 million was negotiated with effect from December 14, 2007. The credit facilities include a loan in the amount of € 25.0 million and a revolving credit facility with a volume of € 35.0 million with the overall duration of five years. The interest rate of the credit commitment is adjusted quarterly on the basis of the “3-months EURIBOR”. To hedge the interest rate risk a corresponding interest hedge in the amount of the loan was concluded in February 2008. To recognize liquidity risks in a timely manner, liquidity forecasts are drawn up on a regular basis. To analyze the default risks the portfolio of receivables of the individual companies in the SINGULUS TECHNOLOGIES Group is examined on a revolving short period of time basis.

We reviewed the instruments used for the monitoring of the risks with our auditors and our Supervisory Board. The instruments are sufficient to identify risks endangering the survival of the company in due time. Risks endangering the survival of the company are neither identifiable for the current business year nor for the following years according to the management’s opinion.

Environment and Sustainability

As a company with state-of-the-art production technology it goes without saying for us to take into account the environment in our production and sustainability in our product development. Many of our coating machines make use of the sputtering principle, which means operating in a vacuum without the emission of environment-polluting chemicals or metals.

In addition progress in terms of productivity and quality of our product developments always focus on a more economic use of resources such as electricity, water and production material. In the summer of 2007 SINGULUS TECHNOLOGIES also entered the fast growing market of solar technology. SINGULUS TECHNOLOGIES and STANGL work extensively to improve the efficiency of thin-film solar cells and crystalline silicon solar cells to enable a more efficient use of solar energy.

The safety precautions in our producing locations are regularly reviewed by an external safety expert. With respect to handling hazardous materials, SINGULUS TECHNOLOGIES strictly pays attention to the compliance with legal rules and regulations. A company medical doctor in Kahl am Main is responsible for the health concerns of our employees.



Compensation Report

This compensation report is an integral part of the combined Status Report for the SINGULUS TECHNOLOGIES Group and the SINGULUS TECHNOLOGIES AG and includes information which pursuant to the German Commercial Act amended by the German Management Compensation Disclosure Act (VorstOG) is an element of the Appendix pursuant to Art. 314 HGB and the Status Report pursuant to Art. 315 HGB.

The compensation report takes into account the recommendation of the German Corporate Governance Code and is included as part of the Status Report in this Annual Report.

Compensation of the Executive Board

Members of the Executive Board in the business year 2007

Stefan A. Baustert	Chief Executive Officer
Dr.-Ing. Anton Pawlakowitsch	Executive Board Member responsible for Technology, Research & Development

As per January 1, 2008 Mr. Hans-Jürgen Stangl was appointed to the Executive Board responsible for the business division Solar.

Individual compensation

For the individual members of the Executive Board the following compensation was paid in the period under review:

	Fixed	Variable	Total
(in € k)			
Stefan A. Baustert	451	815	1,266
Dr.-Ing. Anton Pawlakowitsch	311	160	471
	762	975	1,737

Description of the compensation structure

1. Overview

The compensation of the members of the Executive Board is determined and regularly analyzed by the Supervisory Board. It is the goal to appropriately remunerate the Executive Board members according to their functions and responsibilities and to consider the individual performance as well as the economic situation, the success and the future prospects of the company.

In this context the Supervisory Board assumes a target compensation which is composed of 60 % fixed and 40 % variable components. The Supervisory Board determines the amount of the target remuneration according to the compensation paid to members of management at comparable companies. Through the compensation structure the Supervisory Board also aims to commit the members of the Executive Board to the company in the long-term and to incentivize them to increase the company value.

The Supervisory Board considers the individual performance and the extent of the responsibilities assumed compared with the other members of the Executive Board for the analysis of the compensation. The review is performed during the first meeting of the Supervisory Board in the year.

The compensation generally includes fixed and performance-related components. The fixed parts are composed of a fixed salary and fringe benefits. The performance-related components are split in a variable bonus and a special bonus program with long-term incentivization. The variable bonus is tied to individual target objectives, which are agreed between the individual members of the Executive Board and the Supervisory Board at the beginning of each year. In addition, the Executive Board member agreements are open to one-time extraordinary payments in addition to the variable component to account for specific circumstance and to safeguard an appropriate and competitive compensation. The employment contracts with the Executive Board members include special arrangements concerning change of control. Furthermore, the members of the Executive Board received stock options and pension benefit plans.

Overall, the compensation of the active members of the Executive Board for the business year 2007 amounted to € 1,737 k. The annually fixed remuneration part contributed about 43.9 %, the performance-related variable components about 56.1 % of the total compensation. On June 18, 2007 the Supervisory Board subject to a corresponding clause in the employment contract agreed to grant a one-time special payment in the amount of € 500,000 to Mr. Baustert. This payment was made in appreciation of the successfully concluded acquisition and integration of the HamaTech AG by mid-2007, including the portfolio adjustments which partly refinanced the acquisition. The payment was made under the condition that Mr. Baustert waived his special bonus for the year 2006, which would not have been paid in the course of the special bonus program (cf. further page 69), but locked-up for a payment in the future. Furthermore, the compensation of the members of the Executive Board has not been adjusted. The employment contract with Dr.-Ing. Pawlakowitsch commenced on January 1, 2007 and has not been changed.

2. Fixed salary

The fixed compensation is paid on a monthly salary basis. The appropriateness of the amount is reviewed annually. An adjustment can also be made by granting one-time extraordinary payments. For Mr. Baustert this clause was applied in 2007 due to specific circumstances. The Supervisory Board's review is based on a target income, which is determined on the basis of an analysis of the compensation of the management at comparable companies.

3. Variable compensation

3.1 The variable compensation is tied to meeting individual target objectives, which include financial, corporate, operating and technologic goals. These targets are set afresh annually by the Supervisory Board following the adoption of the budget for the subsequent year. If the targets are not met or only partially met, the Supervisory Board determines whether and what amount of the variable compensation will be paid.

3.2 For the first time, in the business year 2006 an additional variable compensation (special bonus) with a long-term incentivization was agreed with all members of the Executive Board. Accordingly, the company will pay each members of the Executive Board a special bonus in the amount of € 500,000 p.a. subject to meeting specific performance targets, which are amongst others based on the consolidated net profit pursuant to IFRS. The target level to qualify for the bonus increases by 10 % per annum. If the performance target is not achieved, the special bonus for the respective year is locked-up until the performance target in one of the following years is met. In that case all locked-up special bonuses will be paid out cumulatively. This represents an incentive to stay at the company and to sustainably increase the company's value by improving the earnings per share. Instead of the special bonus in cash the members of the Executive Board have the right to acquire virtual shares, which can be sold virtually to the company after expiration of the qualifying period and reaching the performance target.

Locked-up bonuses and the special bonus granted for the current business year expire if the employment contract is terminated during the business year. The same applies to virtual shares, whose lock-up period has not expired.

Mr. Baustert waived his special bonus for the year 2006.

4. Components with long-term incentivization

The third component of the compensation are stock options. The Supervisory Board determined the number of the stock options granted to the individual members of the Executive Board within the range approved by the Annual General Meeting in 2007 and granted Mr. Baustert and Mr. Pawlakowitsch 120,000 and 80,000 stock options respectively in August 2007. At the time of granting the stock options their fair market value pursuant to IFRS 2 amounted to € 235 k in total. The stock options can be exercised in portions of 25 % of the overall granted options semi-annually for the first time after a qualifying period of two years.

The exercise of the first portion is only possible if the stock price of SINGULUS TECHNOLOGIES at the time of the exercise of the option is at least 15 % higher than on the day of granting the stock option (performance target). For each additional portion the performance target increases by 2.5 % points each.

In addition, Mr. Baustert still owns 80,000 options from the stock option program 2005 with identical targets and conditions to the options granted in the summer of 2006. 25% of these options are exercisable for this first time this year. Moreover, Mr. Baustert held 120,000 convertible bonds as of the end of 2007. The expenses for these convertible bonds amounted to € 30 k in the business year 2007 pursuant to IFRS 2.

5. Other compensation

The members of the Executive Board also receive fringe benefits in the form of benefits-in-kind such as company cars as well as casualty and third-party insurance. Each individual Executive Board member has to pay taxes on these fringe benefits as part of the overall compensation. As a basic principle, each member of the Executive Board is granted the same amount.

Dr.-Ing. Pawlakowitsch did receive an additional compensation for his activities as Executive Board member of the HamaTech AG.

Payments from Supervisory Board compensations for the Group's companies are set against the Executive Board compensations. Only 50% of the compensation for membership in the Supervisory Board of the HamaTech AG is deducted. The compensation consists of a fixed and a variable remuneration component with performance targets based on the earnings before taxes (EBT) of the HamaTech AG for the respective business year. A variable compensation was not paid to the members of the Supervisory Board of the HamaTech AG for the business year 2007.

6. Pension plans

Pensions are paid to members of the Executive Board, who have reached the age limit of 63 and 65, respectively. The pension contracts for Executive Board members include the commitment to pay a proportion of the fixed salary received before leaving the Executive Board.

The present value of the entire pension promises for the members of the Executive Board of the SINGULUS TECHNOLOGIES AG amounted to € 518 k as of December 31, 2007.

Instead of provisions for pensions for Dr.-Ing. Pawlakowitsch by the company, life insurance premium were paid. According to the effective conditions there is a pension claim in the amount of a defined percentage of the most recently paid fixed compensation upon reaching the retirement age. Company pensions from former activities are set against this amount.

Committed benefits in case of termination of employment and by third parties

1. Severance policies

The employment contracts of the members of the Executive Board do not include explicit severance payments in case of an early termination of the employment. However, a severance payment can result from an individually settled cancellation agreement.

2. Benefits by third parties

No benefits by third parties were granted or promised to members of the Executive Board with respect to their work as Executive Board members during the period under review.

Compensation of the Supervisory Board

The compensation of the Supervisory Board is determined by the Annual General Meeting and regulated by the by-laws. It is based on the functions and responsibilities of the member of the Supervisory Board as well as the economic success of the Group. The compensation policy currently in place for the Supervisory Board of the SINGULUS TECHNOLOGIES AG was adopted by the Annual General Meeting on May 26, 2003 and is included in Art. 11 of the by-laws.

In addition to the reimbursement of expenses, the members of the Supervisory Board receive a compensation composed of fixed and variables components. Each Supervisory Board member receives a fixed remuneration in the amount of € 15,000, which is paid following the end of the year. A performance-related compensation of € 800.00 per cent of the consolidated net profit per shares pursuant to IFRS exceeding € 0.30 is paid. The variable component is due after adoption of the profit appropriation for the past business year. The company is reimbursing the members of the Supervisory Board the value-added tax on their compensation.

The Chairman of the Supervisory Board receives twice the amount, the Deputy Chairman one-and-a-half times the amount of the fixed and performance-related compensation. Members of the Supervisory Board not sitting on the Board for the full business year will receive a pro-rata compensation.

The members of the Supervisory Board are entitled to the following payments for the year under review:

	Fixed	Variable	Total
(in € k)			
Roland Lacher	30	0	30
William Slee	23	0	23
Thomas Geitner	15	0	15
	68	0	68

Loans granted to the members of the Executive and Supervisory Board

Loans and advances were not granted to any members of the Executive and Supervisory Boards in the year under review.

Shareholdings of Executive and Supervisory Board members

As of December 31, 2007 the Chairman of the Supervisory Board, Mr. Lacher, held directly and indirectly through the VVG Roland Lacher KG (formerly Roland Lacher GbR) and the Familie Roland Lacher Vermögensverwaltungs GmbH (a company attributed to Mr. Lacher pursuant to Art. 15a Para. 3 Sent. 3 Securities Trading Act (WpHG)) 394,472 shares in total corresponding to around 1 % of the nominal capital of the SINGULUS TECHNOLOGIES AG. No other members of the Executive or Supervisory Board hold directly or indirectly a share of the nominal capital of the company exceeding 1 %.

The following members of the Executive and Supervisory Boards held directly or indirectly shares in the SINGULUS TECHNOLOGIES AG as of December 31, 2007:

Bearer Shares with a nominal amount of € 1,00

Stefan A. Baustert	2,000
Dr.-Ing. Anton Pawlakowitsch	2,500
Roland Lacher	394,472
William Slee	49,520
Thomas Geitner	1,500
	449,992

The following members of the Executive Board held subscription rights through stock options or convertible bonds as of December 31, 2007:

	Convertible Bonds		Stock Options	
	2006	2007	2006	2007
Stefan A. Baustert	120,000	120,000	80,000	200,000
Dr.-Ing. Anton Pawlakowitsch	0	0	0	80,000
	120,000	120,000	80,000	280,000

Directors' Dealings

Pursuant to Art. 15a German Securities Trading Act (WpHG) all members of the Executive and Supervisory Board of the SINGULUS TECHNOLOGIES AG and related persons have to publish the purchase or disposal of shares of the SINGULUS TECHNOLOGIES AG or financial instruments referenced to them, if the cumulated value of the transactions in the business year is € 5,000 or higher. In the course of the business year 2007, the following transactions were published.

Name/Function	Date	Transaction type and market	WKN/ISIN	Quantity	Price €	Volume €
Stefan A. Baustert Chief Executive Officer	01.08.2007	share purchase, Frankfurt am Main	723890 DE0007238909	2,000	8.80	17,594.67
Dr.-Ing. Anton Pawlakowitsch Member of the Executive Board	01.08.2007	share purchase, Frankfurt am Main	723890 DE0007238909	2,500	8.77	21,925.00
Familie Roland Lacher Vermögensverwaltung GmbH (affiliated entity to Supervisory Board member)	01.02.2007	share sale, Frankfurt am Main	723890 DE0007238909	3,689	12.50	46,112.50
William Slee Supervisory Board	17.09.2007	share purchase, Xetra	723890 DE0007238909	20,000	8.70	173,925.00

Information Pursuant to the German Takeover Directive Implementation Act

Composition of the subscribed capital

The nominal capital of the company amounts to € 36,946,407 and is divided into 36,946,407 bearer shares with a nominal value of € 1.00 each. All shares are ordinary shares. They include the rights and obligations arising from the German Stock Corporation Act (AktG).

Restrictions concerning the voting rights or transfer of shares

no

Direct or indirect stock ownership above 10 %

no

Beareres of shares with special rights

no

Type of voting right control in case of employee ownership

no

Legal regulations and by-laws concerning the appointment and dismissal of members of the Executive Board and concerning changes in by-laws:

The appointment and dismissal of members of the Executive Board is pursuant to Art. 84 & 85 German Stock Corporation Act (AktG). Notwithstanding Art. 179 Para. 2 AktG, changes in the by-laws through the Annual General Meeting in addition to the simple majority of votes pursuant to Art. 133 Para. 1 AktG only require the simple majority of the nominal capital present at the adoption of a resolution unless the resolution applies to concerns changing the objective of the company. As for the rest, Art. 133, Art. 179 - 181 AktG apply.

Authorization of the Executive Board to issue and buy-back shares

The Executive Board is authorized to increase the nominal capital of the company at one time or several times up to € 4,983,907.00 in total through the issuance of new, bearer shares with a nominal capital of € 1.00 against cash payments and / or contributions in kind (Authorized Capital I).

Upon approval of the Supervisory Board the subscription rights of the shareholders can be excluded for capital increases for contributions in kind, in particular in the course of the acquisition of companies, company parts, participations in companies or other assets as well as in the course of company mergers in particular by means of amalgamation.

The Executive Board is authorized to issue at one time or at several times interest-yielding bearer warrant bonds and / or convertible bonds with a total nominal value of up to € 250,000,000 with a maximum time to maturity of 20 years and to grant the bearers of the warrant bonds option rights and bearers of the convertible bonds conversion rights for bearer shares of the SINGULUS TECHNOLOGIES AG with a nominal value of € 1.00 each with a proportional amount to the nominal capital of up to € 13,000,000.00 in total. The issuance of warrant and / or convertible bonds against contribution in kind can also be permitted. The subscription rights of the shareholders can be excluded if the issue price does not fall short of the market value of the warrant or convertible bond or if the bond is issued against contribution in kind.

Change of control clauses and compensation agreements

The employment contracts of the Executive Board members include change of control clauses. Accordingly, members of the Executive Board will receive a special payment in the amount of the fixed salary at the point of time of termination of the employment for one year in case the employment is not prolonged, terminated or the Executive Board member is suspended after a change of control at the SINGULUS TECHNOLOGIES AG. A change of control in this sense occurs, if a shareholder gains control over the company pursuant to Art. 29 German Securities Acquisition and Takeover Act (WpÜG), i.e. acquiring at least 30% of the voting rights of the SINGULUS TECHNOLOGIES AG.

In addition, the members of the Executive Board have an extraordinary termination right in case of a change of control, to terminate the employment, if differences with the new majority shareholders arise about the future strategic positioning or if the relationship with the majority shareholder is distressed for others reasons. Each member of the Executive Board is entitled to terminate the employment contract with a notice of 6 months or to resign from the Executive Board within one year after a change of control. In case of such an extraordinary termination the Executive Board member will not receive a severance payments or compensation for the remaining term of the contract from the point of the termination.

The company grants each member of the Executive Board a special bonus in the amount of € 500,000.00 per annum if a specified level of the earnings per share is reached (performance target). Otherwise the special bonus is locked-up until the performance target is met in one of the following years. The same holds true for virtual shares, which members of

the Executive Board can acquire instead of a special bonus in cash. The information is provided in the compensation report as part of the status report. The compensation report sets forth the compensation systems for the members of the Executive Board in detail and also describes the implementation of the stock option plan issued in 2007 and similar incentive systems. If the employment contract after a change of control at the SINGULUS TECHNOLOGIES AG is not prolonged, terminated or if the member of Executive Board is suspended or exercises the right of extraordinary termination, all locked-up special bonuses and locked-up virtual shares become due or are available for sale with termination of the employment contract irrespective of the expiration of lock-up periods or the achievement of performance targets.

The 852,230 stock option issued overall on the basis of the stock option programs in 2005 and 2007 to Executive Board members of the SINGULUS TECHNOLOGIES AG, members of managing bodies of subordinated related companies as well as executives and employees of the SINGULUS TECHNOLOGIES AG can be exercised ahead of schedule after expiration of the qualifying time, if a takeover offer in the sense of Art. 29 Para. 1 German Security Acquisition and Takeover Act (WpÜG) is submitted for the SINGULUS TECHNOLOGIES AG or a person gains control in the sense of Art. 29 Para 2 WpÜG, i.e. holds at least 30 % of the voting rights of the SINGULUS TECHNOLOGIES AG. A control in this sense already exists if a relevant contract regarding the disposal of shares is unconditional even if it has not been executed. However, the exercise of all stock options is only possible if the performance targets according to the respective stock option program are achieved at a later exercise period or at the point in time when the takeover offer or the change of control occurs.

Kahl am Main, February 29, 2008

SINGULUS TECHNOLOGIES AG
The Executive Board

Stefan A. Baustert
Chief Executive Officer

Dr.-Ing. Anton Pawlakowitsch
Executive Board Member

Hans-Jürgen Stangl
Executive Board Member

Imprint

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Published by

SINGULUS TECHNOLOGIES AG,
Kahl am Main

Production

MetaCom
Corporate Communications GmbH

Conception and Idea

Bernhard Krause

Text

Bernhard Krause
Georg Biekehör
SINGULUS TECHNOLOGIES

Artwork/DTP

Metacom
Michaela Schäfer

Photographie

Company photos SINGULUS TECHNOLOGIES
CENTROSOLAR Group AG
STANGL Semiconductor Equipment AG
Rüdiger Dunker

Printing

Braun & Sohn, Maintal
Printed on chlorine-free bleached paper

