

# Letter to the Shareholders

September 17, 2008

Optical Disc

Solar



SINGULUS



## Letter to the Shareholders of the SINGULUS TECHNOLOGIES AG

Dear shareholder,

The SINGULUS TECHNOLOGIES AG (SINGULUS) is on a good path!

With the divisions Optical Disc and Solar SINGULUS focuses on those market segments, which promise globally the best growth prospects in the future. Our strategy is built on these divisions. These are our core activities.

The decision in favor of the Blu-ray as the third format for optical storage media – following the CD and DVD – was made at the beginning of the current year. Accordingly, the Blu-ray Disc is the successor of the DVD. For years SINGULUS had been expecting this decision and focused on the product Blu-ray. Therefore, we currently already have a market share for Blu-ray machines for prerecorded discs in excess of 70 %. This market is expected to grow very rapidly in the next couple of years.

With the acquisition of STANGL as a leading company in the plant engineering for Solar (photovoltaics) we made an important and successful step to build the new business division Solar with enormous growth potential in the fall of 2007 already. With its machines in the segment of wet-chemical processes, STANGL covers important value-added steps in the production of solar cells – both for silicon and thin-film solar cells. In addition, SINGULUS is currently developing an innovative coating machine in the ensuing process chain for the production of solar cells.

Accordingly, optimum prerequisites have been set so that SINGULUS and STANGL together are able to serve customers as competent partners in order to make a necessary contribution for the cost reduction in the generation of renewable energy.



BLULINE II: Replication of Dual Layer Blu-ray Disc



CRYSTALLINE: Inline Mastering System for Blu-ray Disc

We decided to focus on the two growth areas Blu-ray and Solar and thus to return to the growth path from 2009 once again. In the Optical Disc segment (including Blu-ray) we target sales of at least € 200 million in 2010. For the Solar segment our goal are sales of at least € 120 million.

The focus on Optical Disc and Solar means that we will divest non-core activities and unprofitable business divisions. As a result SINGULUS will write off € 41.2 million in total. The strong equity base is able to absorb such a step without any problems.

These write-offs, which do not impact cash and cash equivalents held, result in the fact that we will achieve cost savings totaling € 15.8 million in the coming three years. In addition to the repositioning towards Blu-ray and Solar this measure therefore also leads to an improvement of the earnings base in the next couple of years and a return to an unburdened path of success once again.

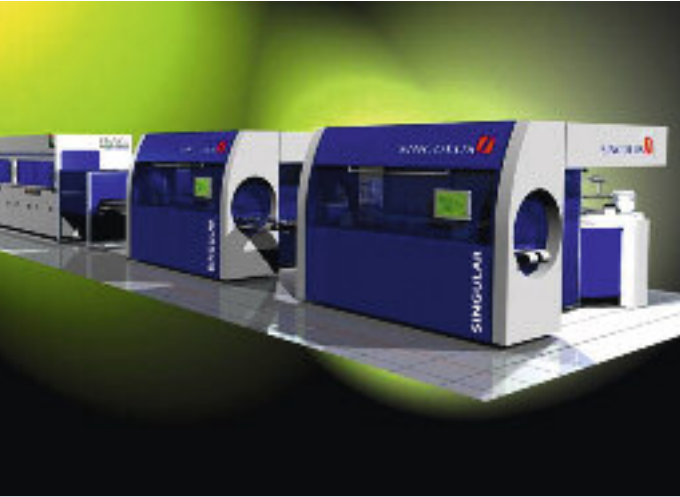
## Active Consolidation

During the difficult business years 2005 to 2007 we reduced our cost base significantly and adjusted capacities to the declining activities. Accordingly, we already announced in November 2007 to shut-down SINGULUS EMOULD in Würselen as of December 31, 2007. A further analysis of the work flows and our cost situation then induced us to relocate the assembly of the MoldPro injection molding machines from Schaffhausen to Kahl am Main.

At the same time the Mastering activities had to be reevaluated. Since the acquisition of the first Mastering activities in 2002 the market situation has changed fundamentally. The former Mastering machines for CD and DVD are increasingly replaced by the new CRYSTALLINE for Blu-ray Disc.

Since the beginning of this year we have also been analyzing the opportunities and risks of our new developments and diversification activities. As a result we already terminated our product line DECOLINE in the 1<sup>st</sup> quarter 2008. The product was not able to establish itself in the market despite excellent technical characteristics. The measures resolved include primarily a revaluation of the market expectations of our semiconductor activity HamaTech APE as well as the adjustment of our non-core activities Nano Deposition and Optical Coating.

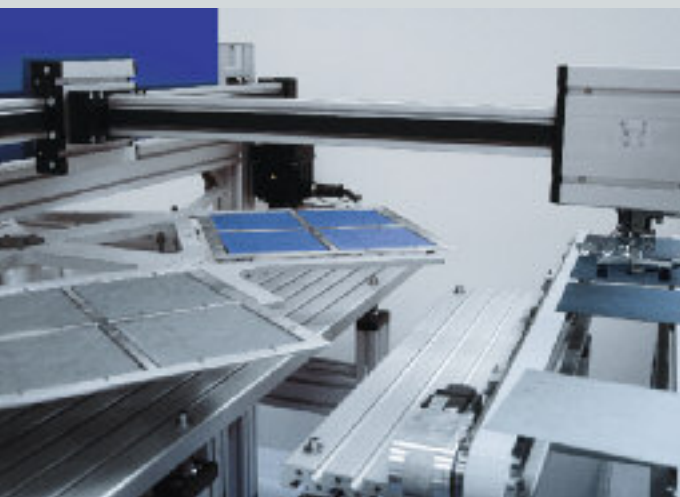
We expect the merger of the HamaTech AG to the SINGULUS TECHNOLOGIES AG to still be executed in the current year. Overall, the acquisition of the former competitor HamaTech AG to consolidate the market is regarded favorable. Due to the upcoming disposal of buildings and land of the HamaTech AG in Nove Mesto and in Sternenfels we expect a considerable cash inflow.



SINGULAR: New Inline AR Deposition System for Si-Cell Production



Substrate Carrier with four Si Solar Cells



Integrated Handling System for Loading and Unloading

## Blu-ray and Solar Will be the Drivers of Growth in the Future

SINGULUS will focus on the two core work areas Optical Disc and Solar.

In the segment Optical Disc the global market leadership for Blu-ray production equipment as well as the rapid market introduction of the new inline mastering system for Blu-ray will be in the spotlight.

While STANGL has continued to experience very strong growth rates, SINGULUS has made a decision for a rapid further development in the Solar segment. Since this year's September SINGULUS has been marketing the new, proprietary solar coating machine SINGULAR. The new plant is based on the know-how gained in the core area Optical Disc.

## Blu-ray: Driver of Growth in the Optical Disc Segment

The Blu-ray Disc format achieved its breakthrough in the competition for the succession of the DVD in January 2008. The popular DVD does not offer sufficient capacity to store the higher volume of data of movies in HD format. The Blu-ray Disc is able to store up to 50 gigabyte of data.

In 2008 the global market penetration of the Blu-ray Disc has taken off successfully. Players and game consoles are available at attractive retail prices in the meantime. All of the new movies produced by Hollywood are also published in the Blu-ray Disc format.

At the end of February 2008 the new machine BLULINE II was presented during an in-house exhibition at the company's headquarters in Kahl am Main. With a strategic acquisition at the beginning of 2008 SINGULUS TECHNOLOGIES acquired the entire Blu-ray Disc activities as well as the support of already delivered Blu-ray Disc production lines from the competitor Oerlikon, Switzerland. With the acquisition of the Blu-ray Disc machine activities from Oerlikon the emerging business opportunities can be captured to a larger extent. For SINGULUS this acquisition means a further strengthening of the market leadership and an improvement of the good positioning in Blu-ray.

For the Blu-ray Disc activities SINGULUS TECHNOLOGIES expects significant growth with increasing earnings contributions in 2008 and the following years.



SILEX: Wet Process Equipment for Photovoltaic Si-Cells



VITRUM: Thin-Film Solar Cells

## STANGL: The Basis for Success in the Solar Market

With the acquisition of 51 % of the shares of STANGL in the fall of 2007, SINGULUS achieved an immediate market entry in the high-growth solar market.

A major part of the current business activities of STANGL is focused on the market of crystalline silicon solar technology. In this area STANGL has business relationships with all major solar cell producers and is participating in many projects in Europe and Asia. STANGL operates both as a partner of suppliers for turn-key lines as well as a direct supplier to renowned solar cell producers. STANGL offers equipment for all wet-chemical process steps for silicon solar cells.

The market for thin-film solar cells is expanding with high growth rates. With its coating machines STANGL has reached an internationally leading position in the CIS/CIGS thin-film technology. For example, CIS/CIGS machines from STANGL are used in Germany by Würth Solar. In addition, the first machine with CIS/CIGS technology for solar foil was delivered to the US.

## SINGULUS Successfully Presented the New Coating Machine SINGULAR for Si Solar Cells

At the Photovoltaics Fair in Valencia, Spain, SINGULUS started the presentation of the new inline coating machine for silicon solar cells with the product name SINGULAR. The revolutionary machine concept was presented to all renowned solar cells producers. The positive response to this machine suggests a rapid market launch. The machine was developed and made marketable within a few months by SINGULUS due to the technologic competence in the development of complex plant technology gained in the segments Optical Disc and Optical Coating. The machine integration know-how, which SINGULUS has proven in the automation of CD, DVD and Blu-ray Disc production machines, was an optimum starting point for the development of the SINGULAR machine.

The quick market entry for machines for the coating of solar cells was made possible in particular due to the cooperation agreement concluded with the Q-Cells AG, the world's largest solar cell producer, at the beginning of 2008 concerning the development of such a machine. Q-Cells announced to accept the first finished machine. This provides SINGULUS with a completely new work area in the rapidly growing solar market.

The SINGULAR machine, which is produced at SINGULUS in Kahl, is an important building block in the production process of solar cells. In terms of the value-added chain it ties directly to the machines offered by STANGL.



Solar Modules with Crystalline Si-Solar Cells



Thin-Film Solar Cells made of Glass



Laminated Solar Foils on Steel Sheets

## STANGL and SINGULUS – A Strong Team in Solar Technology

SINGULUS and STANGL will systematically expand the Solar activities. Both companies complement each other ideally in being able to offer a broad product range of machines and equipment for the photovoltaics industry in the coming years. While STANGL focuses on wet-chemical processes, the core competence of SINGULUS is the physical coating technology as well as the integration of several processing steps to complete, automated production lines.

We expect the work area Solar to become a driver of growth in the SINGULUS TECHNOLOGIES Group and to generate double-digit sales growth in the next couple of years as well.

We see the SINGULUS TECHNOLOGIES Group on a good path and optimally positioned to successfully take advantage of future opportunities.

Kahl am Main, September 17, 2008

Yours sincerely,

The Executive Board  
SINGULUS TECHNOLOGIES AG

*Stefan A. Baustert*  
Chief Executive Officer

*Dr.-Ing. Anton Pawlakowitsch*  
Executive Board Member

*Hans-Jürgen Stangl*  
Executive Board Member

## Future-oriented statements and forecasts

This report contains future-oriented statements based on the current expectations, assessments and forecasts of the Executive Board as well as on the currently available information to them. Known as well as unknown risks, uncertainties and impacts could cause the actual results, the financial situation or the development to differ from the statements made in this report. We assume no obligation to update the future-oriented statements made in this report.