



## **Report on the Consolidated Year-End Closing for 1998 and Fourth Quarter 1998 as of 12/31/98**

Dear Shareholders:

The following is a synopsis of business developments for fiscal year 1998 and for the fourth quarter.

### **REVENUES**

Fiscal 1998 was another successful year for SINGULUS TECHNOLOGIES AG. Revenues rose by 13.4% to 198 million DM; 52% of these sales were attained in Asia, 21% in North and South America, and 27% in Europe (1997: 60%, 6% and 34% respectively).

Our important Asian markets were affected by substantial upheaval in 1998. A decline in business in Far Eastern countries during the second and third quarters of 1998 was followed by a gratifying revitalization of demand during the fourth quarter.

Revenues for CD replication lines were disproportionate relative to overall market developments, attaining the worldwide market leadership position for this product line. Based on leading engineering and process technology, our company has also reached the premier global position in the burgeoning DVD replication line business.

### **BOOKINGS AND ORDER BACKLOG**

Our product and marketing strategies have been borne out by our most recent successes. Orders received during the fourth quarter totaled 84.7 million DM, almost double those of preceding quarters. This resulted in a high order backlog of 72.3 million DM by 12/31/98.

### **EARNINGS**

Changes in the product mix, expenditures for Research and Development, as well as other influences reported earlier, resulted in increased earnings but not totally to the extent of growth in revenues. Nevertheless, net income rose 10% to 22.1 million DM.

### **RESEARCH AND DEVELOPMENT**

The focal point of our Research and Development in 1998 was the continued development of DVD technology and the optimization of our SPACELINE.

The SKYLINE CD replication line was also reconfigured to provide selective DVD-5 replication to customers seeking affordable entry into the DVD market. This SKYLINE-Duplex is capable of alternating between CD/CD-ROM and DVD-5 production.

An important milestone in the realization of our product strategy was the development of STREAMLINE, a replication line for manufacturing the write-once CD-R (Recordable). Proprietary development of dye spincoating and curing modules distinguishes our system's technology from the competition. Strong market growth is predicted for the CD-R and DVD-R recordable media formats.

## STAFF

The year-end influx of orders necessitated an expansion of our assembly and commissioning capacities. Our workforce increased by 22 employees in 1998, comprising 157 people worldwide by year-end.

## FORECAST

SINGULUS TECHNOLOGIES enjoyed a vigorous start to the new year and has outstanding prospects for sustained profitable growth.

In the first two months of 1999, 40 SKYLINES were commissioned and an additional 36 were ordered. Due to increased demand for DVD, we expect a substantial increase in Spaceline orders in the near future.

Numerous orders have already been placed for our SKYLINE-*Duplex* and STREAMLINE replication equipment.

During the General Shareholders' Meeting on May 7, 1999 the Managing Board and Supervisory Board will recommend that each shareholder receive three shares at a par value of 1.00 Euro for every share held at the current 5.00 DM par value.

Based on the sound financial results achieved during fiscal 1998, the requisite increase in share capital can be derived from corporate funds.

Best regards,

SINGULUS TECHNOLOGIES AG  
The Managing Board

## At a Glance

# **SINGULUS TECHNOLOGIES (consolidated)**

Twelve months cumulative, as of 12/31/1996, 1997, 1998

	1996 KDEM	1997 KDEM	1998 KDEM
Gross Revenues	88,225	174,701	<b>198,046</b>
Earnings Before Tax	20,469	45,620	<b>47,123</b>
Net Income	7,846	20,037	<b>22,057</b>
Total Shareholders' Equity	-1,585	38,720	<b>60,452</b>
Balance Sheet Total	36,147	111,257	<b>121,512</b>
Cash Flow	9,452	21,426	<b>24,041</b>
R&D Expenditures	3,966	5,046	<b>6,855</b>
Employees (12/31)*	90	135	<b>157</b>
DVFA/SG Earnings per Share DEM**		3.49	<b>3.68</b>

All figures in K DEM, except for \*(actual number),

\*\* based on 6 million issue shares

## Investor-Relations

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## CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 1998 AND 1997

	31.12.1998		31.12.1997	
	KDM	%	KDM	%
Cash & other liquid funds	33.213	27,3	46.058	41,4
Trade accounts receivable	35.136	28,9	11.234	10,1
Others receivable	5.389	4,4	3.703	3,3
Total accounts receivable	40.525	33,3	14.937	13,4
Raw and packing materials	20.197	16,6	16.603	14,9
Work in process and finished goods	21.560	17,7	27.483	24,7
Prepayments to suppliers	929	0,8	670	0,6
Total inventories	42.686	35,1	44.756	40,2
<b>Total current assets</b>	<b>116.424</b>	<b>95,7</b>	<b>105.751</b>	<b>95,0</b>
Financial long-term assets	0	0,0	0	0,0
Property, plant and equipment	4.149	3,4	4.204	3,8
Intangible assets	186	0,2	307	0,3
Financial long-term assets	0	0,0	760	0,7
<b>Total Fixed Assets</b>	<b>4.335</b>	<b>3,6</b>	<b>5.271</b>	<b>4,8</b>
<b>Deferred tax assets</b>	<b>753</b>	<b>0,7</b>	<b>235</b>	<b>0,2</b>
<b>Total assets</b>	<b>121.512</b>	<b>100,0</b>	<b>111.257</b>	<b>100,0</b>
Bank overdrafts and borrowings	60,0	0,0	631	0,6
Trade accounts payable	23.374	19,2	11.736	10,5
Other current liabilities	9.020	7,4	8.309	7,5
Progress payments	2.254	1,9	26.658	24,0
Total current liabilities	34.708	28,5	47.334	42,6
Convertible bonds	535	0,4	750	0,7
Total long term loans	535	0,4	750	0,7
Pension accruals	2.675	2,2	2.371	2,1
Tax accruals	16.903	13,9	17.601	15,8
Other provisions	6.263	5,2	4.481	4,0
Total provisions	25.841	21,3	24.453	21,9
<b>Total liabilities</b>	<b>61.084</b>	<b>50,2</b>	<b>72.537</b>	<b>65,2</b>
<b>Minority interest</b>	<b>-24</b>	<b>0,0</b>	<b>0</b>	<b>0,0</b>
Share capital (6.000.000 authorized, issued and outstanding ordinary shares)	30.000	24,7	30.000	27,0
Add. Paid-in capital	24.414	20,1	24.414	21,9
Cumulative currency translation adj. (CTA)	18	0,0	343	0,3
Retained earnings-beginning	-16.037	-13,2	-36.074	-32,4
Profit current year	22.057	18,2	20.037	18,0
Retained earnings-ending	6.020	5,0	-16.037	-14,4
<b>Total shareholders equity</b>	<b>60.452</b>	<b>49,8</b>	<b>38.720</b>	<b>34,8</b>
<b>Total liabilities and equity</b>	<b>121.512</b>	<b>100,0</b>	<b>111.257</b>	<b>100,0</b>

## CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998 KDM	%	1997 KDM	%
<b>Gross revenues</b>	<b>198.046</b>	<b>105,6</b>	<b>174.701</b>	<b>107,9</b>
Sales deductions and direct distribution cost	<u>-10.551</u>	<u>-5,6</u>	<u>-12.737</u>	<u>-7,9</u>
<b>Total net revenues</b>	<b>187.495</b>	<b>100,0</b>	<b>161.964</b>	<b>100,0</b>
Cost of goods sold	<u>-116.599</u>	<u>-62,2</u>	<u>-94.056</u>	<u>-58,1</u>
<b>Gross profit</b>	<b>70.896</b>	<b>37,8</b>	<b>67.908</b>	<b>41,9</b>
Development, design, quality control (thereof R & D expense)	-4.754	-2,5	-4.536	-2,8
Sales and customer service	(-4.034)	(-2,2)	(-3.883)	(-2,4)
General management and administration	-10.630	-5,7	-8.392	-5,2
Projects and reserves	-5.848	-3,1	-5.458	-3,4
(thereof R & D expenses)	<u>-3.565</u>	<u>-1,9</u>	<u>-1.953</u>	<u>-1,2</u>
Total operating expenses	<u>(-2.821)</u>	<u>(-1,5)</u>	<u>(-1.163)</u>	<u>(-0,7)</u>
<b>Operating income (E.B.I.T.)</b>	<b>46.099</b>	<b>24,6</b>	<b>47.569</b>	<b>29,3</b>
Extraordinary income/expenses	0	0,0	-1.359	-0,8
Depreciation step-up *	0	0,0	-618	-0,4
Interest income/expenses	1.024	0,5	28	0,0
<b>Profit before tax</b>	<b>47.123</b>	<b>25,1</b>	<b>45.620</b>	<b>28,1</b>
Income tax	<u>-25.101</u>	<u>-13,4</u>	<u>-25.583</u>	<u>-15,8</u>
<b>Net income before minority interest</b>	<b>22.022</b>	<b>11,7</b>	<b>20.037</b>	<b>12,3</b>
Minority interest	35	0,0	0	0,0
<b>Net income</b>	<b>22.057</b>	<b>11,7</b>	<b>20.037</b>	<b>12,3</b>
<b>Retained earnings at beginning of year</b>	<b>-16.037</b>		<b>-36.074</b>	
<b>Retained earnings at end of year</b>	<b>6.020</b>		<b>-16.037</b>	
 <b>Reconciliation to DVFA/SG Income</b>				
Net income	22.057		20.037	
Nonrecurring income/expenses				
- net of tax impact	0		602	
Depreciation step-up - net of tax impact	<u>0</u>		<u>274</u>	
DVFA/SG income	<u>22.057</u>		<u>20.913</u>	
 <b>Earnings per share based on DVFA/SG income and the number of shares outstanding at year-end (in DM)</b>	<b>3,68</b>		<b>3,34</b>	
<b>Earnings per share based on DVFA/SG income and the number of shares outstanding at year-end (in DM)</b>	<b>3,68</b>		<b>3,49</b>	

\*Depreciation orders on hand