



LETTER TO THE SHAREHOLDERS

QUARTERLY REPORT FOR THE FIRST QUARTER 1998
(UNAUDITED, AS OF 31. MARCH 1998)

Ladies and Gentlemen,

Following is a summary of the business for the first quarter of 1998.

SALES

SINGULUS TECHNOLOGIES continued its strong growth during the first quarter of fiscal year 1998. Sales were up 108 % over the first quarter of 1997 to 47.3 million DM.

Sales were mainly driven by our SKYLINE, a replication line for the manufacture of compact discs. The high level of demand for this product at the end of last year has continued into this year.

RESULTS

Operating profits (E.B.I.T.) also grew significantly to 11.7 million DM. This represents an increase of 87.1 % over the comparable period in fiscal year 1997.

Pre-tax profits were 11.8 million DM (1. Quarter 1997 = 5.7 million DM). The quarterly net income amounting to 5 million DM allowed SINGULUS TECHNOLOGIES to more than double the results of the first quarter of 1997. First quarter 1998 consolidated DVFA/SG earnings per share were 0.83 DM.

CASH FLOW

The Cash Flow in the first quarter amounted to 5.4 million DM. Due to an increase in working capital liquid funds declined by 5.2 million DM.

CAPITAL EXPENDITURES

In order to expand manufacturing capacities for CD and DVD production lines in response to growing demand, sufficient investments had already been made by the end of 1997, therefore major investments were not necessary in the first quarter of 1998.

RESEARCH AND DEVELOPMENT

In the first three months, 1.6 million DM were invested in research and development (1997 = 0.7 million DM).

PERSONNEL

The workforce was increased by 9 employees since the beginning of 1998. New positions, primarily in Sales and Customer Service were created to offer expert advice and technical support on our new products to an increasing customer base.

OUTLOOK

SINGULUS TECHNOLOGIES entered the new business year with strong growth. Comparing the first quarters of 1998 and 1997 it is necessary to take into consideration the relatively low basis of 1997. Nevertheless, further growth is expected in the coming quarters. Orderbacklog as of March 31, 1998 totaled 50.2 million DM.

For the CD-business, market saturation and price erosion are emerging in Asia.

The growing DVD-business in Europe and North America gives good reasons for optimism. Our SPACELINE, the DVD production line, has already achieved the leading market position.

Best regards,

SINGULUS TECHNOLOGIES AG

The Managing Board

Major corporate events for calendar year 1998:

1	Annual general shareholders' meeting, Frankfurt	13 May, 1998 10.30 am
2	Release of quarterly report for Q1/1998	04.Aug., 1998

INVESTOR-RELATIONS:

SINGULUS TECHNOLOGIES AG:

Eva Welzhofer,

Phone: +49 - (0) 60 23 - 9 45 -292

Fax: +49 - (0) 60 23 - 9 45 - 110

Junkersstrasse 1, D - 63755 Alzenau

E-mail: Eva.Welzhofer@singulus.de

Internet: <http://www.singulus.de>

At a glance

Singulus Technologies (consolidated)

as at March 31, 1996 / 1997 / 1998

	<u>Q1'96</u>	<u>Q1'97</u>	<u>Q1'98</u>
	KDEM	KDEM	KDEM
Gross Revenues	16.744	22.689	47.257
Operating Income (E.B.I.T.)	7.224	6.265	11.720
Income Before Tax	4.943	5.712	11.839
Net Income	1.525	2.436	5.006
EPS (DVFA/SG)**	0.40	0.42	0.83
Cash-flow	1.803	2.622	5.400
Staff* (at end of quarter)	59	74	144
R&D Expenses	698	735	1.560

** on base of 6 million shares
data in DEM'000, except * (number)

Consolidated Statement Of Income (Unaudited)

DEM'000	First Quarter	
	1997	1998
Total Gross Revenues	22.689	47.257
Sales Deductions & Dir. Distrib. Cost	915	3.476
Total Net Revenues	21.774	43.781
Cost of Goods Sold	12.013	26.270
Gross Profit	9.761	17.511
Developm., Design, Quality Control	713	1.203
Sales & Customer Services	1.398	2.292
General Managem. & Administration	700	1.466
Projects & Reserves	685	831
Total Operating Expences	3.496	5.791
thereof R&D	735	1.560
Operating Income (E.B.I.T.)	6.265	11.720
Non-Periodic, Extraordinary Exp.		
Depreciation Step-Up	242	
Interest Expences (-Income)	311	-119
Profit Before Tax	5.712	11.839
Income Tax	3.276	6.833
Other Taxes		
Net Income	2.436	5.006
DVFA/SG Net Income	2.543	5.006
EPS (DVFA/SG) in DEM	0,42	0,83

Consolidated Cash Flow Statement (Unaudited)

DEM'000	First Quarter	
	1997	1998
Net Income	2.436	5.006
Depreciation	188	295
Movt. In Long Term Provisions	-1	100
Cash Flow	2.622	5.400
Change In Working Capital	7.321	-10.175
Net Operating Cash-Flow	9.943	-4.775
Capital Expenditures In Fixed Assets	-563	-465
Movt. In Long Term Dept	-5.020	0
Change In CTA	104	44
Net Change in Cash & Liquid Funds	4.464	-5.196