

# Letter to the Shareholders

October 26, 2010



*Dear shareholders of the SINGULUS TECHNOLOGIES AG,  
dear Ladies and Gentlemen!*

Our target for the business year 2010 was to generate sales in the amount of € 130-135 million and to break-even on an operating basis. However, today we had to realize that despite a significantly increased order intake compared with 2009 we will not be able to meet the forecasts for the year 2010. Accordingly, the Executive Board of the SINGULUS TECHNOLOGIES AG (SINGULUS) adjusts the sales forecast for 2010 to a range from € 118 to 125 million and expects a clear negative result.

#### **Background: restructurings and changes**

Since spring 2010 key personnel of the Executive Board have been newly appointed. Dr. Stefan Rinck was appointed Chief Executive Officer (CEO) as of April 1, 2010 and Markus Ehret Chief Financial Officer (CFO) as of April 19, 2010. Together with Dr. Pawlakowitsch (COO) significant changes in the corporate strategy, the business process and the organization were implemented.

Picture on top:  
High-resolution TVs with 3D  
Technology are conquering the world.

Despite ongoing improvements in the operating divisions and a resulting reduction in the operating expenses, the restrained trend in the Solar segment could not be compensated. Unfortunately, the business trend in our Solar division is still slower than expected. In the past months of the current business year, we have not yet been able to satisfactorily turn the ongoing customer relations into corresponding orders. One of the reasons is the continuing restraint for new investments for the capital-intensive thin-film solar technology. In particular the business activities for wet-chemical equipment by SINGULUS STANGL SOLAR (SINGULUS STANGL) are still impacted by the late effects of the international financial and economic crisis. In addition, orders for planned complete systems for the production of silicon-based solar cells are still lagging behind.

In the next couple of months all Optical Disc activities will be centralized in Kahl to realize further cost reductions. First steps were already implemented with the integration of the injection molding activities in Kahl. Now, essential parts of the mastering activities will be relocated from Eindhoven to Kahl.

Against the backdrop of these facts, the repositioning of the business activities as well as current information from the Solar and Optical Disc markets, the Executive Board reviewed the respective values of all balance

sheet items and accordingly in the course of its meeting on October 25, 2010 agreed to recognize value adjustments and write-offs in the balance sheet amounting to € 65.5 million in total. This concerns intangible and tangible assets from earlier acquisition, capitalized development expenses as well as receivables and inventories. These value adjustments are not tied to an outflow of liquid funds. Furthermore, risk provisioning through provisions for restructurings and potential burdens in the amount of € 2.3 million were recognized. Our balance sheet and the equity ratio continue to remain strong and solid at around 55 %.

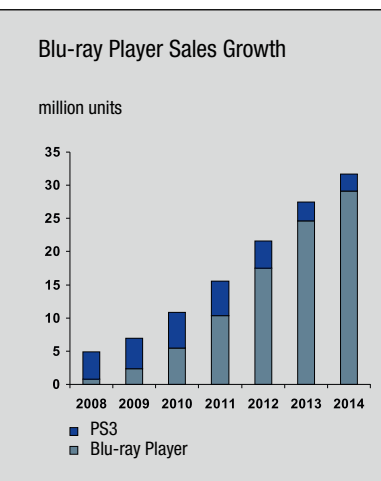
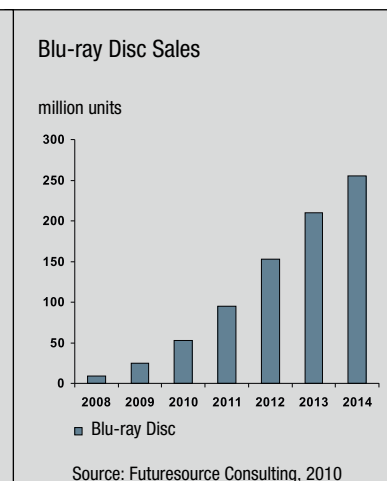
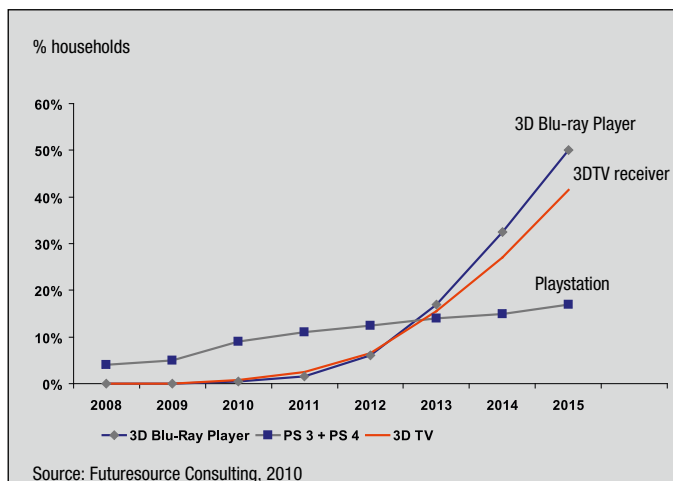
### Still unchanged favorable outlook for 2011

Even after the adjustments the Executive Board reaffirms its forecast for the medium-term targets for both segments Optical Disc and Solar.

Our Optical Disc activities will expand again in the next couple of years. SINGULUS is not only global market leader but currently the only provider of complete production lines for optical storage media. Worldwide we are offering the entire value-added chain for the production of Optical Disc formats: the machines range from mastering and injection molding to replication lines for all of the market-relevant formats.

3DTV is a growth driver for Blu-ray Disc and Blu-ray Player

Sales development for Blu-ray Disc and Blu-ray Player



### Blu-ray market grows rapidly

According to the German Association for Audiovisual Media sales of Blu-ray Discs in Germany increased by 153 % in the 1st half of 2010 compared with the same period one year ago. The Digital Entertainment Group (DEG) reported that the sales for Blu-ray Discs as of September 30, 2010 rose by 80 % compared with 2009.

The number of sold Blu-ray players in the first nine months of 2010 also increased by 104 %. There are currently 21.1 million households in the US owning Blu-ray players and PS3 consoles, respectively. The market research institute ABI Research, US, also projects that the sales numbers for Blu-ray players will more than double in 2010 compared with 2009. For 2011 a further significant growth is expected - global deliveries are projected to exceed 62.5 million players.

### The third dimension in the spotlight – globally 50 million 3DTV by 2015

The third dimension was in the focus of this year's media fair IFA. Most of the major brands, at the forefront Panasonic and Sony, presented 3DTV sets in Berlin.

The global market for high-definition television sets with 3D technology will grow sharply by 2015. A volume of 50 million 3DTVs is expected.

ABI Research forecasts that the continuing popularity of 3D box office movies together with the 3D Blu-ray Discs will cause the market for 3DTVs to grow sharply. The

Blu-ray Disc with its storage volume is the most suitable medium for the sales of these movies. Accordingly, the 3D format is regarded as a growth driver for so-called "packaged media", i.e. Blu-ray Discs.

In Germany the Association for Entertainment and Communications Electronics (Gesellschaft für Unterhaltungs- und Kommunikationselektronik, gfu) together with the German Central Organization for Electrical and Electronics Industry (Zentralverband der Elektrotechnik- und Elektroindustrie e.V., ZVEI) conducted a study with respect to 3D, which clearly showed that 3D enabled TV sets are viewed by consumers as being very interesting. Almost half of the respondents said that they would buy a 3D enabled TV within the next three years.

### Blu-ray technology by SINGULUS is operating on all continents

Since the decision in favor of the Blu-ray was made in 2008 and SINGULUS also acquired the Blu-ray activities from the competitor Oerlikon, all major disc producers worldwide work with SINGULUS' BLULINE production equipment. Only Sony is still supporting its proprietary manufacturing technology.

In the past couple of weeks SINGULUS received new BLULINE orders from numerous independent disc producers. The BLULINE and also our mastering system CRYSTALLINE have established themselves internationally. After already reaching our target for Blu-ray in 2010 we expect new orders and are very

BLULINE II Replication Line for Blu-ray Disc and 3D Blu-ray Disc



Crystalline Mastering System for Blu-ray Disc and 3D Blu-ray Disc



optimistic for 2011. We also have ongoing projects for Recordable Blu-ray, i.e. für Blu-ray Discs to record movies. Overall, the Blu-ray market will expand substantially in the next years.

SINGULUS is the only supplier for equipment for mastering and replication of Blu-ray Discs. The built-up of currently highly-utilized production capacities will correspondingly result in additional order intake for us. Our Blu-ray machines by SINGULUS are “3D ready” and a safe investment for the future of optical disc production.

### Solar activities will develop favorably in 2011

In the Solar division SINGULUS together with its subsidiary SINGULUS STANGL SOLAR (SINGULUS STANGL) offers modern individual machines for the silicon and also thin-film solar technology. In addition, the business model has been expanded. SINGULUS takes advantage of its coating know-how as well as its competence in the automation technology and is actively offering complete production systems for crystalline silicon solar cells since the beginning of 2010. The further development of the company's strategy towards a system provider has given the company access to additional projects and extensive order potential. The already initiated active project talks make us optimistic for an increase in order intake in the next couple of months.

### SINGULAR and LINEA – two important components for the production of silicon solar cells

In July 2010 SINGULUS realized the first installation of a so-called front end system. In addition to a LINEA texturing machine, a European solar cell manufacturer acquired an inline coating machine of the SINGULAR type for the anti-reflective coating of silicon solar cells with an additional integrated inline plant for the wet-chemical treatment of crystalline solar cells of the LINEA type for the serial production. This installation of an integrated SINGULUS production system for silicon solar cells is an important breakthrough for the marketing of the complete systems.

In September SINGULUS received additional new orders for SINGULAR plants by a customer from China. Additional promising projects are currently in progress.

### State-of-the-art technology for thin-film solar cells

In February SINGULUS received a major order for several machines for the thermal treatment of thin-film solar modules. This production step is particularly important for the efficiency of the modules and supplements SINGULUS STANGL's established product range for various thin-film applications.

SINGULUS STANGL already has a leading position in the wet-chemical cleaning for CIS and CdTe processes. Our machines for the chemical depositions of buffer layers for thin-film solar cells on glass and foil work

VITRUM – Inline Wet Process Equipment for Thin Film Solar Cells on Glass



So-called front-end system for silicium solar technology with a handling system, LINEA PSG-Wet Process Equipment plus a SINGULAR AR-coating system



with a process which is patent-protected. Our patented process is currently demonstrably offering the best achievable efficiency. With the expected pick-up of the thin-film market in 2011 as a result we also anticipate rising sales again.

SINGULUS' goal is to become a leader for the introduction of new process technologies and machine concepts in both the silicon and thin-film solar technology.

The Executive Board is confident that the company will succeed in expanding the business activities in the Solar division as planned, so that this segment will contribute with significantly positive earnings to the Group's results.

We kindly ask you to give us some time to reach this target and to return the company to the growth path again. We are certain that we will achieve the announced turnaround in 2011. In this connection we see the following points confirming this:

## Optical Disc segment

- \_ Only global one-stop supplier and No. 1 for Blu-ray equipment
- \_ Strong growth for Blu-ray in the next years
- \_ Profitable products with good margins
- \_ Strong growth for Blu-ray production machines in 2010
- \_ Production know-how for the coming market of rewritable/once-recordable Blu-ray (BD-RE/BD-R).



## Solar segment

- \_ Projects for complete systems in negotiations
- \_ Position in attractive, rapidly growing solar market
- \_ SINGULUS AR coating technology establishing itself
- \_ Expansion of sales & marketing in Asia
- \_ Solar segment expected to break-even in 2011



Dear shareholders of the SINGULUS TECHNOLOGIES AG,  
dear Ladies and Gentlemen!

We kindly ask you to stick with our company and to follow us on this way.

Thank you for your patience and trust.

Yours sincerely,

The Executive Board  
SINGULUS TECHNOLOGIES AG



Executive Board (top down):  
Dr.-Ing. Stefan Rinck, CEO  
Dipl.-Oec. Markus Ehret, CFO  
Dr.-Ing. Anton Pawlakowitsch, COO

SINGULAR – Static Inline Tool for High Uptime ICP-PECVD Anti Reflection Coatings

TENUIS – Wet Process Equipment for Thin Film Solar Cells on Glass

