

## At a glance

# Consolidated Key Figures

		2011	2012
Sales	million €	160.0	108.6
Order intake	million €	151.6	121.9
Order backlog (Dec. 31)	million €	26.8	40.1
EBIT	million €	6.7	-60.5
Earnings before taxes	million €	5.6	-63.8
Net profit/loss	million €	5.6	-61.6
Operating cash flow	million €	7.5	-0.4
Shareholders' equity	million €	137.9	77.2
Balance sheet total	million €	182.4	206.5
Research & development expenditures	million €	8.8	8.9
Employees (Dec. 31)		455	400
Weighted number of shares, basic		45,195,314	48,930,314
Earnings per share, basic		0.14	-1.23

# SINGULUS TECHNOLOGIES – INNOVATIONS FOR NEW TECHNOLOGIES

Technologic innovations change our lives. Smart phones, tablets, the cloud, industry 4.0, TV pictures in ultra high definition 4K and 8K quality as well as solar cells with an efficiency level of more than 20 % are just a few examples for this.

SINGULUS TECHNOLOGIES develops innovative technologies for efficient production processes, which only make use of resources conservatively. New production technology combined with sustainable processes and the use of novel materials can decouple the use of resources from economic growth in the long-term. SINGULUS TECHNOLOGIES' innovative power and competitiveness are strengthened by these new technologic developments. On the one hand, engineers, physicists and chemists at SINGULUS TECHNOLOGIES are initiators of new solutions and on the other hand, partners for institutes, research collaborations and R&D departments of large international corporations. The main focus is on industrial and applied research and development.

With its Optical Disc segment SINGULUS TECHNOLOGIES is the market leader for CD, DVD and Blu-ray Disc production equipment. As the only engineering company worldwide SINGULUS TECHNOLOGIES today already provides the machine technology for three-layer Blu-ray Discs with a storage volume of about 100 GB. Only Blu-ray Discs with these capacities will enable movie experiences in the new ultra high definition format 4K in "movie quality" in the future.

In the Solar division SINGULUS TECHNOLOGIES is a recognized supplier for new machines concepts and production processes for crystalline and thin-film solar cells, which increase the efficiency of solar cells and reduce their production costs. SINGULUS TECHNOLOGIES establishes itself as a development partner and machine supplier for technologies enabling a sustainable energy provision on the basis of renewable energies.

In the Semiconductor segment SINGULUS TECHNOLOGIES focuses its activities on the vacuum coating of wafers with ultra thin layers for the production of MRAM memory, thin-film write/read heads and other semiconductor applications.

SINGULUS TECHNOLOGIES continues to expand its know-how in vacuum coating, the automation and process technology as well as the integration of manufacturing lines in order to develop new work areas. Other areas of applications are in the focus for a potential acquisition.

#### "What is actually ...?"

Short and simple explanations: key terms of SINGULUS TECHNOLOGIES' world of innovations.

Most of the television viewers are in the meantime accustomed to terms such as HD Ready and Full HD as a successor of our old analog PAL picture format. But what is meant by ultra-high definition and 4K? While traditional PAL TV sets still had a resolution of 625 rows and the US TV standard NTSC even only 525 rows, the era of brilliant pictures started with HD Ready. TV sets with HD Ready technology display pictures with  $1,280 \times 720$  pixels. Most of the television stations currently broadcast their program with this resolution. The Full HD format as the current standard provides a resolution of  $1,920 \times 1,080$  pixels. Blu-ray Discs are able to store the required volume of data to display Full HD movies in 2D and also in 3D in the desired brilliance and with excellent quality of sound.

The entertainment industry is already planning the next generation of pin sharp home movie pictures: ultra-high definition. At trade fairs new 4K TV sets with a resolution of 3,840 x 2,160 pixels were presented. At the Consumer Electronics Show (CES) 2013 in Las Vegas, US, virtually all major electronics producers presented television sets with this quadruple Full HD resolution, called UHD TV (ultra high definition television). Many times these new television sets are display screen giants with diagonals of 80 inches (203 centimeters) and more. The Blu-ray Disc offers the key possibility to play and enjoy Ultra HD and 4K movies.

Production equipment by SINGULUS TECHNOLOGIES enables the production of next generation optical discs on the basis of our current BLULINE machines.

4K TV sets with a resolution of 3.840 x 2.160 pixels What is meant by ultra-high definition and 4K?



In 1982, today's broadly available Compact Disc (CD) was presented. Such a CD stores between 650 MB (corresponds to 74 minutes of music with traditional audio CDs) and 879 MB at maximum. In 1996 the specifications for the DVD (Digital Versatile Disc) were released and in 1997 the format was introduced on the US market. Today there a basically two different DVD formats: DVD 5 with one storage layer with 4.7 GB volume and DVD 9 with two layers with 8.5 GB storage memory.

To account for the risen data volumes for Full HD movies, the Blu-ray Disc format was developed in 2004 and launched in the year 2008. It provides more than five time the storage memory of a DVD and is thus able to store 25 GB on one layer and 50 GB on two layers, respectively. In this process the first part of the data is pressed on liquid plastic, while the second part, i.e. the second storage layer, is generated by stamping the information bits in liquid lacquer.

Three-layer Blu-rays now get an additional information layer, which is also generated by stamping the information bits in a further layer of liquid lacquer. Each layer enables the storage of 25 GB of data. With the realization of a new and specifically designed compression method for the ultra HD and 4K technology, the former data volume of 25 GB per information layer can be increased to 33 GB. With this process a three-layer Blu-ray Disc can provide the required 100 GB storage capacity.

SINGULUS TECHNOLOGIES develops and optimizes innovative machine formats and production machines for this new Blu-ray format.

Three-layer Blu-ray Disc with 100 GB storage memory for the new 4K technology

What are two- and three-layer Blu-ray Discs?



The majority of today's globally produced solar cells on the basis of crystalline silicon wafers has a level of efficiency in the range from 16 % to 18 %. For these solar cells the entire rear side is coated with an aluminum compound via screen printing and thus electrical contacts are applied. With new production technology the cells' level of efficiency of more than 20 % can be achieved – these cells will be introduced to the market shortly.

One of these new solar cell concepts is the so-called PERC cell [passivated emitter and rear cell]. Instead of the continuous metalization of the rear side, the cell is passivated with an dielectric layer and electric contacts are only applied locally. The passivation of rear sides and local contacting of PERC cells requires three additional manufacturing steps: firstly, a wet-chemical polishing of only the rear side of the cell is performed. Then through an additional vacuum coating process the passivation layer is applied to the cell's rear side and locally opened via a laser. Lastly, similar to a standard cell a metal layer is applied via printing process on the modified rear side, which does not have continuous contact with the silicon substrate anymore, however.

The modified cell rear side improves the reflection of sun light and at the same time reduces efficiency losses due to the additional passivation layer, which increases the level of efficiency to more than 20 %. The introduction of the new PERC solar cells is imminent.

SINGULUS TECHNOLOGIES already presented a production solution for this promising, highly efficient solar cell concept, which can be upgraded into existing production lines, in fall 2012.

PERC – the next generation solar cell with an efficiency of more than 20 %

What is a PERC solar cell?

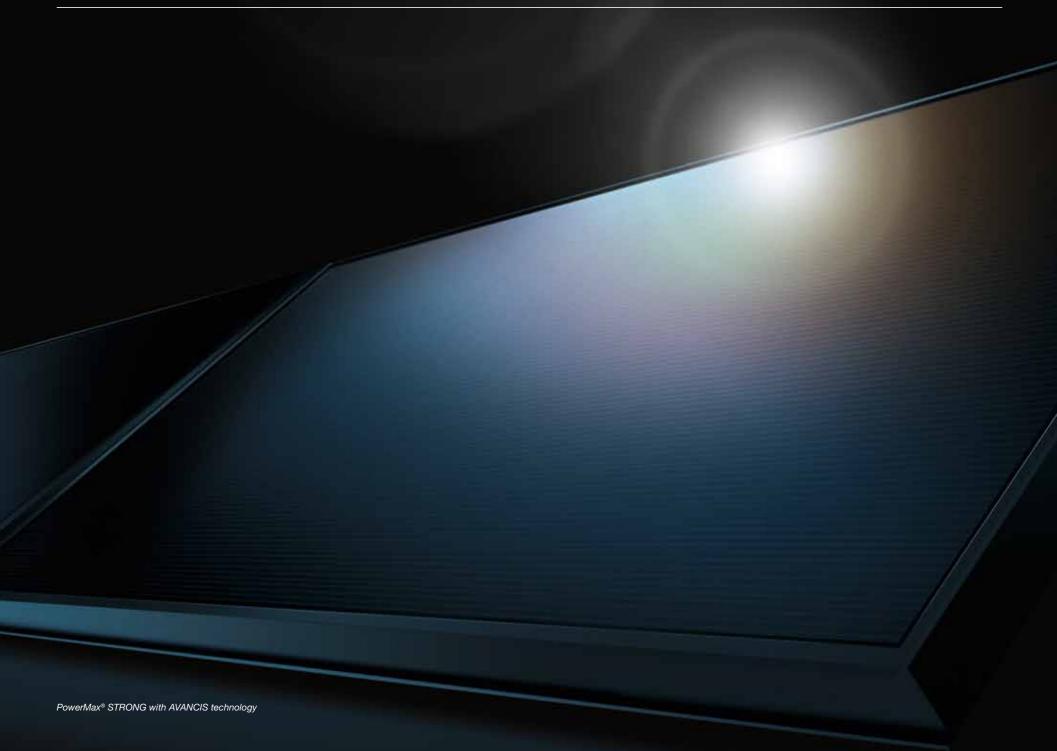
Solar cells can be categorized according to production process and used materials, for example in crystalline silicon solar cells and CIGS thin-film cells. In the case of crystalline silicon cells, which today accounts for approximately 85 % of the global cell production, the backing material is an approximately 180  $\mu m$  (i.e. 0.18 mm) thin and usually 156 x 156 mm wide silicon disc, the so-called wafer. The individual silicon solar cells are assembled in an additional production step and mounted to solar modules. In contrast, in the thin-film solar technology a large glass disc is the base material, on which a relatively thin layer of 1 to 2  $\mu m$  of photoactive compounds is applied. Amongst others, alloys consisting of copper, indium, gallium and selenium or sulfur (CIGS), compounds of cadmium and tellurium (CdTe) or thin silicon layers are used in this process.

In contrast to monocrystalline or polycrystalline solar cells, thin film modules only marginally lose performance amid low light or very high temperatures. This results in the fact that thin-film solar cells produce electricity earlier in the morning hours and later in the evening hours. Thin-film solar cells do not experience loss of performance amid high temperatures and there are no clouding problems. Furthermore, thin-film solar cells can be used as a design object for the front or the roof of buildings due to its homogenous surface and better visual appearance.

SINGULUS TECHNOLOGIES focuses on the market with the largest growth opportunities: the market for CIS/CIGS solar cells, whose photoactive layer consists of a compound semiconductor. For this cell type the absorption layer is comprised of copper, indium, gallium as well as selenium and partly sulfur compounds. These thin-film cells have achieved laboratory efficiency levels of 20.3 % at maximum so far. The efficiency of modules is in a range from 13 to 17 % depending on the module size.

CIS/CIGS solar cells have achieved laboratory efficiency levels of  $20.3\ \%$  at maximum

What is the difference between crystalline and CIS/CIGS thin-film solar technology?



One nanometer = 1 nm corresponds to one-billionth meter, i.e. one-millionth millimeter. As a comparison, a normal hair is about 0.05 millimeter or 50,000 nanometer thick.

In vacuum coating machines, functional layers consisting of different materials can be applied with various thicknesses. Extremely thin layers are required for semiconductor technology. In vacuum coating machines of the TIMARIS type single layers with a thickness of about 0.2 nm only can be applied to substrates.

An important process step is the nano coating technology in vacuum for the manufacturing of new MRAM chips. MRAM means magnetoresistive random access memory and is a revolution in memory technology. In contrast to traditional storage technology such as dynamic random access memory (DRAM) or static random access memory (SRAM), in the case of MRAM technology information is not stored through electric particles but by using the magnetic characteristics of the material. The information 0 or 1 is stored in a thin magnetic layer. MRAM is non-volatile, i.e. it maintains the information even without power supply. As a result, computers would be operational immediately after switching them on. Since MRAM chips are extremely low-current and very fast, in particular mobile devices such as laptops, mobile phones, tablets and organizers could benefit from this new technology.

Furthermore, nano coating technology is used in modern sensor technology. For example with this technology key parts of small size or chip laboratories can be manufactured, which include the entire functionality of a macroscopic laboratory on a plastic substrate only the size of a plastic card. With this chemical syntheses and analyses and therefore for example the diagnosis of cancer, can be produced at high speed shortly. An additional application is the use of sensors in vehicle technology of automobiles.

As one of the few suppliers for production equipment for MRAM wafer SINGULUS TECHNOLOGIES has a significant know-how advantage and an excellent starting position for the expected growth market.

Nano coatings

What is nano coating technology?



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

At a Glance – Key Figure

SINGULUS TECHNOLOGIES
Company Profile

Key Terms of SINGULUS TECHNOLOGIES' World of Innovations

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#### The Year 2012

#### in Review

signs contract for the delivery of a complete production line for crystalline solar cells

New order for TIMARIS vacuur

First order for new vaporizatio machine for thin-film solar technology

Successful placement of a corporate bond with a term to maturity of five years and an annual coupon of 7.75 % p.a.

Delivery of the first production line for rewritable Blu-ray Disc

Annual balance sheet conference and analysts' conference in Frank furt am Main on March 27, 2012

In cooperation with SINGULUS TECHNOLOGIES the Institute for Solar Energy Research Hameln (ISFH) increases the performance of screen printing silicon solar cells to record level of 20.1 %

Participation at the international trade fair ICONSAT-2012,
Hyderabad, India, as well as at the PV Expo, 5<sup>th</sup> International
Photovoltaic Power Generation
Expo. Tokyo. Japan

Q2

I = I = I

Additional orders for Blu-ray production machines received

SINGULUS TECHNOLOGIES presents new machine concept for the cleaning of PV silicon

Participation at the MEDIA-TEC
USA as well as at trade show
SEMICON Singapore 2012

Annual General Meeting of SINGULUS TECHNOLOGIES in Frankfurt am Main on June 19, 2012

Participation at INTERMAG 2012 Conference, Vancouver, Canada

Participation at the SNEC PV Power Expo, Shanghai, China Participation at the MEDIA-TECH Europe, Hamburg as well as at Intersolar Europe 2012, Munich

The European Research Society
Thin Films e.V. (EFDS) convenes
for workshop "Challenges of
Upscaling of Production of ThinFilm Solar Cells" in Kahl am Main

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### To the Shareholders of the SINGULUS TECHNOLOGIES AG Report of the Supervisory Report

Dear Shareholders!

The developments of the three segments Semiconductor, Solar and Optical Disc were mixed in the past business year 2012. The Semiconductor division performed very favorably, even though still on a low level. In the Solar segment we were able to achieve many goals in the area of CIS/CIGS production machines. In general, a market recovery in the photovoltaics market did not materialize in the year 2012, however. Despite a high utilization rate in the disc production in the year 2012, there was a smaller number of machine orders in the Optical Disc segment than in the year 2011. This had a negative impact on the development of the business results of the SINGULUS TECHNOLOGIES AG as well as on sales and earnings for the full-year 2012. Additional details regarding the development of the company are presented in the Status Report.

In its report, the Supervisory Board informs about the fulfillment of its tasks and the focus of its activities in the business year 2012. In the business year 2012 the fulfillment of all the tasks pursuant to law, articles of incorporation and bylaws was continued. The Executive Board was regularly advised with respect to the management of the SINGULUS TECHNOLOGIES AG and its activities supervised.

There were no objections on part of the Supervisory Board regarding the conduct of business by the Executive Board of the SINGULUS TECHNOLOGIES AG at any time. Furthermore, the Executive Board and Supervisory Board agreed at all times about the assessment of the business trend, the market environment, opportunities and risks.

#### Changes in the supervisory board

Mr. Günter Bachmann resigned from his position on the Supervisory Board of the SINGULUS TECHNOLOGIES AG as of November 30, 2012 for personal reasons.

Ms. Dipl.-Kfm. Christine Kreidl, auditor and tax consultant, was recommended to the Local Court Aschaffenburg as a member by the Executive Board after a respective authorization by the Supervisory Board and appointed with effect from December 4, 2012 until the next Annual General Meeting on June 6, 2013. For many years, Ms. Christine Kreidl was member of the Executive Board of one of the large, international auditing companies and is a proven expert for international tax law, international accounting as well as mergers & acquisitions. At the upcoming Annual General Meeting Ms. Christine Kreidl will run for election by the shareholders for an additional tenure.

01 From left to right: Christine Kreidl, Deputy Chairperson of the Supervisory Board, Dr.-Ing. Wolfhard Leichnitz, Chairman of the Supervisory Board, Dr. rer. nat. Rolf Blessing, Member of the Supervisory Board



01

#### **Focus of activities of the Supervisory Board**

The Supervisory Board was regularly apprised of the course of business and the Group's situation during the fiscal year 2012 and provided oversight for the Executive Board's leadership of the company. We have assured ourselves of the legitimacy, expediency and compliance of all business events. The basis of the information and oversight activities of the Supervisory Board rested on regular and extensive written and verbal reports by the Executive Board and other employees as well as by auditors and consultants. The Executive Board informed the Supervisory Board in writing on a monthly basis about the current course of business of the individual segments and their respective market environments. The Supervisory Board was notified about important projects and measures by means of current status reports amongst others. Since the issue of the corporate bond the Executive Board regularly lays out the use of these proceeds.

The Chairman of the Supervisory Board also regularly met with the Executive Board for numerous individual discussions held in addition to the official meetings to review the status and further development of the company. At all times, the other members of the Supervisory Board were informed about these meeting thereafter. Due to the close coordination and open cooperation with the Executive Board, the Supervisory Board had detailed knowledge about all important business events and trends at the SINGULUS TECHNOLOGIES Group at all times. Accordingly, the Board was able to discuss the corporate planning and strategy in-depth in its meetings with the Executive Board and advise it accordingly.

The Supervisory Board was directly involved in all decisions, which were of fundamental importance for the company. Business activities that had to be approved or were required to be discussed by the Supervisory Board due to company interests, were approved by the Supervisory Board after diligent discussions and reviews.

#### **Focus of the Supervisory Board meetings**

In the business year 2012, there were twelve meetings of the Supervisory Board in total, thereof five meetings in presence and seven conference calls. During the course of the ordinary meetings the Supervisory Board has regularly informed itself about the business trend of the company, in particular the development of sales and profitability, the comparison of the actual business performance with the budgets, the company's planning as well as the respective interim reports. In months without a meeting in presence the written reports were discussed with the Executive Board during conference calls.

Specifically, the following topics were in the spotlight of the discussions of the Supervisory Board:

#### Meeting in presence on January 25, 2012

The Executive Board informed the Supervisory Board about the current business situation in the individual segment. The development of the individual segments as well as the financial situation and the liquidity situation of the company were discussed at length.

In addition, planned acquisitions and the issuance of a corporate bond were reviewed. The company's consulting legal advisor informed the Supervisory Board in detail about the rights, obligation and also the liability of a supervisory board of a stock corporation. These issues were discussed in detail subsequently. Also, the D&O insurance as well as the target agreement for the Executive Board for the business

year 2012 were topics of this meeting. The Supervisory Board has dealt in-depth with the subject matters of the German Corporate Governance Code. The deviation from the Code were once again reviewed and discussed. Pursuant to Art. 161 AktG the Supervisory Board approved a declaration of conformity, according to which the company adheres to the recommendations of the German Corporate Governance Code except for the mentioned and justified deviations (cf. Corporate Governance Code). The Declaration of Conformity was signed by the Supervisory Board and the Executive Board.

#### Conference call on February 25, 2012

The Executive Board of the SINGULUS TECHNOLOGIES AG informed the members of the Supervisory Board about the planned issuance of an unsecured, not subordinated corporate bond and the resolution to be made by the Executive Board.

By means of election over the phone, which all members of the Supervisory Board agreed to, it was unanimously voted to approve the resolution of the Executive Board of the company as of February 24, 2012 to issue a bond by the company.

# Meeting in presence on March 12, 2012 (financial statements Supervisory Board meeting)

The auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn, presented the final version of the annual financial statements and the audit report. The final version was elaborated in detail by the Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and subsequently discussed by the Supervisory Board at length. The financial accounts pursuant to HGB of the SINGULUS TECHNOLOGIES AG for the business year 2011 including the status report combined with the group status report pursuant to International Financial Reporting Standards (IFRS) were established and the consolidated financial statement pursuant to the International Financial Reporting Standards (IFRS) adopted.

In addition, the report presented by the Executive Board about the current business situation, upcoming major projects as well as M&A plans of the company were reviewed. The achievement of the targets of the Executive Board for the business year 2011 was determined.

During the current meeting the Corporate Governance Report including the Compensation Report were reviewed. The Executive Board also reported about the successful placement of the corporate bond. The subscription period was closed in the afternoon of March 12 ahead of schedule.

#### Conference call on April 4, 2012

On the basis of an in-depth, written report the Executive Board and the Supervisory Board exhaustively discussed the results of the first months of the business year 2012 as well as potential major projects. In addition the use of the proceeds from the corporate bond was discussed and a reporting determined. The Supervisory Board approved the presented invitation to the Annual General Meeting 2012.

#### Conference call on May 7, 2012

The Executive Board explained to the Supervisory Board the report for the first quarter 2012 and elaborated on the key results and statements as well as details regarding the individual segments. The suggestions recommended by the Supervisory Board were accepted on part of the company.

#### Meeting in presence on June 19, 2012

The meeting served to prepare for the Annual General Meeting held on June 19, 2012.

In addition, the Executive Board reported about the business situation in the first months of 2012. The Supervisory Board discussed with the Executive Board the business developments of the segments as well as the upcoming major projects. The development of the Optical Disc

segment was discussed at length. An extremely difficult market situation continued to prevail in the Solar division. Due to the existing excess capacities at the cell and module production the market for machine and plant engineering came almost to a complete standstill.

The Semiconductor segment had a very good start into the business years with its order intake in the first months.

The Executive Board informed the Supervisory Board about its review to reduce the cost base through further rationalization measures.

#### Conference call on July 4, 2012

On July 4, 2012 the Supervisory Board reporting for the first five months until May 2012 was discussed. In this connection the difficult business situation and streamlining including personnel measures at the site in Fürstenfeldbruck were reviewed.

#### Conference call on August 10, 2012

The Executive Board explained to the Supervisory Board the report draft of the company for the half-year report for the results of the first half-year 2012. The report provided to all participants ahead of the meeting was commented on in detail and all relevant issues were extensively discussed. In the Optical Disc division the order intake was still below plans. Talks with key customers were continued. A clear perspective on the order behavior was not yet possible due to seasonality. Despite a difficult global market, several major orders were booked in the Solar segment. The Semiconductor division started off very favorably with the order intake in the first months. Here the Executive Board expected additional orders in the course of the business year. The Executive Board informed the Supervisory Board in detail about a potential acquisition. Furthermore, the Executive Board elaborated on the plans for the medium-term financing until the maturity of the corporate bond.

#### Meeting in presence on September 17, 2012

The Executive Board reported about the current business situation and the development of the segments. The Supervisory Board was informed about the financial development as well as the projections for the current business year. In the Optical Disc segment there still remained strong restraint for new orders of Blu-ray Disc production machines. The lacking order intake had a sizable impact on all key financial figures of the company. Nevertheless, talks with customers, also at the Executive Board level, about potential orders in the current business year were continued. The Executive Board presented an overview of the ongoing project in the Solar division and also explained the problems at the site in Fürstenfeldbruck. In the area of thin-film solar technology the order intake in the current business year was satisfactory. The development of the Semiconductor segment markedly exceeded expectations. The importance of current key projects was reviewed with the Supervisory Board.

In addition, cost savings programs and restructuring possibility, the M&A strategy as well as the use of the proceeds from the corporate bond were discussed with the Executive Board. The Supervisory Board also welcomed the successful certification of the company pursuant to ISO 9001.

#### Conference call on October 25, 2012

In this meeting the Executive Board presented the current business situation and the status of individual projects in the individual segments. In this context, the Executive Board elaborated on the requirement to perform a reevaluation of key balance sheet items. The Supervisory Board was provided by the Executive Board with a detailed presentation of resulting extraordinary charges. The Supervisory Board supported the view of the Executive Board and approved the measures, the required balance sheet impairments as well as the planned communications measures.

#### Conference call on November 5, 2012

During the course of this meeting the report of the company for the third quarter of 2012 was discussed and approved. The Executive Board explained the program to issue phantom stocks as a measure to commit key employees to the company in the long-term. The Supervisory Board approved the program and the measures.

#### Meeting in presence on November 26, 2012

The Executive Board reported on all current projects, the current financial situation as well as ongoing M&A activities. The budget for the business year 2013 and the multi-year forecasts presented by the Executive Board was discussed in detail and approved by the Supervisory Board. In addition, the auditor KPMG AG Wirtschafts-prüfungsgesellschaft, Frankfurt am Main, presented the auditing approach and the focus of the annual results audit, which is performed by the KPMG AG for the first time for the business year 2012.

The Executive Board presented the Supervisory Board the planned buy-back program for the corporate bonds issued in March 2012. The Supervisory Board gave the Executive Board the approval for the implementation of the program and made the start date of the program dependent on a respective resolution by the Executive Board.

Subsequently, Supervisory Board and Executive Board discussed the results of the efficiency review of the Supervisory Board as well as the resulting recommendations and measures for improvement.

The Chairman of the Supervisory Board took up the resignation of Mr. Günter Bachmann and explicitly recognized his commitment as well as the good cooperation with the Executive and Supervisory Boards. The Supervisory and Executive Boards unanimously welcomed the willingness of Ms. Christine Kreidl (WP/StB) to succeed Mr. Bachmann as a financial expert on the Supervisory Board. The Supervisory Board mandated the Executive Board to file an application for the appointment at the Local Court Aschaffenburg.

#### Resolution by written circulation on December 7, 2012

On December 7, 2012, the Supervisory Board resolved to appoint Ms. Christine Kreidl as Deputy Chairwoman of the Supervisory Board. Upon request of the Chairman the resolution was made by written circulation with approval and participation of all members of the Supervisory Board pursuant to Art. 5.5 of the bylaws.

#### **Conflicts of interest**

Also in the past business year there were no indications of conflicts of interest of members of the Executive or Supervisory Boards, which have to be disclosed to the Supervisory Board immediately and which the Annual General Meeting has to be informed about.

#### **Corporate Governance**

The SINGULUS TECHNOLOGIES AG and its Supervisory Board subscribe to the principles of proper and responsible corporate governance.

With effect from May 15, 2012, the Corporate Governance Code was amended. The changes were taken note of and discussed by the Supervisory Board. In this regard, the Supervisory Board states the following:

The Supervisory Board is comprised of three members and refrained from forming an audit committee or other committees in the business year 2012. According to the Supervisory Board's opinion, neither enhancements in efficiency nor an improved handling of complex subject matters nor a more efficient or improved fulfillment of the duties of the Supervisory Board with respect to issues regarding accounting principles, risk management or auditing can be expected from such committees.

The Supervisory Board does not set a mandatory quota for an appropriate participation of women in the Supervisory Board, since the members of the Supervisory Board should exclusively be chosen on the basis of expertise and qualification and without regard of gender or nationality.

The Supervisory Board for the time being did not set specific targets for the number of independent Supervisory Board members. However, the Supervisory Board resolved an amendment of its bylaws, according to which the Supervisory Board is to be comprised of two third of independent members. Henceforth, the recommendation of the Code is adhered to.

The currently applied performance-related compensation of the Supervisory Board is not aligned with a sustainable development of the company. Supervisory Board and Executive Board will recommend to the next Annual General Meeting to change the compensation of the Supervisory Board towards a purely fixed compensation, since they do not deem a variable compensation scheme for the Supervisory Board, which adheres to the recommendation of the Code, as reasonable.

In January 2013 the members of the Executive and Supervisory Boards drew up a joint Declaration of Conformity pursuant to Art. 161 AktG and the Corporate Governance Report pursuant to Art. 3.10 of the Code, which can be found on page 35 of this Annual Report 2012. In the Declaration of Conformity, the Corporate Governance Report and in the Corporate Governance Declaration, which is permanently published on the company's website, the aforementioned deviations from the recommendations of the Corporate Governance Code are explained in detail. The Declaration of Conformity was permanently made available to the shareholders on the company's website.

#### Compensation of the executive board

The sitting members of the Executive Board have signed individual employment contracts with the company. For details regarding the general terms of the contracts and modifications please refer to the Compensation Report on the pages 81 to 87 of this Annual Report 2012.

#### **Risk Management**

According to relevant regulations of stock corporation and commercial laws the SINGULUS TECHNOLOGIES AG is subject to special requirements with respect to internal risk management and has thus set up a corresponding monitoring system. The Supervisory Board regards the monitoring system of the SINGULUS TECHNOLOGIES AG as efficient and shares the risk assessment of the Executive Board (a detailed presentation of the Risk Report can be found in the annotation of page 72 to 79 of the Annual Report 2012).

#### Shareholdings of the members of the supervisory board

The stock holdings of Supervisory Board members are published in this Annual Report as well as on the internet (for a detailed presentation please refer to the annotations on page 86 of this Annual Report 2012).

# Annual and consolidated financial statements as well as status report

The financial statements of the SINGULUS TECHNOLOGIES AG as well as the consolidated financial statements and the combined status report of the SINGULUS TECHNOLOGIES AG drawn up by the Executive Board as of December 31, 2012 were audited by the auditors KPMG AG, Frankfurt am Main.

During the meeting of the Supervisory Board on November 21, 2011 the suitability of the KPMG AG, Wirtschaftsprüfungsgesellschaft, as auditors for the business year 2012 was discussed by the Supervisory Board in detail and agreed. During the Annual General Meeting of the SINGULUS TECHNOLOGIES AG on June 19, 2012 they were appointed as auditors for the business year 2012 upon recommendation of the Supervisory Board.

The financial statements and the status report of the SINGULUS TECHNOLOGIES AG for the business year 2012 were drawn up pursuant to the regulations of the German Commercial Code (HGB) and the Stock Corporation Act (AktG). The consolidated financial statements were drawn up pursuant to the International Financial Reporting Standards (IFRS). The consolidated financial statements were supplemented by a consolidated status report, which was

combined with the status report of the individual financial results pursuant to Art. 315 Para. 3 read in conjunction with Art. 298 Para. 3 Sent. 1 HGB. The KPMG AG, Wirtschaftsprüfungsgesellschaft, reviewed the financial statements and the consolidated financial statements as well as the combined status report considering the accounting principles and approved them without reservation.

In the course of the review of the financial statements of the SINGULUS TECHNOLOGIES AG the auditor had to review whether a risk monitoring system enabling the early detection of risks threatening the continuity of the company has been implemented by the Executive Board. With respect to the monitoring system the auditor stated that the Executive Board had implemented the required measures pursuant to Art. 91 Para. 2 Stock Corporation Act and that the system is capable of an early detection of trends potentially threatening the continuity of the company.

The audited financial statements of the SINGULUS TECHNOLOGIES AG, the audited consolidated financial statements as well as the combined status report as of December 31, 2012 were presented to all Supervisory Board members for examination in a timely manner. The audited financial statements and the combined status report were the subject of the Supervisory Board meeting on March 18, 2013.

The Supervisory Board took note of the results of the audit of the financial statements and consolidated financial statements by the auditor, discussed them and did not have any objections. There were no objections regarding the annual accounts of the SINGULUS TECHNOLOGIES AG, the consolidated financial statements as well as the combined status report as of December 31, 2012. In its meeting on March 18, 2013, the Supervisory Board established the financial statements of the SINGULUS TECHNOLOGIES AG drawn up by the Executive Board and approved the consolidated financial statements.

The Supervisory Board expects the SINGULUS TECHNOLOGIES AG to continue to expand its position in all segments and to once again achieve a good capital return for the benefit of the shareholders in the future. Together with the Executive Board the Supervisory Board confidently awaits the further positive development of the company.

The Supervisory Board appreciates the efforts of all employees of the company in the past business year 2012, which have successfully faced the challenges of the company with their high level of commitment and their performance.

Kahl am Main, in March 2013

**Dr.-Ing. Wolfhard Leichnitz**Chairman of the Supervisory Board

# The Executive Board Letter to Shareholders

Dear Shareholders of the SINGULUS TECHNOLOGIES AG, dear Ladies and Gentlemen!
In the course of the business year 2012 SINGULUS TECHNOLOGIES faced unexpected risks and imponderabilia.
However, the past year has presented us opportunities and possibilities, which we have for the future evolution of our company with our qualified and highly motivated employees.

SINGULUS TECHNOLOGIES is in the midst of a strong transitional process, a structural change. This leads us away from a company dependent on a single sector - our Optical Disc division - and focused on few products. SINGULUS TECHNOLOGIES is currently in the transition towards a technology company focused on vacuum coating and process technology on the basis of its strengths and core competencies. Today we are able to work out complex process technology and to efficiently map this on production machines and equipment for our customers. Our capabilities combine disciplines such as physics, chemistry, engineering as well as complex software processes in an extraordinary way. Renowned customers from different sectors rely on our performance in diverse areas of application and encourage us through their trust in our engineering technology. In 2012 alone we have developed seven new machines, which we have added to our product portfolio. Nevertheless, this structural change is a very demanding path due to the complexity of the requirements.

2012 started off for us with great expectations and the prospect of our Blu-ray activities serving as a base during the course of the year, on which we would be able to further progress new applications in the Solar and Semiconductor divisions and to include new business areas through an acquisition, if possible. In the following we will depict the development of the individual segments in detail. The sales market for our Blu-ray machines unfortunately did not meet the expectations for 2012, however. At the same time, the sales market for production equipment for photovoltaics remained – and continues to remain – at a low point. In contrast, our Semiconductor division performed very favorably, which is a welcome confirmation of our diversification. Nevertheless, due to its still small size, this segment was overall unable to change the financially difficult course of the year. As a result we had to record significantly lower sales than expected of merely € 108.6 million at the end of the year. The resulting operating result came to € -60.5 million and was substantially impacted by the extraordinary expenses which became necessary due to the continuing structural change.

This described structural change requires far-reaching changes. On the one hand, capacities have to be adjusted. On the other hand, investments in industries of the future and expansions into new work areas are made. The Executive Board has implemented the necessary changes and restructurings and cut costs in the past year. The international branches as well as the Mastering activities in the Optical Disc division were mainly affected by the resolved restructurings. Furthermore, in the Solar segment the work area of equipment for wet-chemical production steps was restructured. Overall, the structures and capacities were considerably adjusted here. At the site in Fürstenfeldbruck around 40 % of the workforce was reduced within the course of the year.

The impairment review of all balance sheet items resulted in provisions, write-offs on inventories and on accounts receivable as well as write-downs in the amount of € 43.9 million for the business year 2012. A majority of these balance sheet adjustments do not result in additional cash outflows. SINGULUS TECHNOLOGIES has sufficient liquid funds. The balance sheet continues to remain stable and is still very solid with an equity ratio of nearly 37.4 %.

We will now shed some light on the segment individually and their development during the past business year.

#### **Optical Disc**

After strong volume sales of more than 40 Blu-ray machines in 2011, volume sales in 2012 fell significantly short of our expectations. We started off into the year 2012 with very positive plans on the basis of talks with our customers. However, diverse factors have impacted the sales of the planned Blu-ray equipment. In the past year two large customers were occupied trying to restructure and refinance as well as to win new shareholders. In general, the global economic difficulties led to uncertainties and restrained investments. As a result investment decisions were delayed and not made in 2012 for various reasons.

Nevertheless, our market position as a provider for Blu-ray production machines is still excellent. There is no other supplier worldwide offering production equipment for 50 gigabyte Blu-ray Discs. In 2012 the global market for Blu-ray Discs with movie content grew by 10 %. Overall, the Blu-ray format is a big success internationally. Therefore, we see the general development of the market as positive for the following years and still expect good sales figures for our Blu-ray production machines.

In the future, the market for Blu-ray Discs should experience additional, positive stimulus by the market introduction of new gaming consoles with a respective Blu-ray Disc drive and the new 4K TV sets (i. e. displays with an even higher resolution of 3,840 x 2,160 pixels). The devices are already on the market in Asia and are being introduced in other regions. Presumably, the growth and the entire life cycle of the Blu-ray Disc will be further prolonged with these new applications.

#### Solar

Our strategy proves to be absolutely productive and correct to take advantage of the know-how gained in the area of optical storage media relating to vacuum coating, automation and process integration and to use this for the development of new, efficient solar production equipment. While the market for production machines for photovoltaic cells nosedived globally by two thirds in 2012 compared with the previous year, we were still able to reach about 80.7 % of the prioryear level with an order backlog of about € 39.8 million. It has to be emphasized in particular that this related to a large number of new machines developed for customers for the first time. Accordingly, we were not only able to expand our relative market share. Rather, SINGULUS TECHNOLOGIES is increasingly consulted as a development partner for highly efficient solar cells and chosen as preferred machine supplier by leading solar cells producers for the relevant machines.

With our production equipment we are one of the few companies able to both equip efficiently running factories for the manufacturing of CIS/CIGS thin-film modules as well as single machines and turn-key lines for the production of next generation crystalline solar cells.

The sales market for machines for the production of photovoltaic cells will remain difficult for some time. Nevertheless, with important key orders from Germany, Korea, India, South Africa and the US, SINGULUS TECHNOLOGIES has occupied relevant starting points in the past year for additional projects in the coming years. On the basis of the development in the past business year we will continue to strengthen our position as the leading technology provider in the future and position SINGULUS TECHNOLOGIES in a way so that amid recurring investment activities the company will be present at key customers with its leading concepts and processes.

Solar will once again become a growth market for SINGULUS TECHNOLOGIES in the future, while we will benefit disproportionately on the basis of the completed developments.

#### Semiconductor

Our business activities for nano coating machines in the Semiconductor division developed quite favorably. SINGULUS TECHNOLOGIES was able to record the best order intake in its history with seven machines. Overall, an economically positive result was achieved in this segment.

It has to be emphasized that numerous orders for coating machines were received for very diverse configurations of our proven TIMARIS platform, i. e. that our customers use this machine for very diverse and very heterogeneous areas of applications for semiconductors. In addition to the use in research and development this especially related to the production and development of MRAM wafers, thin-film write/read heads and semiconductor based sensors. This demonstrates the broad application areas for nano-coating with its layers consisting of only a few layers of atoms on a silicon wafer. Based on our successful TIMARIS platform a new, universal vacuum coating line under the product name ROTARIS was introduced to the market in 2012, which further broadens the application range and enables even more applications for the global customers of the Semiconductor division.

#### Strategy secured in the long-term by financing

Following SINGULUS TECHNOLOGIES' complete repayment of liabilities owed to business banks in 2011, the financing of the company was established on a solid, long-term basis with the issuance of a corporate bond in 2012 with a volume of € 60 million. Due to the term of maturity of five years SINGULUS TECHNOLOGIES is able to sufficiently finance the current projects, planned growth in the existing activities as well as the expansion into new work areas. Consequently, with the proceeds from the bond we were already able to realize major projects in the Solar segment, the expansion of the system partnership with manufacturers of thin-film solar cells and the development of new products for the Solar business division in 2012 already. The Executive Board has elaborated a detailed portfolio strategy for the further development of SINGULUS TECHNOLOGIES. Besides the proprietary new developments, specific acquisition opportunities were diligently analyzed in 2012 with respect to their contribution to the company's sustainability. Since, for different reasons, this has not resulted in a successful transaction in the past business year, the Executive Board will continue its efforts to strengthen the company through an acquisition. Overall, these organic and external approaches to growth will contribute considerably to the economic success of SINGULUS TECHNOLOGIES in the coming years.

#### Outlook for the business year 2013

The Executive Board and the entire staff will also continue to work on the new positioning of the company in 2013 with all their means and high commitment and implement this process step by step. Together we will transform SINGULUS TECHNOLOGIES towards a leading technology company for complex processes, machines and applications in future-oriented work areas. Amid a difficult environment with adverse conditions we were successful in continuing this path in a determined and target-oriented manner in 2012. The technologic success of our machines at our customers, their positive feedback and the increasing diversity of successful processes and applications demonstrate us that we will once again grow and realize positive results in the future on this basis.

We would like to thank all employees at SINGULUS TECHNOLOGIES for their efforts, motivation and engagement as well as their team spirit. We would also like to thank our customers and partners for their trust and the cooperation in the past year.

At this point we would also like to thank the shareholders of the SINGULUS TECHNOLOGIES AG for their support and loyalty.

Kahl am Main, in March 2013

Yours sincerely, SINGULUS TECHNOLOGIES AG

Dr.-Ing. Stefan Rinck

Chief Executive Officer

Dipl.-Oec. Markus Ehre

Chief Financial Office



01 Left: Dr.-Ing. Stefan Rinck, Chief Executive Officer

> Right: Dipl.-Oec. Markus Ehret, Chief Financial Officer

#### Dr.-Ing. Stefan Rinck

As of September 1, 2009 Dr.-Ing. Stefan Rinck was appointed as member of the Executive Board of the SINGULUS TECHNOLOGIES AG and became the Chief Executive Officer as of April 1, 2010. Dr.-Ing. Stefan Rinck (55) studied Engineering with a Major in Production Technology at the Rheinisch-Westfaelischen Technischen Hochschule (RWTH) in Aachen and received a PhD.

As Chief Executive Officer Dr.-Ing. Stefan Rinck is responsible for the departments Production, Marketing & Sales, Technology, Research & Development as well as Strategy and International Operations.

#### **Dipl.-Oec. Markus Ehret**

Mr. Dipl.-Oec. Markus Ehret (46) was appointed Chief Financial Officer of the SINGULUS TECHNOLOGIES AG as of April 19, 2010. He heads the departments Finance, Controlling, Investor Relations, Human Resources, Procurement and IT.

Mr. Markus Ehret studied from 1988 until 1994 at the University Hohenheim, Stuttgart and the University of Massachusetts, US, and received a graduate degree as Diplom-Ökonom (Graduate Economist).

# Corporate Governance Declaration Pursuant to Art. 289a HGB Corporate Governance Report in Unison

The SINGULUS TECHNOLOGIES AG and its Supervisory Board subscribe to the principles of proper and responsible corporate governance.

All members of the Supervisory Board are independent in the meaning of the Corporate Governance Code. No conflicts of interests of members of the Supervisory Board arose during the period under review. The cooperation of the Supervisory Board was characterized by efficiency, professional competence and trust.

Since the change of the corporate form into a corporation (Aktiengesellschaft) the Supervisory Board is comprised of three members. Therefore, the Supervisory Board continued to refrain from forming an audit committee or other committees in the fiscal year 2012, because according to its view there is neither an increase in efficiency to be expected nor an improved handling of complex issues nor a more efficient or improved execution of tasks of the Supervisory Board in connection with issues about accounting principles, risk management or the audit.

The members of the Executive and Supervisory Boards have published a joint Declaration of Conformity pursuant to Art. 161 AktG in January 2013 (cf. page 35 of this Annual Report 2012) and drew up a Corporate Governance Report pursuant to Art. 3.10 of the Code, which can be found on pages 30 to 35 of this Annual Report 2012. Here and in the Declaration of Conformity, which is permanently published on the company's website, the deviations from recommendations of the Corporate Governance Code are explained. For further information please refer to this report.

In the course of a workshop, the Supervisory Board was advised on its legal obligations and subsequently reviewed whether the Board's processes satisfy the legal requirements.

## Corporate governance declaration pursuant to Art. 289a HGB

Corporate Governance Report in unison

The Executive Board – at the same time also for the Supervisory Board – reports pursuant to Art. 3.10 of the German Corporate Governance Code (the "Code") about the corporate governance at the SINGULUS TECHNOLOGIES AG as follows:

Responsible and sustainable corporate governance was also very important to the SINGULUS TECHNOLOGIES AG in 2012. For the Executive and Supervisory Boards this means leadership and management of the company aligned for the long-term success. Corporate governance aims to safeguard a targeted and efficient cooperation between Executive Board and Supervisory Board, the respect for the interests of our shareholders and employees, suitable handling of risks and transparency as well as responsibility for all corporate decisions. The Executive and Supervisory Boards regard corporate governance as a process integrated into the company's development, which is constantly progressed.

Since the Code was amended as of May 15, 2012, the Executive and Supervisory Boards have dealt with meeting the recommendations of the Code in this modified version in detail, in particular considering the size, structure and development of the company. On the basis of these discussions the Supervisory modified its bylaws in January 2013. Furthermore, during the next Annual General Meeting the Executive and Supervisory Boards will recommend an amendment of the Supervisory Board remuneration to a purely fixed component to meet the requirements of the Code. Correspondingly, the Declaration of Conformity to the Code, which can be found on page 35, was resolved. The particular management structure of the company with small Executive and Supervisory Boards as well as the particularities of the sector, in which the company is operating, do not permit the company to comply with all recommendations of the Code, which are often drawn up for much bigger corporations. The current joint Declaration of Conformity of the Executive and Supervisory Boards pursuant to Art. 161 AktG is published under www.singulus.de on our website. Any divergence from the code is explained in the Declaration of Conformity.

#### **Management structure**

The SINGULUS TECHNOLOGIES AG as a German corporation is subject to German Corporate Law and is thus comprised of a two-tiered management and monitoring structure consisting of Executive Board and Supervisory Board. The Executive Board manages the company and is responsible for the company's strategy, accounting, finances and development. It is advised and monitored by the Supervisory Board. The Supervisory Board discusses the business trends and planning, the corporate strategy and its implementation. It approves the quarterly reports with the Executive Board, adopts the annual report and reviews the consolidated financial accounts.

The Supervisory Board regularly discusses the company's development and plans as well as its strategy and implementation. Significant decisions by the Executive Board such as major acquisitions and financing measures are subject to the Supervisory Board's approval according to the bylaws for the Executive Board. It issues the audit mandate for the auditor elected as the Annual General Meeting and is informed about the audit.

The Executive Board consists of two members, the Supervisory Board, which advises and monitors the Executive Board, is comprised of three members. The SINGULUS TECHNOLOGIES AG is not subject to the Co-Determination Act. Due to the company's size and to ensure efficient work, both boards currently only meet the legally required minimum in terms of members.

#### **Close cooperation of Executive and Supervisory Boards**

Executive and Supervisory Boards work closely together for the benefit of the company. The Executive Board reports regularly, timely and in detail to the Supervisory Board about the relevant issues of corporate planning, the strategic development, the course of business activities and the overall situation of the Group. The Chairman of the Supervisory Board is in constant contact with the Executive Board. He regularly visits the company to inform himself on-site about the business activities and to advise the Executive Board on decisions. According to the bylaws of the Executive Board, significant business decisions are subject to the approval by the Supervisory Board. In total, the Supervisory Board convened twelve meetings in the business year 2012.

#### Members and work of the Executive Board

The Executive Board of the SINGULUS TECHNOLOGIES AG is currently comprised of two members. It is the management body of the company. In managing the company the Executive Board is solely obligated to the interests of the company and follows the goal of a sustainable increase in the enterprise value.

The current members of the Executive Board are Dr.-Ing. Stefan Rinck and Mr. Markus Ehret. Since April 1, 2010 Dr.-Ing. Stefan Rinck is the Chief Executive Officer, Mr. Markus Ehret is member of the Executive Board of the SINGULUS TECHNOLOGIES AG since April 19, 2010. Both members of the Executive Board have concluded new employment contracts in 2012.

As Chief Executive Officer Dr.-Ing. Stefan Rinck is responsible for the departments Production, Marketing & Sales, Technology, Research & Development as well as Strategy and International Operations.

Mr. Markus Ehret is responsible for the areas Finance, Controlling, Investor Relations, Human Resources, Procurement and IT.

The compensation of the Executive Board is specified in detail in the Compensation Report (c. page 81).

For many years the Executive Board has already been employing women in management positions. Accordingly, two of the three authorized representatives of the SINGULUS TECHNOLOGIES AG are female.

#### Members and work of the Supervisory Board

The Supervisory Board is comprised of three members. No employee representative is a member of the Supervisory Board.

The Supervisory Board is currently comprised of Dr.-Ing. Wolfhard Leichnitz, Ms. Christine Kreidl WP/StB and Dr. rer. nat. Rolf Blessing. Dr.-Ing. Wolfhard Leichnitz has been a member of the Supervisory Board since 2009 and is Chairman of the Supervisory Board since 2011. Dr. rer. nat. Rolf Blessing is a member of the Supervisory Board since 2011. Until November 30, 2012 Mr. Günter Bachmann served as member of the Supervisory Board of the SINGULUS TECHNOLOGIES AG. Mr. Günter Bachmann had been a member of the Supervisory Board since 2008 and stepped down from his position for personal reasons. Following a corresponding authorization resolution by the Supervisory, the Executive Board recommended Ms. Christine Kreidl as a member of the Supervisory Board to the Local Court Aschaffenburg and she was appointed as a member of the Supervisory Board with effect from December 4, 2012 until the Annual

General Meeting on June 6, 2013. Ms. Christine Kreidl was elected as Deputy Chairperson by the Supervisory Board. She is a Certified Public Accountant and Tax Advisor and worked at one of the big international auditing companies, her last position being member of the Executive Board. Accordingly, she can contribute a lot of experience and expertise to the Supervisory Board, amongst others in the areas of accounting and auditing.

The Supervisory Board also refrained from forming audit committees or other Supervisory Board committees in 2012 since committees are not reasonable for a Supervisory Board with three members.

The Supervisory Board amended its bylaws with respect to Art. 5.4.1. of the Code on January 24, 2013; henceforth it is required that the Supervisory Board is to be comprised of two thirds of independent members in the sense of Art. 5.4.2. of the Code. Currently all members of the Supervisory Board are independent. At the same time the Supervisory Board modified the terms for the selection of candidates, which are recommended to the Annual General Meeting for appointment to the Supervisory Board. These candidates should have the following expertise and experience, while not all criteria have to be met:

- → know-how of the core business areas, in particular the competitive situation and the customers' requirements;
- → professional expertise regarding the technologic challenges related to the development of new machines;
- → experience with complex development projects;
- → international business experience, including outside of Europe;
- experience with national and international marketing & sales structure;
- → expertise in the areas capital markets and investor relations;
- → expertise in the area mergers & acquisitions.

One member of the Supervisory Board should have in-depth knowledge in the areas accounting and auditing. Members should display personality, integrity, professionalism, willingness to perform and independence. Nationality and gender should not play a role in the selection of a candidate. The Supervisory Board has refrained from introducing a fixed women's quota. Although the Supervisory Board very much welcomes the appointment of a woman to the Supervisory Board with Ms. Christine Kreidl, it does not regard the fixation of a quota for the participation of women as reasonable. The provision that the Supervisory Board should not recommend anyone for appointment to the Supervisory Board for a tenure exceeding the person's age of 70 remained unchanged.

As an additional modification of the bylaws, the Supervisory Board resolved to generally hold meetings as meetings in presence. In case of an unexpected personal incapability to be present, a participation and involvement of individual Supervisory Board members at a meeting in presence is also possible via telephone or video conference. Provided that all members of the Supervisory Board agree, a meeting and resolution via telephone or video conference is admissible.

The Supervisory Board met in twelve meetings in the business year 2012. The Supervisory Board reviews the efficiency of its work every year.

For detailed information about the work of the Supervisory Board in the business year 2012 please refer to the Report of the Supervisory Board on pages 16 to 23.

There were no advisory or other services and work contracts in place between the members of the Supervisory Board and the company in the past business year.

#### **Transparency and communication**

The Executive Board publishes potentially share price-relevant information concerning the SINGULUS TECHNOLOGIES AG immediately unless being exempt in individual cases. All ad hoc announcements published in 2012 are available on the website of the company. In addition, the company keeps an insider register which includes all people with access to insider information. These persons are regularly informed in detail about the resulting legal obligations.

The SINGULUS TECHNOLOGIES AG makes sure that the shareholders of the company are able to gain timely and extensive access about the situation of the company through the information provided on its internet website. SINGULUS TECHNOLOGIES reports about its business trends and the financial and earnings situation to its shareholders four times during the business year. All financial reports, current company presentations, the corporate calendar, all reports and documents regarding corporate governance including the bylaws and the invitations to the Annual General Meeting as well as the meeting's votes are published under www.singulus.de in the Investor Relations section. To improve transparency and to support the stock price the SINGULUS TECHNOLOGIES AG held several analyst conferences and numerous one-on-one discussions with investors.

Besides the ad hoc announcements and the Directors' Dealing pursuant to § 15a WpHG as well as the voting right announcements pursuant to Art. 21 et seqq., the Declaration of Conformity to the German Corporate Governance Code, a reference to the full text of the Code itself, which is available on the internet, as well as the articles of incorporation of the SINGULUS TECHNOLOGIES AG are available on SINGULUS Technologies' website under Investor Relations.

The Annual General Meeting is held in the first half of the year. With the use of electronic forms of communication, in particular the internet and email, the Executive Board facilitates the shareholders' participation in the Annual General Meeting and enables them to exercise their voting rights by representatives. In addition, the Executive Board may allow the shareholders to exercise the voting rights in written form and through electronic media without having to participate in the Annual General Meeting. All reports, annual financial reports and other documents, which have to be provided to the Annual General Meeting, as well as the agenda of the Annual General Meeting and counter-motions, if applicable, can be downloaded via the internet.

#### Accounting principles and audit of financial accounts

Since the business year 2004 the Group's annual accounts, the annual accounts and the interim accounts have been drawn up according to the International Financial Reporting Standards (IFRS) and are internationally comparable. The annual financial statements were audited by the KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. Interim reports were made public within 45 days after the end of the respective quarter, the consolidated annual accounts and the annual financial statements within 90 days after the end of the business year. Half-year and quarterly financial reports are not subject to an audit. Important aspects are discussed with the Supervisory Board before the publication.

The Annual Report for the business year 2012 is published on SINGULUS TECHNOLOGIES' website.

#### Compensation

Similar to the past years SINGULUS TECHNOLOGIES individually reports the fixed and variable components of the compensation as well as the compensation components with long-term incentives for the members of the Executive Board. Furthermore, the additions to provisions to pensions are individually disclosed. The details are set forth in the Compensation Report, which is part of the Status Report and supplements this Corporate Governance Report. The Compensation Report lays out the compensation and the compensation scheme for the Executive Board in detail and also explains the design of the compensation components with long-term incentives. In addition, the remuneration of the members of the Supervisory Board is stated individually. The Compensation Report can be found on pages 81 to 87 of this Annual Report.

#### **Directors' Dealings/Shareholdings**

The information about securities transactions of the members of the Executive Board and the Supervisory Board of the SINGULUS TECHNOLOGIES AG and related persons pursuant to § 15a German Securities Trading Act (WpHG) as well as shareholdings are listed in the Compensation Report on page 87 and also on the website under Investor Relations / SINGULUS Stock / Directors' Dealings.

## **Declaration of Conformity 2013 to the German Corporate Governance Code**

The last declaration of conformity was published in January 2012 on the basis of the German Corporate Governance Code (the "Code") amended as of May 26, 2010. Since publishing this declaration the SINGULUS TECHNOLOGIES AG adhered to the recommendations of the German Corporate Governance Code in that version with the exception of the deviations described in the Declaration of Conformity. With effect from May 15, 2012, the Code was amended. Except for the following deviations the SINGULUS TECHNOLOGIES AG adhered and adheres to the modified Code as of May 15, 2012 as well:

- 1. As long as the Supervisory Board is comprised of three members, there were and will not be committees (cf. No. 5.3.1, 5.3.2 and 5.3.3 of the Code), since a proper fulfillment of the tasks of the Supervisory Board can only be achieved in a plenary meeting of the three-person Supervisory Board. In addition, corporate law provides that decision-making Supervisory Board committees have to have at least three Supervisory Board members. For this reason a delegation of tasks is not reasonable either.
- 2. The Supervisory Board does not determine a mandatory quota for the appropriate participation of women in the Supervisory Board (cf. Art. 5.4.1 of the Code).
  - Since December 2012 Ms. Christine Kreidl WP/StB is a member of the Supervisory Board. The Supervisory Board very much welcomes that Ms. Christine Kreidl was won as a member. However, the Supervisory Board does not regard it as reasonable to set a specific target for the future participation of women. The members of the Supervisory Board should exclusively be appointed according to expertise and qualification regardless of gender and nationality. They are to advise and monitor the Executive Board in a competent and efficient manner. Therefore, the members should have expertise and sector know-how in the areas of high-tech engineering or the management of complex development projects. Due to the traditionally low share of women

- in high-tech engineering or related sectors and due to the fact that the Supervisory Board is only comprised of three members, a mandatory quota cannot be specified in a reasonable manner.
- 3. Following the modification of the Code, for the time being the Supervisory Board did not have specified targets for the number of independent Supervisory Board members (c. Art. 5.4.1. of the Code). The Supervisory Board is currently only comprised of independent members. On January 24, 2013 the Supervisory Board resolved an amendment of its bylaws, according to which the Supervisory Board is to be comprised of two third of independent members. Accordingly, the recommendation of the Code is now adhered to.
- 4. The performance-related compensation of the Supervisory Board is not aligned with a sustainable development of the company (c. Art. 5.4.6. of the Code). A variable compensation satisfying the requirement of the Code requires a multi-year basis for evaluation. According to Art. 11.1 of the articles of incorporation of the SINGULUS TECHNOLOGIES AG the performance-related compensation of the Supervisory Board is tied to the Group's earnings per share for the previous business year. The Executive and Supervisory Boards will recommend at the next Annual General Meeting to adapt the compensation of the Supervisory Board to a purely fixed component.

Except for the aforementioned deviations the SINGULUS TECHNOLOGIES AG adheres to the recommendation of the German Corporate Governance Code as amended as of May 15, 2012 and will adhere to them in the future as well.

Kahl am Main, January 2013

SINGULUS TECHNOLOGIES AG

#### For the Executive Board:

Dr.-Ing. Stefan Rinck Dipl.-Oec. Markus Ehret

#### For the Supervisory Board:

Dr.-Ing. Wolfhard Leichnitz Dipl.-Kfm. Christine Kreidl Dr. rer. nat. Rolf Blessing

#### **SINGULUS TECHNOLOGIES on the Capital Market**

#### **General Environment**

Even in the fifth year after the breakout of the global financial crisis the impacts are still visible worldwide. Accordingly, in the year 2012 the markets were affected by political decisions and talks. In the middle of the year the DAX had dropped to its level at the beginning of the year. Only the statements of the President of the European Central Bank (ECB), Mario Draghi, together with the approval of purchases of government bonds by the ECB as well as the approval of the European Stability Mechanism (ESM) by the German Constitutional Court were able to sustainably improve the sentiment. As a result, investors increasingly returned to the Euro-zone and in particular to Germany. Once more Germany was able to prove itself as the strongest economy within Europe. Correspondingly, the fruits of the reform efforts in the past years, which have led to a substantial improvement in the competitive position, were harvested. In 2012 the nominal growth rate of the gross domestic product amounted to 0.7 % and was thus significantly higher than the EU-average of -0.5 %. The German benchmark index DAX reflected this trend and was one of the best performing stock markets worldwide in 2012 with a marked gain of 29 %. The index closed at 7,612 points at the end of the year and was thus only about 500 points below the all-time high reached in July 2007. At the end of the year, the biggest economy of the world, the US, was just able to prevent the effect of the so-called "fiscal cliff", which would have resulted in automatic tax increases and spending cuts. The effects on the global economy would have been strongly negative.

#### The SINGULUS TECHNOLOGIES Stock

The SINGULUS TECHNOLOGIES stock opened at the beginning of the year slightly above the  $\[ \in \]$  2 level at  $\[ \in \]$  2.13 and was able to rise to more than  $\[ \in \]$  3.00 in mid-February. Thereafter, the stock was not able to withstand the general downward trend at the stock markets.

After the publication of the half-year report in August 2012 the SINGULUS TECHNOLOGIES shares continued to remain under pressure. On September 24, 2012 Deutsche Börse decided to remove the shares of SINGULUS TECHNOLOGIES from the benchmark index TecDAX. The reasons for the decision were the too low market capitalization of the company as well as too low trading volume in the stock on the exchange compared with other index members and potential new entries. The removal from the TecDAX resulted in additional selling pressure on the stock.

The low of the SINGULUS TECHNOLOGIES shares was in November 2012 at a level just above the  $\bigcirc$  1.00 mark. However, thereon the stock was able to recover significantly until the end of the year. The shares of SINGULUS TECHNOLOGIES closed the year 2012 with a closing price of  $\bigcirc$  1.39. Correspondingly, during the course of the year the shares declined by approximately 30 % in 2012. At the beginning of 2013 the recovery continued and the stock rose to more than  $\bigcirc$  1.60 in January and traded at  $\bigcirc$  1.28 as of the deadline for this Annual Report on March 18, 2013.

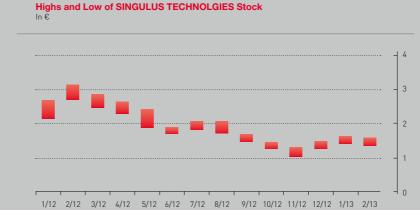
#### **Analyst Coverage**

- → Close Brothers Seydler
- → Deutsche Bank AG
- → DZ Bank
- → equinet
- → Kepler Capital Markets
- → Landesbank Baden-Württemberg
- → Natureo
- → Steubing
- → Warburg

Key Stock Figures
ISIN: DE0007238909, WKN: 723890

Stock symbol: SNG/Reuters SNGG.DE/Bloomberg SNG.NM, Prime Standard: Technology

	2008	2009	2010	2011	2012
Number of shares outstanding as of Dec. 31	36,946,407	37,294,111	41,050,111	48,930,314	48,930,314
Nominal capital in €	36,946,407	37,294,111	41,050,111	48,930,314	48,930,314
Market capitalization as of December 31 in million €	129	197	184	100	68
Share price low in €	2.53	1.76	3.27	1.95	1.06
Share price high in €	10.97	4.66	6.66	4.76	3.12
Share price at year-end	3.50	3.07	4.48	2.04	1.39
Avg. daily trading volume (Xetra)	268,987	240,794	325,518	245,243	168,430
Earnings per share in €	-1.32	-2.11	-1.92	0.14	-1.23



#### The SINGULUS TECHNOLOGIES Stock

Xetra close in €



#### Peer Group for SINGULUS TECHNOLOGIES Stock

Xetra (realtive)



#### **SINGULUS TECHNOLOGIES Corporate Bond**

In March 2012 the SINGULUS TECHNOLOGIES AG successfully placed its first corporate bond in Germany, Austria and Luxembourg as well as through a private placement in bordering countries. The issue volume of € 60 million was already achieved on the first subscription day thanks to strong demand. The corporate bond has an annual coupon of 7.75 %, a term to maturity of five years and is due for repayment on March 23, 2017.

A broad diversification of the investor base was achieved by placing the bond with both institutional and private investors. The bond is traded at the "Entry Standard for Bonds" segments at the Frankfurt Stock Exchange (ISIN: DE000A1MASJ4 / A1MASJ).

The net proceeds from the issuance of the bond were used to broaden the capital base. With the proceeds from the issue SINGULUS TECHNOLOGIES intends to finance larger projects in the Solar segment, the expansion of the system partnership with producers of thin-film solar cells, the development of new products in the Solar division and the development of manufacturing equipment for the next generation of Blu-ray Discs. Furthermore, SINGULUS TECHNOLOGIES intends the set-up of new business areas in the vacuum coating technology through research and development as well as through acquisitions of companies and company divisions.

The bonds with a face value of  $\le$  1,000 each were issued at a price of 100 %, but were not able to withstand the trend of the share price and dropped to about 60 % in November. On December 11, 2012 the

Executive Board of the SINGULUS TECHNOLOGIES AG thus decided to start a bond buyback program limited to a maximum amount of € 3.0 million. The duration of the program is limited to March 31, 2013, provided that the maximum volume has not been reached at that point in time. Ultimately, the price of the corporate bond recovered and traded around 75 % at the end of the year. At the beginning of the year 2013 the bond was able to post further gains and rose to more than 80 % at the beginning of January.

#### **Key Information of Corporate Bond**

Singulus Technologies Aktiengesellschaft
DE000A1MASJ4 / A1MASJ
SNGA
60 Mio. Euro
1,000 Euro
7.75 % annually
5 years, March 23, 2012 – March 22, 2017
Annually, first payment on March 23, 2013
100 %
100 %
Bearer bonds
Entry Standard for bonds (Frankfurt Stock Exchange)

#### **Development of Corporate Bond**

Frankfurt in %



#### **Performance of Corporate Bond**

in %

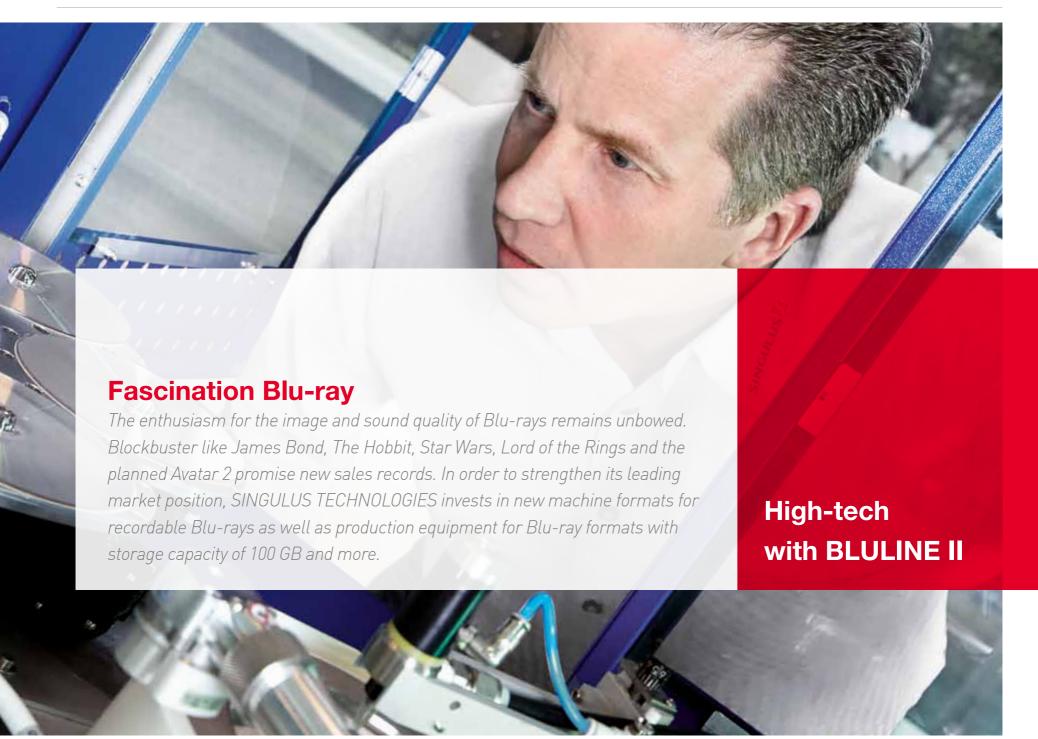
Year high	100
Year low	59.75
Year close	75.50

#### **Communication with the Capital Market**

At all times SINGULUS TECHNOLOGIES emphasized an open and transparent communication with the capital market. This holds true for years with good results as well as times of weak results. In particular, in these times it is important to actively inform all capital market participants about the current situation of the company and to show potential future developments. The successful placing of the first corporate bond of SINGULUS TECHNOLOGIES displayed the investors' trust in the company and its future. We deliberately look for an exchange with the capital market and disseminate information quickly, clearly and in-depth with respect to all essential aspects of the SINGULUS TECHNOLOGIES AG. In this context, we inform institutional investors in the course of numerous conferences. one-on-one discussions and road shows in many countries. For private investors, we provide insight into the company's environment in particular at the Annual General Meeting, our publications and the service on SINGULUS TECHNOLOGIES' website.

You can find all relevant information about the stock under Investor Relations (http://www.singulus.de/de/investor-relations.html); under Credit Relations (http://www.singulus.de/de/credit-relations.html) we provide information about the corporate bond.





## Combined 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 (Handelsgesetz-buch (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 developments 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, if not stated otherwise.

#### **Overall Business Situation**

#### **Group Structure and Business Activities**

#### **Optical Disc segment**

In the Optical Disc segment SINGULUS TECHNOLOGIES has mainly focused on the manufacturing as well as marketing and sales of integrated production lines for the manufacturing of Blu-ray Discs. For Blu-ray Discs with 50 GB storage capacity SINGULUS TECHNOLOGIES offers modularly set-up production machines under the brand name BLULINE II. Here the company has a unique position in the market worldwide, i.e. there are no other suppliers assembling and selling these machines for third parties. In 2012 SINGULUS TECHNOLOGIES delivered the first system under the brand name BLULINE BD-R/RE for rewritable Blu-ray Discs (BD-R/RE). The activities in the work area of mastering, i.e. machines for the

manufacturing of disc masters, were restructured, which for example includes the further integration of parts of the mastering activities at the site in Kahl am Main.

For the optical disc formats CD and DVD SINGULUS TECHNOLOGIES still provides the production lines SKYLINE and SPACELINE.

The particular focus in the Optical Disc division continue to rest on securing and further expanding the replacement part and service activities

#### Solar segment

In the business year 2012 SINGULUS TECHNOLOGIES realized new concepts for deposition and sputtering machines and delivered these to international customers in the area of CIS/CIGS thin-film solar technology. SINGULUS TECHNOLOGIES presented a new production solution for PERC cells (solar cells with passivated selective emitter and rear side contacts) for the market of silicon solar cells. This solution under the product name of PERCEUS was developed especially for the upgrade of existing cell production lines. With the integration of the additional production steps into existing manufacturing lines PERC cells with levels of efficiency of up to 20 % can be achieved. The PERCEUS upgrade consists of a LINEA II Polish/Etch for the wet-chemical polishing of the cell rear side, vacuum coating machine of the SINGULAR XP type as well as a system for laser contacting.

At the site in Kahl am Main machine concepts for deposition, sputtering and selenization processes as well as complete production lines are assembled and provided. In Fürstenfeldbruck SINGULUS TECHNOLOGIES focuses on the development, assembly and commissioning of machines for wet-chemical processes, i.e. cleaning, etching and coating equipment.

#### Semiconductor segment

In the Semiconductor division SINGULUS TECHNOLOGIES operates in the market for semiconductors and offers a modular equipment platform under the product name TIMARIS. The vacuum coating system TIMARIS can be configured for different applications with up to seven different process modules. Based on the TIMARIS platform a new universal vacuum coating machine was introduced to the market for application research in 2012 under the product name ROTARIS.

SINGULUS TECHNOLOGIES will further progress the machine and process technology for different customer applications to expand its market lead and to position itself at the forefront.

#### Worldwide presence

SINGULUS TECHNOLOGIES has a marketing & sales and service network and provides its customers with consulting and services in all important regions worldwide.

#### **Production sites:**

- → SINGULUS TECHNOLOGIES AG, Kahl am Main, Germany
- → MASTERING, Eindhoven, Netherlands, operating site of the SINGULUS TECHNOLOGIES AG
- → SINGULUS MANUFACTURING GUANGZHOU Ltd., Guangzhou, China
- → SINGULUS STANGL SOLAR GmbH, Fürstenfeldbruck, Germany

#### Distribution subsidiaries:

- → SINGULUS TECHNOLOGIES UK Ltd., Swindon, UK
- → SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat del Vallés, Spain
- → SINGULUS TECHNOLOGIES FRANCE S.a.r.l., Sausheim, France
- → SINGULUS TECHNOLOGIES ITALIA s.r.l., Senigallia (Ancona), Italy
- ightarrow SINGULUS TECHNOLOGIES Inc., Windsor, USA
- ightarrow SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., São Paulo, Brasilien
- ightarrow SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore
- → SINGULUS TECHNOLOGIES TAIWAN Ltd., Taipei, Taiwan

Except for the SINGULUS MANUFACTURING GUANGZHOU Ltd., SINGULUS TECHNOLOGIES directly or indirectly holds all of the shares of the aforementioned companies.

**SINGULUS MANUFACTURING GUANGZHOU Ltd., China** SINGULUS TECHNOLOGIES owns 51 % of the shares in this company. As of December 31, 2012, SMG employed 18 people overall in Guangzhou.

#### SINGULUS STANGL SOLAR GmbH, Fürstenfeldbruck, Germany

Due to the business situation in the work area for machines for wet-chemical production steps at the subsidiary SINGULUS STANGL SOLAR GmbH, the Executive Board resolved restructuring measures at the end of 2012. The structures and capacities in the wet-chemical division were reviewed and adjusted to the market's requirements. By the end of the business year 2012 about 40 % of the headcount was cut at the site in Fürstenfeldbruck.

As of December 31, 2012 SINGULUS STANGL SOLAR employed 82 people in total.



**01** Ultra thin 4K TV with a resolution of 3,840 x 2,160 pixels (by courtesy of Samsung, Korea)

#### **Strategy**

## Further expansion of the market leadership in the Optical Disc segment

With its Blu-ray Disc production line BLULINE II, SINGULUS TECHNOLOGIES still has a unique position worldwide in the area of dual layer Blu-ray with a storage volume of 50 GB.

In the past two years machine concepts were developed for three-layer Blu-ray Discs with 100 GB storage volume, which enable SINGULUS TECHNOLOGIES to flexibly and quickly respond to an increasing demand. Under the product name BLULINE III a new machine generation can be offered on the basis of the proven BLULINE II.

Blu-ray Discs with 100 GB and with three memory layers were developed to store content with high data volume (e.g. for the new high resolution video format Ultra High Definition (3,840 x 2,160 pixels).

For the market of recordable Blu-ray Discs SINGULUS TECHNOLOGIES offers production machines for once-recordable and re-writable Blu-ray Discs, in which the entire production steps are automated.

## SINGULUS TECHNOLOGIES - development partner enabler in the solar market

SINGULUS TECHNOLOGIES has further continued its strategy in the past business year 2012 and expanded and deepened development partnerships with institutes and leading solar company in order to establish its proprietary production technology as a standard for the manufacturing of new cell concepts.

In the work area of thin-film solar cells SINGULUS TECHNOLOGIES will focus on the CIS/CIGS technology in the future as well. In the past business year, development and pilot lines for important process steps in the CIS/CIGS manufacturing were developed and delivered. Amongst them were vacuum sputtering machines, vacuum coating machines, wet-chemical processing equipment and selenization machines of the next generation. SINGULUS TECHNOLOGIES continues to expand its development partnerships and provides thin-film solar cell manufacturers with sophisticated machine technology guaranteeing the cost-efficient production of such cells.



02 SINGULAR XP vacuum deposition machine for the coating of the rear side of crystalline solar cells



Within a couple of years we were successful in offering the relevant production equipment for the demanding CIS/CIGS technology as a one-stop provider. Accordingly, SINGULUS TECHNOLOGIES' product range today already covers all relevant production steps, which determine the efficiency of the modules. Overall, this makes up to 70 % of the investment volume of a thin-film factory. SINGULUS TECHNOLOGIES will continue to work on this strong market position as a process-independent technological leader to maintain the leading position in this area.

The trend in the solar industry towards ever thinner wafers for crystalline solar cells with higher levels of efficiency at the same time requires an improved surface passivation of the cell rear side. The introduction of new solar cells with passivated, selective emitter and rear side contact (PERC) is imminent. For the market of crystalline solar cells, the introduction of the new PERC cells is expected in the next years. In 2012 SINGULUS TECHNOLOGIES cooperated with the Institute for Solar Energy Research Hameln (ISFH) for the further development of the cell technology. In this cooperation it was possible to enhance the efficiency of screen printing silicon solar cells from the customary range of 17.0 % to 18.5 % in the PV industry to a record level of 20.1 %.

The corresponding production machine was developed in 2012 and is now being actively marketed in the current business year.

Together with the new LINEA II Polish/Etch line, which was especially developed for the wet-chemical polishing of cell rear side, as well as a correspondingly laser contacting, SINGULUS TECHNOLOGIES offers these machines as an upgrade for existing production lines for crystalline solar cells under the brand name PERCEUS.

## Semiconductor – Extension of the machine platform for semiconductor components

In the business segment Semiconductor SINGULUS TECHNOLOGIES is operating with its products in the market for semiconductor components and offers vacuum coating machines of the TIMARIS and ROTARIS type. In the business division Semiconductor the company pursues the strategy to further expand the position as a supplier of vacuum coating machines for different key customers and to establish the modularly assembled production line TIMARIS as a traditional semiconductor manufacturing machine for the production of sensors, thin-film write/read heads as well as the expected industrial mass production of MRAM wafers.

With the development line ROTARIS presented at the end of 2012 in particular the area of chip development in practice is targeted. With the equipment of product-focused laboratories, an early entry into the manufacturing processes of the customers is achieved and the later market entry facilitated.

#### Research, development and engineering

Research and development is one of the most important areas for SINGULUS TECHNOLOGIES. In different teams our research employees work on solutions for the challenges of our society, our environment and our markets. The combination of fundamental and application research with product and process development at SINGULUS TECHNOLOGIES leads to results, which further strengthens the position of the company in various markets.

New products and improved processes are an innovation engine for us to open markets, to better serve our customers and to prevail against the international competition.

In the business year 2012, on average there were 68 employees group-wide employed in the development divisions.

The non-capitalized development costs amounted to  $\bigcirc$  5.7 million in 2012 (previous year:  $\bigcirc$  5.3 million). In addition, development costs amounting to  $\bigcirc$  4.8 million were capitalized (previous year:  $\bigcirc$  5.9 million).

#### Developments and new products in 2012

In 2012 SINGULUS TECHNOLOGIES launched more machines on the market than ever before in its corporate history. In the following, the new machines as well as development projects will be described.

→ Vacuum deposition machines – an interesting process alternative for the manufacturing of thin-film solar cells

On the basis of the successful selenization machine CISARIS,

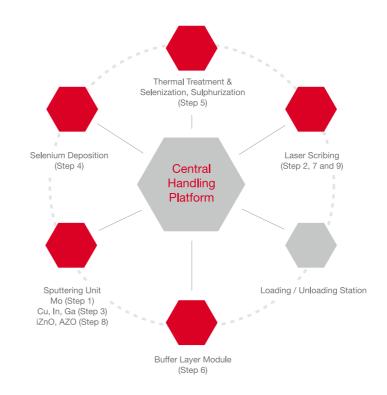
SINGULUS TECHNOLOGIES developed an inline deposition machine for the thermal coating of CIS/CIGS thin-film solar cells and offers a new line for an alternative process step with this.

→ Vacuum cathode sputtering machine for thin-film solar cells

SINGULUS TECHNOLOGIES offers new vacuum coating machines
for thin-film solar cells. The new machines have the particular
feature that they can be used for the vertical vacuum coating of
glass substrates by means of cathode sputtering. Hence, SINGULUS
TECHNOLOGIES develops a new work area in the sharply growing
thin-film photovoltaics market and expands the offer of production
equipment for the manufacturing of CIS/CIGS cells.

#### → Development project cluster tool

Within the scope of a supported research project SINGULUS TECHNOLOGIES cooperates with partners for the improvement of cell performance of CIS/CIGS solar cells with 300 x 300 mm $^2$  substrate size. With this modular machine innovative and large-





scale implementable production processes for CIS/CIGS solar cells can be developed targeting the development of new layer combinations, the significant reduction of production costs of thin-film photovoltaic modules and achieving highest module efficiency.

→ SINGULAR for rear side coating enables efficiency of up to 20.1 % The dielectric passivation layer for the rear side of crystalline solar cells can be applied in the further developed vacuum coating machine SINGULAR. The modular built and flexibility of the SINGULAR makes it the optimum production machine for the next-generation cells.

#### → LINEA II Polish/Etch for wet-chemical polishing of cell rear sides of crystalline solar cells

The new LINEA II Polish/Etch machine was especially developed for the wet-chemical polishing of cell rear sides – e.g. of PERC (passivated emitter and rear cell) cells before the rear side passivation. The first line was delivered at the end of 2012.

#### > Upgrade package for PERC solar cells for the integration into existing cell production lines

SINGULUS TECHNOLOGIES presents a new production solution for PERC cells for the market of silicon solar cells. This solution under the product name of PERCEUS was developed especially for the upgrade of existing cell production lines. With the integration of the additional production steps into existing manufacturing lines PERC cells with levels of efficiency of up to 20.1 % can be achieved.



- 02 Wet processing machine for polishing of cell rear sides
- 03 ROTARIS New vacuum coating machine for semiconductor



## ightarrow New vacuum deposition machine for crystalline solar cells can replace silver compound

SINGULUS TECHNOLOGIES works on a solution for the replacement of silver compounds for the manufacturing of solar cells. Here, high-performance vacuum deposition machines for the metalization are used to replace the application of expensive silver compounds. Correspondingly, the costs for the production process of cells can be reduced substantially and at the same time the conductivity is further improved.

## → ROTARIS – new vacuum coating machine for the semiconductor industry

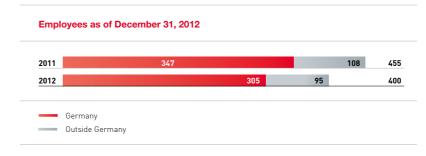
Based on the TIMARIS platform a new universally applicable vacuum coating machine for the application research in the semiconductor market was developed, assembled and introduced to the market in 2012.

#### **Employees**

The headcount at the headquarters in Kahl am Main was stable. Due to restructuring measures SINGULUS TECHNOLOGIES selectively reduced the capacities at the site in Fürstenfeldbruck as well as at subsidiaries abroad at the end of 2012. At the end of 2012 the SINGULUS TECHNOLOGIES Group employed 400 people in total (previous year: 455 employees), thereof 246 employees in Kahl am Main (previous year: 245 employees).

The further training of our employees is a central element of our human resource policy. Advanced training programs were identified for all work areas within the company, discussed with the staff and implemented.





#### **Economic Situation**

#### The Global Economy

The year 2012 was characterized by much uncertainty with regards to the financial and economic development. Europe was wrapped up by discussions and policies to save the flagging EU member countries in the South, the recession in these regions as well as the rapidly rising unemployment, in particular among the youths, in many countries. Also, decelerating growth in China had a negative impact on the global economy.

According to the economic outlook of the World Bank, which was presented in Washington on January 15, 2013, the global growth rate amounted to 2.3 % worldwide in 2012. The World Bank cut its forecast for the global growth rate in the current year. For 2013, a gain of only 2.4 % is now projected. In June 2012 the World Bank had still anticipated a global growth of 3.0 % for 2013.

#### Germany

In the course of the year 2012 growth slowed due to the weak global economic trend and the crisis of confidence in the Eurozone. The nominal gross domestic product increased by 0.7 % compared with the year 2011. Once again, exports coupled with a high external trade surplus were the driver for the German economy in 2012. The German Ministry of Economics and Technology expects this stage of weakness will be left behind this winter and during the further course of the year and that the economy will gain traction once again.

During the course of 2013 growth is expected to accelerate markedly again. This will be mainly supported by domestic demand. A growth rate of 0.4 % is forecast for 2013. In 2014 the economy is expected to expand even stronger at 1.6 %. The labor remains stable at a record level, income will increase further and inflation will remain moderate.

For the German mechanical and plant engineering sector, the overall weak year 2012 finished on a favorable note. Increasing demand from the Euro-member countries and a recovery of the domestic activities resulted in increased order intake. In its release on February 5, 2013, the German VDMA association reported a 3 % decline in order intake in 2012 compared with 2011. For the full-year 2013 the VDMA projects an increase of 2 %.

#### **Business trends in the Optical Disc segment**

The market for optical disc production equipment depends on the growth of the international media markets. There are three important factors, which are critical for this development:

The most important is the provision of attractive content. If Hollywood and the international movie industry brings out many successful movies to the market in one year, such as for example the new James Bond movie or a movie such as The Hobbit: An Unexpected Journey, this has a positive impact on the demand for Blu-ray Discs and DVDs. With box office sales of just over US-\$ 315.5 million in the US, The Hobbit once again matches the revenues of the Lord of the Rings Trilogy. The new James Bond movie Skyfall netted global sales in excess of US-\$ 1 billion. The past years' consumer behavior shows that a movie with big box office success results in very big demand

for discs. The provision of content in 3D, which is only possible with a Blu-ray Disc, then makes the offer even more attractive. The number of available 3D Blu-ray titles has more than guintupled since 2010.

Except for Sony's own production facilities, SINGULUS TECHNOLOGIES provides nearly all Blu-ray Disc manufacturers worldwide with BLULINE II production lines.

A second important factor is the development of gaming consoles. Since Sony has been offering a console with Blu-ray drive with the introduction of the Playstation PS3, the other competitors drew level with this trend. In November 2012 Nintendo introduced a new console to the market with its Wii U, which is equipped with HD graphics and the own development of a Blu-ray drive. Together with the official sales start on November 30, 2012, 20 games were instantly made available. Microsoft's new Xbox 720 is expected to be presented at the trade fair Electronic Entertainment Expo, USA, in June 2013 at the latest and should have a Blu-ray drive for 50 GB dual layer discs. It is expected that Sony will even launch its next generation gaming console PS4 with a Blu-ray drive with 4K support to win the consumers' favor.

Furthermore, for SINGULUS TECHNOLOGIES the development at Nintendo, the expected market introduction and the market success of an Xbox with Blu-ray Disc drive is important, because the Blu-ray Discs for the games create demand for additional machines made by SINGULUS TECHNOLOGIES.

As a third factor for the further penetration of the Blu-ray Disc the development of the media landscape towards higher quality TV sets plays an important role. Since the manufacturers have increasingly been offering 3D enables TV sets in the past two years and such devices are only marginally more expensive than a traditional TV set with high resolution, a completely new device generation is about to be launched. At this year's international trade fair, the Consumer Electronics Show (CES) in Las Vegas, USA, TVs with Ultra-HD resolution (4k) were presented by companies such as LG, Panasonic, Samsung and Sony. Some of the devices were already OLED television sets with an organic display. In contrast to LCD displays, OLEDs do not require additional illumination and can be produced with very thin dimensions. In addition, they have a considerably higher-contrast display. At the CES Sony presented a 56 inch OLED TV with 4K resolution. This equipment is currently produced in small batch series and come with a price tag exceeding € 10,000. However, the broad market introduction is expected in the next couple of years.

The distribution and display of 4K content is currently only reasonably possible with the Blu-ray Disc. One version is today's dual layer Blu-ray Disc, on which the content will be upscaled in a newly developed Blu-ray player. The second option is to store the content on novel Blu-ray Discs with additional storage layers of up to about 100 GB. Most of the download bandwidths are by far still insufficient to watch movies in Ultra High Definition resolution.

Within the realms of the Blu-ray Disc Association (BDA) the Format Extension Study Task Force is already working on the further development of the current Blu-ray Disc standards. In particular, this related to the implementation of new technologies and coding algorithms, which should enable 4K videos on Blu-ray Discs. The Blu-ray Disc Association expects the optical storage medium Blu-ray to play a big role in the distribution of movie content in the long-term as well.

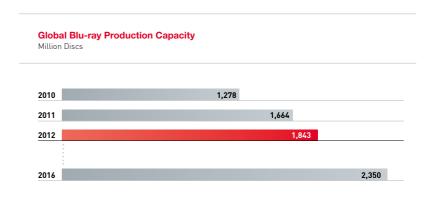
#### General trends and developments

The global market changes due to digital media and the penetration of mobile devices such as smart phones and tablets. Digital media offer additional variety, which is used by younger people in particular.

Physical media, such as the Blu-ray Disc, offer the user a visual high-end quality which cannot be provided by digital distribution channels so far

In total, both distribution forms have resulted in a positive sales trend in the biggest media market, the US, in 2012. As the Digital Entertainment Group (DEG) reported at its annual press conference at the beginning of January, total sales of physical and digital rental and sales of video products amounted to approximately US-\$ 18 billion in 2012.

According to the DEG Blu-ray sales climbed by 10 %, in particular the catalogue segment with a sales gain of 25 % proved to be the driving force. The number of Blu-ray households in the US amounted to 51 million in 2012, this is an increase of 7 % compared with the previous year. However, the decline in traditional DVD sales could not be compensated by the rise in the Blu-ray Disc sales. Nevertheless, the main reason for the US evolution in 2012 is the trend of digital distribution: In the previous year overall digital sales increased by 28.5 % to US-\$ 5.13 billion.



Quelle: Futuresource Consulting November 2012 for SINGULUS TECHNOLOGIES, capacity utilization 50 %.

#### The trend in Germany

According to current data by the GfK Panel Services Germany, the German video sector achieved the second best result in the history of the German home entertainment market in 2012 with sales of  $\mathop{\in}$  1.71 billion following the record sales in the amount of  $\mathop{\in}$  1.75 billion reached in the year 2004 (2011:  $\mathop{\in}$  1.70 billion). The slightly lower revenues from the sales of movie content of  $\mathop{\in}$  1.41 billion, -1 % compared with  $\mathop{\in}$  1.42 billion in 2011, were more than offset by the +8 % increased rental revenues to  $\mathop{\in}$  299 million (2011:  $\mathop{\in}$  276 million).

Within the video purchase market the shift of formats from the DVD towards the high definition standard Blu-ray and the online download video on demand (VoD) continues. While the DVD sales revenues declined by -9 % to € 1.02 billion (2011: € 1.13 billion), the Blu-ray business recorded unabatedly strong gains of +28 % to € 343 million (2011: € 268 million). Although VoD recorded an even higher percentage increase of + 43 % from € 33 million to € 46 million, this rise took place from a lower level.

According to the German Association of Audiovisual Media still about 93 % of the total sector sales were generated with physical products (DVD and Blu-ray) in the past year.

#### **Development of the machine market**

In its report published at the end of 2012 the market research company Futuresource Consulting, Great Britain, calculates that the requirement for Blu-ray Disc production capacity increased from 1,664 million discs at the of 2011 to 1,843 million discs at the end of 2012. By the year 2016 this capacity is set to rise to 2,350 million discs subject to an expected average utilization rate of 50 % over the full year. Due to the strongly seasonal use of machines as well as due to experience from the past, this utilization rate has to be deemed realistic.

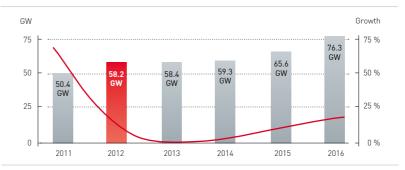
#### The market for production machines for solar cells

The market for solar cells has continued to change completely in the past years. Characterized by substantial excess capacities and a rapid and long-lasting drop in prices for solar modules all market participants had to suffer significant losses. Virtually no cell producer was able to operate on a cost-covering basis in the year 2012.

In its report for the fourth quarter 2012 the US consulting firm NPD Solarbuzz projects a 16.5 % growth of the production capacities to 58.2 GW for the full-year 2012, but only forecast a low growth for 2013 to 58.4 GW. In this context, Solarbuzz expects some manufacturers with older cell lines to leave the market. In 2015, capacities are once again set to increase on an absolute basis and reach a level of about 76 GW by the year 2016. The range of calculations and statements by Solarbuzz depends on different growth assumptions.

Solarbuzz published that worldwide approximately 30 GW solar modules were installed in the year 2012. With a share of 7.6 GW Germany is at the forefront once more.

#### **Annual PV Manufacturing Capacity**



Source: NPD Solarbuzz, Q4-2012 Report

#### Market volume for photovoltaic production machines declining

The suppliers to the solar sector look back on a very difficult year 2012. With a global market share of more than 50 % the German photovoltaic engineering sector is leading internationally. Global excess capacities and high price pressures are currently resulting in restraint for investments in modern PV production machines.

Pursuant to the current analysis of Solarbuzz, the market for photovoltaic equipment slumped from US-\$ 12.9 billion in 2011 to US-\$ 3.6 billion in the year 2012. The market volume for investments into production technology is anticipated to further decline in 2013 to only US-\$ 2.2 billion.

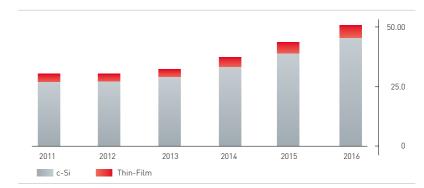
Manufacturers of solar cells and modules attempting to survive in the fiercely fought market, cannot get around modernizing their production equipment. This does not only relate to cost savings, but also to improvements in the efficiency levels of cells and modules.

#### Annual Manufacturing Capacity & Equipment Spending GW / Billion US \$

	2012	2013 (e)
Manufacturing capacity (GW)	58.2	58.4
c-Si cell capacity (GW)	51.7	51.9
Thin-film capacity (Billion US \$)	6.5	6.5
Equipment spending (Billion US \$)	3.6	2.2
c-Si cell spending (Billion US \$)	1.0	0.3
Thin-film spending (Billion US \$)	1.2	0.8

Source: NPD Solarbuzz, Q4-2012 Report

#### Market Trend for Module Procuction of Crystalline/Thin-film Solars Cells



Source: NPD Solarbuzz, Q4-2012 Report

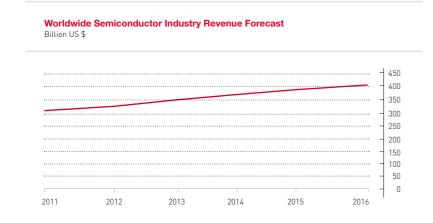
#### Germany: new solar energy installations reach prior years' level

According to information by the German Ministry of Environment solar power equipment with a peak output of around 7.6 GW were installed in Germany in the year 2012. Accordingly, the levels achieved in the two previous years were reached. The expansion of solar energy was one of the key pillars for the energy turnaround in 2012 once again. Consequently, approximately 32 GW is installed in Germany.

The German Solar Industry Association deems a continued strong expansion of photovoltaics in the year 2013 as necessary for the implementation of the energy turnaround, but expects a cooling of demand due to the sharp reduction in feed-in tariffs. This is supported by the declining market trend in the last three months of the year 2012. As a result, demand in the last quarter 2012 was around 65 % below the same period one year ago.

Despite the reductions, photovoltaic equipment is still rewarding for home owners and commercial businesses, because the internal consumption of solar energy becomes more and more attractive. In Germany, the costs of solar energy generation currently still amounts to 15 to 18 cents per kilowatt-hour (depending on installation size). In the meantime the electricity tariffs for households are around 25 cents per kilowatt-hour and should rise further. For 2013 the sector association anticipates new trends for solar technology: The increased use of battery storage and modern energy management system is expected. Thus the generation of solar power for internal consumption will become increasingly attractive.

Currently solar power accounts for approximately 5 % of the electricity generation in Germany. The sector intends to raise their share to 10 % at minimum by 2020, until 2030 it is targeted to amount to 20 %.



Source: VLSI Reasearch, December 2012

# Development MRAM Market Million Units 16 12 8 4 0 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

Source: VLSI Reasearch, December 2012

#### Semiconductor

The market research company IHS iSuppli reports global sales for the semiconductor market of US-\$ 324.6 billion in 2012, i.e. a rise of 4.3 % compared with the previous year.

In particular, the strong demand for mobile phones and tables lays the foundation. Provided that there are no unforeseeable recessions on the global markets and that there are no specific changes within the semiconductor industry, IHS iSuppli also forecast steady growth of global sales to US-\$ 412.8 billion in 2016 in the next couple of years.

The market for MRAM storage components is currently still a development market. The market research company VLSIresearch projects a significant growth of MRAM wafers in the next years. Many large memory producers such as Everpin, Samsung, Hynix and others have announced to invest into the MRAM development and manufacturing. Toshiba presented an MRAM chip in last year's December. Crocus Technologies, a semiconductor producer from the Silicon Valley, is currently setting up a modern MRAM production line as a joint venture with the stock company Rusnano.

If the MRAM memory components will establish themselves in the next couple of years due to their specific advantages, the transition towards the industrial mass production is expected.



## Nano Coating = Thin Film

Our nano vacuum coating systems apply in an ultra high vacuum the thinnest layers – no thicker than an atomic layer – on a silicon wafer of 300 mm. We actively participate in the development of the next generation of semiconductor wafers.

Nano Vacuum Coating

## Earnings, financial and asset positions of the SINGULUS TECHNOLOGIES Group

#### Sales and Earnings

Due to the disappointing development of the Optical Disc division as well as the sustained difficult situation on the market for equipment for the production of solar cells, in the business year 2012 SINGULUS TECHNOLOGIES had to implement a couple of measures, which had a negative impact on the key financial figures.

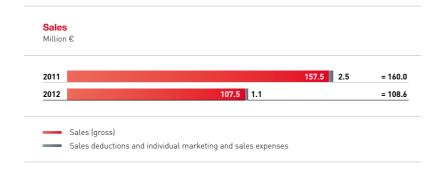
In the Optical Disc segment this mainly affected the foreign subsidiaries and the product segment for mastering. Furthermore, the work area of machines for wet-chemical production steps at the subsidiary SINGULUS STANGL SOLAR GmbH was negatively affected by the decline in the market for silicon-based solar cells. Overall, in the Solar segment structures and capacities in the wet-chemical division were adjusted as well as capitalized development expenses for traditional coating technology written off.

The impairment review of all balance sheet items in the third quarter 2012 resulted in provisions, write-offs on inventories and on accounts receivable as well as write-downs in the amount of  $\in$  43.9 million in the year under review ("Extraordinary charges" hereinafter). These

charges as well as significantly lower sales as a result of lower sales volumes significantly shaped the earnings situation of the SINGULUS TECHNOLOGIES Group.

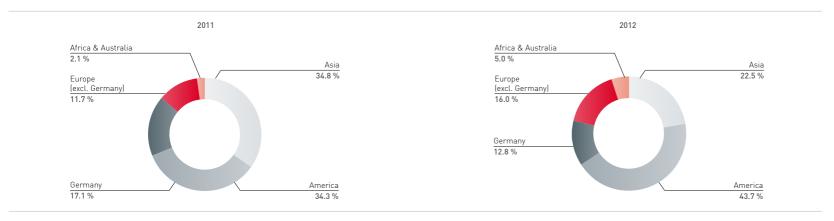
In particular, sales amounting to  $\leqslant$  108.6 million were considerably below previous year's level (previous year:  $\leqslant$  160.0 million). This corresponds to a decline in sales of 32.1 % compared with the prioryear level.

In the Solar segment sales in the amount of  $\leqslant$  29.1 million were realized (previous year:  $\leqslant$  52.4 million). Accordingly, sales within this segment dropped by  $\leqslant$  23.3 million compared with the previous year due to the generally weak demand for photovoltaic machines. The sales in the year under review mainly stem from our activities of selling selenization ovens and our wet-chemical equipment.



#### **Regional Breakdown of Sales**

in S



In the Semiconductor segment sales in the amount of & 14.5 million were realized in the year under review. This corresponds to a rise of & 11.4 million. The sales in the year under review are almost exclusively due to our activities of selling TIMARIS machines in the area of nano-deposition technology.

In the business year 2012 the regions Americas with a sales share of 43.7 % (previous year: 34.3 %) and Europe (including Germany) with a share to total sales of 28.8 % (previous year: 28.8 %) were our most important sales markets. The region Asia accounted for 22.5 % of sales (previous year: 34.8 %). On a low level the activities in Africa and Australia increased to 5.0 % of sales (previous year: 2.1 %). While Europe (excluding Germany) remained nearly stable at  $\[ \]$  17.4 million (previous year:  $\[ \]$  18.7 million), sales in Asia more than halved ( $\[ \]$  24.4 million, previous year:  $\[ \]$  55.6 million).

The gross margin was significantly burdened by the recognized extraordinary charges in the year under review. Excluding the write-offs on inventories in the amount of & 6.1 million, the gross

margin amounted to 23.7 % in the business year 2012, including the extraordinary charges the gross margin only came to 18.0 %. The prior-year level stood at 29.7 %.

The operating expenses came to  $\in$  79.9 million in the business year 2012 (previous year:  $\in$  40.1 million). This includes extraordinary charges in the amount of  $\in$  37.7 million.

Specifically, expenses for research and development amounted to  $\mathop{\in}$  17.5 million in the year under review (previous year:  $\mathop{\in}$  11.0 million). They were burdened by extraordinary charges in the amount of  $\mathop{\in}$  6.2 million and are mainly connected to write-offs of capitalized development expenses for traditional coating technologies in the Solar division. The scheduled expenses in the period under review mainly stem from development activities in connection with our business activities in the Solar segment. In addition to the extraordinary charges the development expenses include scheduled depreciation on capitalized development costs in the amount of  $\mathop{\in}$  5.6 million as well as development costs that cannot be capitalized in the amount of  $\mathop{\in}$  5.7 million.

The expenses for marketing and sales and customer service amounted to  $\in$  17.0 million in the business year 2012 and therefore remained below the prior-year level (previous year:  $\in$  19.7 million). The sales and marketing expenses include scheduled depreciation on capitalized customer bases in the amount of  $\in$  1.5 million (previous year:  $\in$  1.6 million).

The other operating expenses (€ 8.8 million, previous year: € 5.1 million) in the business year 2012 mainly include specific provisions for doubtful accounts in the amount of € 4.7 million (previous year: € 1.7 million), foreign exchanges losses in the amount of € 1.0 million (previous year: € 1.4 million) as well as expenses for returned machines in the amount of € 1.2 million (previous year: € 0.5 million). Furthermore, the expenses include provisions for the additional payment pursuant to a court order regarding the merger of the HamaTech AG to the SINGULUS TECHNOLOGIES AG (€ 1.5 million, please also refer to details under "Legal Risks").

In addition, in the period under review expenses for restructuring and impairment amounting to € 27.1 million were booked. These concerned an amount of € 10.8 million for the adjustments of the mastering activities, which amongst others include the complete write-off of capitalized development costs of these activities (€ 3.0 million). Also, in the business unit mastering, inventories in the amount of € 3.4 million were written down. Moreover, extraordinary charges in the connection with the activities of the SINGULUS STANGL SOLAR GmbH in the amount of € 8.8 million were booked. These mainly result from required capacity adjustments within our wet-chemical activities and led to the formation of provisions. In addition, in the business year 2012 in the course of the first-time consolidation of the STANGL Semiconductor Equipment AG (the present SINGULUS STANGL SOLAR GmbH), Fürstenfeldbruck, capitalized customer relationships as well as the acquired brand had to be written off entirely in the amount of € 3.6 million and 1.6 million, respectively. In connection with the restructuring of other subsidiaries, restructuring expenses mainly resulting from write-down of assets and severance payments in the amount of € 2.3 million were incurred. Adjusted for restructuring and impairment charges ( $\in 27.1$  million) as well as other extraordinary charges in connection with the unscheduled write-off of development projects ( $\in 6.2$  million) and the formation of additional provision for bad debt from account receivable ( $\in 4.4$  million), for the business year 2012 the adjusted operating expenses totaled  $\in 42.2$  million. In the prior-year period these expenses amounted to  $\in 40.1$  million. As a result, the operating expenses before extraordinary charges were slightly above the prior-year level.

The earnings before interest and taxes (EBIT) amounted to  $\bigcirc$  -60.5 million (previous year:  $\bigcirc$  6.7 million). Adjusted for restructuring and impairment charges as well as for other extraordinary expenses in the amount of  $\bigcirc$  43.9 million in total, an adjusted EBIT of  $\bigcirc$  -16.6 million resulted for the business year 2012. This corresponds to a decline of the operating result by  $\bigcirc$  23.3 million after adjusting for one-time effects. In the following the transition from EBIT to adjusted EBIT is presented:

	Item	million €
EBIT according to consolidated profit and loss statement		-60.5
Write-off of inventories	Production costs of sales	6.2
Write-off of capitalized development costs	Research and development	6.2
Provision for bad debt of accounts receivable	Other operating expenses	4.4
Adjustment mastering activities, SINGULUS STANGL SOLAR and other measures	Impairment and restructuring charges	27.1
Adjusted EBIT		-16.6

Specifically, the operating result in the Optical Disc segment came to  $\[ \in \]$  -25.0 million in the period under review. Adjusted for the extraordinary charges in the amount of  $\[ \in \]$  17.4 million a negative EBIT in the amount of  $\[ \in \]$  -7.6 million resulted for this segment. In the business year 2011, this segment was positive at  $\[ \in \]$  14.4 million. The Solar segment recorded a negative EBIT in the amount of  $\[ \in \]$  -36.7 million (previous year:  $\[ \in \]$  -5.9 million). Adjusted for extraordinary charges of  $\[ \in \]$  26.5 million, an operating results for this segment in the amount of  $\[ \in \]$  -10.2 million resulted for the business year 2012. The Semiconductor segment showed a contrasting trend. Here a positive EBIT in the amount of  $\[ \in \]$  1.2 million was achieved (previous year:  $\[ \in \]$  -1.8 million). The most important reason for the decline in the overall operating result is the decline in sales, which could not be offset by adjustments of the cost structure in the short-term.

The earnings before interest, taxes, depreciation and appreciation (EBITDA) amounted to  $\bigcirc$  -33.8 million in the business year 2012 (previous year:  $\bigcirc$  18.5 million). On an adjusted basis the EBITDA for 2012 came to  $\bigcirc$  -5.2 million.

The financial result was negative at  $\mathfrak E$  -3.3 million (previous year:  $\mathfrak E$  -1.1) and thus declined by  $\mathfrak E$  2.2 million compared with the previous year. The interest expenses increased in connection with the issuance of debt. With effect from March 23, 2012 a corporate bond in the amount of  $\mathfrak E$  60.0 million was placed. The corporate bond has an annual coupon of 7.75 % and a term to maturity of five years. From this interest expenses including ancillary expenses in the amount of  $\mathfrak E$  3.8 million resulted in the year under review. Furthermore, in the year under review interest expenses from loans and credit lines amounted to  $\mathfrak E$  0.4 million (previous year:  $\mathfrak E$  1.4 million). In the business year 2012 financial income in the amount of  $\mathfrak E$  1.8 million was realized (previous year:  $\mathfrak E$  2.2 million). This mainly resulted from short-term investments of liquid funds as well as interest income due to the financing of accounts receivable.

The net result in the business year 2012 amounted to  $\bigcirc$  -61.6 million (previous year:  $\bigcirc$  5.6 million). Adjusted for extraordinary expenses a result of  $\bigcirc$  -19.2 million was realized in the year under review (adjusting for deferred tax assets and liabilities).

### **Key Earning Figures**Million €

	2011	2012
EBIT	6.7	-60.5
Earnings before taxes	5.6	-63.8
Profit or loss for the period	5.6	-61.6
Earnings per share in €	0.14	-1.23

#### Order backlog and order intake

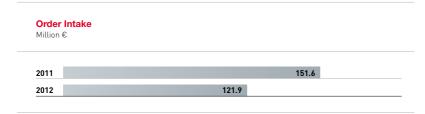
The order intake came to  $\[mathbb{\in}\]$  121.9 million in the year under review (previous year:  $\[mathbb{\in}\]$  151.6 million) and was 19.6 % below previous year's level. As of year-end 2012 the order backlog stood at  $\[mathbb{\in}\]$  40.1 million, above the prior-year level (previous year:  $\[mathbb{\in}\]$  26.8 million) and mainly concerns the Solar segment.

#### **Balance Sheet and Liquidity**

The long-term assets amounted to € 53.4 million and were therefore significantly below previous year's level (previous year: € 76.7 million). Specifically, capitalized other intangible assets declined by € 9.1 million and capitalized development costs dropped by € 10.0 million. The decline in intangible assets is mainly due to the write-off charged in the business year under review. Specifically, in the course of the first-time consolidation of the STANGL Semiconductor Equipment AG (the present SINGULUS STANGL SOLAR GmbH), Fürstenfeldbruck, capitalized customer relationships as well as the acquired brand each had to be written off entirely in the amount of € 3.6 million and 1.6 million, respectively. Furthermore, the other intangible assets declined in the course of scheduled amortization in the amount of € 3.7 million. The capitalized development costs dropped by  $\odot$  9.2 million in connection with the aforementioned write-offs. The scheduled amortization in the period under review amounted to € 5.6 million. In contrast, additions to assets amounted to € 4.8 million. Furthermore, the long-term accounts receivable dropped by € 5.7 million compared with the prior-year level. Property, plant and equipment amounted to € 7.5 million and were therefore below

previous year's level (previous year: € 9.9 million). The capital expenditure in property, plant and equipment amounted to € 0.8 million in the business year 2012 (previous year: € 1.7 million). Here, replacement investments were responsible for the major part.

The short-term assets rose by € 47.4 million in the period under review and amounted to € 153.1 million as of the end of the business year. This increase is mainly the result of the issuance of a bond with a total volume of € 60.0 million and the resulting higher bank deposits. Taking into account additional cash-relevant effects, cash and cash equivalents rose by € 38.1 million and thus amounted to € 55.9 million as of December 31, 2012. In addition, inventories increased by € 4.3 million and correspondingly amounted to € 46.1 million as of the end of the period under review. In a year-over-year comparison the other receivables and other assets increased by € 13.4 million and amounted to € 24.7 million as of December 31, 2012. The increase of the items mainly results from higher security deposits of liquid funds from the coverage of credit approvals in the course of higher prepayments received. In this connection, liquid funds in the amount of € 17.6 million are reported as other assets (previous year: € 7.2 million). In contrast, receivables from production orders declined by € 6.0 million as well as accounts receivables due within one year by € 2.4 million.





#### **Asset and Capital Structure**

in Million €



The long-term debt increased by  $\leqslant$  61.1 million, in particular due to the issuance of the corporate bond. Furthermore, provisions for restructuring measures were recognized in the business year under review. Their long-term share amounts to  $\leqslant$  7.5 million. In contrast, the deferred tax liabilities declined by  $\leqslant$  2.5 million as well as the

bank liabilities by  $\in$  2.5 million in connection with the scheduled repayment of the KfW loan.

#### Shareholders' equity

The shareholders' equity in the Group declined by  $\leqslant$  60.7 million in the course of the period under review and stood at  $\leqslant$  77.2 million as of December 31, 2012 (previous year:  $\leqslant$  137.9 million). Equity in the amount of  $\leqslant$  76.2 million is attributable to the shareholders of the parent company and  $\leqslant$  1.0 million to minorities. This decline is mainly due to the negative net result for the business year. The equity ratio stands at 37.4 % following 75.6 % in the previous year, which is caused by the negative net result and the increased balance sheet total, amongst others due to the rise in liquid funds from the issuance of the bond.

#### **Cash Flow**

In the business year 2012 the operating cash flow of the Group of  $\[ \in \]$  -0.4 million was negative and thus lower than in the previous year (previous year:  $\[ \in \]$  +7.5 million). This decline is due to the significantly lower business activities in the group of companies. The results burdening extraordinary charges only resulted in cash outflows to a small extent so far and therefore to a burden of the operating cash flow.

The cash outflow from investing activities amounted to & 21.7 million compared with & 8.9 million in the prior-year period. The payments were mainly made for investment in intangible assets and tangible fixed assets (& 5.7 million). In addition, funds in the amount of & 15.0 million were invested in term deposits, whose original term to maturity at the time of conclusion of the investment exceeded three months.

The cash flow from financing showed a contrasting trend in connection with the issuance of the corporate bond. Net of issue expenses the company received  $\[ \in \]$  58.4 million. Here, liquid funds in the amount of  $\[ \in \]$  2.5 million were paid in the course of the repayment of loans. Furthermore, in the course of security deposits for credit approvals, compared with the previous year  $\[ \in \]$  10.5 million more were paid in blocked accounts and therefore restricted ( $\[ \in \]$  17.6 million in total). As a result, the cash flow from financing activities came to  $\[ \in \]$  45.1 million (previous year:  $\[ \in \]$  6.7 million).

Accordingly, the level of cash and cash equivalents increased by  $\[ \]$  23.1 million in the period under review and amounted to  $\[ \]$  40.9 million overall at the end of the period under review. Including the term deposits, which had a maturity of less than three months at the balance sheet date, the cash and cash equivalents amounted to  $\[ \]$  55.9 million.

#### Cash Flow Million €

	2011	2012
Cash flow from operating activities	7.5	-0.4
Cash flow from investing activities	8.9	-21.7
Cash flow from financing activities	6.7	45.1
Cashi (incl. term deposits with a term to majurity of more than three months)	5.3	38.0
Cash and cash equivalents at the beginning of the period	12.3	17.8
Exchange rate-related changes	0.2	0.1
Cash and cash equivalents at the end of the period	17.8	55.9

# Earnings, financial and asset position of the SINGULUS TECHNOLOGIES AG (financial statements pursuant to HGB)

Specifically, the order intake at the SINGULUS TECHNOLOGIES AG amounted to  $\in$  105.1 million (previous year:  $\in$  130.7 million), while the order backlog at the balance sheet date stood at  $\in$  64.7 million (previous year:  $\in$  52.8 million).

In the following the most important effects on the earnings, financial and asset positions in the previous business year are discussed:

€ 22.5 million to € 35.9 million (+59.6 %), which resulted from the billing of some equipment in 2012. The sales in the Semiconductor segment were doubled to € 5.5 million.

The material expenses declined from  $\ \in \ 77.1$  million to  $\ \in \ 64.4$  million. Overall output (sales including inventory changes) came to  $\ \in \ 91.1$  million in the business year 2012 (previous year:  $\ \in \ 126.8$  million). This corresponds to a cost of materials ratio of 70.7 % (previous year: 60.8 %), which increased due to a changed product mix.

Key Figures at a Glance in Comparison to Previous Y	/ear
Million €	

	2011	2012
Sales	118.7	93.2
Cost of materials	-77.1	-64.4
Personnel expenses	-21.4	-22.4
Other operating expenses/income	-18.0	-21.3
Extraordinary result	1.3	10.1
Net loss	-6.7	-4.2
Long-term assets	59.7	57.6
Current assets	67.1	112.6
Liquidity	17.6	62.9
Bonds	0.0	60.0
Bank loans	6.7	4.2
Bariit tearie		58.2

The other operating expenses/income in the amount of  $\[ \in \]$  -21.3 million (previous year:  $\[ \in \]$  -18.0 million) include write-offs on accounts receivable from third parties amounting to  $\[ \in \]$  2.2 million as well as necessary write-offs concerning the inter-company area in the amount of  $\[ \in \]$  2.6 million. Write-offs in the inter-company area mainly concern an extraordinary write-off on receivables against SINGULUS TECHNOLOGIES FRANCE S.a.r.l. In addition, similar to the previous year the other operating expenses include commissions to third parties and associated companies as well as expenses connected to the financial statements as well as legal and consulting fees.

The investment income (€ 22.3 million) includes a dividend from the SINGULUS TECHNOLOGIES Inc. The dividend claim was offset against existing liabilities owed to the US-subsidiary.

In the business year under review proceeds from the liquidation of the Slovakian subsidiary HamaTech Slowakei s.r.o., Slovakia were received. This resulted in an extraordinary income in the amount of € 10.0 million.

In addition, due to the sustained weak earnings situation at SINGULUS SOLAR STANGL GmbH the book value of the participation of this company was written off by  $\[ \le \]$  10.0 million in the business year 2012.

Overall, a net loss of  $\in$  4.2 million resulted (previous year: 6.7 million) with a result before investment income, write-offs on investments, interests, extraordinary income and taxes of  $\in$  -22.0 million (previous year:  $\in$  -6.5 million). For the latter, the significant decline in sales was accountable.

As of December 31, 2012, loans to associated companies amounted to  $\in$  8.7 million. This included  $\in$  8.5 million to the SINGULUS STANGL SOLAR GmbH. In the previous year, a short-term loan in the amount of  $\in$  4.7 million had been granted. In the course of a major project a customer was granted a credit volume of  $\in$  5.2 million, of which  $\in$  3.7 million were used as of December 31, 2012 and reported under Other Loans.

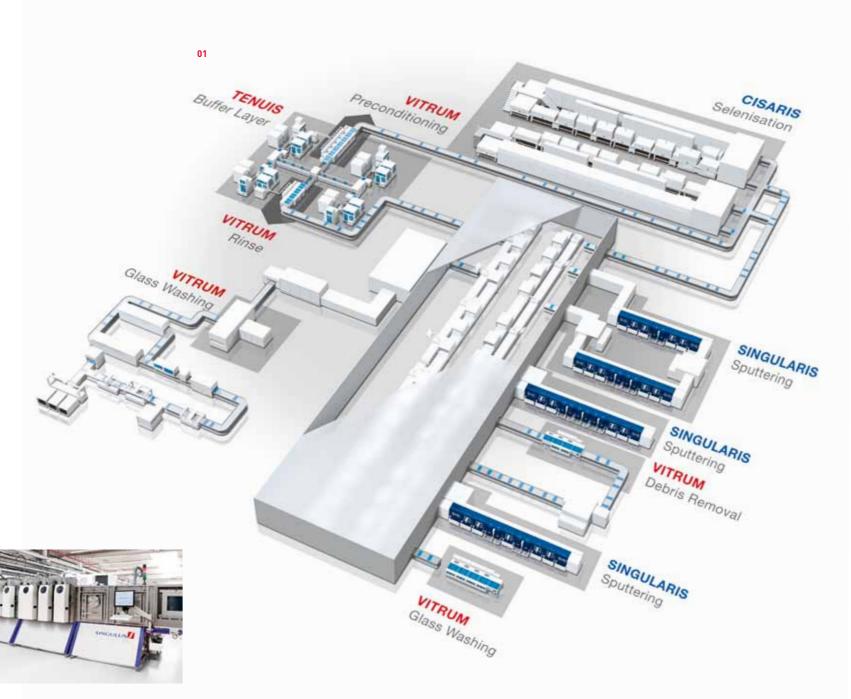
The shareholders' equity declined by  $\le 4.2$  million to  $\le 58.2$  million in the year under review. The equity ratio amounted to 34.1 % at the end of the year under review (previous year: 43.2 %).

The liabilities owed to associated companies declined by € 32.3 million, which was mainly due to offsetting dividend claims from the SINGULUS TECHNOLOGIES Inc. against existing liabilities.

#### Material events after December 31, 2012/ Supplemental Report

There were no material events for the SINGULUS TECHNOLOGIES Group and the SINGULUS TECHNOLOGIES AG after the balance sheet date.





04



05

- 01 Typical layout of a CIG/CIGS thin film solar module manufacturing – SINGULUS offers the ley production steps
- 02 CISARIS selenisation furnace
- 03 SINGULARIS vacuum sputtering machine
- **04** VITRUM machine for glass cleaning
- 05 TENUIS buffer layer deposition machine

#### **Forecast Report**

#### **General economic conditions**

The global economy is characterized by many uncertainties in the year 2013. The World Bank projects global growth of 2.4 % in the current year. In addition, the World Bank expects that the economic recovery will remain "fragile and uncertain" despite smaller financial risks. The key drivers for the global economy remain the developing and emerging countries, on the forefront China, while the economic environment in Europe and in the US remains difficult.

According to estimates of the World Bank, economic growth in the emerging markets will accelerate to 5.5 % and recover from the impacts of the debt crisis in the Euro-zone. According to the World Bank China's economy will expand by 8.4 % in 2013 – following less than 8.0 % in the previous year. According to the institute Brazil will experience a substantial upswing with a growth of 3.4 % – after a difficult year 2012, in which growth remained below 1.0 %. According to the World Bank the economic growth in the US will decelerate from 2.2 % in 2012 to 1.9 % in the current year.

For Europe, the experts predict more stable general conditions in the year 2013 and a waning impact of the financial crisis. The exchange rate of the Euro against the US-Dollar has stabilized. Some banks have started to repay their liabilities against the European Central Bank. The downswing of the private sector in the Euro-zone has slowed down at the beginning of the year. The EU Purchasing Manager Index rose by 1.0 to 48.2 points in January.

In Germany, the Ifo Business Climate Index increased for the third consecutive time in January 2013 to currently 104.2 points. In particular, the sentiment within the manufacturing sector has improved. Companies once again utilize their machines and equipment at higher levels in 2013.

## Risks and opportunities of the segments Optical Disc, Solar and Semiconductor

In the Optical Disc segment there is still no other supplier worldwide offering production equipment for 50 GB Blu-ray Discs. SINGULUS TECHNOLOGIES thus has an excellent market position. Physical data storage such as the Blu-ray Disc offers users many advantages in terms of value for money, which online media have yet been unable to offer. Only few online services provide real Full HD (Full High Definition) and therefore the highest, today offered HD resolution of 1,920 x 1,080 pixels for consumers. Often, downloads only offer a lower resolution of 1,280 x 720 pixels. According to forecasts of the market research company Futuresource Consulting published in November 2012, the production volumes of Blu-ray Discs are set to expand by further 16 % in 2013.

With respect to Blu-ray Discs with movie content the increase should even amount to 18 %. The market introduction of the gaming console Wii U by Nintendo and the new Xbox by Microsoft, both equipped with a Blu-ray drive, as well as the expected Playstation 4 by Sony should provide a growth stimulus.

Digital media and download services offer consumers additional variety. Consumers take advantage of the mobility of PCs, tablets and smartphones. However, physical media such as the Blu-ray Disc are still the only means for nearly high-end quality of movie experiences at home. Only the Blu-ray Disc offers Full HD combined with 3D and enables the display of movies on the upcoming 4K TV sets with UHD resolution.

The market for production equipment in the Solar segment remained difficult in the year 2012 due to the excess capacities and the price slump for solar cells. Nevertheless, market participants expect the solar market to stabilize overall on the currently low level and to grow once again towards the end of 2013/beginning of 2014.

In its study published in May 2012 the European Photovoltaic Industry Association (EPIA) presents different growth scenarios. The global level of new installations of around 30 GW in 2012 demonstrates that they even expanded at a rate of more than 10 % in the crisis year 2012. For 2013 the forecasts are more pedestrian and only show a substantially rising trend with growth figures around 20 % for the year 2014 again.

The market research company IHS iSuppli expects the market share of Europe (2010 = 80 %) to drop to 39 % in 2013. According to IHS iSupply Asia should lead Europe in terms of installations and the use of solar energy in the future. The installations in Germany are set to trail China, the US and Japan. China has announced to expand the solar technology by a volume of 10 GW in the year 2013 alone. For India and the US new installations in a range of about 4 GW each are projected. Also for South America, South Africa and other emerging markets an increasing use of photovoltaics for the generation of electricity is expected. Saudi Arabia has also announced the installation of more than 40 GW in the next couple of years.

Driven by this new atmosphere of change in many countries the photovoltaics industry once again sees the light at the end of the tunnel. The market is set to consolidate in 2013 and to grow with double-digit rates from 2014 onwards again.

SINGULUS TECHNOLOGIES is a development partner for new, more efficient production machines and is therefore in a position to benefit strongly from the anticipated new investment cycle. The new production equipment enables improved cell performance and additional cost savings.

For the coming years SINGULUS TECHNOLOGIES expects a very diverse market situation, which we face strategically positioned. Generally, the market for production machines will not expand on a



Source: European Photovoltaic Industry Association (EPIA), May 2012

broad basis. For crystalline cells and modules the continuing cost competitions will intensify the pressure for higher efficiency while at the same time reducing production costs. Accordingly, SINGULUS TECHNOLOGIES offers a solution with its PERCEUS process to gain a competitive advantage by upgrading existing production lines with few additional machines for the future. Especially in the most important market, China, SINGULUS TECHNOLOGIES will further expand and strengthen its marketing and sales efforts for crystalline cells and modules.

Production capacities for CIS/CIGS based cells should further rise in the coming years. Based on the CIS processes SINGULUS TECHNOLOGIES is able to provide customers the relevant lines and in the meantime has gained extensive know-how to reduce the production costs together with the customers, to increase the cell performance and at the same time to enhance the cell output. For the production of CIS/CIGS solar cells SINGULUS TECHNOLOGIES has introduced many new machines in 2012 and will offer all relevant manufacturing steps in the future:

- → vacuum cathode sputtering
- → vacuum deposition technology
- → selenization
- → buffer layer coating
- → wet-chemical cleaning

In particular in the area of CIS/CIGS solar technology the company is therefore well positioned with its diverse production machines. Here for several of the currently planned projects we are in talks with our customers as a preferred supplier and can thus expect orders as soon as the investments are approved by the customers.

In the Semiconductor segment SINGULUS TECHNOLOGIES intends to further expand the position as provider of nano-coating machines for the semiconductor industry. Based on the TIMARIS platform a new universal nano-coating machine was introduced to the market under the product name ROTARIS. The ROTARIS line was specifically designed for application research in the semiconductor industry.

Market research companies project another year of growth for the semiconductor market in 2013. With its machines SINGULUS TECHNOLOGIES continues to focus on work areas such as MRAM, thin-film write/read heads and sensors. For MRAM wafers the market research company VLSIresearch projects a significant growth in the next years.

With its plant technology SINGULUS TECHNOLOGIES has very good opportunities to participate in this growth amid increasing demand and has therefore a resulting large growth potential.

#### Future opportunities, outlook and expected earnings situation

For SINGULUS TECHNOLOGIES to once again develop favorably in the long-term, it is our target to position ourselves profitably in our markets. In the business year 2013, the initiated measures will be continued to prepare the company for the partly volatile development of individual sales markets.

In the business year 2011 SINGULUS TECHNOLOGIES completely repaid its liability owed to banks. With the issue of a corporate bond on March 23, 2012 with a volume of € 60 million and a term to maturity of five years SINGULUS TECHNOLOGIES ensured that the financing of current projects, the growth in the existing divisions as well as the expansion into new work areas rests on a secure and stable foundation.

#### Outlook for the business year 2013

SINGULUS TECHNOLOGIES is a technology leader with its machines and equipment in the three applications areas Optical Disc, Semiconductor and Solar. We anticipate to once again grow sales in these segments in 2013 compared with 2012 and expect to complete the business year in the Group with an overall slightly positive operating result (EBIT). For this, we project a very significant sales growth in the Solar division. Within the segments Optical Disc and Semiconductor we anticipate a rather modest increase in sales. Adjusting for financing expenses a slightly negative net result for the Group pursuant to IFRS would result. For the financial statement pursuant to HGB, adjusting for the different accounting principles, we anticipate a corresponding development of sales and earnings.

To strengthen the existing business areas we develop targeted products and thus open new application areas as well as corresponding new markets. Accordingly, the strategic further development of the existing product portfolio is in the focus for the business year 2013. With this and planned growth in the segments Solar and Semiconductor, the dependency on Optical Disc will be further reduced and the earnings power for the future strengthened. We expand our product portfolio on the basis of our core competencies with self-developed machines and equipment and also intensify our efforts for organic growth. At the same time we analyze the markets and review specific acquisition opportunities for the targeted strengthening of our product range. With the successful implementation of this strategy we expect to return to a growth path.

Adverse developments in our core markets could have a dampening effect. If the current investment restraint for production equipment in the solar market continues, this will not take place without corresponding impacts on the earnings targets of the company. Although the cost structures were adjusted in 2012 in particular by capacity adjustments, a more negative development than expected and the resulting adjustments of the company's long-term plans especially in the Solar division, would also make additional write-offs necessary. Furthermore, the company's result in 2013 will be impacted by the sales success of our machines for the Blu-ray production.

# Outlook for the business year 2014

The results of SINGULUS TECHNOLOGIES in the business year 2014 will materially be determined by the developments in the sales markets, on which our activities are targeted, in particular the Solar segment.

In general, market researchers expect a recovery of demand for production equipment for the PV market in 2014. Due to the currently already developed product portfolio as well as due to our further plans of targeted broadening of our machines offered, we expect to participate substantially in the market growth. Amongst others, this

expectation is based on the fact that we were able to significantly improve our market position in the difficult market environment for the past two years, which will enable us to participate in the upcoming investment cycle already today and in particular in 2014 as a leading provider.

In the course of 2014, there will be more clarity regarding the importance of MRAM as a potential memory technology of the future for the Semiconductor segment. If that turns out to be the case, it would result in a further pick-up in demand for our coating machines.

The Optical Disc segment has a globally installed base of more than 5,500 lines and will be the foundation for continuing stable and high-margin replacement part and service activities in 2014. In addition, we anticipate revenues from the sales of new equipment for the expansion of the global production capacity for the manufacturing of Blu-ray Discs as well as replacement investments in the field of DVD and CD production. If in particular the volume growth in the area of sales of Blu-ray Discs continues, this will also lead to favorable results in this segment. Overall, we thus expect a significantly positive contribution from this segment for the business year 2014.

The Executive Board's strategy to utilize SINGULUS TECHNOLOGIES' core competencies in additional fields with respective machines and equipment should already result in a further increase in sales and an improved operating result (EBIT) in 2014 both for the Group under IFRS as well as for the financial statements pursuant to HGB. Accordingly, for all segments positive operating results are projected.

These developments will be achieved through organic growth. However, to broaden the activities targeted acquisitions are also taken into account. Of course, the Executive Board will apply the required diligence for the identification of potential targets as well as for the implementation of the transaction.

# Risk Report (including declaration pursuant to Art. 289 Para. 5 HGB)

The following information applies to the parent company SINGULUS TECHNOLOGIES AG as well as to the SINGULUS TECHNOLOGIES Group. In the course of our opportunities and risk management the parent company occupied a leading role.

# **Risk Management**

The risk management system is an integral component of the entire planning, controlling and reporting processes in all relevant legal entities and business divisions and targets the systematic identification, assessment, monitoring and documentation of risks. Taking into account defined risk categories, the risks of the business areas and operating units are identified and evaluated with respect to probability of occurrence and amount of damage. This includes risks, which are material to the assets, liabilities, earnings and financial position of the company.

The assessment of the amount of damage is usually performed in view of the impact of the risks on the operating result (EBIT). The tasks of the people responsible include the development and, if applicable, the initiation of measures to avoid, reduce, hedge and insure risks. In the course of our controlling processes throughout the year essential risks as well as initiated countermeasures are monitored. In addition to the regular reporting there is a group-internal reporting obligation for unexpectedly occurring risks. The central risk management reports to the Executive Board about the identified risks once per quarter and at least once per business year to the Supervisory Board. The risk management system enables the Executive Board to identify essential risks at an early stage and to initiate countermeasures.

The identified risks are correspondingly taken into account within the accounting and reporting of the companies.

Corporate opportunities are not considered within the risk management system but discussed in the course of regular strategy meetings. analyzed in Executive and Supervisory Board meetings and, if applicable, taken into account within the annually prepared operating budgets. In the course of the strategy processes the opportunities for additional, profitable growth are determined and included in the decisionmaking process. The direct responsibility for the early identification of opportunities and their realization rests upon the Executive Board. The existence of the risk management processes as well as the adherence to the rules and regulations defined in the risk management manual of SINGULUS TECHNOLOGIES are with their legally defined components subject to a routinely review by the auditors in the course of the legal audit requirements in the course of the audit of the financial statements. In this connection it is reviewed whether the early risk detection system is suitable of identifying company-threatening risks and developments at an early point in time. If scope for improvement is identified, the necessary corrective measures for the modification of the risk management are implemented.

The risk management system of the SINGULUS TECHNOLOGIES AG safeguards that the corporate opportunities and risks are identifiable at an early stage and that the Group is able to respond actively and efficiently.

The following paragraphs explain the risk areas and individual risks, which are able to materially affect the assets, the financial and the earnings position of the SINGULUS TECHNOLOGIES AG and of the Group from today's perspective, on the basis of the overall Group.

#### Risk areas

In addition to the segment Optical Disc the SINGULUS TECHNOLOGIES Group is active in the industrial areas of Solar and Semiconductor. This diversification serves for the reduction of dependency from only one business division. We are continuously analyzing our market environment and our competitive situation. Constant customer contact and the resulting market proximity provide us with important information about the requirements of our customers. The information gained enables us to develop and offer products suitable to meet the market's requirements and to further expand our competitive position.

### General economic risks

SINGULUS TECHNOLOGIES depends upon its global customers' willingness to invest into new production machines for optical memory storage, solar cells and semiconductors. In this context the willingness to invest is materially impacted by the overall global economy.

In the business year 2012 in particular in the photovoltaics market the restraint to further invest continued. Thus the reliance on public aid and the continuing restraint for financial commitments by banks resulted in a delay of projects and bridge financing for photovoltaic equipment or in a reduction in its extent. As a consequence new constructions were set up delayed, with reduced capacities or not at all. This led to a significant reduction in production volume for solar cells. This also resulted in a material deterioration of the earnings power of solar cell manufacturers, which led to fundamental financing problems of these companies.

Governments' savings measure to reduce public debt in the next couple of years could have a material impact on the economy. Furthermore, amongst others, substantial foreign exchange fluctuations, significant increases in raw material prices as well as rising inflation or deflationary trends as well as dislocations on the financial markets with effects on the banking system could have considerable impact on the global economy.

# Sector and company specific risks

### **Procurement market risks**

The availability, price increases and quality of procured components pose a risk for SINGULUS TECHNOLOGIES. For the unit procurement and purchasing, credit assessments of our suppliers are thus performed on a regular basis. Moreover, the deliverability as well as the fulfilling of our quality requirements for supplied parts are constantly monitored. A further part of the risk management is performed through inventory management. This task includes the review of the turnover and scope as well as the analysis of the age distribution of goods and purchased parts.

Due to a significant decline in demand for our products increased write-offs on our inventories in the segments Optical Disc and Solar became necessary in the business year 2012. In addition, in this connection write-offs from the revaluation of various semi-finished products within the mentioned segments were incurred.

#### IT risks

In order to safeguard orderly business operations companies have to rely on information technology. To minimize the risk of a discontinuation of business processes because of a system failure, several safety measures have been implemented. Amongst others, this includes access control systems, emergency plans, and an uninterrupted power supply of critical systems, backup systems as well as regular data mirroring. To ensure data safety against unauthorized access we employ firewall systems and virus scanners. Furthermore, the privacy of data and their availability is safeguarded through relevant access restriction systems.

A failure of the IT systems or the theft of corporate data or the manipulation of the company's IT systems could have an adverse impact on the assets, financial and earnings situation of SINGULUS TECHNOLOGIES.

# **Project risks**

In particular in the Solar segment our expectations and assessments of the business development are mainly based on the increasing importance of the system activities. Such major projects make great demands for risk management. Potential risks emerge during the calculation of such projects under uncertainty. They include unexpected technical problems, supply bottlenecks and quality problems at suppliers of important components, unforeseeable developments during the assembly on-site and problems with partners and sub-contractors. 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. To manage the risks within this segment we already use proven methods during the proposal stage to assess the impact of potential cost deviations compared with the forecast figures. With a continuing monitoring of changes in the parameters parallel to the project's progress, potential project risks can be identified at an early stage and necessary measures initiated.

Furthermore, SINGULUS TECHNOLOGIES is subject to the risk of order cancellations in all business segments. If customers cancel an order there is a risk that SINGULUS TECHNOLOGIES has already delivered up-front services and that these services are not completely covered by the customer after the cancellation. In particular, this includes the order generation of material at suppliers, but also the provision of company-internal resources. To reduce the risk of cancellations, prepayments as well as partial payments according to project progress are routinely agreed. However, it cannot be guaranteed that customers already cancel the order before making a pre-payment or a relevant payment according to project progress.

In case SINGULUS TECHNOLOGIES has already delivered up-front services and incurred charges in view of the order processing, this might eventually not be covered by the customer.

If risks materialize in connection with the order processing, they could have a material adverse impact on the business activities in particular in connection with the implementation of larger projects. The occurrence of this risk could therefore have a material impact on the asset, financial and earnings situation of the company.

In the past business year no significant cancellations occurred within the SINGULUS TECHNOLOGIES Group.

#### **Product risks**

Potential product risks, such as for example liability claims or reputational damage due to product deficiencies, are limited by the high quality and safety of our products, our product information and our services. The potential hazards and risks for employees, customers or the environment stemming from a product during its entire life cycle are already analyzed in the course of the development of our products and the respective risk potential assessed. We implement suitable measures to prevent the determined risks or if that is not possible to reduce them to an acceptable extent.

#### **Production risks**

Business interruptions at one of our main sites or for our machines at a customer over an extended period of time could negatively impact the earnings situation and the reputation of the company. This is particularly true if the business interruption is caused by an accident also resulting in personal or environmental damage.

Therefore, measures preventing business interruptions are prioritized. In particular, this includes preventive machine monitoring and the provision of strategic spare parts.

Upon operation of the machines assembled by SINGULUS TECHNOLOGIES environmentally hazardous substances such as acrylic paint, silane, ammonium and nitrogen trifluoride are being used. SINGULUS TECHNOLOGIES is thus obliged to adhere to the existing environmental legal requirements for these substances. This is accompanied with high expenses. If SINGULUS TECHNOLOGIES does not adhere to environmental law obligations, public as well as civil liabilities for the resulting damage or disadvantages are possible. It cannot be excluded that due to technical or human error environmental damage results, for which SINGULUS TECHNOLOGIES could be made liable or recourse taken upon. A liability due to environmental risks could have a material adverse impact on the business operations of SINGULUS TECHNOLOGIES despite existing insurance cover.

# Technology risk

The SINGULUS TECHNOLOGIES Group is operating in competitive markets. To ensure market success products with reliable state-of-the-art technology are required. This requires the continuous improvement of the products already available on the market. A key aspect of the review of the development risks is the analysis of market requirements. The risk of an erroneous development or a late development has to be regarded as quite high. We reduce this risk through the cooperation with partners and customers as well as through our evaluation process, which continuously assesses the efficiency, success probabilities and general conditions of the development projects.

An essential part of this is the monitoring of the planning of the different development projects. The analysis of success probabilities as well as the identification and seizing of these opportunities, which safeguards the competitiveness of the company and increases it, is therefore an essential aspect of the strategy planning.

If the further or new development of products leads to erroneous trends, this could result in substantial costs. In addition, SINGULUS TECHNOLOGIES could lose market shares to competitors. Accordingly, erroneous trends in terms of the further or new development of products could have a material adverse impact on the asset, financial and earnings situation of SINGULUS TECHNOLOGIES.

In connection with the competitiveness of SINGULUS TECHNOLOGIES the protection of technologic know-how is of imminent importance. Consequently, SINGULUS TECHNOLOGIES has registered or filed patents and patent application and other intellectual property rights for its products in several countries, especially in Germany. To the extent to which more recent developments and technologies by SINGULUS TECHNOLOGIES are not protected by intellectual property rights in the various countries in which SINGULUS TECHNOLOGIES operates, principally competitors are able to develop and market the respective development and technologies by SINGULUS TECHNOLOGIES on their own without legal limitations and the payment of compensation to SINGULUS TECHNOLOGIES. If it is not possible to protect the proprietary know-how to the full extent, this could have a material adverse impact on the business operations of SINGULUS TECHNOLOGIES. The occurrence of this risk could therefore have a material impact on the asset, financial and earnings situation of the company.

#### Sales market risks

A high risk exists in the marketing and sales area. The segment's task is to recognize and evaluate sharp declines in demand or risks of potentially misleading assessments in individual markets or products. These risks are considered as material and can result in substantial impacts on the company's results. External data such as market research results but also close contacts with our customers help to improve the evaluation of future trends.

The market development for photovoltaic installation in the past couple of years relied to a large extent on the regulatory framework and global subsidies of investments in photovoltaic equipment. Without public support programs, photovoltaics would at present not yet be competitive with the electricity generation of traditional energy sources (e.g. nuclear power, coal, gas). Even though the dependency of the competitiveness of photovoltaic installation is gradually decreasing due to the reduction in system costs for photovoltaic equipment, the market for these installations depends considerably on the continuation of public support programs for investments in photovoltaics.

The legally implied degression of the feed-in tariffs will continue to exert pressure on the selling prices for photovoltaics installations. It cannot be guaranteed that the photovoltaics sector succeeds in reducing the production costs or improving the efficiency of the products due to technologic progress, so that the reduction in selling prices for photovoltaic plants can be compensated for to a satisfactory extent. This could have a material adverse impact on the demand for the production machines manufactured by SINGULUS TECHNOLOGIES. This risk could be further amplified by a deterioration of the framework conditions for the promotion of photovoltaics.

Comparable purchase obligations at minimum prices or other governmental support programs are also in place in other countries to which SINGULUS TECHNOLOGIES sells its products. It is possible and expected for the future that the governmental support programs will be reduced or revoked in these countries as well.

A change in the governmental framework conditions or the lack of additional measures to support photovoltaics within and outside of Germany could result in a substantial decline in demand for photovoltaic plants as a whole and therefore also for the production machines marketed by SINGULUS TECHNOLOGIES.

If photovoltaics will be accepted on the market for renewable energies to a lesser extent in competition with other ways of electricity generation from renewable energies such as wind power, bio mass, geothermal and solar thermal energy and other technologies will develop more favorably than photovoltaics in terms of technologic, economic, regulatory or other reasons, investments in the photovoltaics sector could be refrained from or reduced or at least be implemented to a significantly lesser extent than expected by SINGULUS TECHNOLOGIES. This could have a significant adverse impact on the assets, financial and earnings situation of SINGULUS TECHNOLOGIES.

In the Solar segment management expects growth rates through the sale of wet-chemical machines, selenization ovens as well as the systems business, in particular. If the sales fall short of expectations, this will result in a valuation gap to book values and trigger impairment charges.

### Foreign exchange and counterparty risks

With respect to currency risks resulting from invoicing in foreign currencies the principles of hedging at the time of receipt of the order are applied. As the main instrument to hedge defaults of international customers we employ export credit insurance. The creditworthiness and payment behavior of customers are constantly monitored and relevant credit limits are determined. In addition, on a case by case basis risks are limited through credit insurances and bank guarantees, if possible. From today's point of view we expect this to sufficiently cover the counterparty risks.

### **Financial risks**

The SINGULUS TECHNOLOGIES Group is exposed to financial risks in particular with respect to liquidity risks, default risks, foreign-exchange risks and interest rate risks. To safeguard the financial solvency as well as the financial flexibility of the SINGULUS TECHNOLOGIES Group at all times, a liquidity reserve in the form of credit lines and cash is held.

To detect liquidity risks at an early stage liquidity projections are performed on a regular basis and compared with the actual developments. To analyze default risks the portfolios of accounts receivable of the individual companies in the SINGULUS TECHNOLOGIES Group are reviewed in short time intervals.

In order to have financing funds to a satisfactory extent in the future, on February 27, 2012 SINGULUS TECHNOLOGIES decided to issue a corporate bond with a volume of up to  $\leqslant$  60 million, an annual coupon of 7.75 % and a term to maturity of five years.

Especially in the Solar business additional financing agreements could become necessary subject to project-specific requirements. In particular, the successful conclusion of the financing negotiation regarding the new bank guarantee is required.

Besides the general financial conditions with respect to the SINGULUS TECHNOLOGIES Group there are still financial risks in view of the provision of project financing for our customers in particular in the area of photovoltaic plants. They are routinely financed with debt. In this context, banks, but also asset management companies, public business development banks, credit insurers and other market participants grant financing for the set-up (bridge financing) as well as the operation (longer-term financing) of photovoltaic plants, which is repaid in the course of time from income received from the feed-in of the generated electricity. Such project financing for major plants was reduced by banks in particular, but also by other market participants and deteriorated the conditions for the provision of financing. As a result the growth potential of the photovoltaics market could not be realized to the extent expected.

The current low level of interest rates as well as the resulting low debt financing costs had a favorable impact on the profitability of photovoltaic plants and therefore contributed materially to the increase in demand for photovoltaic plants. An increase in the interest rate level would reduce the profitability of photovoltaic plants and therefore affect both the demand for photovoltaic plants and for SINGULUS TECHNOLOGIES' products.

### **Legal Risks**

As an internationally operating company the SINGULUS TECHNOLOGIES Group is exposed to a multitude of legal risks. In particular they include risks from the fields product liability, patent rights, tax laws and corporate laws. The outcome of currently pending and future litigation often cannot be foreseen with certainty so that due to legal or administrative decisions or settlements expenses can be incurred, which are not or not fully covered by insurances and which can have an effect on our activities and as a consequence on the results.

In the course of the legal support of the operating business activities the legal risks are identified following a systematic approach and qualitatively and quantitatively analyzed with respect to their probability of occurrence and potential impact.

The litigations set forth in the following are the main legal risks from today's perspective. It should not be viewed as an exhaustive enumeration.

In connection with the controlling agreement as of April 21, 2006 between the defunct STEAG HamaTech AG, Sternenfels ("HamaTech AG") as the dependent issuer and the SINGULUS TECHNOLOGIES Aktiengesellschaft as the controlling company, former shareholders of the HamaTech AG filed a petition for the review of the appropriateness of the cash settlement and the compensation payment. The court has heard evidence by requesting an expert's opinion. In its report the expert came to the conclusion that the offered cash settlement as well as the compensation payment were appropriate. Per resolution as of October 22, 2012, the Regional Court Mannheim rejected the motion for the reassessment of the cash settlement and the compensation payment. Except for the extrajudicial expenses of the plaintiffs, the costs of the proceedings were imposed on SINGULUS

TECHNOLOGIES. The reasons for this decision have not yet been served to the participants of the proceedings. If the plaintiffs file a complaint, it cannot be excluded that the appeal court deviates from the assessment of the Regional Court Mannheim and of the expert and that SINGULUS TECHNOLOGIES loses the case nonetheless. In this case the company would have to pay the judicially determined increase in the cash settlement as well as the settlement to all formerly outside shareholders of the HamaTech AG. Even in the case of prevailing SINGULUS TECHNOLOGIES would probably according to legal requirements have to bear the court fees, the expert expenses, the expenses for the representatives as well as for its own litigation expenses.

In the course of the merger of the HamaTech AG to the SINGULUS TECHNOLOGIES AG former shareholders of the HamaTech AG have filed a petition for the determination of a cash payment by the court. This petition was refused by the court of first instance. The plaintiffs have appealed this decision. The Higher Regional Court Munich overturned the first instance ruling and determined a cash adjustment in the amount of € 0.79 per share of the HamaTech AG. SINGULUS TECHNOLOGIES has filed a constitutional complaint at the German Constitutional Court against this ruling. The ruling of the Higher Regional Court Munich is legally binding despite the constitutional complaint. Therefore, provisions for the maximum obligation of a potential additional payment in the amount of € 1.8 million (including interest) were recognized in 2012. In case of a success of the constitutional complaint the payment will not have to be made. Already paid out additional payments as well as parts of the legal expenses could also be reclaimed by the company in this case.

# Essential features of the internal monitoring system and the risk management system of the SINGULUS TECHNOLOGIES AG Group with respect to accounting processes

Within the SINGULUS TECHNOLOGIES Group the internal control and risk management system is viewed as a holistic system. Accordingly, an internal monitoring system includes the principles, procedures and measures implemented by the management of the company for the organizational implementation of the decisions of the management. Specifically they include:

- > securing the efficacy and efficiency of business operations
- → the correctness and reliability of internal and external accounting
- → the compliance with regulations relevant for the company

The risk management system includes the entirety of all organizational rules and measures for the identification of risks as well as the handling of identified risks from entrepreneurial activities. With respect to the accounting process and the consolidated accounting process the following structures and processes have been implemented within the SINGULUS TECHNOLOGIES Group:

The overall responsibility for the internal monitoring system with respect to the accounting process and the consolidated accounting process rests upon the Executive Board. By means of a clearly defined management and reporting organization all companies included in the consolidated financial statement are included.

In the course of the accounting process and the consolidated accounting process, the characteristics of the internal monitoring and risk management system are deemed material which substantially affect the consolidated financial statements and the overall statement of the consolidated statements including the consolidated status report. This includes primarily the following elements:

- → identification of material risk areas and monitoring with impact on the Group-wide accounting process
- → monitoring of the Group-wide accounting process and the relevant results at the Executive Board level
- → preventive monitoring measures in the finance and accounting departments of the Group as well as in the subsidiaries included in the consolidated financial statements

In addition, the insights gained from the ongoing reporting process influence the further development of the internal monitoring system.

# **Environment and sustainability at SINGULUS TECHNOLOGIES**

Traditionally, "sustainability" is very important for SINGULUS TECHNOLOGIES. The company pursues the medium- and long-term goal to follow the spirit and goals of environment safety and sustainability with its corporate policy as well as with its economic activities and processes.

In the Optical Disc segment a production line for the manufacturing of Blu-ray Discs today consumes about 25 % less energy than a DVD replication line. The recycling of consumable materials, such as lacquer, goes without saying.

In the Semiconductor division SINGULUS TECHNOLOGIES produces vacuum coating machines, which apply the thinnest layer, only a few atom-layers thin, in an ultra-high-vacuum. Here we work on the production technology for new chip generations with energy-saving MRAM wafers. If all DRAM chips in internet computers are replaced by MRAM chips, up to two nuclear power plants could be saved worldwide.

Of course, photovoltaics also plays an important role at SINGULUS TECHNOLOGIES.

We believe that photovoltaics will pursue its triumphal success, because it is also competitive and the global demand will continue to increase. With the use of intelligent systems solar power can be used as "self-consumption" and does not have to be transported over long distances. With modern storage technology the sun virtually stays up longer and supplies households in the evening hours.

We regard sustainability as an opportunity for SINGULUS TECHNOLOGIES to position itself accordingly with very innovative products and to therefore achieve value conservation and increase in the long-term.

Entrepreneurial activities have a tradition for medium-sized companies and entrepreneurial activities usually include sustainability. The following goes without saying, for example:

- → social responsibility in the company and within the region,
- → environmental awareness
- → economic use of resources and
- → avoidance of CO<sub>2</sub> pollution.

SINGULUS TECHNOLOGIES would not find qualified employees anymore, if these principles were not followed.

For us, sustainable development means that we ensure the needs of today's generation without threatening to meet the needs of future generations. In addition to prosperity and social well-being, intact nature and environment are the basis and an important pillar for a sustainable society.

# **Compensation Report**

This compensation report is an integral part of the combined status report for the SINGULUS TECHNOLOGIES Group and the SINGULUS TECHNOLOGIES AG. It 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 recommendations of the German Corporate Governance Code.

# A. Compensation of the Executive Board

# I. Members of the Executive Board in the business year 2012

Dr.-Ing. Stefan Rinck Chief E

Chief Executive Officer; Executive Board member responsible for Production, Marketing & Sales, Technology, Research & Development as well as Strategy and International

Dipl.-Oec. Markus Ehret Executive Board member responsible for

Finance, Controlling, Investor Relations, Human Resources, Procurement and IT

### II. Individual compensation

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

2012	2011
	2011

		Short-t	erm	Compounds	Total		Short-t	erm	Compounds	Total
	Fixed salery	Other compen- sation <sup>1)</sup>	Variable compen- sation	with long-term incenti- vation <sup>2</sup>		Fixed salery	Other compen- sation <sup>1)</sup>	Variable compen- sation	with long-term incenti- vation <sup>2</sup>	
	(in '000€)	(in '000€)	(in '000€)	(in '000€)	(in '000€)	(in '000€)	(in '000€)	(in '000€)	(in '000€)	(in '000€)
DrIng. Stefan Rinck	413	35	214	62	724	400	33	267	101	801
DiplOec. Markus Ehret	240	13	144	50	447	210	14	140	101	465
Total	653	48	358	112	1,171	610	47	407	202	1,266

- 1) Other compensation includes fringe benefits such as insurances and company cars.
- 2) Phantom stocks are included with their respective time value at the time of first issuance.

Overall, the compensation of the members of the Executive Board for the business year 2012 amounted to  $T \in 1,171$ . The annually fixed remuneration contributed about 60 % and the variable components about 40 % of the total compensation. The other compensation mainly included company cars.

### III. Description of the compensation structure

# 1. Overview compensation structure

# 1.1 Design and goals of compensation structure

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.

The compensation structure is aligned with a sustainable corporate development and composed of fixed and variable monetary compensation (including stock-based compensation), pension benefits and benefits in kind. In this context the Supervisory Board assumes an annual monetary target compensation which is composed of around 60 % fixed and 40 % variable components.

The Supervisory Board sets the level of target income at the compensation paid by comparable companies to the members of their management as well as at the vertical appropriateness in comparison to the salary of other employees in the company. 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.

For the determination of the compensation, the Supervisory Board takes into consideration the individual performance and the extent of the responsibilities assumed compared with the other members of the Executive Board as well as the economic situation of the company. The regular review is performed during the first meeting of the Supervisory Board in the year.

# 1.2 Composition of the compensation

The compensation generally includes fixed and performance-related components. The fixed parts are composed of a fixed salary, company pension benefits and benefits in kind. For both members of the Executive Board new employment contracts were concluded in 2012, due to which the compensation is now uniformly granted according to the depicted compensation scheme.

The performance-based components are split into a variable bonus and virtual stocks ("phantom stocks"), whose value depend on the long-term performance of the company as a long-term incentive for future activities.

The variable bonus is tied to achieving individual targets, which include financial, operating and strategic goals. These targets are set afresh annually by the Supervisory Board and individually agreed with the members of the Executive 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. It is in the Supervisory Board's discretion to pay the Chief Executive Officer up to 150 % of the agreed bonus payment in case of exceeding the agreed targets.

The contracts of the members of the Executive Board provide for the possibility to grant one-time special payments in addition to the variable compensation to account for special situations and to enable an appropriate as well as competitive compensation.

In 2009, an additional variable compensation component (special bonus) was agreed with the Chief Executive Officer, which was dropped with the new conclusion of the employment contract for the year 2012, however.

Since the business year 2011 the company has been granting virtual stocks ("phantom stocks") to members of the Executive Board according to the guidelines of the phantom stock program resolved by the Supervisory Board. The program is aimed to result in long-term incentivization

and commitment due to tying the compensation to the performance of the company and its long-term share performance. The phantom stocks provide a compensation component with multiple-year criteria, which achieves a high alignment of interest between the beneficiaries and the shareholders and therefore creates shareholder value in the long-term. The allocation of phantom stocks is free of charge. Each phantom stock virtually entitles to the purchase of a bearer share of the company with a nominal value of € 1.00 each at the exercise price. The exercise price corresponds to the simple average of the closing prices (or a relevant subsequent closing price) of the shares of the company on the Xetra platform (or a functionally equivalent subsequent system to the Xetra platform) at the Frankfurt Stock Exchange on the five trading days before the issue date. After expiration of the waiting period the owner of the virtual shares receives upon exercise the equivalent of the share price less the exercise price exclusively in the form of cash settlement, however, limited to triple the exercise price. A settlement in shares of the company is excluded. The exercise of the phantom stocks is only possible, if the average of the closing prices of the shares of the company have reached specific targets, i.e. if it is a specific percentage value higher than the exercise price. The phantom stocks can be exercised for the first time after a vesting period of two years, which starts at the time of issuing the stocks. The stocks can be exercised within five years of the respective issue date. After expiration of the waiting period within a period of time of 14 trading days, beginning with the sixth trading day (including) after the publication of the quarterly report for the first or third quarter, while during the first exercise period up to 25 % of the phantom stocks and within each additional exercise period semi-annually up to additional 25 % can be exercised. The non-weighted average of closing prices at the Frankfurt Stock Exchange during the reference period is relevant for the calculation of the goal of an exercise period; the reference period is a period of five trading days in Frankfurt am Main from the publication of the quarterly report relevant for the beginning of the exercise period. The exercise of the phantom stocks is only possible if the non-weighted average of the closing prices of the shares in the reference period for the first 25 % of the subscription rights (first exercise tranche) is at least 15.0 %, in the reference period for the next 25 % of the subscription rights (second exercise tranche) is at least 17.5 %, in the reference period for the following 25 % of the subscription rights (third

exercise tranche) is at least 20.0 %, and in the reference period for the remaining 25 % of the subscription rights (fourth exercise tranche) is at least 22.5 % above the exercise price. An early exercise is possible regardless of reaching the goals for a period, in which a takeover offer in the meaning of Art. 29 Para. 1 WpÜG was published or a person gains control in the meaning of Art. 29 Para. 2 WpÜG.

Finally, the members of the Executive Board receive benefits in kind such as company cars, insurances as well as pension benefits sponsored by the company.

### 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 the business year 2012 the total fixed salary (including other compensation) paid amounted to  $T \in 701$ .

### 3. Variable compensation

On the basis of the individual targets and according to reaching them in the business year 2012 the provisioned variable compensation amounted to T€ 358.

# 4. Stock options and virtual shares (phantom stocks)

In the business year 2012 the SINGULUS TECHNOLOGIES AG granted the members of the Executive Board 180,000 virtual shares in total. The exercise price of these virtual shares amounted to  $\bigcirc$  1.08 ( $\bigcirc$  2.356 for the phantom stocks granted in 2011).

Together with the already granted virtual shares Dr.-Ing. Stefan Rinck holds 200,000 virtual shares (100,000 phantom stocks granted in 2011 and 100,000 phantom stocks granted in 2012) and Mr. Markus Ehret 180,000 virtual shares (100,000 phantom stocks granted in 2011 and 80,000 phantom stocks granted in 2012). On an accrual basis the time

value of the virtual shares resulted in the following expenses for the business year: Dr.-Ing. Stefan Rinck and Mr. Markus Ehret  $T \in 9$  each (in the previous year  $T \in 8$ ).

In the past stock options were granted to members of the Executive Board. However, no option programs were set up in the past years. No member of the Executive Board holds stock options anymore.

# 5. Other compensation

In addition, the members of the Executive Board receive fringe benefits in kind, such as company cars or lump-sum compensation for use of private cars for professional purposes) as well as casualty and personal liability insurances. 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.

The members of the Executive Board did not receive additional compensation in the business year 2012 for their activities as managing directors of a subsidiary.

Payments from Supervisory Board compensations for the Group's companies are set against the Executive Board compensations.

### 6. Pension plans

The members of the Executive Board receive a company pension plan financed by the company in the form of defined contributions. The company pays the members of the Executive Board an annual pension contribution in the amount of a specific percentage of their gross fixed annual salary. This amounted to 59.97 % for Dr.-Ing. Stefan Rinck from January 1, 2012 (previously 46.57 %) and 23.07 % for Mr. Markus Ehret. The entire annual pension contributions paid in the year 2012 amounted to  $T \in 321$  (previous year:  $T \in 235$ ), with  $T \in 264$  (previous year:  $T \in 186$ ) attributable to Dr.-Ing. Stefan Rinck and  $T \in 58$  ( $T \in 49$ ) attributable to Mr. Markus Ehret.

In 2011 the pension benefits were outsourced from the company to the incorporated society Towers Watson Second e-Trust e.V. ("Incorporated Society"). The pension benefits include pensions and surviving dependents' pensions. With respect to the pension it is determined that if a member of the Executive Board retires from the company after completion of the age of 63, a monthly pension or a lump sum will be paid. If a member of the Executive Board retires from the company before the age of 63 but after completion of the age of 60, as an early pension an early monthly pension or an early lump sum will be paid, if the member of the Executive Board asks for the payment of the early pension benefits at the time of leaving the company. The amount of the (early) pension benefits depends on actuarial principles corresponding to the pay scale of the liability insurer. The Incorporated Society concludes a corresponding liability insurance to insure the pension benefits. The Incorporated Society is exclusively entitled to the rights from these contracts. In case of death of a member of the Executive Board before claiming (early) pension benefits, the surviving spouse will receive a surviving dependents' lump sum. The amount of the surviving dependents' lump sum is calculated upon occurrence of the death and corresponds to the payable repayment of contributions in case of death before retirement resulting from the liability insurance concluded for the members of the Executive Board by the Incorporated Society. In case of death after claiming the (early) pension benefits through monthly payments, but before the lapse of 20 years after retirement, the surviving spouse will receive a temporarily limited surviving dependent's pension until the lapse of this 20-year period. If there is no surviving spouse entitled for benefits, under certain conditions the surviving children will receive surviving dependents' payments in equal parts. If a member of the Executive leaves the SINGULUS TECHNOLOGIES AG before the pension benefits are due, the proportional claim for pension benefits remains, regardless whether at the time of leaving the legal vesting applies pursuant to the relevant regulations of the employers' retirement benefits law.

# IV. Committed benefits in case of termination of employment and by third parties, change of control clauses

### 1. Severance policies

In case of an early termination of the employment contract through statutory notice of termination or in case of termination of appointment to the Executive Board, the members of the Executive Board receive a severance payment limited to two years' compensation at maximum (severance cap). The amount depends upon the fixed compensation excluding benefits in kind and other compensation including the generalized variable compensation in the amount of 25 % of the respective fixed compensation; in case of Dr.-Ing. Stefan Rinck the inclusion of the addition to pension benefits is additionally agreed. If the remaining term of the employment contract is less than two years, the severance payment is reduced pro rata temporis to the remaining term of the employment contract. In case of an extraordinary dismissal for cause, there is no right to a severance payment.

# 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.

# 3. Change of control clauses

3.1 The employment contracts of the Executive Board members include a change of control clause. Accordingly, in case that the employment contact is terminated after a change in control at the SINGULUS TECHNOLOGIES, because a member of the Executive Board exercises the extraordinary termination rights in connection with a change in control or the contract is not prolonged, the member of the Executive Board receives an special payment in the amount of the fixed compensation and a variable bonus payment for two year (for the Chief Executive Officer including pension

benefits). The entitlement to a special payment only exists if the employment contract has a remaining term of more than nine months at the time of the extraordinary termination at the time of a change in control. A change in control exists in this meaning, if (i) a shareholder has gained control in the meaning of Art. 29 WpÜG, or (ii) a controlling agreement pursuant to Art. 291 AktG has been concluded and became effective with the company as dependent company, or (iii) the company is merged to a different non-Group entity pursuant to Art. 2 Umwandlungsgesetz (UmwG), provided that the value of the different entity amounts to less than 50 % of the value of the company according to the agreed exchange ratio, or (iv) the completion of a take over or mandatory offer in the meaning of the WpÜG.

In addition, the members of the Executive Board have an extraordinary termination right in case of a change of control.

# B. Compensation of the Supervisory Board

The compensation of the Supervisory Board is determined by the Annual General Meeting and regulated by the bylaws. It is based on the functions and responsibilities of the members 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 June 6, 2008 and is included in Art. 11 of the bylaws.

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 € 30,000, which is paid following the end of the year. In addition, there is a performance related compensation of € 800.00 per cent of the consolidated net profit per share pursuant to the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). The fixed compensation is chargeable against the performance-related compensation.

The maximum amount of the assessment base equals the net profit of the company less an amount 4 % of the contributions paid for the lowest issue amount of the shares. The variable component is due after adoption of the profit appropriation for the past business year. The value-added tax incurred for the compensation of the Supervisory Board is claimed by the company at the tax office as input tax. The Supervisory Board members have to pay the included value-added tax to their relevant tax offices.

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 compensation for the year under review, which the targets for the variable compensation for the business year 2012 were not achieved similar to the previous year:

	Fixed compen- sation	Variable compen- sation	Total	Total (previous year)
	(in '000 €)	(in '000 €)	(in '000 €)	(in '000 €)
DrIng. Wolfhard Leichnitz	60	_	60	54
Günter Bachmanr (until November 30		_	42	39
Dr. rer. nat. Rolf Blessing	30	-	30	17
Christine Kreidl (from December 4,	2012)	_	3	0
Total	135	-	135	135

Executive Board and Supervisory Board have decided to propose a change of the compensation of the Supervisory Board at the next Annual General Meeting. The scheme is to be adjusted to a purely fixed compensation. Such a compensation would correspond to the amended recommendations of Art. 5.4.6 of the Code.

# C. 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.

# D. Shareholdings of Executive and Supervisory Board members

No member of the Executive or Supervisory Board holds directly or indirectly a share of the nominal capital of the company exceeding 1 %.

The following members of the Executive and Supervisory Board held directly or indirectly shares in the SINGULUS TECHNOLOGIES AG as of December 31, 2012:

	2012	2011
Supervisory Board members		
DrIng. Wolfhard Leichnitz	39,344	24,344
Günter Bachmann (until November 30, 2012)	20,000	20,000
Executive Board members		
DrIng. Stefan Rinck, CEO	9,619	9,619
DiplOec. Markus Ehret, CFO	7,000	2,493

The sitting members of the Executive Board did not hold subscription rights through stock options or convertible bonds as of December 31, 2012.

# E. 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  $\bigcirc$  5,000 or higher. In the business year 2012 the following transactions were published:

	Date	Transaction type and market	WKN/ISIN	Quantity	Price in €	Volume in €
DiplOec. Markus Ehret Executive Board member	08/20/2012	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	507	1.77	897.39
DiplOec. Markus Ehret Executive Board member	11/30/2012	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	4,000	1.24	4,971.86
DiplOec. Markus Ehret Executive Board member	11/30/2012	Purchase of options, Frankfurt am Main	723890/ DE0007238909	10,000	0.10	1,000.00
DiplOec. Markus Ehret Executive Board member	11/30/2012	Purchase of options, Frankfurt am Main	723890/ DE0007238909	5,000	0.25	1,250.00
DrIng. Wolfhard Leichnitz Chairman of the Supervisory Board	12/20/2012	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	15,000	1.5338	23,006.48

# Status report pursuant to Art. 289 Para. 4, Art. 315 Para. 4 HGB

# Information Pursuant to the German Takeover Directive Implementation Act

# 1. Composition of the subscribed capital

The nominal capital of the company amounts to  $\[mathebox{0.5}\]$  48,930,314.00 and is divided into 48,930,314 bearer shares with a nominal value of  $\[mathebox{0.5}\]$  1.00 each. All shares are ordinary shares. They include the rights and obligations arising from the German Stock Corporation Act (AktG).

- 2. Restrictions concerning the voting rights or transfer of shares: None
- 3. Direct or indirect stock ownership above 10 %: None
- 4. Bearers of shares with special rights: None
- 5. Type of voting right control in case of employee ownership: None
- 6. Legal regulations and bylaws concerning the appointment and dismissal of members of the Executive Board and concerning changes in bylaws:

The appointment and dismissal of members of the Executive Board is pursuant to Art. 84 & 85 German Stock Corporation Act (AktG). Pursuant to Art. 179 Para. 2 AktG resolutions of the Annual General Meeting regarding changes of the bylaws require the capital majority representing at least three fourths of the nominal capital present at the resolution. As for the rest, Art. 133, Art. 179 - 181 AktG apply. Pursuant to Art. 17.1 the Supervisory Board is authorized to resolve changes of the bylaws only affecting amendments. This also holds true for the amendment of the bylaws due to a change in the nominal capital.

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

7.1 The Executive Board upon approval of the Supervisory Board is entitled to exclude the legal subscription right of shareholders for newly issued shares with a total nominal value of up to 20 % of the nominal capital at the time of the becoming effective of the entitlement or – if this value is lower – at the time of the exercise provided, that (1) it is necessary to offset fractional amounts; (2) it is necessary to grant bearers of options or creditors of convertible bonds, which were issued by the SINGULUS TECHNOLOGIES AG or its subordinated companies in the Group, a subscription right for new shares to the extent that they are entitled to according to the option or conversion rights are the fulfillment of conversion obligations; (3) for capital increases against payment in kind, in order to be able to offer the new shares to third parties in the course of company mergers or the acquisition of companies, company parts, investment in companies or other assets.

Furthermore, the Executive Board upon approval of the Supervisory Board is entitled to exclude the legal subscription right for new issued shares against cash payment with a total nominal value of up to 10 % of the nominal capital at the time of the becoming effective of the entitlement or – if this value is lower – at the time of the exercise, provided that the issue price of the new shares is in the meaning of Art. 186 Para. 3 Sent. 4 AktG not materially lower than the stock price of the already stock-listed shares with same conditions. Shares that have or will be issued during the course of this entitlement until the time of its exercise due to other entitlements in direct or indirect application of Art. 186 Para. 3 Sent. 4 AktG with exclusion of subscription rights have to be taken into account for the 10 % limit.

The nominal capital of the company is conditionally increased by additionally up to € 9,750,000.00 through the issuance of up to 9,759,000 bearer shares with a nominal capital of € 1.00 each (Authorized Capital 2012/III). The conditional capital increase will only be performed if the bearers of option or conversion rights or the parties obligated to convert or exercise options due to options or convertible bonds, which are issued or guaranteed pursuant to the authorization from the Annual General Meeting on June 19, 2012 under Agenda Item 6 by the SINGULUS TECHNOLOGIES AG or a Group company of the SINGULUS TECHNOLOGIES AG in the meaning of Art. 18 AktG, which the SINGULUS TECHNOLOGIES AG directly or indirectly holds at least 90 %, or if the SINGULUS TECHNOLOGIES AG exercises a right to completely or partly issue common shares of the SINGULUS TECHNOLOGIES AG instead of the payment of the amount due.

7.2 Authorization for buy-backs: None

# 8. Change of control clauses and compensation agreements

8.1 The employment contracts of the Executive Board members include a change of control clause. Accordingly, in case that the employment contact is terminated after a change in control at the SINGULUS TECHNOLOGIES, because the member of the Executive Board exercise the extraordinary termination rights in connection with a change in control or the contract is not prolonged, the member of the Executive Board receives an special payment in the amount of the fixed compensation and a variable bonus payment for two year (for the Chief Executive Officer including pension benefits). The entitlement to a special payment only exists if the employment contract has a remaining term of more than nine months at the time of the extraordinary termination at the time of a change in control. A change in control exists in this meaning, if (i) a shareholder has gained control in the meaning of Art. 29 WpÜG, or (ii) a controlling agreement pursuant to Art. 291 AktG has been concluded and become effective with the company as dependent company, or (iii) the company is merged to a different non-Group entity pursuant to Art. 2 Umwandlungsgesetz (UmwG), provided that the value of the different entity amounts to less than 50 % of the value of the company according to the agreed exchange ration, or (iv) the completion of a take over or mandatory offer in the meaning of the WpÜG.

In this case, upon termination of the employment contract also, if from earlier commitments existing, locked-up special bonuses are due or can be sold irrespective of the expiration of lock-up periods and reaching the performance targets (for special bonuses and virtual shares please refer to III. 3 and 4 above).

The same holds true for virtual shares granted.

In addition, the members of the Executive Board have an extraordinary termination right in case of a change of control.

Until September 1, 2012, the company granted Dr.-Ing. Stefan Rinck a special bonus in the amount of € 500,000.00 per annum if a specified level of the earnings per share was reached (performance target). Otherwise the special bonus would have been locked-up until the performance target was met in one of the following years. 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 granted and still locked-up special bonuses 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 same applies to granted virtual shares (phantom stocks), which were granted to both members of the Executive Board. The compensation report sets forth the compensation system for the members of the Executive Board in detail.

8.2 The 1,014,230 overall stock options issued on the basis of the stock option programs 2005, 2007 and 2008 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 pursuant to the relevant stock option plan are achieved at a later exercise period or at the point in time when the takeover offer or the change of control occurs.

# **Corporate Governance Declaration in Accordance with** Art. 289a HGB

A corporate governance declaration in accordance with Art. 289a HGB is available on the website www.singulus.de.

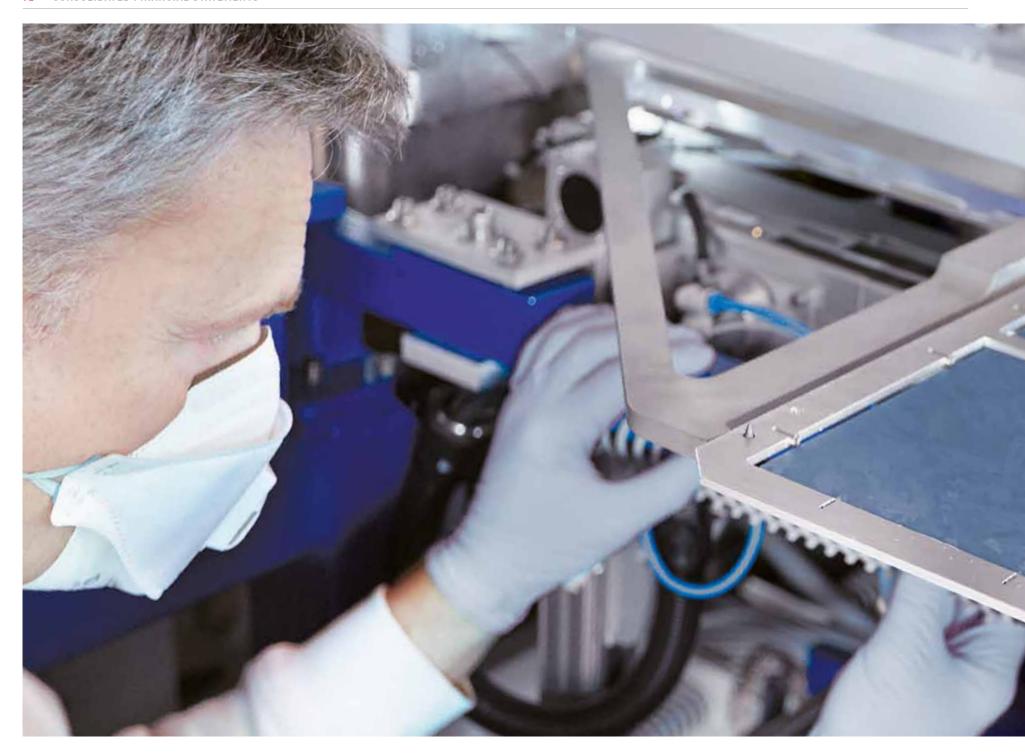
Kahl am Main, March 14, 2013

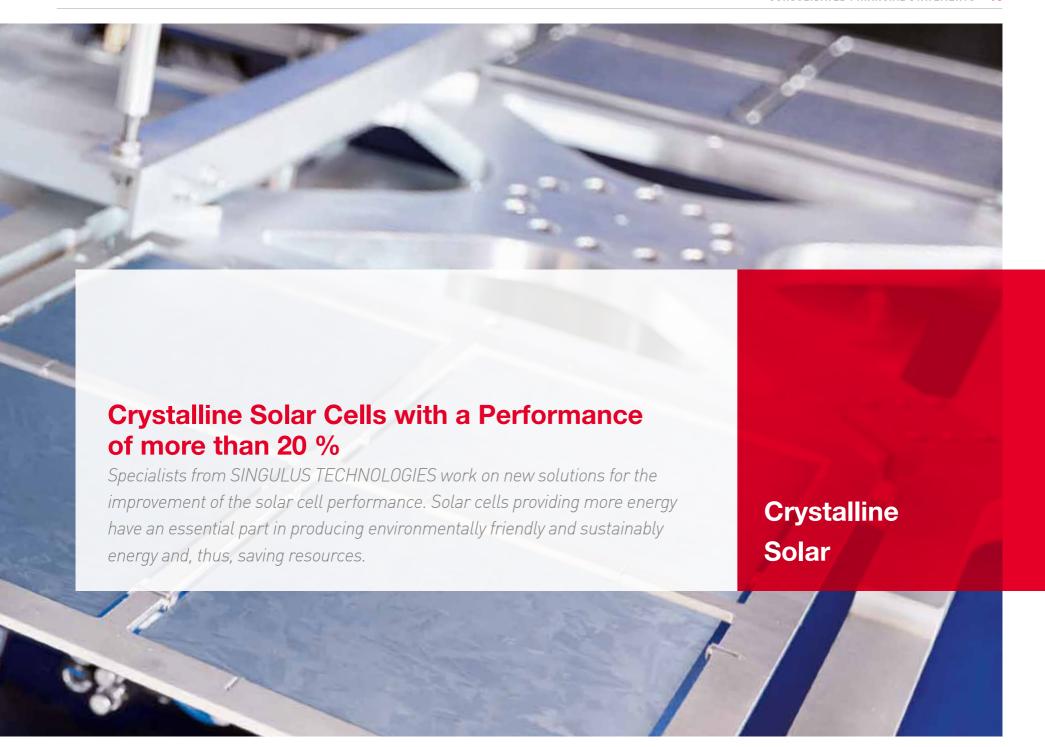
SINGULUS TECHNOLOGIES AG

The Executive Board

Dr.-Ing. Stefan Rinck Dipl.-Oec. Markus Ehret







# **Consolidated Balance Sheet**

as of December 31, 2012 and 2011

# **ASSETS**

		Dec. 31, 2012	Dec. 31, 2011
	Note no.	[EUR m]	[EUR m]
Cash and cash equivalents	[6]	55.9	17.8
Trade receivables*	[7]	23.0	25.4
Receivables from contract work*	[7]	3.4	9.4
Other receivables and other assets	[8]	24.7	11.3
Total receivables and other assets		51.1	46.1
Raw materials, consumables and supplies		20.0	16.8
Work in process		26.1	25.0
Total inventories	[9]	46.1	41.8
Total current assets		153.1	105.7
Trade receivables	[7]	3.5	9.2
Borrowings	(10)	3.7	0.0
Property, plant and equipment	[12]	7.5	9.9
Capitalized development costs	[11]	7.1	17.1
Goodwill	[11]	21.7	21.7
Other intangible assets	[11]	8.9	18.0
Deferred tax assets	[22]	1.0	0.8
Total non-current assets		53.4	76.7

Total assets	206,5	182,4

<sup>\*</sup> Prior-year figures adjusted

# LIABILITIES

Trade payables         7.8         8.4           Current bank liabilities         [17]         2.5         2.5           Prepayments received         [14]         3.7         3.3           Liabilities from construction contracts*         [7]         16.1         0.9           Current financial Liabilities from the issuance of bonds         [16]         3.6         0.0           Other current liabilities*         [13]         12.7         12.5           Provisions for restructuring measures         [20]         5.1         0.0           Provisions for taxes         0.3         0.4           Other provisions         [19]         2.2         2.3           Total current liabilities         54.0         30.3           Non-current financial Liabilities from the issuance of bonds         [16]         58.3         0.0           Non-current provisions         [16]         58.3         0.0           Perovisions for restructuring measures         [20]         7.5         0.0           Pension provisions         [18]         7.8         7.5           Deferred tax liabilities         [20]         7.5         0.0           Total non-current Liabilities         [20]         7.5         1.4 <t< th=""><th></th><th>Note no.</th><th><b>Dec. 31, 2012</b> [EUR m]</th><th>Dec. 31, 2011 [EUR m]</th></t<>		Note no.	<b>Dec. 31, 2012</b> [EUR m]	Dec. 31, 2011 [EUR m]
Prepayments received         [14]         3.7         3.3           Liabilities from construction contracts*         (7)         16.1         0.9           Current financial liabilities from the issuance of bonds         (16)         3.6         0.0           Other current liabilities*         (13)         12.7         12.5           Provisions for restructuring measures         (20)         5.1         0.0           Provisions for taxes         0.3         0.4           Other provisions         (19)         2.2         2.3           Total current liabilities         (19)         2.2         2.3           Non-current financial liabilities from the issuance of bonds         (16)         58.3         0.0           Non-current bank liabilities         (17)         1.7         4.2           Provisions for restructuring measures         (20)         7.5         0.0           Pension provisions         (18)         7.8         7.5           Deferred tax liabilities         (20)         7.5         0.0           Total non-current liabilities         (22)         0.0         2.5           Total tabilities         (21)         7.2         7.7           Subscribed capital         (21)         7.2	Trade payables		7.8	8.4
Liabilities from construction contracts*         (7)         16.1         0.9           Current financial liabilities from the issuance of bonds         (16)         3.6         0.0           Other current liabilities*         (13)         12.7         12.5           Provisions for restructuring measures         (20)         5.1         0.0           Provisions for taxes         0.3         0.4           Other provisions         (19)         2.2         2.3           Total current liabilities         54.0         30.3           Non-current financial liabilities from the issuance of bonds         (16)         58.3         0.0           Non-current bank liabilities         (17)         1.7         4.2           Pension provisions for restructuring measures         (20)         7.5         0.0           Pension provisions         (18)         7.8         7.5           Deferred tax liabilities         (22)         0.0         2.5           Total non-current liabilities         (22)         0.0         2.5           Total tiabilities         (22)         0.0         2.5           Subscribed capital         (21)         4.5         4.5           Subscribed capital         (21)         4.5         4.5	Current bank liabilities	[17]	2.5	2.5
Current financial liabilities from the issuance of bonds         (16)         3.6         0.0           Other current liabilities*         (13)         12.7         12.5           Provisions for restructuring measures         (20)         5.1         0.0           Provisions for taxes         0.3         0.4           Other provisions         (19)         2.2         2.3           Total current liabilities         54.0         30.3           Non-current financial liabilities from the issuance of bonds         (16)         58.3         0.0           Non-current bank liabilities         (17)         1.7         4.2           Provisions for restructuring measures         (20)         7.5         0.0           Pension provisions         (18)         7.8         7.5           Deferred tax liabilities         (22)         0.0         2.5           Total non-current liabilities         (22)         0.0         2.5           Total liabilities         129.3         44.5           Subscribed capital         (21)         48.9         48.9           Capital reserves         (21)         77.2         77.2           Other reserves         (21)         77.2         135.6           Equity attributab	Prepayments received	[14]	3.7	3.3
Other current liabilities*         [13]         12.7         12.5           Provisions for restructuring measures         [20]         5.1         0.0           Provisions for taxes         0.3         0.4           Other provisions         [19]         2.2         2.3           Total current liabilities         54.0         30.3           Non-current bank liabilities from the issuance of bonds         [16]         58.3         0.0           Non-current bank liabilities         [17]         1.7         4.2           Provisions for restructuring measures         [20]         7.5         0.0           Pension provisions         [18]         7.8         7.5           Deferred tax liabilities         [22]         0.0         2.5           Total non-current liabilities         [22]         0.0         2.5           Total liabilities         75.3         14.2           Subscribed capital         [21]         48.9         48.9           Capital reserves         [21]         77.2         77.2           Other reserves         [21]         7.2         1.3           Retained earnings         52.1         8.2           Equity attributable to owners of the parent         76.2         135	Liabilities from construction contracts*	[7]	16.1	0.9
Provisions for restructuring measures         (20)         5.1         0.0           Provisions for taxes         0.3         0.4           Other provisions         (19)         2.2         2.3           Total current liabilities         54.0         30.3           Non-current financial liabilities from the issuance of bonds         (16)         58.3         0.0           Non-current bank liabilities         (17)         1.7         4.2           Provisions for restructuring measures         (20)         7.5         0.0           Pension provisions         (18)         7.8         7.5           Deferred tax liabilities         (22)         0.0         2.5           Total non-current liabilities         75.3         14.2           Total liabilities         129.3         44.5           Subscribed capital         (21)         48.9         48.9           Capital reserves         (21)         77.2         77.2           Other reserves         (21)         72.2         135.6           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         (21)         1.0         2.3     <	Current financial liabilities from the issuance of bonds	[16]	3.6	0.0
Provisions for taxes         0.3         0.4           Other provisions         (19)         2.2         2.3           Total current liabilities         54.0         30.3           Non-current financial liabilities from the issuance of bonds         (16)         58.3         0.0           Non-current bank liabilities         (17)         1.7         4.2           Provisions for restructuring measures         (20)         7.5         0.0           Pension provisions         (18)         7.8         7.5           Deferred tax liabilities         (22)         0.0         2.5           Total non-current liabilities         75.3         14.2           Total liabilities         129.3         44.5           Subscribed capital         (21)         48.9         48.9           Capital reserves         (21)         77.2         77.2           Other reserves         (21)         2.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         (21)         1.0         2.3           Total lequity         77.2         137.2         137.2	Other current liabilities*	(13)	12.7	12.5
Other provisions         (19)         2.2         2.3           Total current liabilities         54.0         30.3           Non-current financial liabilities from the issuance of bonds         (16)         58.3         0.0           Non-current bank liabilities         (17)         1.7         4.2           Provisions for restructuring measures         (20)         7.5         0.0           Pension provisions         (18)         7.8         7.5           Deferred tax liabilities         (22)         0.0         2.5           Total non-current liabilities         75.3         14.2           Total liabilities         129.3         44.5           Subscribed capital         (21)         48.9         48.9           Capital reserves         (21)         77.2         77.2           Other reserves         (21)         2.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         (21)         1.0         2.3           Total equity         77.2         137.9	Provisions for restructuring measures	(20)	5.1	0.0
Total current liabilities         54.0         30.3           Non-current financial liabilities from the issuance of bonds         [16]         58.3         0.0           Non-current bank liabilities         [17]         1.7         4.2           Provisions for restructuring measures         [20]         7.5         0.0           Pension provisions         [18]         7.8         7.5           Deferred tax liabilities         [22]         0.0         2.5           Total non-current liabilities         75.3         14.2           Total liabilities         129.3         44.5           Subscribed capital         [21]         48.9         48.9           Capital reserves         [21]         77.2         77.2           Other reserves         [21]         2.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         [21]         1.0         2.3           Total equity         77.2         137.9	Provisions for taxes		0.3	0.4
Non-current financial liabilities from the issuance of bonds         (16)         58.3         0.0           Non-current bank liabilities         (17)         1.7         4.2           Provisions for restructuring measures         (20)         7.5         0.0           Pension provisions         (18)         7.8         7.5           Deferred tax liabilities         (22)         0.0         2.5           Total non-current liabilities         75.3         14.2           Total liabilities         129.3         44.5           Subscribed capital         (21)         48.9         48.9           Capital reserves         (21)         77.2         77.2           Other reserves         (21)         7.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         (21)         1.0         2.3           Total equity         77.2         137.9	Other provisions	(19)	2.2	2.3
Non-current bank liabilities         (17)         1.7         4.2           Provisions for restructuring measures         (20)         7.5         0.0           Pension provisions         (18)         7.8         7.5           Deferred tax liabilities         (22)         0.0         2.5           Total non-current liabilities         75.3         14.2           Total liabilities         129.3         44.5           Subscribed capital         (21)         48.9         48.9           Capital reserves         (21)         77.2         77.2           Other reserves         (21)         2.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         (21)         1.0         2.3           Total equity         77.2         137.9	Total current liabilities		54.0	30.3
Provisions for restructuring measures         (20)         7.5         0.0           Pension provisions         (18)         7.8         7.5           Deferred tax liabilities         (22)         0.0         2.5           Total non-current liabilities         75.3         14.2           Total liabilities         129.3         44.5           Subscribed capital         (21)         48.9         48.9           Capital reserves         (21)         77.2         77.2           Other reserves         (21)         2.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         [21]         1.0         2.3           Total equity         77.2         137.9	Non-current financial liabilities from the issuance of bonds	[16]	58.3	0.0
Pension provisions       [18]       7.8       7.5         Deferred tax liabilities       (22)       0.0       2.5         Total non-current liabilities       75.3       14.2         Total liabilities       129.3       44.5         Subscribed capital       (21)       48.9       48.9         Capital reserves       (21)       77.2       77.2         Other reserves       (21)       2.2       1.3         Retained earnings       -52.1       8.2         Equity attributable to owners of the parent       76.2       135.6         Non-controlling interests       (21)       1.0       2.3         Total equity       77.2       137.9	Non-current bank liabilities	[17]	1.7	4.2
Deferred tax liabilities         (22)         0.0         2.5           Total non-current liabilities         75.3         14.2           Total liabilities         129.3         44.5           Subscribed capital         (21)         48.9         48.9           Capital reserves         (21)         77.2         77.2           Other reserves         (21)         2.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         (21)         1.0         2.3           Total equity         77.2         137.9	Provisions for restructuring measures	(20)	7.5	0.0
Total non-current liabilities         75.3         14.2           Total liabilities         129.3         44.5           Subscribed capital         (21)         48.9         48.9           Capital reserves         (21)         77.2         77.2           Other reserves         (21)         2.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         (21)         1.0         2.3           Total equity         77.2         137.9	Pension provisions	(18)	7.8	7.5
Total liabilities         129.3         44.5           Subscribed capital         (21)         48.9         48.9           Capital reserves         (21)         77.2         77.2           Other reserves         (21)         2.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         (21)         1.0         2.3           Total equity         77.2         137.9	Deferred tax liabilities	[22]	0.0	2.5
Subscribed capital         (21)         48.9         48.9           Capital reserves         (21)         77.2         77.2           Other reserves         (21)         2.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         (21)         1.0         2.3           Total equity         77.2         137.9	Total non-current liabilities		75.3	14.2
Capital reserves         (21)         77.2         77.2           Other reserves         (21)         2.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         (21)         1.0         2.3           Total equity         77.2         137.9	Total liabilities		129.3	44.5
Other reserves         (21)         2.2         1.3           Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         (21)         1.0         2.3           Total equity         77.2         137.9	Subscribed capital	[21]	48.9	48.9
Retained earnings         -52.1         8.2           Equity attributable to owners of the parent         76.2         135.6           Non-controlling interests         [21]         1.0         2.3           Total equity         77.2         137.9	Capital reserves	[21]	77.2	77.2
Equity attributable to owners of the parent76.2135.6Non-controlling interests[21]1.02.3Total equity77.2137.9	Other reserves	[21]	2.2	1.3
Non-controlling interests         [21]         1.0         2.3           Total equity         77.2         137.9	Retained earnings		-52.1	8.2
Total equity         77.2         137.9	Equity attributable to owners of the parent		76.2	135.6
	Non-controlling interests	[21]	1.0	2.3
Total equity and liabilities 206.5 182.4	Total equity		77.2	137.9
	Total equity and liabilities		206.5	182.4

<sup>\*</sup> Prior-year figures adjusted, note 7/13

# **Consolidated Income Statement**

for 2012 and 2011

	2012			2011	
	Note no.	[EUR m]	[in %]	[EUR m]	[in %]
Revenue (gross)	(5)	108.6	101.0	160.0	101.6
Sales deductions and direct selling costs	(25)	-1.1	-1.0	-2.5	-1.6
Revenue (net)		107.5	100.0	157.5	100.0
Cost of sales		-88.1	-82.0	-110.7	-70.3
Gross profit on sales		19.4	18.0	46.8	29.7
Research and development	(30)	-17.5	-16.3	_ 11.0	- 7.0
Sales and customer service		-17.0	-15.8	- 19.7	-12.5
General administration	(29)	-12.3	-11.4	-12.8	-8.1
Other operating expenses	(32)	-8.8	-8.2	- 5.1	-3.2
Other operating income	(32)	2.8	2.6	8.5	5.4
Impairment and restructuring expenses	[31]	-27.1	-25.2	0.0	0.0
Total operating expenses		-79.9	-74.3	-40.1	- 25.5
Operating result (EBIT)		-60.5	-56.3	6.7	4.3
Finance income	(33)	1.8	1.7	2.2	1.4
Finance costs	[33]	5.1_	-4.7	-3.3	-2.1
EBT		-63.8	-59.3	5.6	3.6
Tax expenses/income	(22)	2.2	2.0	0.0	0.0
Profit or loss for the period		-61.6	-57.3	5.6	3.6
Thereof attributable to:					
Owners of the parent		-60.3		6.2	
Non-controlling interests		1.3		-0.6	
		[EUR]		[EUR]	
Basic earnings per share based on the result for the period (in EUR) attributable to owners of the parent	(23)	-1.23		0.14	
Diluted earnings per share based on the result for the period (in EUR) attributable to owners of the parent	(23)	-1.23		0.14	

2011

2012

# **Consolidated Statement of Comprehensive Income**

for 2012 and 2011

		2012	2011
	Note no.	[EUR m]	[EUR m]
Profit or loss for the period		-61.6	5.6
Derivative financial instruments*		0.1	-0.1
Exchange differences in the fiscal year	(21)	0.8	1.2
Total other comprehensive income		0.9	1.1
Total comprehensive income		-60.7	6.7
Thereof attributable to:			
Owners of the parent		-59.4	7.1
Non-controlling interests		-1.3	-0.4

<sup>\*</sup> Including deferred taxes

# **Consolidated Statement of Changes in Equity**

as of December 31, 2012 and 2011

	Equity attributable to owners of the parent						Non-controlling interests	Equity	
	Subscribed capital [EUR m]	Capital reserves [EUR m]	Currency translation reserves [EUR m]	Hedge accounting reserves [EUR m]	Other reserves [EUR m]	Retained earnings [EUR m]	<b>Total</b> [EUR m]	[EUR m]	[EUR m]
Note no.	(21)	(21)			[21]			(21)	
As of 1 January 2011	41.1	59.9	0.4	0.0	0.4	2.1	103.5	2.7	106.2
Profit or loss for the period	0.0	0.0	0.0	0.0	0.0	6.2	6.2	-0.6	5.6
Other comprehensive income	0.0	0.0	1.0	-0.1	0.9	0.0	0.9	0.2	1.1
Total comprehensive income	0.0	0.0	1.0	-0.1	0.9	6.2	7.1	-0.4	6.7
Capital increase*	7.9	17.3	0.0	0.0	0.0	0.0	25.2	0.0	25.2
Share-based payment (IFRS 2)	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
As of 31 December 2011	48.9	77.2	1.4	-0.1	1.3	8.2	135.6	2.3	137.9
As of 1 January 2012	48.9	77.2	1.4	-0.1	1.3	8.2	135.6	2.3	137.9
Profit or loss for the period	0.0	0.0	0.0	0.0	0.0	-60.3	-60.3	-1.3	-61.6
Other comprehensive incomes	0.0	0.0	0.8	0.1	0.9	0.0	0.9	0.0	0.9
Total comprehensive income	0.0	0.0	0.8	0.1	0.9	-60.3	-59.4	-1.3	-60.7
As of 31 December 2012	48.9	77.2	2.2	0.0	2.2	-52.1	76.2	1.0	77.2

<sup>\*</sup> Net of transaction costs

# **Consolidated Statement of Cash Flow**

for 2012 and 2011

		2012		2011	
	Note no.	[EUR n	n]	[EUR m	<u> </u>
Cash flows from operating activities					
Profit or loss for the period			-61.6		5.6
Adjustment to reconcile profit or loss for the period to net cash flow					
Amortization, depreciation and impairment of non-current assets	[11/12]	26.7		11.8	
Net reversal of/allocation to pension provisions*	(18)	-0.2		-0.1	
Loss on the disposal of non-current assets		-0.1		0.0	
Other non-cash expenses/income		13.7		-4.3	
Net interest income*	(33)	3.3		1.1	
Net tax expense*	(22)	-2.2		0.0	
Change in trade receivables*		4.9		-8.5	
Change in contract work*		21.3		4.9	
Change in other receivables and other assets*		-2.5		0.7	
Change in inventories		-13.6		6.3	
Change in trade payables		-0.5		-4.0	
Change in other liabilities		1.8		0.2	
Change in prepayments		0.4		-2.4	
Change in loans to customers		-3.7		0.0	
Change in provisions from restructuring measures		12.6		0.0	
Change in other provisions		0.1		0.3	
Interest paid*	(33)	-0.4		-2.5	
Interest received*	(33)	0.4		0.1	
Income taxes paid*	(22)	-0.8	61.2	-1.7	1.9
Net cash from/used in operating activities			-0.4		7.5

<sup>\*</sup> Prior-year figures adjusted

	2011	
Cash paid for investments in development projects  Change in cash and cash equivalents (with terms longer than 3 months)  Cash paid for investments in other intangible assets and property, plant and equipment  Cash received from the disposal of assets  Cash paid for the acquisition of Oerlikon's Blu-Ray business  Net cash used in investing activities  Cash flows from financing activities  Cash paid for investments in development projects  [11]  -4.8  -5.8  0.0  0.0  [11/12]  -0.9  -1.9  -1.9  -1.9  -21.7  -1.3  Cash flows from financing activities		
Change in cash and cash equivalents (with terms longer than 3 months)  Cash paid for investments in other intangible assets and property, plant and equipment  Cash received from the disposal of assets  Cash paid for the acquisition of Oerlikon's Blu-Ray business  Net cash used in investing activities  Cash flows from financing activities  -1.0  -21.7  Cash flows from financing activities		
Cash paid for investments in other intangible assets and property, plant and equipment (11/12) -0.9 -1.9  Cash received from the disposal of assets 0,0 0,1  Cash paid for the acquisition of Oerlikon's Blu-Ray business -1.0 -21.7 -1.3  Net cash used in investing activities -21.7  Cash flows from financing activities		
and property, plant and equipment (11/12) -0.9 -1.9  Cash received from the disposal of assets 0,0 0,1  Cash paid for the acquisition of Oerlikon's Blu-Ray business -1.0 -21.7 -1.3  Net cash used in investing activities -21.7  Cash flows from financing activities		
Cash paid for the acquisition of Oerlikon's Blu-Ray business  Net cash used in investing activities  Cash flows from financing activities  -1.0 -21.7 -1.3  -21.7  -1.3		
Net cash used in investing activities -21.7  Cash flows from financing activities		
Cash flows from financing activities	-8.9	
	-8.9	
Cash received from the issue of a bond [16] <b>58.4</b> 0.0		
Cash used to pay down loans [17] -2.5 -19.4		
Cash received from capital increases [21] 0.0 25.2		
Redemption of bonds [16] -0.3 0.0		
Financial assets subject to restrictions on disposal [8] -10.5 45.1 0.9	6.7	
Net cash from/used in financing activities 45.1	6.7	
Increase/decrease in cash and cash equivalents 23.0	5.3	
Effect of exchange rate changes 0.1	0.2	
Cash and cash equivalents in the statement of cash flows at the beginning of the fiscal year 17.8	12.3	
Cash and cash equivalents in the statement of cash flows at the end of the fiscal year 40.9	17.8	
Time deposits with terms longer than 3 months 15.0	0.0	
Cash and cash equivalents in the balance sheet at the end of the fiscal year [6] 55.9	17.8	

# **Notes to the Consolidated Financial Statements**

as of Dezember 31, 2012

### 01 General

The consolidated financial statements present the operations of SINGULUS TECHNOLOGIES AG, Hanauer Landstrasse 103, 63796 Kahl am Main (hereinafter also referred to as "SINGULUS TECHNOLOGIES AG") and its subsidiaries (hereinafter also referred to as "SINGULUS TECHNOLOGIES," "SINGULUS," the "Company" or the "Group").

The consolidated financial statements were prepared in euros (EUR). Unless stated otherwise, all figures are presented in millions of euros (EUR m). Rounding differences may occur due to the presentation in millions of euros.

The consolidated financial statements of SINGULUS TECHNOLOGIES AG were prepared in accordance with the International Financial Reporting Standards ("IFRSs") as adopted in the European Union ("EU") and the additional requirements of Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code].

The term "IFRSs" includes all International Financial Reporting Standards and International Accounting Standards ("IASs") with mandatory application as of the reporting date. All interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRS IC") – formerly the Standing Interpretations Committee ("SIC") and the International Financial Reporting Interpretations Committee ("IFRIC") – that were mandatory for fiscal year 2012 were likewise applied.

The consolidated financial statements are generally prepared using the cost method, with the exception of derivative financial instruments. Moreover, the carrying amounts of recognized assets and liabilities that are hedged items in fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The consolidated financial statements contain all business transactions of SINGULUS TECHNOLOGIES AG and its subsidiaries.

Management prepared the consolidated financial statements on a going concern basis.

### 02 Business activities

SINGULUS TECHNOLOGIES' core technological competence is vacuum thinfilm deposition. This entails the depositing of thin film in a vacuum by way of cathode sputtering.

For more information, please see the comments on segment reporting in Note 5.

# 03 New accounting standards

#### New accounting standards and interpretations requiring application

In previous years, the International Accounting Standards Board ("IASB") and the International Financial Reporting Standards Interpretations Committee ("IFRS IC") issued the following new accounting standards or interpretations. These standards/interpretations have been endorsed by the EU as part of the endorsement project and are mandatory for fiscal year 2012.

→ Amendments to IFRS 7 – "Financial Instruments: Disclosures" (disclosure requirements upon the transfer of financial assets)

The provisions which are relevant for the SINGULUS Group as well as their impact on these consolidated financial statements are outlined below:

→ Amendments to IFRS 7 – "Financial Instruments: Disclosures"

IFRS 7 was issued by the IASB in October 2010 and is effective for reporting periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfers of financial assets (for example, securitizations), including understanding the possible effects of risks that remain with the entity that has transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfers are undertaken around the end of a reporting period. The initial application required additional notes disclosures in SINGULUS' consolidated financial statements.

# New and revised accounting standards and interpretations that do not yet require application

In addition to the new accounting standards and interpretations published by the IASB and IFRS IC requiring application, other standards and interpretations have also been published, some of which have already been endorsed by the EU but will only become mandatory at a later date. The following standards will be applied on the date on which they became mandatory. Use was not made of the option to adopt the standards voluntarily at an earlier date in these financial statements. Unless otherwise indicated, the effects on the SINGULUS consolidated financial statements are currently being examined.

The new and revised standards and interpretations listed below have already been endorsed by the EU:

- → Amendments to IAS 1 "Presentation of Financial Statements" (presentation of items of other comprehensive income)
- → Amendment to IAS 19 "Employee Benefits"
- → Amendments to IAS 27 "Separate Financial Statements" (movement of the control principle to IFRS 10)
- → Amendments to IAS 28 "Investments in Associates" (scope expansion)
- → Amendments to IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures" (offsetting financial assets and financial liabilities)
- → IFRS 10 "Consolidated Financial Statements"
- → IFRS 11 "Joint Arrangements"
- → IFRS 12 "Disclosure of Interests in Other Entities"
- → IFRS 13 "Fair Value Measurement"
- → IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

The following new and revised standards have not yet been endorsed by the EU:

- → Improvements to IFRSs 2009 2011
- → Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" (government loans)
- → IFRS 9 "Financial Instruments"
- → Amendments to IFRS 9, "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" (mandatory effective date and transition disclosures)
- → Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosures of Interests in Other Entities" (transition quidelines)
- → Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" (investment companies)

Only those standards and interpretations having a material effect on the SINGULUS Group's net assets, financial position and results of operations are explicitly listed below.

→ Amendments to IAS 1 – "Presentation of Financial Statements"

This amendment changes the presentation of other comprehensive income in the statement of comprehensive income. In the future, items of other comprehensive income that will later be reclassified to the income statement ("recycling") must be presented separately from the items of other comprehensive income that will never be reclassified. If the items are presented at gross, i.e., without offsetting the effects from deferred taxes, the deferred taxes may now no longer be presented as a total, but instead allocated to the two groups of items.

The amendment is applicable for the first time in fiscal years beginning on or after July 1, 2012.

→ Amendment to IAS 19 - "Employee Benefits"

In addition to more extensive disclosure requirements regarding employee benefits, the following changes in particular arise from the revised standard:

Currently there is an option on how the unexpected fluctuations in pension obligations, the so-called actuarial gains and losses, may be presented in the financial statements. These may be recognized either (a) through profit or loss in the income statement, (b) in other comprehensive income or (c) at a later date using the so-called corridor method. The new version of IAS 19 abolishes this option for a more transparent and comparable presentation so that in future only a direct and complete recognition in other comprehensive income is permitted. In addition, past service cost must now be recognized directly in profit or loss in the year the cost arises.

Also, the expected income from the plan assets must currently be determined at the beginning of the accounting period based on management's expectations for the performance of the investment portfolio. With the application of IAS 19 (amended in 2011) only a typifying interest on the plan assets in the amount of the discount rate for the pension obligations at the beginning of a period is permitted. Possible effects on the accounting and measurement may thus only arise if the company invests in the plan assets in the future.

As a result of the changes, administrative expenses for the plan assets must be recognized in other comprehensive income as part of the remeasurement component while the other administrative expenses must be allocated to operating income when incurred.

Overall, the amendments to IAS 19 will result in the following material effects. As the Singulus Group currently uses the corridor method, the amendment – as applied to the relationship as of December 31, 2012 – will lead to a reduction of equity and to a corresponding increase in the pension provision in the amount of EUR 2.7 million. There will be no additional material impacts. With the changeover from the corridor method to the modified method, Singulus AG's income statement will be free of effects from actuarial gains and losses (e.g., due to fluctuations in interest rates) because these effects must then be recognized in other comprehensive income.

The revised definition of benefits upon termination of employment will impact the accounting treatment of top-up amounts granted in connection with partial and early retirement agreements. Previously, the top-up amounts were classified as benefits upon termination of employment and therefore a provision was recognized for the total amount at the time for which a partial and early retirement agreement was stipulated. Due to the revised definition of benefits upon termination of employment and application of IAS 19 (revised in 2011), the top-up amounts no longer meet the requirements for the existence of benefits upon termination of employment. Rather, they are generally other long-term employee benefits, which must be allocated proportionally over the employee's respective length of service. There may be potential effects on recognition and measurement only if the Group enters into such arrangements in the future.

The amendment is applicable for the first time in fiscal years beginning on or after January 1, 2013.

→ Amendments to IAS 27 – "Consolidated and separate financial statements"

As part of the adoption of IFRS 10 "Consolidated Financial Statements," the provisions on the control principle and the requirements for the preparation of consolidated financial statements were removed from IAS 27 and subsequently treated in IFRS 10 (see comments on IFRS 10). As a result, going forward, IAS 27 contains only the provisions regarding the accounting treatment of subsidiaries, joint ventures and associates in IFRS separate financial statements.

The amendment is applicable for the first time in fiscal years beginning on or after January 1, 2014.

→ Amendments to IAS 28 - "Investments in Associates"

Amendments to IAS 28 were made in connection with the adoption of IFRS 11 Joint Arrangements. IAS 28 governs – as before – the application of the equity method. However, the adoption of IFRS 11 considerably expanded its scope because, in the future, not only investments in associates, but also in joint ventures (see IFRS 11) must be accounted for using the equity method. The use of proportionate consolidation for joint ventures therefore no longer applies.

In the future, potential voting rights and other derivative financial instruments must also be considered when evaluating whether an entity has significant influence or when determining the investor's interest in the entity's assets.

An additional change concerns the accounting treatment in accordance with IFRS 5 if only a part of an interest in an associate or joint venture is held for sale. IFRS 5 must then be applied in part if only an interest or a part of an interest in an associate (or in a joint venture) satisfies the "held for sale" criterion.

The amendment is applicable for the first time in fiscal years beginning on or after January 1, 2014.

→ Amendments to IAS 32 – "Financial Instruments: Presentation" and IFRS 7 – "Financial Instruments: Disclosures"

This addition to IAS 32 clarifies the requirements for offsetting financial instruments. The amendment explains the meaning of "currently has a legally enforceable right of set-off" and clarifies which gross settlement processes may be considered as net settlement within the meaning of the standard. The provisions on notes disclosures in IFRS 7 were also expanded in keeping with these clarifications.

The amendment to IAS 32 is applicable for the first time in fiscal years beginning on or after January 1, 2014.

The amendment to IFRS 7 is applicable for the first time in fiscal years beginning on or after January 1, 2013.

#### → IFRS 10 - "Consolidated Financial Statements"

This standard comprehensively redefines the term "control". If an entity controls another entity, the parent must consolidate the subsidiary. Pursuant to the new concept, control is a given if, due to voting rights or other rights, the potential parent has power over the potential subsidiary, participates in positive or negative returns from the subsidiary, and can affect these returns through its ability to use power.

This new standard may give rise to effects on the scope of the basis of consolidation, among others, for special purpose entities.

The new standard must be applied for the first time in fiscal years beginning on or after January 1, 2014. IFRS 10 must be applied retrospectively for an investment that was not classified as a subsidiary in accordance with IAS 27/ SIC-12, but is now classified as such under IFRS 10. Early application is permitted only concurrently with IFRS 11 and IFRS 12 as well as with IAS 27 and IAS 28 as amended in 2011.

#### → IFRS 11 - "Joint Arrangements"

IFRS 11 governs the new accounting treatment of joint arrangements. Under the new concept it must be decided whether there is a joint operation or a joint venture. A joint operation exists if the parties with joint control have direct rights to the assets and obligations for the liabilities. The individual rights and obligations are recognized proportionately in the consolidated financial statements. In contrast, in a joint venture, the parties with joint control have rights to the net assets. This right is reflected by applying the equity method in the consolidated financial statements; the option for proportionate consolidation in the consolidated financial statements therefore no longer applies.

The new standard must be applied for the first time in fiscal years beginning on or after January 1, 2014. There are specific guidelines for transition, e.g., from proportionate consolidation to the equity method. Early application is permitted only concurrently with IFRS 10 and IFRS 12 as well as with IAS 27 and IAS 28 as amended in 2011.

→ IFRS 12 - "Disclosure of Interests in Other Entities"

This standard governs the disclosure requirements regarding interests in other entities. The required disclosures are considerably more extensive compared to the previous disclosures to be made pursuant to IAS 27, IAS 28 and IAS 31.

The new standard must be applied for the first time in fiscal years beginning on or after January 1, 2014.

→ IFRS 13 - "Fair Value Measurement"

This standard governs uniform fair value measurement in IFRS financial statements. In the future, all fair value measurements required based on other standards must follow the uniform provisions of IFRS 13; only IAS 17 and IFRS 2 will have additional provisions of their own.

Under IFRS 13, the fair value is defined as the exit price, i.e., the price that would be received from the sale of an asset or the price that would have to be paid to transfer a liability. As currently known from the fair value measurement of financial assets, a 3-level hierarchy is introduced that categorizes inputs according to the dependency on observable quoted prices. The new fair value measurement can result in different values compared to the previous provisions.

The new standard must be applied for the first time in fiscal years beginning on or after January 1, 2013.

→ Improvements to IFRSs 2009 - 2011

Changes were made to five standards as part of the annual improvement project. The revision of the wording in individual IFRSs is intended to clarify existing provisions. There are also changes affecting accounting treatment, recognition, measurement and notes disclosures. The affected standards are IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1.

The changes are applicable for the first time in fiscal years beginning on or after January 1, 2013 – subject to an adoption into EU law still outstanding.

### → IFRS 9 - "Financial Instruments"

The recognition and measurement of financial instruments in accordance with IFRS 9 replaces IAS 39.

In future, financial assets will be classified and measured in just two groups: at amortized cost and at fair value. The group of financial assets at amortized cost consists of those financial assets that only provide for a claim to interest and principle payments at specified dates and that are also held within a business model whose objective is to hold assets. All other financial assets constitute the group at fair value. Under certain circumstances, financial assets in the first category – as before – can be designated as at fair value ("fair value option").

Remeasurement gains/losses on financial assets in the fair value category must generally be recognized in profit or loss. For certain equity instruments, however, the option to recognize remeasurement gains/losses in other comprehensive income can be exercised. Dividend receivables from these assets must be recognized in profit or loss however.

The provisions for financial liabilities are generally taken over from IAS 39. The most significant difference concerns the recognition of remeasurement gains/losses on financial liabilities measured at fair value. In future, these gains or losses must be allocated: the portion attributable to the liability's credit risk must be recognized in other comprehensive income; the remaining portion of the remeasurement gains/losses is recognized in profit or loss.

IFRS 9 is applicable for the first time in fiscal years beginning on or after January 1, 2015 – subject to an adoption into EU law still outstanding.

→ Amendments to IFRS 9 – "Financial Instruments" and IFRS 7 – "Financial Instruments: Disclosures"

The amendments permit forgoing restated prior period amounts upon initial application of IFRS 9. Originally, this exemption was possible only upon early application of IFRS 9 prior to January 1, 2012.

The exemption entails additional notes disclosures in accordance with IFRS 7 at the transition date

Analogously to the provisions of IFRS 9, these changes are applicable for the first time in fiscal years beginning on or after January 1, 2015 – subject to an adoption in EU law still outstanding.

→ Amendments to IFRS 10 – "Consolidated Financial Statements", IFRS 11 – "Joint Arrangements", IFRS 12 – "Disclosures of Interests in Other Entities"

The amendments contain a clarification as well as additional simplification rules upon the transition to IFRS 10, IFRS 11 and IFRS 12. For example, restated comparative information is only required for the previous comparison period. Additionally, there is no longer a requirement to disclose comparative information for periods prior to the initial application of IFRS 12 in connection with notes disclosures on unconsolidated structured entities.

The amendments to IFRS 10, IFRS 11 and IFRS 12 are applicable for the first time in fiscal years beginning on or after January 1, 2014 – subject to an adoption in EU law still outstanding.

# 04 Significant accounting policies

#### 4.1 Basis of consolidation and consolidation principles

The consolidated financial statements include the financial statements of SINGULUS TECHNOLOGIES AG and its subsidiaries as of December 31 of a given fiscal year.

Subsidiaries are fully consolidated as of the date of their acquisition, i.e., the date on which the Group obtains control. Consolidation ends as soon as the parent ceases to have control.

The financial statements of the subsidiaries are prepared as of the same balance sheet date as that of the parent, using consistent accounting policies.

All intragroup balances, income and expenses and unrealized gains and losses resulting from intragroup transactions are eliminated in full.

In addition to SINGULUS TECHNOLOGIES AG, the consolidated financial statements include all entities under the legal and/or de facto control of the Company.

The following subsidiaries are included in the consolidated financial statements:

- → SINGULUS TECHNOLOGIES Inc., Windsor, USA
- → SINGULUS TECHNOLOGIES SERVICE GROUP Inc., Windsor, USA
- → SINGULUS TECHNOLOGIES UK Ltd., Swindon, UK
- → SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore
- → SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., São Paolo, Brazil
- → SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat del Vallés, Spain
- → SINGULUS TECHNOLOGIES FRANCE s.a.r.l., Sausheim, France
- → SINGULUS TECHNOLOGIES ITALIA s.r.l., Senigallia (Ancona), Italy
- > SINGULUS TECHNOLOGIES TAIWAN Limited, Taipei, Taiwan
- → SINGULUS MANUFACTURING GUANGZHOU Ltd., Guangzhou, China
- → HamaTech USA Inc., Austin, USA (formerly: STEAG HamaTech USA Inc.)
- → STEAG HamaTech Asia Ltd., Hong Kong, China

- → SINGULUS STANGL Solar GmbH, Fürstenfeldbruck, Germany, hereinafter also referred to as SINGULUS STANGL (formerly STANGL Semiconductor Equipment AG), hereinafter also referred to as SINGULUS STANGL
- → SINGULUS CIS Solar Tec GmbH, Kahl am Main, Germany
- → SINGULUS MASTERING INTERNATIONAL GmbH, Schaffhausen, Switzerland
- → HamaTech Slowakei s.r.o. (formerly: STEAG Electronic Systems spol. s.r.o.), Nove Mesto, Slovakia (until October 17, 2012)

SINGULUS MASTERING INTERNATIONAL GmbH, Schaffhausen, Switzerland, was in liquidation as of December 31, 2012.

HamaTech Slowakei s.r.o., Nove Mesto, Slovakia, was liquidated during the fiscal year.

The share of equity and profit or loss attributable to minority interests is reported separately in the balance sheet and income statement (non-controlling interests).

The profit or loss of acquired entities is recognized in the consolidated financial statements from the date of acquisition. All material intragroup transactions are eliminated during consolidation.

For more information, please refer to Note 37.

#### 4.2 Foreign currency translation

The financial statements of the foreign subsidiaries are prepared in the currency in which the majority of transactions are concluded (functional currency). The functional currency is the relevant local currency. Balance sheet items are translated using the closing rate on the balance sheet date and income statement items are translated using the average rate for the fiscal year. The equity of equity investments is measured using the historical rate. Currency translation differences arising from the application of different exchange rates are recognized in other comprehensive income.

Foreign currency monetary items are translated using the closing rate. Exchange differences are recognized as income or expenses in the period in which they occur.

# 4.3 Management's use of judgment and main sources of estimating uncertainties

The preparation of consolidated financial statements in accordance with IFRSs requires the use of estimates and assumptions by management which have an effect on the amounts of the assets, liabilities, income, expenses and contingent liabilities reported. Assumptions and estimates generally relate to the uniform determination of useful lives of assets within the Group, impairment of assets, the measurement of provisions, the recoverability of receivables, the recognition of realizable residual values for inventories and the probability of future tax benefits. The actual values may in some cases differ from the assumptions and estimates made. Any changes are recognized in profit or loss as and when better information is available.

In the SINGULUS Group, the use of judgment and estimating uncertainties affect the following areas in particular:

#### 4.3.1 Impairment of assets

The Group determines whether goodwill is impaired at least once a year. Moreover, if there is any indication that an asset may be impaired, that asset is tested for impairment by estimating its recoverable amount. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset is allocated.

This requires an estimate of the recoverable amount of the assets or cashgenerating units to which the goodwill or asset is allocated. Please also refer to the comments under 4.1.6. "Impairment losses".

#### 4.3.2 Deferred tax assets

Deferred tax assets are recognized for all temporary differences and for all unused tax loss carryforwards to the extent that it is probable that taxable profit will be available against which the tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the probable timing and level of future taxable profits together with future tax planning strategies. Please also refer to the comments in Note 22.

#### 4.3.3 Share-based payment

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. In order to estimate fair value, an appropriate measurement approach must be determined for grants of equity instruments that depend on the terms and conditions of the grant. Furthermore, the appropriate data to be used in this measurement approach, including the anticipated option term, volatility, dividend yield and the corresponding assumptions, must be determined. The assumptions and approaches used are disclosed in Note 15.

#### 4.3.4 Pension obligations

The cost of defined benefit pension plans is determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. As these plans are of a long-term nature, such estimates are highly uncertain. Please also refer to the comments in Note 18.

#### 4.3.5 Development costs

Development costs are capitalized in accordance with the accounting policies described under "Research and development costs" further below in this section. In order to test whether development costs are impaired, the management must make assumptions regarding the amount of estimated future cash flows from assets, the discount rates to be applied, and the discount rates and the timing of the future cash flows expected to be generated by the assets. Please also refer to the comments in Note 11.

#### 4.3.6 Customer lists

In order to estimate the fair values of customer lists, assumptions must be made regarding the future free cash flows, the discount rates to be applied and the timing of future cash flows expected to be generated by these assets. Please also refer to the comments under 4.1.6. "Impairment losses".

### 4.3.7 Leases

The Group has entered into lease agreements. The test to determine whether an agreement constitutes a lease is performed on the basis of the substance of the agreement on the date it was concluded and requires an estimate of the opportunities and risks being transferred in connection with the leased asset. Please also refer to the comments in Note 34.

#### 438 Contract work

In order to evaluate the stage of completion of customer-specific construction contracts, the costs to complete the order must be estimated. Please also refer to the comments made below under 4.4 "Revenue recognition" and to the comments in Note 7.

#### 4.3.9 Provisions

Estimating future expenses is fraught with uncertainty. Estimates relate in particular to restructuring measures which extend over a longer period. When determining the provision for expected losses, it was necessary to make estimates concerning the capacity utilization of the building. Please refer to our comments under Note 31.

#### 4.4 Revenue recognition

Revenue relating to the sale of equipment in the Optical Disc operating segment is recognized when a contract has entered into effect, the delivery has been made, and, if required, the equipment has been installed for and accepted by the customer and payment is reasonably certain. Revenue relating to services is recognized when the service has been rendered, a price has been negotiated and is determinable and payment thereof is probable.

Because the Solar and Semiconductor operating segments do not work on the basis of serial production, but rather deal in specific customer orders, revenue is recognized in accordance with the percentage-of-completion ("POC") method. The relevant stage of completion is calculated using the input-oriented cost-to-cost method. The costs incurred to date are calculated as a proportion of the estimated total costs. Contracts are recognized on the balance sheet either as receivables from contract work (assets) or as liabilities from contract work if the prepayments received exceed the cumulative work performed.

Revenue from the sale of individual components of equipment or replacement parts is recognized when the risk is transferred in accordance with the underlying agreements.

Revenue is recognized net of VAT, returns, sales deductions, credits and direct selling costs (primarily commissions).

### 4.5 Goodwill

In all business combinations, the goodwill acquired was initially measured at cost, this being the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed (partial goodwill method). After the effective date of the revised IFRS 3 and IAS 27, SINGULUS TECHNOLOGIES has the option to recognize the total amount of the goodwill acquired, including goodwill attributable to non-controlling interests (full goodwill method), for all business combinations made on or after July 1, 2009. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

In accordance with IFRS 3, recognized goodwill is not amortized. It is tested for impairment annually or whenever there are indications of impairment. Impairment testing takes place at the cash-generating unit level. If the recoverable amount of the relevant unit has fallen below the carrying amount of the unit, an impairment loss is recognized in accordance with IAS 36. Reversals of impairment losses are prohibited.

In these consolidated financial statements, the historical acquisition of additional shares from subsidiaries that are already fully consolidated was accounted for using the parent-entity extension method. Under this method, goodwill, or negative goodwill, is determined as the difference between the purchase price and the prorated assets (based on IFRS carrying amounts). Subsequent measurement is based on the original approach established at the date of first-time consolidation. Following the effective date of the revised IFRS 3, differences between the purchase price and the prorated assets on the purchase of non-controlling interests after July 1, 2009 are recognized in equity in the Singulus Group.

### 4.6 Negative goodwill from business acquisitions

If the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized exceeds the cost of the business combination, any excess remaining after reassessment is recognized immediately in profit or loss.

#### 4.7 Research and development costs

Research costs are expensed in the period in which they are incurred. Pursuant to IAS 38, development costs are recognized as intangible assets at cost, provided that the conditions of IAS 38.57 are fulfilled. Cost comprises all costs directly attributable to the development process as well as appropriate shares of development-related overheads. Development costs are amortized using the straight-line method over the expected useful life of the developed products (3 to 5 years).

Amortization and impairment of capitalized development costs are recognized in the functional area to which the respective assets are allocated. Impairment losses on development costs were disclosed under "Restructuring expenses" if production of the relevant products was discontinued at the respective locations.

### 4.8 Other intangible assets

Intangible assets acquired separately are recognized at cost. Intangible assets acquired in a business combination are recognized at fair value as of the date of acquisition. Internally generated intangible assets are recognized if the criteria for recognition are met. If the criteria are not met, they are not recognized as assets, and the related costs are recognized as expenses in the period in which they are incurred. Intangible assets with finite useful lives are amortized over their useful lives. Intangible assets with indefinite useful lives are not amortized, and are instead tested for impairment at least once a year. No intangible assets with indefinite useful lives were recognized in the fiscal year except for the brand acquired in the business combination with SINGULUS STANGL.

The useful lives of intangible assets with finite useful lives are:

→ Software
 → Patents
 → Customer lists
 → Technology
 3 years
 8 years
 10 to 11 years
 5 to 8 years

#### 4.9 Cash and cash equivalents

Cash and cash equivalents comprise monetary investments with a remaining maturity of up to three months at the time of acquisition as well as bills of exchange with an original maturity of up to three months.

If the Company has any financial assets subject to restrictions on disposal, they are recognized under other assets. They are included in the consolidated statement of cash flows as cash flows from financing activities if they are related to the Company's financing transactions.

#### 4.10 Receivables

Trade invoices are issued mainly in euros and reported at the fair value of the services rendered.

If there is an objective indication that receivables carried at amortized cost are impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate determined on initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The impairment loss is recognized directly in profit or loss. The Company recognizes specific bad debt allowances for trade receivables when customers default. This only applies where there is no collateral (e.g., credit insurance policies, etc.).

For trade receivables, if there are objective indications that not all due amounts will be collected pursuant to the original payment terms (such as probability of insolvency or significant financial difficulties of the debtor), an impairment loss is charged. Receivables are derecognized when they are classified as uncollectible.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, the reversal must not result in the carrying amount of the asset exceeding what the amortized cost would have been at the date the impairment is reversed if the impairment had not been recognized.

When trade receivables are sold under factoring arrangements and all risks and rewards of the asset are transferred to the buyer, the receivables are derecognized. In this connection, please refer to the comments under 4.12 "Financial assets and liabilities"

For details on the recognition of foreign currency receivables and the related hedging transactions, please see our comments under 4.13 "Hedge accounting" and 4.2 "Foreign currency translation."

#### 4.11 Inventories

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Raw materials, consumables and supplies including spare parts are measured using the weighted average cost formula. Work in process is measured using the full-cost approach. Appropriate allowances are made for potential losses due to obsolete or slow-moving inventories.

The four existing allowance classes for salability are derived from past experience and range between 0 % and 80 % of depreciated cost. The four existing allowance classes for days inventory held ("DIH") also range between 0 % and 80 % of depreciated cost.

In addition, inventories are individually tested for impairment and written down by up to 100 %.

#### 4.12 Financial assets and liabilities

Financial assets and financial liabilities are recognized in the balance sheet when an entity becomes party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially recognized at fair value (plus any transaction costs).

Financial assets, other than loans or receivables, or those classified as "held for trading" (derivatives) are classified as "available-for-sale financial assets."

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The group of financial assets measured at fair value through profit or loss includes financial assets held for trading and financial assets which are designated upon initial recognition as at fair value. The Group has not classified any financial assets as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are financial guarantee contracts or are designated and effective hedging instruments. Gains or losses from financial assets held for trading are recognized in profit or loss.

For investments that are actively traded in organized financial markets, fair value is determined by the quoted market prices (bid prices) as at the reporting date. The fair value of investments that are not quoted on an active market is determined using valuation techniques. Such techniques may include using recent arm's length transactions between knowledgeable, willing independent parties, reference to the current fair value of another financial instrument which is substantially the same and discounted cash flow analysis or other valuation models.

Loans and receivables are recognized at amortized cost, which is determined using the effective interest method less any impairment and including discounts and premiums paid upon acquisition as well as transaction costs and fees which are an integral part of the effective interest rate.

Borrowings are initially recognized at fair value net of transaction costs directly associated with the borrowing. They are not designated as measured at fair value through profit or loss. After initial recognition, interest-bearing borrowings are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

Financial liabilities are classified as held for trading if they are reacquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial liabilities held for trading are recognized in profit or loss.

### Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when one of the following conditions is met:

- → The rights to receive cash flows from the asset have expired.
- → The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without delay to a third party under an agreement that meets the conditions in IAS 39.19 ("pass-through" arrangement); and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In such a case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

### 4.13 Hedge accounting

Changes in the fair value of derivatives designated as a hedging instrument in a fair value hedge are recognized in profit or loss. The hedged item attributable to the hedged risk is also recognized at fair value, with the hedge expected to be highly effective in offsetting the changes in the fair value of the hedged item.

The derivative designated as a hedge in a cash flow hedge is carried in the balance sheet at fair value. However, changes in the value of the derivative are recorded in other comprehensive income if, and to the extent that, the hedging relationship is effective. The non-effective portion of the change in fair value continues to be recognized in profit or loss. The change in fair value recorded in equity is derecognized and recorded in profit or loss as soon as the hedged item has an effect on the income statement, or, if the hedged item is reversed, as soon as the hedged item ceases to exist.

Hedge accounting is only performed as long as a hedge can be proven to be effective (effectiveness of 80% to 125%). Effectiveness is tested retrospectively and prospectively on a regular basis.

As considerable documentation and evidencing obligations are attached to hedge accounting under IAS 39, hedging relationships are accounted for using hedge accounting only if the corresponding conditions are, or were, met.

The Company primarily concludes forward exchange contracts to hedge foreign currency risks from trade receivables. In the case of fair value hedges for existing receivables, the hedging transaction and the risk portion of the hedged item are carried at fair value. Changes in value are recognized in profit or loss.

In the case of cash flow hedges, the hedging instruments are likewise carried at fair value. Forward exchange contracts are measured using the ECB reference rates for spot currency and the valid forward exchange rates of the respective commercial bank for forward currency. Changes in value, provided that the hedges are deemed to be effective, are initially disclosed in other comprehensive income, taking into account any deferred taxes, and only recognized in profit or loss when the cash flow is realized. The ineffective portion is reported immediately in profit or loss.

### 4.14 Property, plant and equipment

Property, plant and equipment are carried at cost plus directly allocable costs, less depreciation and impairments. Finance costs relating to qualifying assets are recognized as part of the cost if the criteria set out in IAS 23 are met. Depreciation is charged on a straight-line basis over the economic lives of the assets. The economic life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The economic lives are estimated as follows:

→ Buildings
 → Plant and machinery
 → Other assets
 25 years
 2 to 10 years
 → 1 to 4 years

Depreciation and impairment of property, plant and equipment are recognized in the functional area to which the respective assets are allocated.

#### 4.15 Leases

The Company is a lessee of property, plant and equipment and a lessor of replication lines. The criteria defined in IAS 17 for assessing, based on the risks and rewards, whether beneficial ownership of the leased asset is attributable to the lessor (operating lease) or the lessee (finance lease), are used to assess all the leases and account for them accordingly.

For leases in which the Group is the lessee, beneficial ownership of the leased assets is attributable to the lessor pursuant to IAS 17 if the lessor bears all the risks and rewards incidental to ownership of those assets. In this case, the leased assets are recognized in the financial statements of the lessor. The related lease expenses are expensed in full by the lessor.

Assets leased out by the Company under operating leases are recognized at cost and depreciated using the straight-line method over an expected useful life of five years. The related lease income is recognized in income on a straight-line basis over the term of the leases.

### 4.16 Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is mandatory, the Group makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset/cash-generating unit exceeds its recoverable amount, the asset/cash-generating unit is considered impaired and is written down to the recoverable amount.

If a cash-generating unit is impaired, the assets in the unit are depreciated as follows:

- a) First, the carrying amount of goodwill allocated to the cash-generating unit
- b) then, the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit

In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Estimates are made on the basis of the five-year plan approved by the management, which is derived from the three-year plan approved by the Supervisory Board and extrapolated a further two years in order to determine the recoverable amount. The perpetual annuity is determined on the basis of the fifth planning year.

The goodwill acquired in business combinations was allocated to the cash-generating units for the purposes of impairment testing. Since goodwill from the acquisition of SINGULUS STANGL also reflects the current and future business activities of SINGULUS TECHNOLOGIES AG in the Solar operating segment, this goodwill was tested for impairment at the level of the Solar operating segment.

### 4.16.1 Key assumptions used in the value-in-use calculation

The following parameters of the assumptions used in the value-in-use calculation of intangible assets leave room for estimating uncertainties:

- → EBIT margins
- → Discount rates
- → Market shares in the reporting period
- → Growth rates used to extrapolate cash flow projections beyond the forecast period

EBIT margins – EBIT margins are based on the revenue expectations of the management, which are in turn validated using independent forecasts. The forecasts factor in revenue for planning years 2013 to 2015, which is estimated in particular on the basis of customer requests and bids which are in the process of negotiation. Thus, growth of EBIT margins, which are currently low, is expected to outpace the general market environment. Market expectations in particular are factored in for the years thereafter. This revenue planning is used to determine the cost of sales and operating expenses based on current cost structures, budgetary calculations and past experience.

Discount rates – The discount rates reflect estimates made by management on risks to be attributed to specific cash-generating units. The weighted average cost of capital ("WACC") for each cash-generating unit was used as the discount rate. The underlying base interest rate was determined using the Svensson method and yields of German government bonds (Bunds) for equivalent terms. Further components include the 6.5% market risk premium, beta factors, assumptions regarding credit risk premiums and the debt ratio using market data.

Assumptions regarding market changes and market growth are vital to the management not only for determining growth rate assumptions (see below), but also for assessing which technological trends are likely to prevail, how market volume will change and how the cash-generating unit will position itself in the market environment as compared to its competitors during the planning period.

These assessments are particularly important when calculating the value in use in the Solar segment. The Company's own industry experience, dialogue with customers and published industry-specific market research forecast significant growth for the solar market. Value in use is calculated on the basis of the management board's business planning, which is reduced by appropriate haircuts.

Growth rate estimates – Growth rates for the detailed planning period are based on published industry-specific market research. The growth rate in the perpetual annuity using the discounted cash flow model ("DCF model") was extrapolated at 1%.

The recoverable amount of the cash-generating units was determined based on a value-in-use calculation, using cash flow projections based on financial budgets approved by senior management covering a five-year period. The pretax discount rate applied to the cash flow projections in the Optical Disc operating segment is 12.92% (previous year: 10.64%) and 14.43% (previous year: 10.77%) in the Solar operating segment.

#### 4.16.2 Sensitivity of assumptions made

For the Solar operating segment, a change in the assumptions could lead to a situation in which the carrying amount of the cash-generating unit exceeds the recoverable amount. This could result from a 0.8 percentage-point increase in the pre-tax discount rate used. The Solar operating segment is likely to benefit from the expected global market growth. At the same time, management expects the EBIT margin to increase. This development is thus reflected in the value in use of the cash-generating units in this operating segment. EBIT margins will increase from a low level to 10.1% by 2017. The perpetual annuity is calculated using this 10.1% EBIT margin. In the event the actual EBIT margin is 0.8 percentage points lower than the assumed margin, the result would be a shortfall in the carrying amounts.

#### 4.16.3 Impairment test for customer lists

The value of SINGULUS STANGL's customer lists is based primarily on the expected revenue from business with conventional wet-chemical equipment. Due to sustained weak demand from existing customers in part as a result of insolvencies, the value of the customer lists has been written off in full. Please refer to Note 31 for more information

The expected revenue from the Blu-ray equipment business is a core factor in the value of the Oerlikon customer lists. The impairment test conducted in the reporting year did not indicate any need to write down the residual value of EUR 6.9 million as of December 31, 2012.

If the market recovers, the impairment loss on customer lists will need to be reversed in subsequent periods. If technological change, among other factors, results in demand not developing as forecasted for the relevant segments, the Company cannot rule out the need to recognize further impairment losses.

#### 4.17 Other receivables and assets

Other receivables and assets are recognized at amortized cost. Bad debt allowances are recorded for specific identifiable risks and general credit risks.

#### 4.18 Current tax assets and liabilities

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, on the basis of the tax rates and tax laws that have been enacted by the end of the reporting period.

Current tax relating to items which are recognized in comprehensive income is also recognized in the statement of comprehensive income and not in profit or loss.

#### 4.19 Deferred tax liabilities and assets

Deferred taxes are recognized for all temporary differences between carrying amounts in the tax accounts and the consolidated balance sheet using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reviewed at the end of each reporting period and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Tax loss carryforwards are recognized on the basis of internal tax forecasts.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable profit in the years in which these temporary differences are expected to be reversed. In the event of a change in tax rate, the effects on deferred tax assets and liabilities are recognized in profit or loss in the period to which the new tax rate applies.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or liabilities in the consolidated balance sheet.

Deferred tax assets and deferred tax liabilities are offset if SINGULUS TECHNOLOGIES AG or one of its subsidiaries has a legally enforceable right to set off a current tax asset against a current tax liability when they relate to income taxes levied by the same taxation authority.

#### 4.20 Pension provisions

The actuarial measurement of pension provisions is based on the projected unit credit method prescribed by IAS 19 for benefit obligations for old-age pensions. This method takes into account the pensions and vested benefits known as of the balance sheet date as well as the increases in salaries and pensions to be expected in the future.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceed 10% of the defined benefit obligations. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

#### 4.21 Provisions

Under IAS 37, provisions are recognized if a present obligation toward a third party as a result of a past event exists which will probably result in a future outflow of resources, and whose amount can be reasonably estimated. Provisions that are not expected to lead to an outflow of resources in the subsequent year are carried at their discounted settlement amount on the balance sheet date. The discount factor is based on market interest rates. The settlement amount also includes the expected cost increases.

Provisions for warranty costs are recognized as soon as the respective revenue is realized. The provision is measured on the basis of historical estimates of the costs of meeting warranty obligations, including handling and transport costs.

#### 4.22 Liabilities

The Group initially recognizes financial liabilities in connection with the issue of bonds as of the issue date. All other financial liabilities are initially recognized as of the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are derecognized when the contractual obligations have been settled, canceled or have expired.

Non-derivative financial instruments are classified as other financial liabilities. Such financial liabilities are initially recognized at fair value less directly attributable transaction costs. These financial liabilities are subsequently measured at amortized cost using the effective interest method.

Other financial liabilities include loans and interest-bearing financial liabilities, financial liabilities in connection with the issue of bonds, trade payables and other liabilities.

Finance lease liabilities are recognized at the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

### 4.23 Share-based payment

Senior executives are granted share appreciation rights which can be settled with a cash payment (cash-settled share-based payment transactions) or in the form of equity instruments.

The cost of issuing the equity instruments after November 7, 2002 is measured at the fair value of these instruments on the date they were issued. The fair value is determined by an external valuer using a suitable option pricing model, further details of which are given in Note 15.

The recognition of the expenses incurred in connection with the issue of equity instruments and the corresponding increase in equity takes place throughout the period in which the exercise or performance condition must be fulfilled (vesting period). This period ends on the date on which the relevant employees become fully entitled to the award. The cumulative expenses recognized on each reporting date for equity-settled transactions until the vesting date reflect the extent to which the vesting period has expired and the number of awards that, in the opinion of the Group at that date, based on the best available estimate of the number of equity instruments, will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as of the beginning and end of that period. No expense is recognized for awards that do not vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The cost of cash-settled transactions is measured using a binominal model with reference to the fair value at the date on which they were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in profit or loss.

#### 4.24 Earnings per share

Basic earnings per share are calculated by dividing profit by the weighted average number of shares outstanding. Diluted earnings per share are calculated by dividing profit by the weighted average number of shares outstanding plus the number of convertible bonds and stock options outstanding, provided that the exercise of conversion rights and the stock options is reasonably certain.

The dilutive effect of the outstanding options is reflected as additional share dilution in the determination of earnings per share, if vesting is deemed to be probable as of the balance sheet date.

### 05 Segment reporting

The Group's business is organized by product for corporate management purposes and has the following three operating segments which are subject to disclosure:

### **Optical Disc segment**

The primary focus of SINGULUS TECHNOLOGIES' Optical Disc segment is to manufacture and distribute integrated production lines used in the manufacture of Blu-ray discs. SINGULUS TECHNOLOGIES offers BLULINE II modular production systems for 50 GB Blu-ray discs. SINGULUS TECHNOLOGIES manufactures BLULINE BD-R/RE systems for recordable Blu-ray Discs (BD-R/RE).

Income from the replacement parts and service business related to the aforementioned product lines is also reported under the Optical Disc segment.

### Solar segment

At Kahl am Main, machinery is designed for use in evaporation, cathode sputtering and selenization processes, and end-to-end production lines are manufactured and offered. The focus of SINGULUS TECHNOLOGIES' activities at its Fürstenfeldbruck plant is to develop, assemble and commission equipment used in wet-chemical processes, such as cleaning, etching and deposition machinery.

### Semiconductor segment

SINGULUS TECHNOLOGIES operates in the market for semiconductor elements through its Semiconductor segment. One area of focus is the development and manufacture of equipment that uses tunnel magnetic resistance (TMR) technology for IT applications.

This equipment is used to process wafers for MRAM, thin film heads and sensors.

Given the sustained weak demand, material impairment losses were recognized in the Solar and the Optical Disc segments in 2012. Please also refer to our comments in Note 31.

Directly attributable income, expenses and assets are generally reported directly under the segments to which they are directly attributable in the segment reporting. Income, expenses and assets which cannot be directly attributed to a given segment are allocated as a proportion of planned revenue for the fiscal year.

Management monitors the business units' operating results separately in order to facilitate decisions regarding the allocation of resources and to determine the units' performance.

The key figures for management are net revenue and EBIT (operating result). Liabilities are managed at the group level. As of the balance sheet date, assets, revenue and operating results were allocated to the operating segments as follows:

	Segmen "Optical Di		Segmen "Solar"		Segmer "Semicondu		SINGULUS (	Group
	2012	2011	2012	2011	2012	2011	2012	2011
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Segment assets	108.5	103.4	81.6	72.0	16.4	7.0	206.5	182.4
Gross revenue	65.0	104.5	29.1	52.4	14.5	3.1	108.6	160.0
Sales deductions and direct selling costs	-0.8	-1.4	-0.3	-1.1	0.0	0.0	-1.1	-2.5
Net revenue	64.2	103.1	28.8	51.3	14.5	3.1	107.5	157.5
Impairment and restructuring expenses	-13.1	0.0	-14.0	0.0	0.0	0.0	-27.1	0.0
Operating result (EBIT)	-25.0	14.4	-36.7	-5.9	1.2	-1.8	-60.5	6.7
Amortization, depreciation and impairment	-9.1	-6.6	-17.2	-5.0	-0.4	-0.2	-26.7	-11.8
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-15.9	21.0	-19.5	-0.9	1.6	-1.6	-33.8	18.5

The table below shows information by geographical region as of December 31, 2012 based on gross revenue and assets:

	Germany	Rest of Europe	North & South America	Asia	Africa & Australia
2012	EUR m	EUR m	EUR m	EUR m	EUR m
Revenue by					
Country of origin	78.5	6.1	15.8	8.2	0.0
Destination	13.9	17.4	47.5	24.4	5.4

	Germany	Rest of Europe	North & South America	Asia	Africa & Australia
	EUR m	EUR m	EUR m	EUR m	EUR m
Assets	188.0	6.2	5.7	6.6	0.0

The table below shows information by geographical region as of December 31, 2011 based on gross revenue and assets:

			North &		
	Germany	Rest of Europe	South America	Asia	Africa & Australia
2011	EUR m	EUR m	EUR m	EUR m	EUR m
Revenue by	120.0		11.0		0.0
Country of origin	138.9	5.3	11.2	4.6	0.0
Destination	27.3	18.7	54.8	55.6	3.6

	Germany	Rest of Europe	North & South America	Asia	Africa & Australia
	EUR m	EUR m	EUR m	EUR m	EUR m
Assets	162.9	5.8	5.3	8.4	0.0

Outside of Germany, significant revenue during the fiscal year was generated in the USA (EUR 32.8 million; previous year: EUR 18.4 million), South Korea (EUR 10.8 million; previous year: EUR 25.6 million) and Mexico (EUR 8.4 million; previous year: EUR 29.8 million).

# 06 Cash and cash equivalents

	2012	2011
	EUR m	EUR m
Cash on hand and bank balances	55.9	17.8

Bank balances earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods ranging between one day and twelve months, depending on the relevant cash requirements of the Group. These earn interest at the relevant rates applicable to short-term deposits. The fair value of cash and cash equivalents is EUR 55.9 million (previous year: EUR 17.8 million).

In addition, the Company has cash deposits of EUR 17.6 million (previous year: EUR 7.2 million) on blocked accounts over which it has no power of disposal, which are reported under other assets. These deposits are included as cash flows from financing activities in the consolidated statement of cash flows if they are linked to the Group's financing transactions. They are reported as other assets in the balance sheet. Please refer to our comments in Note 8.

As of December 31, 2012, EUR 47.5 million in cash was provided as collateral (previous year: EUR 11.6 million).

# 07 Trade receivables and receivables from contract work

	2012	2011
	EUR m	EUR m
Trade receivables – current	27.4	29.4
Receivables from contract work	3.4	9.4
Trade receivables – non-current	4.1	9.2
Less allowances	-5.0	-4.0
	29.9	44.0

As of December 31, 2012, bad debt allowances of a nominal EUR 5.0 million had been charged on trade receivables (previous year: EUR 4.0 million). Bad debt allowances developed as follows:

As of December 31	5.0	4.0
Reversal	-0.3	-2.1
Utilization	-3.4	-6.2
Allowances recognized in profit or loss	4.7	1.7
As of 1 January	4.0	10.6
	EUR m	EUR m
	2012	2011

If trade receivables become uncollectible, the associated receivables and allowances are derecognized.

The non-current receivables accrue interest at normal market conditions.

As of December 31, the age structure of trade receivables and receivables from contract work, taking into account specific bad debt allowances, are broken down as follows:

	Total	Not due		Past due	e but not im	paired	
			Öess than 30 days	30 to 60 days	60 to 90 days	90 to 180 days	More than 180 days
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
2012	29.9	26.7	1.9	0.7	0.2	0.2	0.2
2011	44.0	37.4	2.1	1.1	0.6	0.6	2.2

The overdue trade receivables are collateralized in the form of retention of title, insurance policies and letters of credit. With regard to trade receivables for which no bad debt allowance was charged, there were no indications as of the balance sheet date that the debtors would not meet their payment obligations.

Subsequent measurement of trade receivables resulted in a net effect of EUR -4.3 million (previous year: EUR 0.3 million). This consisted of income from the reversal of specific bad debt allowances amounting to EUR 0.3 million (previous year: EUR 2.1 million), expenses from allocations to specific bad debt allowances amounting to EUR 4.7 million (previous year: EUR 1.7 million) and exchange rate gains (previous year: exchange losses) arising on the measurement of trade receivables as of the balance sheet date amounting to EUR 0.1 million (previous year: EUR -0.1 million).

As of December 31, 2012, trade receivables with a carrying amount of EUR 23.3 million were transferred as collateral (previous year: EUR 24.7 million).

Receivables from contract work arise when revenue can be recognized according to the stage of completion (using the cost-to-cost method) and the criteria set forth in IAS 11.23 have been fulfilled but this revenue cannot yet be invoiced to customers under the respective contract. The costs and expected profits include direct costs and the portion of overheads attributable to production. Receivables from contract work are all due within one year. The receivables from contract work and the project-related prepayments offset against them break down as follows:

Receivables from contract work	3.4	9.4
Prepayments received	-13.5	-28.0
Aggregate amount of costs incurred and recognized profits (less any recognized losses)	16.9	37.4
	EUR m	EUR m
	2012	2011

Gross amounts due to customers for contract work, which are reported as liabilities from contract work in a separate item in the balance sheet, are broken down as follows:

	2012	2011
	EUR m	EUR m
Aggregate amount of costs incurred and recognized profits (less any recognized losses)	11.5	0.1
Prepayments received	-27.6	-1.0
Gross amount due to customers for contract work	-16.1	-0.9

In the fiscal year, contract revenue of EUR 39.0 million (previous year: EUR 49.1 million) was recognized.

Trade receivables were sold under factoring arrangements in fiscal year 2011. As all significant risks (mainly credit risks) and rewards from future cash flows of the receivables were transferred in this connection, the receivables, less the contractually agreed deductible, were derecognized in 2011. This generated a cash inflow of EUR 35.6 million for SINGULUS TECHNOLOGIES AG in the previous fiscal year. No trade receivables were sold under factoring arrangements in the fiscal year.

### 08 Other receivables and other assets

Other receivables and other assets break down as follows:

	2012	2011
_	EUR m	EUR m
Financial assets subject to restrictions on disposal	17.6	7.2
Prepayments made	3.1	1.8
Tax refund claims	2.4	1.2
Miscellaneous	1.6	1.1
	24.7	11.3

The disclosed financial assets subject to restrictions on disposal relate to cash and cash equivalents deposited as collateral for loan commitments. These assets of EUR 17.6 million (previous year: EUR 7.2 million) were reported under other assets. The entire amount serves as collateral for bank guarantees and sureties and will be available to the Company again upon fulfillment of the relevant contractual obligations.

As of December 31, 2012, EUR 16.7 million in financial assets subject to restrictions on disposal was provided as collateral (previous year: EUR 6.0 million).

The Company uses financial derivatives to hedge its receivables and future USD transactions against potential exchange losses. Forward exchange contracts are used as hedges.

There were no foreign currency receivables as of the balance sheet date. However, SINGULUS TECHNOLOGIES AG entered into forward exchange contracts to hedge future USD transactions totaling USD 6.1 million.

All hedges with a positive fair value amounted to EUR 95 thousand as of the balance sheet date. Forward exchange contracts are measured using the ECB reference rates for spot currency and the valid forward exchange rates of the respective commercial bank for forward currency.

Tax refund claims from fiscal year 2012 relate primarily to SINGULUS TECHNOLOGIES AG (EUR 1.8 million) and to SINGULUS STANGL (EUR 0.4 million) and resulted mainly from input tax reimbursements.

### 09 Inventories

The Group's inventories break down as follows:

	2012	2011
	EUR m	EUR m
Raw materials, consumables and supplies	33.8	29.7
Work in process	40.8	32.4
Less allowances	-28.5	-20.3
	46.1	41.8

The inventory allowances relate to reductions in value in accordance with the "lower of cost or net realizable value" principle.

Due to significant decreases in demand for our products in fiscal year 2012, it was necessary to recognize increased impairment losses on our inventories in the Optical Disc and Solar segments. Moreover, it was necessary to recognize impairments in this connection due to the reductions in the value of various semi-finished products within these segments. EUR 9.9 million in inventory write-downs were recognized as an expense during the 2012 fiscal year. A total of EUR 10.0 million in write-downs were expensed in fiscal year 2012 (previous year: EUR 0.4 million). The resulting expenses were reported as cost of sales (EUR 6.1 million) and as restructuring expenses (EUR 3.8 million). Please refer to Note 31 for more information.

The carrying amount of inventories recognized at net realizable value comes to EUR 5.0 million (previous year: EUR 5.5 million).

As of December 31, 2012, inventories with a carrying amount of EUR 59.7 million were provided as collateral (previous year: EUR 57.3 million).

### 10 Loans

	2012	2011
	EUR m	EUR m
Loans	3.7	0.0

Loans relate to a loan granted to a customer for a total of EUR 5.2 million. EUR 3.7 million of which was utilized as of December 31, 2012. The remaining tranches are expected to be disbursed in 2013. The loan will be repaid in six semi-annual installments, meaning that the loan will be repaid in full 36 months after acceptance of the financed equipment. The loan carries an interest rate at EURIBOR plus 6.5% p.a., although the interest rate is capped at 7.75% p.a.

# 11 Intangible assets

In fiscal years 2012 and 2011, intangible assets developed as follows (all amounts in EUR m):

	Goodwill	Franchises, industrial rights and other intangible	Capitalized development	Total
Cost	Goodwill	assets	costs	Total
As of 1 January 2011	52.9	77.8	97.6	228.3
Additions	0.0	0.3	5.9	6.2
Reclassifications	0.0	0.3	0.0	0.3
Disposals	0.0	-0.1	0.0	-0.1
As of 31 December 2011	52.9	78.3	103.5	234.7
Additions	0.0	0.1	4.8	4.9
Disposals	0.0	0.0	-6.7	-6.7
As of 31 December 2012	52.9	78.4	101.6	232.9
Amortization and impairment				
As of 1 January 2011	31.2	56.1	80.7	168.0
Additions to amortization (scheduled)	0.0	4.3	5.7	10.0
Disposals	0.0	-0.1	0.0	-0.1
As of 31 December 2011	31.2	60.3	86.4	177.9
Additions to amortization (scheduled)	0.0	3.7	5.6	9.3
Additions to impairment losses (unscheduled)	0.0	5.5	9.2	14.7
Disposals	0.0	0.0	-6.7	-6.7
As of 31 December 2012	31.2	69.5	94.5	195.2
Carrying amounts 31 Dec 2011	21.7	18.0	17.1	56.8
Carrying amounts 31 Dec 2012	21.7	8.9	7.1	37.7

In the previous year and as of the balance sheet date, the Solar segment reported goodwill with a carrying amount of EUR 21.7 million.

Other intangible assets primarily consist of customer lists from the acquisition of Oerlikon Balzers AG's Blu-ray disc equipment business. The residual carrying amount as of the end of the reporting period was EUR 6.9 million, and the remaining useful life was six years as of December 31, 2012.

Amortization of customer lists is reported under selling expenses. During the reporting year, the Company also recognized impairment losses on the measurement of other intangible assets amounting to EUR 5.2 million. These were incurred primarily in connection with the remeasurement of SINGULUS STANGL's business activities and related to the customer list (EUR 3.6 million) and the brand (EUR 1.6 million). The resulting impairment losses were recognized under impairment and restructuring expenses.

EUR 4.8 million of the development costs incurred in fiscal year 2012 qualifies for recognition as an asset under IFRSs (previous year: EUR 5.9 million). The capitalized development costs mainly relate to expenses in the Company's core Optical Disc and Solar businesses. Amortization of capitalized development costs is recognized under development costs in the consolidated income statement.

During the year under review, EUR 9.2 million in impairments was recognized in relation to capitalized development expenses, in addition to amortization. EUR 3.0 million of that amount is attributable to the Optical Disc segment and related to the Company's mastering activities. The resulting expenses were allocated to restructuring costs. EUR 6.2 million is attributable to the Solar segment, where capitalized development costs in connection with conventional coating technology were impaired. The associated expenses were recorded under development expenses.

Please refer to 4.5 and 4.16 for more information on goodwill.

# 12 Property, plant and equipment

In fiscal years 2012 and 2011, property, plant and equipment developed as follows (all amounts in EUR m):

	Land, own buildings	Techn. equip. & mach.	Office & operating equip.	Assets under construc- tion	Total
Cost					
As of 1 January 2011	6.7	8.2	10.0	1.3	26.2
Additions	0.1	0.9	0.4	0.3	1.7
Disposals	-0.1	0.0	-0.5	0.0	-0.6
Reclassifications	0.0	0.8	0.1	-1.2	-0.3
As of 31 December 2011	6.7	9.9	10.0	0.4	27.0
Additions	0.2	0.3	0.3	0.0	0.8
Disposals	0.0	-0.8	-0.2	0.0	-1.0
Reclassifications	0.0	0.2	0.0	-0.2	0.0
As of 31 December 2012	6.9	9.6	10.1	0.2	26.8
Depreciation and impairment					
As of 1 January 2011	3.0	4.6	8.0	0.0	15.6
Additions to depreciation	0.3	0.8	0.7	0.0	1.8
Disposals	0.0	0.0	-0.3	0.0	-0.3
As of 31 December 2011	3.3	5.4	8.4	0.0	17.1
Additions to amortization (scheduled)	0.3	1.1	0.6	0.0	2.0
Additions to impairment losses (unscheduled)	0.0	0.5	0.1	0.0	0.6
Disposals	-0.1	-0.2	-0.1	0.0	-0.4
As of 31 December 2012	3.5	6.8	9.0	0.0	19.3
Carrying amounts 31 Dec 2011	3.4	4.5	1.6	0.4	9.9
Carrying amounts 31 Dec 2012	3.4	2.8	1.1	0.2	7.5

### 13 Other current liabilities

Other liabilities are broken down as follows::

	2012	2011
	EUR m	EUR m
Outstanding invoices	2.5	1.6
Outstanding liabilities to personnel	2.4	2.7
HamaTech AG expedited shareholder action	1.8	0.0
Employee bonuses	1.2	2.2
Financial statement, legal and consulting fees	0.8	0.5
Sales commissions for agents	0.5	0.5
Liabilities in connection with social security	0.4	0.1
Tax liabilities	0.2	0.7
Miscellaneous	2.9	4.2
	12.7	12.5

In the fiscal year, performance-related payments of EUR 1.2 million (previous year: EUR 2.2 million) to members of the management board, managing directors of subsidiaries and senior executives were recognized as a liability.

In the expedited shareholder action in connection with the merger of HamaTech AG with Singulus Technologies AG, the Munich Higher Regional Court [Oberlandesgericht München] ordered the cash payment of EUR 0.79 per HamaTech AG share in its ruling dated July 26, 2012. A total of 1,840,785 HamaTech AG shares, which were exchanged in the course of the merger for shares in Singulus Technologies AG, embody the right to receive compensation. The Company recognized EUR 1.8 million as an other liability in this connection. The costs of this were recognized in other operating expenses (EUR 1.5 million) and in financing expenses (EUR 0.3 million). The court-ordered additional payment is not deemed to represent a subsequent acquisition cost for HamaTech AG because it is not based on any facts which would increase the original value.

By contrast to the previous year's report, liabilities from contract work during the reporting periods are presented in a separate item on the balance sheet. Please refer to Note 7 for more information.

### 14 Prepayments received

	2012	2011	
	EUR m	EUR m	
Prepayments from customers	3.7	3.3	

Prepayments as of December 31, 2012 and 2011 mainly relate to advances for orders received by the Optical Disc and Solar segments, which are reported under inventories as work in process.

# 15 Share-based payment

The various share-based payment plans launched in previous years are described below:

### Phantom stock program 2011 (PSP I, PSP II and PSP III)

In order to provide management board members and senior executives with a long-term incentive, SINGULUS TECHNOLOGIES AG launched a phantom stock program in 2011 entitling these beneficiaries to virtually subscribe at the exercise price for a bearer share of the Company with a par value of EUR 1.00 each. The program comprises a total of 600,000 phantom shares (stock options). Of these stock options, 200,000 are to be issued to the management board and up to 400,000 are to be issued to senior executives. The stock options can be issued in several tranches. Issuance was originally limited until the end of March 2012. This time limit for issuance was extended in the year under review until December 31, 2012.

In this connection 200,000 stock options with an exercise price of EUR 2.3560 were issued to the members of the management board effective as of September 23, 2011 (PSP I). Another tranche of 136,000 stock options from this program was issued to the Group's senior executives effective October 11, 2011 (PSP II). The exercise price of these stock options is EUR 2.3724. A final tranche from this program for 134,000 stock options with an exercise price of EUR 1.0800 was also issued to senior executives effective as of November 26, 2012 (PSP III).

### Phantom stock program 2012 (PSP IV)

By resolution dated November 26, 2012, the supervisory board resolved to issue 180,000 stock options to the management board (PSP IV). The underlying phantom stock program corresponds to the 2011 program. The exercise price of these stock options is EUR 1.0800.

The specific terms and conditions of the above phantom stock programs are as follows:

The term of the stock options is five years. The stock options can be exercised at the earliest upon expiry of the two-year vesting period within a period of 14 trading days beginning on the sixth trading day following publication of the quarterly reports for the first or third quarter; up to 25% of the phantom shares held by the respective beneficiary can be exercised during the first exercise period and then a further 25% every six months during each subsequent exercise period.

The stock options may only be exercised if the non-weighted average closing price for SINGULUS TECHNOLOGIES AG shares is (i) at least 15 % higher than the exercise price during the reference period for the first 25 % of the stock options (first tranche), (ii) at least 17.5 % higher than the exercise price during the reference period for the second 25 % (second tranche), (iii) at least 20 % higher than the exercise price during the reference period for the third 25 % (third tranche) and (iv) at least 22.5 % higher than the exercise price during the reference period for the final 25 % (fourth tranche).

If the stock options of a tranche cannot be exercised within the respective exercise period because the earnings target has not been reached, the phantom shares of this tranche can be exercised in subsequent exercise period(s) on the condition that the unmet earnings target for the respective previous exercise period(s) is achieved in those reference period(s). The reference period is the period of five trading days from the date of publication of the quarterly report applicable to the beginning of the exercise period.

The development of the issued tranches is presented below:

	PS	PI	PS	PII
	2012		2012	
Change in stock options	Number of stock options	Average exercise price (EUR)	Number of stock options	Average exercise price (EUR)
Outstanding at the beginning of the fiscal year	200,000	_	136,000	_
Issued in the fiscal year	0	_	0	_
Revoked in the fiscal year	0	_	0	_
Exercised during the fiscal year	0	_	0	_
Expired in the fiscal year	0	_	0	_
Outstanding at the end of the fiscal year	200,000	_	136,000	_
Exercisable at the end of the fiscal year	0		0	

PSP III		P III	PSI	P IV
	2012		2012	
Change in stock options	Number of stock options	Average exercise price (EUR)	Number of stock options	Average exercise price (EUR)
Outstanding at the beginning of the fiscal year	0		0	_
Issued in the fiscal year	134,000	_	180,000	_
Revoked in the fiscal year	0		0	_
Exercised during the fiscal year	0		0	
Expired in the fiscal year	0		0	_
Outstanding at the end of the fiscal year	134,000		180,000	_
Exercisable at the end of the fiscal year	0		0	

The stock options were measured using a binomial model, which reflects the fact that the amount to be paid out is limited to 300% of the exercise price. The following parameters were used when measuring the options:

Tranche	PSP I	PSP II	PSP III	PSP IV
Grant date	09/23 2011	10/11 2011	11/26 2012	11/26 2012
Exercise price	2.3560	2.3724	1.0800	1.0800
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %
Interest rate	0.08%	0.08%	0.33 %	0.33 %
Volatility SINGULUS	54.64 %	54.64 %	59.90 %	59.90 %
Total fair value	0.318 €	0.256 €	0.623 €	0.598 €

The estimates pertaining to expected volatility were made on the basis of SINGULUS TECHNOLOGIES AG's past share performance. The remaining term of the stock options was used as an historical timeframe.

The issuance of phantom shares during the fiscal year resulted in personnel expenses of EUR 29 thousand (previous year: EUR 23 thousand).

The program was treated as a cash-settled share-based payment within the meaning of IFRS 2.

### Stock option plan 2005

In order to provide its senior executives and other top performers with a long-term incentive, SINGULUS TECHNOLOGIES AG launched a stock option plan (SOP) in 2005 entitling these beneficiaries to subscribe to up to 1,200,000 no-par value registered shares.

The term of the stock options was five years. The stock options could be exercised at the earliest after expiration of a lock-up period of two years. The options could only be exercised if the average (arithmetic mean) closing price for SINGULUS TECHNOLOGIES AG shares was (i) at least 15 % higher than the exercise price during the reference period for the first 25 % of the stock options (first tranche), (ii) at least 17.5 % higher than the exercise price during the reference period for the second 25 % (second tranche), (iii) at least 20 % higher than the exercise sprice during the reference period for the third 25 % (third tranche) and (iv) at least 22.5 % higher than the exercise price during the reference period for the final 25 % (fourth tranche).

500,000 stock options with an exercise price of EUR 10.05 were issued in fiscal year 2006 (SOP I). These stock options expired during the 2011 fiscal year. In fiscal year 2007, an additional 472,230 stock options with an exercise price of EUR 8.58 were issued (SOP II). This tranche benefited the entire workforce of the Company and senior executives of the subsidiaries. These stock options expired in the third quarter of the year under review. As the option conditions (share closing prices) were not met over the entire exercise period of both tranches, no stock options were exercised.

As a number of option holders left the Company in 2011, 19,500 options from SOP II were withdrawn from the respective employees and executives.

Following the departure of authorized employees, income of EUR 0.1 million was recognized in fiscal year 2011.

The plan was treated as an equity-settled share-based payment transaction within the meaning of IFRS 2.

		AOP I	AOP II		
	2012		2012	2011	
Change in stock options	Number of options	Average exercise price (EUR)	Number of options	Number of options	Average exercise price (EUR)
Outstanding at the beginning of the fiscal year	194,000	12.31	276,855	296,355	10.51
Issued in the fiscal year	0		0	0	
Revoked in the fiscal year	0		0	-19,500	
Exercised during the fiscal year	0	_	0	0	
Expired in the fiscal year	-194,000	_	-276,855	0	
Outstanding at the end of the fiscal year	0	_	0	276,855	10.51
Exercisable at the end of the fiscal year	0		0	0	

### 16 Corporate bonds

SINGULUS TECHNOLOGIES AG placed corporate bonds with an issue volume of EUR 60.0 million effective as of March 23, 2012. The corporate bonds bear interest of 7.75% p.a. and mature in five years. Open market trading on Deutsche Börse AG's Frankfurt Stock Exchange was started on March 14, 2012 in the "Entry Standard for Corporate Bonds." The corporate bonds are listed under ISIN: DE000A1MASJ4 / A1MASJ.

A buyback program limited in amount and time was launched in December 2012. This program is limited in volume to a maximum of EUR 3.0 million. The program began on December 11, 2012 and will end no later than March 31, 2013. Bonds with a principal amount of EUR 345 thousand had been repurchased by December 31, 2012.

### 17 Liabilities to banks

As of December 31, 2012, there were liabilities to banks totaling EUR 4.2 million (December 31, 2011: EUR 6.7 million).

These liabilities concern a loan requested in January 2010 in the amount of EUR 10.0 million from the Reconstruction Loan Corporation [Kreditanstalt für Wiederaufbau, "KfW"]. The cash was received in the second quarter of 2010 and was earmarked for the payment of purchase price liabilities for the purchase of the remaining 49% of the shares in the then Stangl Semiconductor AG. These funds were used in July 2010. The loan is repayable in 16 equal installments, with the first installment payable on June 30, 2011. Principle payments of EUR 2.5 million were made in the year under review. The effective interest rate on this loan at year's end was 6.60% per annum. As collateralization of this loan, the KfW joined the collateral pool of a syndicated loan, which has since been repaid.

The following collateral was transferred to the lender in this connection:

#### → SINGULUS TECHNOLOGIES AG

- → All bank balances at all German banks
- → Transfer of non-current and current assets as collateral
- → Assignment of receivables as collateral
- → Assignment of patents, brands and other property rights as collateral
- $\rightarrow\,$  Cash deposits to restricted accounts for advance payments secured by bank guarantees

#### → SINGULUS TECHNOLOGIES Inc.

→ Transfer of all assets as collateral

Following repayment of the syndicated financing, the release of the aforementioned collateral is currently in preparation. Some of these assets, essentially inventory assets and trade receivables, will subsequently be transferred as collateral to KfW.

In addition, the Group has bank guarantee lines in the amount of EUR 21.6 million. EUR 18.8 million of these had been drawn down as of the end of the fiscal year. Cash and cash equivalents were deposited as collateral to secure these loan commitments.

As of December 31, 2012, and in the previous year, the fair value of the liabilities to banks essentially corresponded to the carrying amounts.

Financial liabilities measured at amortized cost resulted in a net loss of EUR 4.2 million in the reporting period (previous year: EUR 1.4 million). The net loss was essentially attributable to interest.

Please refer to Note 38.

### 18 Pension obligations

Pension plans were granted by SINGULUS TECHNOLOGIES AG and from the previous HamaTech AG. They are defined benefit plans in both cases. HamaTech AG's benefit obligations were transferred to SINGULUS TECHNOLOGIES AG in connection with the merger in fiscal year 2009.

SINGULUS TECHNOLOGIES AG operates a pension plan for employees who were taken over from Leybold AG, employees hired by Leybold AG on behalf of the Company, and for the management board. The pension plan is based on the benefit plan established in 1969 and the amendments thereto as of 1977, 1986 and 2001.

HamaTech AG's pension plan, which was transferred in the merger, was operated solely for former members of that company's management board.

The pension plan is not covered by plan assets. Pension provisions are determined on the basis of an independent actuarial report. Pension benefits under the plan are based on a percentage of the employees' current pensionable compensation and their years of service.

The pension obligations and underlying assumptions are described below.

The change in SINGULUS TECHNOLOGIES AG's pension obligations as of December 31, 2012 and 2011 is presented in the following tables:

2012	2011
EUR m	EUR m
7.4	6.5
0.2	0.2
0.4	0.3
2.8	0.7
-0.3	-0.3
10.5	7.4
-2.7	0.1
7.8	7.5
	EUR m 7.4 0.2 0.4 2.8 -0.3 10.5

Net pension expenses break down as follows:

	2012	2011
	EUR m	EUR m
Service cost	0.2	0.2
Interest expense	0.4	0.3
Actuarial gains/losses	0.0	0.0
	0.6	0.5

While service cost was mainly recognized under selling costs and general and administrative expenses as well as cost of sales, interest expense was disclosed in the financial result.

The figures for the current and previous four periods are as follows:

	2012	2011	2010	2009	2008
	EUR m				
Present value of the defined					
benefit obligation	10.5	7.4	6.5	6.4	6.2

Experience adjustments to the recognized pension provisions were  $0.4\,\%$  in the reporting period (2011:  $3.0\,\%$ , 2010:  $-5.5\,\%$ ).

The assumptions underlying the calculation of the pension provision are as follows:

	2012	2011
Discount rate (future pensioners)	3.22 %	5.20 %
Discount rate (current pensioners)	2.54 %	4.60 %
Estimated future wage and salary increases	2.00 %	2.00 %
Estimated future pension increases	1.75 %	1.75 %

For fiscal year 2013, the actuary estimated pension costs of EUR 0.4 million (of which, interest expenses of EUR 0.3 million).

Contributions to the statutory pension insurance system amounted to EUR 1.6 million in the year under review. This is a defined contribution plan.

# **19** Other provisions

Other provisions developed as follows in the fiscal year:

	1/1 2012	Utilization	Reversal	Allocation	12/31 2012
	EUR m	EUR m	EUR m	EUR m	EUR m
Warranties	2.1	-2.2	-0.4	2.5	2.0
Other	0.2	0.0	0.0	0.0	0.2
	2.3	-2.2	-0.4	2.5	2.2

Provisions for warranty costs are recognized as a percentage of product cost as well as for individual warranty risks. The percentages are derived from experience for each product type and range between 1.80% and 4.00% [previous year between 0.77% and 3.00%]. The guarantee period, and thus a possible utilization, ranges from 1 month to 24 months.

# **20** Provisions for restructuring measures

	2012	2011
	EUR m	EUR m
Rückstellungen aus Restrukturierungsmaßnahmen	12.6	0.0

As of December 31, 2012, the provisions for restructuring measures essentially included expenses in connection with the concentration of activities within the Optical Disc segment at headquarters in Kahl am Main. This concentration entailed implementing restructuring in a number of foreign branches and operating facilities. Specifically, adjustments to production capacities totaling EUR 3.3 million were necessary for the Optical Disc segment in China and Europe, including the necessary restructuring measures at the MASTERING operating facility in the Netherlands. We expect to utilize the provisions no later than at the end of the first half of 2013. In addition, wet-chemical capacities in the Solar segment were significantly reduced. These adjustments of EUR 8.8 million essentially concern capacities at the operating facility in Fürstenfeldbruck. Of that amount, EUR 7.5 million was recognized in non-current liabilities. Utilization of the provisions is anticipated to extend over the term of the leased administrative and production building in Fürstenfeldbruck until 2024.

# 21 Equity

### Subscribed capital

The share capital totaled EUR 48,930,314.00 as of December 31, 2012 and consisted of 48,930,314 fully paid-in bearer shares with a par value of EUR 1.00 each.

The number of outstanding shares in the reporting period is summarized as follows:

	2012	2011
	No. of shares	No. of shares
Number at the beginning of the fiscal year	48,930,314	41,050,111
Capital increase	0	7,880,203
Number at the end of the fiscal year	48,930,314	48,930,314

SINGULUS TECHNOLOGIES AG was admitted to the regulated market [Neuer Markt] of the Frankfurt Stock Exchange on November 21, 1997. The management board is authorized to make the following changes to the capital stock:

### **Authorized capital:**

### Authorized Capital 2012 / I:

By resolution of the annual shareholders' meeting dated June 19, 2012, the management board is authorized to increase the Company's share capital, with the approval of the supervisory board, until June 18, 2017, once or severally by up to a total of EUR 24,465,157.00 in exchange for cash and/or contributions in kind by issuing up to 24,465,157 new bearer shares with a par value of EUR 1.00 per share. The shareholders are to be granted a subscription right.

The management board has resolved to use the authorization to increase share capital proposed for the resolution by the annual shareholders' meeting only with the following limitation:

The total shares issued under exclusion of subscription rights in exchange for cash and contributions in kind under this authorization may not exceed 20 % of the share capital as of the date this authorization enters into force, or as of the date this authorization is exercised if this value is smaller. Shares that were issued during the term of the Authorized Capital 2012/I in exchange for cash under exclusion of subscription rights in accordance with Sec. 186 [3] sentence 4 AktG ["Aktiengesetz": German Stock Corporation Act], as well as shares issued in

exchange for a contribution in kind, and such shares that are to be issued under exclusion of shareholders' subscription rights from debt instruments issued with conversion rights or warrants and/or conversion obligations, are to be included in this 20% limit.

The management board made this binding declaration to the shareholders at the annual shareholders' meeting on June 19, 2012.

### **Contingent capital:**

### Contingent Capital 2012 / III:

With the approval of the supervisory board, the management board is authorized to issue bearer bonds with warrants and/or convertible bonds (together referred to as "debt instruments") until June 18, 2017, once or severally, in a total principal amount of up to EUR 150,000,000.00, and to grant conversion rights to or impose obligations on holders of bonds with warrants, and to grant conversion rights to or impose obligations on holders of convertible bonds for up to 9,750,000 bearer shares of SINGULUS TECHNOLOGIES AG with a par value of EUR 1.00 per share and a maturity of not more than 20 years with a proportionate interest in the share capital totaling up to EUR 9,750,000.00 under more detailed provisions of the terms and conditions of the debt instruments.

#### Capital reserves

The capital reserves did not change during the 2012 fiscal year. The increase of EUR 18.1 million (before netting transaction costs in the amount of EUR 0.8 million) in the capital reserves during the 2011 fiscal year was essentially related to the issuance of 7,880,203 shares at a price of EUR 3.30 per share.

Since the capital reserves exceed 10% of the share capital, the Company is not required to recognize a legal revenue reserve according to Sec. 150 (2) AktG.

### Other reserves

Other reserves include changes in the fair value of cash flow hedges as well as currency translation differences from translating the financial statements of foreign entities.

#### Non-controlling interests

Non-controlling interests represent third-party shareholdings in group entities. In the fiscal year, the non-controlling interests exclusively related to SINGULUS MANUFACTURING GUANG7HOU.

### 22 Income taxes

The most recent tax field audit of SINGULUS TECHNOLOGIES AG covered the period from 2005 up to and including 2009. The correspondingly amended tax assessments for these years were issued in 2011. The resulting expenses for subsequent payments of taxes plus interest for the above audit period were recognized in 2011 and paid in 2012.

The disclosures on income taxes for 2012 and 2011 are as follows:

	2012	2011
	EUR m	EUR m
Current income taxes		
Germany	0.1	-0.4
Foreign	-0.7	-1.4
Sub-total	-0.6	-1.8
Deferred taxes		
Germany	2.5	1.3
Foreign	0.3	0.5
Sub-total	2.8	1.8
Total tax expenses/income	2.2	0.0

Pursuant to German tax law, the income taxes comprise corporate income tax, trade income tax and the solidarity surcharge.

Deferred tax assets relate to the following:

	Consolidated balance sheet	
	2012	2011
	EUR m	EUR m
Trade receivables	3.4	3.2
Deferred taxes on loss carryforwards	1.6	5.6
Inventories	1.2	0.2
Provision for restructuring measures	1.0	0.0
Pension provisions	0.6	0.5
Other liabilities	0.0	0.2
	7.8	9.7
Netting with deferred tax liabilities	-6.8	-8.9
Deferred tax assets	1.0	0.8

The decline in the deferred tax assets (before netting with deferred tax liabilities) by EUR 1.9 million essentially resulted from a reduced recognition of deferred taxes on loss carryforwards. In the end, deferred tax assets increased to EUR 1.0 million (previous year: EUR 0.8 million).

As of December 31, 2012, SINGULUS TECHNOLOGIES AG and SINGULUS STANGL SOLAR GmbH have preliminary corporate income tax loss carryforwards in the amount of EUR 110.1 million (previous year: EUR 94.5 million), municipal trade tax loss carryforwards of EUR 102.9 million (previous year: EUR 87.6 million) and interest carryforwards in the amount of EUR 10.1 million (previous year: EUR 6.7 million) for the years from 2007 up to and including 2012.

No deferred tax assets were recognized for unused corporate income tax loss carryforwards in the amount of EUR 106.4 million, municipal trade tax loss carryforwards of EUR 99.4 million and interest carryforwards in the amount of FUR 9.7 million.

Deferred tax liabilities break down as follows:

	Consolidated balance sheet	
	2012	2011
	EUR m	EUR m
Capitalized development costs	2.1	4.7
Other intangible assets	2.1	4.1
Receivables and liabilities from construction contracts	1.6	2.2
Property, plant and equipment	0.5	0.4
Financial liabilities from bond issue	0.4	0.0
Other liabilities	0.1	0.0
	6.8	11.4
Netting with deferred tax assets	-6.8	-8.9
	0.0	2.5

The year under review saw a decline in deferred tax liabilities (before netting with deferred tax assets) of EUR 4.6 million to EUR 6.8 million. The primary declines were in deferred taxes from other intangible assets (primarily from initial consolidations) by EUR 2.0 million and from the capitalization of development costs compared to the previous year by EUR 2.6 million. As a result, the deferred tax liabilities in the fiscal year were fully offset against deferred tax assets.

The effective tax rate in Germany (for corporate income tax, trade tax and the solidarity surcharge) is 29.86 % (previous year: 27.73 %). The effective tax rate is reconciled to the actual tax rate as follows:

	2012	2011
Anticipated tax rate*	-29.86 %	-27.73 %
Losses and temporary differences of the current period for which no deferred taxes were recognized	16.28 %	15.90 %
Unrecognized loss carryforwards from previous years (adjustment)	6.64 %	0.00 %
Non-tax-deductible expenses	2.17 %	17.37 %
Adjustment to tax rates	0.20 %	0.00 %
Tax reimbursements	-0.17 %	0.00 %
Differences in foreign tax rates	-0.07 %	-4.66 %
Subsequent payments of taxes for previous years	0.00 %	-3.01 %
Other	1.39 %	2.59 %
Actual tax rate	-3.42 %	0.46 %

<sup>\*</sup>A minus sign denotes tax income

# 23 Earnings per share

Basic earnings per share are calculated by dividing profit for the period attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit attributable to owners of the parent (after deducting interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The table below shows the figures used to calculate basic and diluted earnings per share:

	2012	2011
	EUR m	EUR m
Profit attributable to owners of the parent for calculating basic earnings per share	-60.3	6.2
Weighted average number of ordinary shares for calculating basic earnings per share	48,930,314	45,195,314
Dilution effect	<u> </u>	_
Weighted average number of common shares adjusted for dilution	48,930,314	45,195,314

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of preparation of these consolidated financial statements.

# 24 Contingent liabilities and other financial obligations

Off-balance sheet contingent liabilities and other financial obligations amount to EUR 18.7 million (previous year: EUR 8.9 million) and mainly represent bank quarantees for prepayments and performance bonds.

The management board is not aware of any other matters that would have a material adverse effect on the Company's business, financial situation or results of operations.

# 25 Sales deductions and direct selling costs

Sales deductions comprise all cash discounts and rebates granted. The direct selling costs essentially include commissions.

### 26 Cost of materials

The cost of sales for fiscal year 2012 includes material costs of EUR 72.7 million (previous year: EUR 94.7 million).

# **27** Personnel expenses

The income statement for fiscal year 2012 includes personnel expenses in the amount of EUR 35.3 million (previous year: EUR 35.2 million). Adjusted for personnel expenses incurred due to restructuring, the expense in 2012 totaled EUR 32.2 million. Expenses for social security contributions in the year under review totaled EUR 4.6 million (previous year: EUR 5.0 million), post-employment expenses were EUR 0.6 million (previous year: EUR 0.7 million).

# 28 Depreciation and amortization

Depreciation and amortization amounted to EUR 11.3 million (previous year: EUR 11.8 million).

# 29 General and administrative expenses

Administrative expenses include management expenses, HR expenses and finance and accounting expenses as well as the premises and vehicle expenses attributable to such areas. Ongoing IT costs, legal and consulting fees, investor relations costs as well as costs of the annual shareholders' meeting and the financial statements are also recognized in this item.

# 30 Research and development costs

Research and development costs relate not only to research and non-capitalizable development costs but also to the amortization of capitalized development costs of EUR 5.6 million (previous year: EUR 5.7 million).

Additionally, impairments of EUR 6.2 million were recognized in this account.

Totaling EUR 8.9 million in 2012, the expenditures for research and development were at the previous year's level (previous year: EUR 8.8 million).

### 31 Impairment and restructuring expenses

A total of EUR 27.1 million in restructuring expenses and impairments were recognized in the year under review. Of that amount, EUR 10.8 million relate to the remeasurement of mastering activities. Specifically in this context, this primarily involved amortization of capitalized development costs in the amount of EUR 3.0 million and write-downs of inventories of EUR 3.4 million. In addition, one-off expenses of EUR 8.8 million were recognized in connection with the equity investment in SINGULUS STANGL. These resulted primarily from necessary capacity adjustments (EUR 8.4 million) within our wet-chemical activities. In addition, as part of the initial consolidation of STANGL Semiconductor Equipment AG (now SINGULUS STANGL SOLAR GmbH), Fürstenfeldbruck, impairment losses of EUR 3.6 million on capitalized customer lists and EUR 1.6 million on the acquired brand were taken in fiscal year 2012. Restructuring costs of EUR 2.3 million were incurred in connection with the restructuring of other subsidiaries in Europe and China.

### 32 Other operating income/expenses

In the fiscal year, other operating income mainly contained income from the reversal of provisions and liabilities of EUR 1.0 million (previous year: EUR 2.8 million), exchange gains of EUR 0.6 million (previous year: EUR 0.4 million) and income from the reversal of specific valuation allowances on receivables of EUR 0.3 million (previous year: EUR 2.1 million).

The other operating expenses in the fiscal year largely comprised additions to individual value adjustments on receivables of EUR 4.7 million (previous year: EUR 1.7 million), exchange losses of EUR 1.0 million (previous year: EUR 1.4 million) and expenses from returned equipment of EUR 1.2 million (previous year: EUR 0.5 million). They also include expenses from the provision for the amount of the additional payment pursuant to the court decision on the merger of HamaTech AG into SINGULUS TECHNOLOGIES AG (EUR 1.5 million).

### 33 Finance income and finance costs

Interest income/expenses break down as follows:

	2012	2011
	EUR m	EUR m
Interest income from non-current receivables from customers	1.1	2.1
Interest income from time/overnight deposits	0.6	0.1
Other interest income	0.1	0.0
Finance costs	-5.1	-3.3
	-3.3	-1.1

The finance costs include deferred interest and service charges from the bond issue in the amount of EUR 3.8 million as well as from the utilization of loans in the amount of EUR 0.4 million (previous year: EUR 1.4 million). This item also includes actuarial losses in connection with the pension provision in the amount of EUR 0.4 million (previous year: EUR 0.3 million), interest from the award proceeding in connection with the compensation of minority shareholders of HamaTech AG of EUR 0.3 million (previous year: EUR 0.0 million) as well as fees and service charges in connection with financing agreements of EUR 0.1 million (previous year EUR 0.4 million). In addition, the previous reporting period included expenses from trade receivables sold under factoring agreements in the amount of EUR 1.0 million.

### 34 Rents and leases

Under a real estate lease concluded on September 24, 1999 and supplemented on December 27, 2004, the Company leased the office building and production hall in Kahl am Main. The lease began on July 1, 2000 and ends on June 30, 2018. The annual lease payment is EUR 1.5 million.

As of September 26, 2008, SINGULUS STANGL entered into a real estate lease with Steatit Grundstücksverwaltungsgesellschaft mbH covering a production and administrative building in Fürstenfeldbruck. The total investment costs of the property are EUR 17.5 million; the lease period is 15 years plus a lease extension option of 5 years. The annual payments to the lessor in this connection are EUR 1.4 million plus a 0.2% administration fee. Annual lease payments, advance lease payments and administration fees are due at the end of each quarter.

Pursuant to IAS 17, the leases are operating leases as substantially all the opportunities and risks connected to ownership of the property remain with the lessor.

As of December 31, 2012, the future minimum payments arising from rental agreements and operating leases in the Group were:

	EUR M
2013	2.9
2014	2.7
2015	2.6
2016	2.6
2017 and thereafter	18.1
	28.9

### 35 Events after the balance sheet date

There were no events requiring disclosure events after the end of the fiscal year.

# 34 Related party disclosures

SINGULUS TECHNOLOGIES AG renders various services for related parties in its ordinary course of business. Conversely, the various group companies also render services within the SINGULUS Group as part of their normal course of business. This extensive intragroup trade is transacted at market prices.

In accordance with the articles of incorporation, the supervisory board of SINGULUS TECHNOLOGIES AG has three members. The members of the supervisory board in fiscal year 2012 were:

DrIng. Wolfhard Leichnitz, Essen	Chairman
Günter Bachmann, Bad Homburg	Deputy Chairman (until November 30, 2012)
Christine Kreidl, Oberursel Deputy Chairman (since December 4	
Dr. rer. nat. Rolf Blessing, Trendelburg	Member

The above members of the supervisory board are elected for the period until the end of the annual shareholders' meeting that resolves the ratification of their actions for the fourth fiscal year following the beginning of their term of office. Mr. Günter Bachmann resigned his office as deputy chairman of the supervisory board and left the board as of November 30, 2012. His successor is Ms. Christine Kreidl, who was proposed by the supervisory board to the local court [Amtsgericht] as a replacement and was appointed effective December 4, 2012 until the next annual shareholders' meeting on June 6, 2013. Ms. Kreidl will run for an additional term of office at the coming annual shareholders' meeting.

In addition to compensation for expenses, each member of the supervisory board receives fixed remuneration of EUR 30 thousand for each full fiscal year of board membership. In addition, based on the resolution on the appropriation of profits, each supervisory board member receives performance-based remuneration for membership on the supervisory board during the preceding fiscal year. This amounted to EUR 800 for each euro cent of consolidated earnings per share under IFRS. The maximum measurement basis equals the Company's net retained profits reduced by an amount of four percent of the capital contributions paid on the lowest issue amount of shares. The fixed remuneration is netted with the performance-related remuneration.

The chairman of the supervisory board receives twice and the deputy chairman one and a half times this fixed and performance-based remuneration. Supervisory board members who were only on the supervisory board for part of the fiscal year receive proportionately lower remuneration than the other supervisory board members.

For their work in the fiscal year, the supervisory board members received their fixed remuneration in accordance with the articles of incorporation of EUR 135 thousand. The measurement basis for payment of additional variable compensation was not reached in the reporting period. In addition, the supervisory board members were reimbursed expenses of EUR 7 thousand.

Dr.-Ing. Leichnitz held a total of 39,344 shares in the Company as of December 31, 2012 (previous year: 24,344 shares). Mr. Günter Bachmann held a total of 20,000 Company shares at the time of his departure on November 30, 2012 (previous year: 20,000 shares).

The current occupations of supervisory board members are listed below along with any additional supervisory board positions held or memberships of similar bodies.

	Occupation	Membership of other supervisory boards and similar oversight bodies
DrIng. Wolfhard Leichnitz	Construction engineer	-
<b>Günter Bachmann</b> (until November 30, 2012)	DiplBetriebswirt, Managing Director of Coperion Capital GmbH and Coperion GmbH	
Christine Kreidl (since Dezember 4, 2012)	Diplom-Kauffrau, German Public Auditor [Wirtschaftsprüferin] and Tax Consultant	-
Dr. rer. nat. Rolf Blessing	DiplPhysiker, Managing Director of B.plus Beschichtungen Projekte Gutachten	BLUETEC GmbH Co. KG, Member of the advisory board (chairman)

Members of the management board in fiscal year 2012 were:

DrIng. Stefan Rinck	Chairman of the management board		
Markus Ehret	Head of finance		

During the reporting period, the management board received regular total remuneration EUR 1,171 thousand for its work.

This is broken down as follows:

		Short-term		C	
2012	Fixed remu-	Other remu- neration <sup>1</sup>	Variable remu- neration	Compo- nents with long-term incentive <sup>2</sup>	Total
	EUR k	EUR k	EUR k	EUR k	EUR k
DrIng. Stefan Rinck	413	35	214	62	724
DiplOec. Markus Ehret	240	13	144	50	447
	653	48	358	112	1,171

The remuneration of the management board for the previous year is broken down

		Short-term		0	
2011	Fixed remu- neration	Other remu- neration <sup>1</sup>	Variable remu- neration	Compo- nents with long-term incentive <sup>2</sup>	Total
	EUR k	EUR k	EUR k	EUR k	EUR k
DrIng. Stefan Rinck	400	33	267	101	801
DiplOec. Markus Ehret	210	14	140	101	465
	610	47	407	202	1,266

1) Other compensation includes ancillary benefits such as insurance and company vehicles.

2) Phantom shares are accounted for at the respective fair value upon the initial grant.

Members of the management board receive a defined-contribution company pension benefit financed by the Company. The Company grants management board members an annual pension contribution amounting to a certain percentage of their respective gross annual fixed remuneration. For Dr.-Ing. Stefan Rinck, this amounted to 59.97% beginning on January 1, 2012 (previously 46.57%), and for Mr. Markus Ehret, this percentage was 23.07%. The total annual pension contributions paid out in 2012 amounted to EUR 321 thousand (previous year: EUR 235 thousand), of which EUR 264 thousand (previous year: EUR 186 thousand) to Dr.-Ing. Stefan Rinck and EUR 58 thousand (EUR 49 thousand) to Mr. Markus Ehret.

After his departure, Dr.-Ing. Anton Pawlakowitsch continued to receive the fixed component of his remuneration as set out in his employment contract. The continued payment of fixed remuneration after departure was treated as a severance payment. In fiscal year 2012, Mr. Pawlakowitsch was entitled to fixed remuneration of EUR 266 thousand and to other remuneration of EUR 23 thousand.

Former members of the management board of SINGULUS AG received total remuneration of EUR 0.5 million in the fiscal year. As of December 31, 2012, the provisions for pension claims for former board members stood at EUR 5.9 million.

The stock options of Dr.-Ing. Anton Pawlakowitsch, a former member of the management board, expired in the year under review. In the previous year, Dr.-Ing. Pawlakowitsch received 80,000 options from this employee stock option plan. In accordance with IFRS 2, this resulted in personnel expenses for the previous year of EUR 4 thousand.

In addition, the members of the management board held the following number of shares in SINGULUS TECHNOLOGIES AG from their own purchases as of the fiscal year-end:

	2012	2011
	No.	No.
DrIng. Stefan Rinck	9,619	9,619
Markus Ehret	7,000	2,493
	16,619	12,112

# **37** Disclosures on shareholdings

Currency	Equity interest in %	Equity in thou- sands*	Net income/ loss in thousands*
EUR	100	-10,906	-18,284
EUR	66	20	
USD	100	7,623	1,081
GBP	100	342	-8
SGD	100	7,506	-145
EUR	91.5	-233	-798
EUR	100	728	-366
EUR	100	-1,079	-505
EUR	100	310	-642
EUR	100	2,316	-756
TWD	100	-28,542	-7,278
CNY	51	17,197	-22,076
CNY	100	0	0
USD	100	-1,181	-42
	EUR  EUR  USD  GBP  SGD  EUR  EUR  EUR  CNY  CNY	Currency         interest in %           EUR         100           EUR         66           USD         100           GBP         100           SGD         100           EUR         91.5           EUR         100           EUR         100           EUR         100           TWD         100           CNY         51           CNY         100	Equity interest in %         in thou-sands*           EUR         100         -10,906           EUR         66         20           USD         100         7,623           GBP         100         342           SGD         100         7,506           EUR         91.5         -233           EUR         100         728           EUR         100         -1,079           EUR         100         310           EUR         100         2,316           TWD         100         -28,542           CNY         51         17,197           CNY         100         0

<sup>\*</sup> Equity and net income/loss were taken from the IFRS annual financial statements

SINGULUS TECHNOLOGIES Inc., Windsor, CT, USA, wholly owns SINGULUS TECHNOLOGIES SERVICE GROUP Inc., Windsor, CT, USA.

The remaining 8.5% of the interest in SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil, is held by SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat del Vallés, Spain.

STEAG HamaTech Asia Ltd. discontinued its operating business in April 2003.

SINGULUS MASTERING INTERNATIONAL, Schaffhausen, Switzerland was in liquidation as of December 31, 2012.

HamaTech Slovakia s.r.o., Nove Mesto, Slovakia was liquidated during the fiscal year.

# 38 Financial risk management

The financial liabilities contained in the consolidated financial statements essentially concern the bond placed in the year under review. There are also bank loans for financing the acquisition of the remaining 49% of the shares in SINGULUS STANGL from fiscal year 2010. The Group has various financial assets such as trade receivables and cash and short-term deposits which arise directly from its operations.

The Group also has derivative financial instruments, primarily forward exchange contracts. Their purpose is to hedge against currency risks arising from the Group's business activities. In addition, an interest rate swap was entered into to hedge an amortizing loan.

In accordance with group policy, no derivatives trading took place in fiscal years 2012 or 2011, nor will it take place in the future.

Mainly interest, liquidity and currency risks can arise from the financial instruments.

The individual risks are described in greater detail below. Additional remarks may be found in the risk report within the management report.

### Foreign currency risk

Foreign currency risks from operations abroad are assessed as part of a risk analysis. Some sales of the SINGULUS TECHNOLOGIES Group are subject to the US dollar (USD) currency risk. For this reason, derivative financial instruments are used to hedge against USD exchange rate risks. Risks from foreign currencies are continually assessed as part the risk management system.

The following table shows the sensitivity of consolidated earnings before taxes (due to the change in the fair values of monetary assets and liabilities) and of consolidated equity (due to the changes in fair values of forward exchange contracts recognized in other comprehensive income) to a change in the USD/EUR exchange rate generally possible based on reasonable judgment. All other factors remain unchanged.

	Change in USD exchange rate	Effect on EBT	Effect on equity
		EUR m	EUR m
2012	+10%	0.2	0.0
	-10%	-0.3	0.0
2011	+10 %	2.0	0.0
	- 10 %	-2.5	0.0

The effect of potential changes in the USD exchange rate on SINGULUS TECHNOLOGIES' earnings results from bank balances, unhedged trade receivables and payables as well as unhedged intragroup receivables and payables denominated in USD.

The effects on equity reflect the potential change in fair value of forward exchange contracts recognized in other comprehensive income (cash flow hedges). There was a positive effect of EUR 0.1 million from cash flow hedges recognized in other comprehensive income in the 2012 fiscal year.

### Liquidity risk

SINGULUS TECHNOLOGIES AG received EUR 58.4 million (after deducting transaction costs) in connection with the placement of a corporate bond effective as of March 23, 2012. The bond matures in five years and bears interest of 7.75% p.a.

The Group still has bank guarantee lines in the amount of EUR 21.6 million. EUR 18.8 million of these had been drawn down as of the end of the fiscal year. Cash and cash equivalents were deposited as collateral to secure these loan commitments.

The Group currently has adequate cash and cash equivalents to cover all its payment obligations.

The table below summarizes the maturity profile of the Group's financial liabilities as of December 31, 2012. The disclosures are made on the basis of the contractual, non-discounted payments.

Fiscal year ended December 31, 2012	Payable on demand EUR m	Up to 3 months EUR m	3 to 12 months EUR m	1 to 5 years EUR m	More than 5 years EUR m	Total EUR m
Bond repayment	0.0	0.0	0.0	60.0	0.0	60.0
Bond interest	0.0	4.7	0.0	18.6	0.0	23.3
Interest-bearing loans	0.0	0.7	2.0	1.7	0.0	4.4
Other liabilities	5.1	6.4	1.2	0.0	0.0	12.7
Trade payables	2.4	5.0	0.3	0.1	0.0	7.8
	7.5	16.8	3.5	80.4	0.0	108.2

The negative fair value of the interest rate swap concluded to hedge the floating-rate loan resulted in cash flows of EUR 0.1 million (previous year: EUR 0.1 million) until the end of the term (December 2012).

Fiscal year ended	Payable on demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
December 31, 2011	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Interest-bearing						
loans	0.0	0.7	2.1	4.7	0.0	7.5
Other liabilities	3.0	6.3	4.1	0.0	0.0	13.4
Trade payables	3.5	3.7	1.2	0.0	0.0	8.4
	6.5	10.7	7.4	4.7	0.0	29.3

#### Interest rate risk

The Group's exposure to the risk of fluctuations in market interest rates results primarily from the corporate bond placed during the year under review. A shift in the yield curve by +/- 50 basis points would not have any significant effect on the Group's earnings before taxes.

### **Credit risk**

The credit risk is the risk of financial losses if a customer or contractual party to a financial instrument fails to meet its contractual obligations. The credit risk generally arises from trade receivables and the Group's receivables from construction contracts. We use export credit insurance as the primary instrument to hedge against specific country risks. Customers' creditworthiness and payment history are continually monitored and corresponding credit limits are set. In addition, risks in individual cases are limited where possible through credit insurance and bank guarantees. From our current perspective, we assume sufficient coverage of the receivables default risk.

### Significance of the credit risk

The carrying amounts of the financial assets correspond to the maximum credit risk. The Group's maximum credit risk as of the reporting date is presented below:

	2012	2011
	EUR m	EUR m
Cash and cash equivalents	55.9	17.8
Financial assets subject to restrictions on disposal	17.6	7.2
Trade receivables	26.5	34.6
Receivables from construction contracts	3.4	9.4
Hedging derivatives	0.1	0.0
	103.5	69.0

### **Capital management**

The Group monitors its capital using the "net liquidity" indicator. This ratio is determined on the basis of cash and cash equivalents, short-term deposits as well as financial assets less the bond and interest-bearing loans and is broken down as follows at the end of the fiscal year:

	2012	2011
	EUR m	EUR m
Bond liabilities	-61.9	0.0
Interest-bearing loans	-4.2	-6.7
Cash and cash equivalents, deposits and financial assets subject to disposal restrictions	73.5	25.0
Net liquidity	7.4	18.3

In order to identify liquidity risks at an early stage, cash flow forecasts are prepared every two weeks on the basis of a three-month forecast.

# 39 Financial instruments

#### Fair values

The following table shows the carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements by category.

	Measure-	Carrying amount		Fair value	
	measure- ment	2012	2011	2012	2011
	category	EUR m	EUR m	EUR m	EUR m
Financial assets					
Cash and cash equivalents	L&R	55.9	17.8	55.9	17.8
Loans	L&R	3.7	0.0	3.7	0.0
Other assets	L&R	17.6	7.2	17.6	7.2
Derivative financial instruments Hedging derivatives	FAHfT	0.1	0.0	0.1	0.0
Trade receivables	L&R	26.5	34.6	26.5	34.6
Receivables from construction contracts	L&R	3.4	9.4	3.4	9.4
Financial liabilities					
Bond	FLAC	61.9	0.0	47.8	0.0
Variable-rate loans	FLAC	4.2	6.7	4.2	6.7
Derivative financial instruments Hedging derivatives	HD	0.0	0.2	0.0	0.2
Other derivatives	FLHfT	0.0	0.1	0.0	0.1
Trade payables	FLAC	7.8	8.4	7.8	8.4
Off-balance sheet financial instruments	-	1.5	0.0	0.0	0.0
Total	L&R	107.1	69.0	107.1	69.0
Total	FAHfT	0.1	0.0	0.1	0.0
Total	FLAC	73.9	15.1	60.0	15.1
Total	FAHfT	0.0	0.1	0.0	0.1
Total	HD	0.0	0.2	0.0	0.2

#### Abbreviations:

L&R: Loans and receivables

FAHfT: Financial Assets Held for Trading

FLAC: Financial Liabilities measured at Amortized Cost

FLHfT: Financial Liabilities Held for Trading

HD Hedging Derivatives

Cash and cash equivalents and trade payables are generally due in the short term. The balance sheet figures approximate the fair values. The same applies for trade receivables and other assets.

The fair values of non-current trade receivables correspond to the present values of the payments relating to the assets taking into account the corresponding interest parameters.

Forward exchange contracts are measured using the ECB reference rates for spot currency and the valid forward exchange rates of the respective commercial bank for forward currency.

The fair value of the exchange-listed bond equals the market price as of the balance sheet date plus the carrying amount of accrued interest liabilities as of the balance sheet date.

The fair values of the liabilities to banks correspond to the amounts repayable on the bank loans as of the balance sheet date.

The maximum credit risk is reflected in the carrying amounts of the financial assets and liabilities.

### **Hedges**

There were no receivables in USD as of the reporting date. In the previous year, receivables in the amount of USD 1.0 million were hedged by corresponding forward exchange contracts. SINGULUS AG has entered into forward exchange contracts for future USD transactions with a total value of USD 6.1 million (previous year: USD 1.3 million).

The following table shows the periods in which the cash flows are anticipated to occur and the fair values of the hedging instruments.

ZU1Z expected	casn flows
2	24- 12

	Fair values	Total	2 months or less EUR m	2 to 12 months	1 to 2 years EUR m
Forward exchange contracts Assets	0.1	2.4	0.0	2.4	0.0
Liabilities	0.0	2.3	1.2	1.1	0.0

2011	expe	cted	cash	flows
------	------	------	------	-------

	Fair values	Total	2 months or less	2 to 12 months	1 to 2 years
			EUR m	EUR m	EUR m
Forward exchange contracts					
Assets	0.0	0.7	0.7	0.0	0.0
Liabilities	0.3	1.4	0.4	1.0	0.0

The key terms of the forward exchange contracts were negotiated to match the terms of the underlying obligations.

Financial instruments measured at fair value led to net gains of EUR 0.1 million in the fiscal year (previous year: EUR 0.1 million).

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

**Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

### Assets measured at fair value:

	As of December 31, 2012	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	EUR m	EUR m	EUR m	EUR m
Foreign exchange contracts – hedged	0.1		0.1	
	As of December 31, 2011	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	EUR m	EUR m	EUR m	EUR m
Foreign exchange contracts – hedged	0.0		0.0	

### Liabilities measured at fair value:

Financial liabilities at fair value through profit or loss	EUR m	EUR m	EUR m	EUR m
Forward exchange contracts	0.0		0.0	
	As of December 31, 2011	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss	FUR m	FUR m	FUR m	FUR m
Forward exchange contracts/	LONIII	LOIVIII	LOIVIII	LOIVIII
interest rate swap	0.3		0.3	

As of December 31, 2012 Level 1 Level 2 Level 3

### 40 Headcount

In the fiscal year, the Company had an annual average of 435 permanent employees. In the previous year, the annual average headcount was 460. The Group had 400 employees as of December 31, 2012 (previous year: 455).

The annual average distribution of employees by functional area in the fiscal year is presented below:

	2012	2011
Assembly, production and logistics	175	195
Development	68	63
Sales	132	138
Administration (excluding management board members)	60	64
	435	460

# 41 Auditor's fees (disclosures pursuant to Sec. 314 (1) no. 9 HGB)

In the year under review, SINGULUS TECHNOLOGIES AG and its subsidiaries were charged the following fees by the auditor of the consolidated financial statements:

	2012
	EUR k
a) for the audit of the financial statements	228
c) for tax consulting services	30
	258

# **42** Corporate governance

The management board and the supervisory board made the declaration required under Sec. 161 AktG in January 2013 and have made it available to shareholders on a permanent basis on the Company's website.

### 43 Publication

The consolidated financial statements of SINGULUS TECHNOLOGIES AG are anticipated to be released for publication by the management board on March 14, 2013.

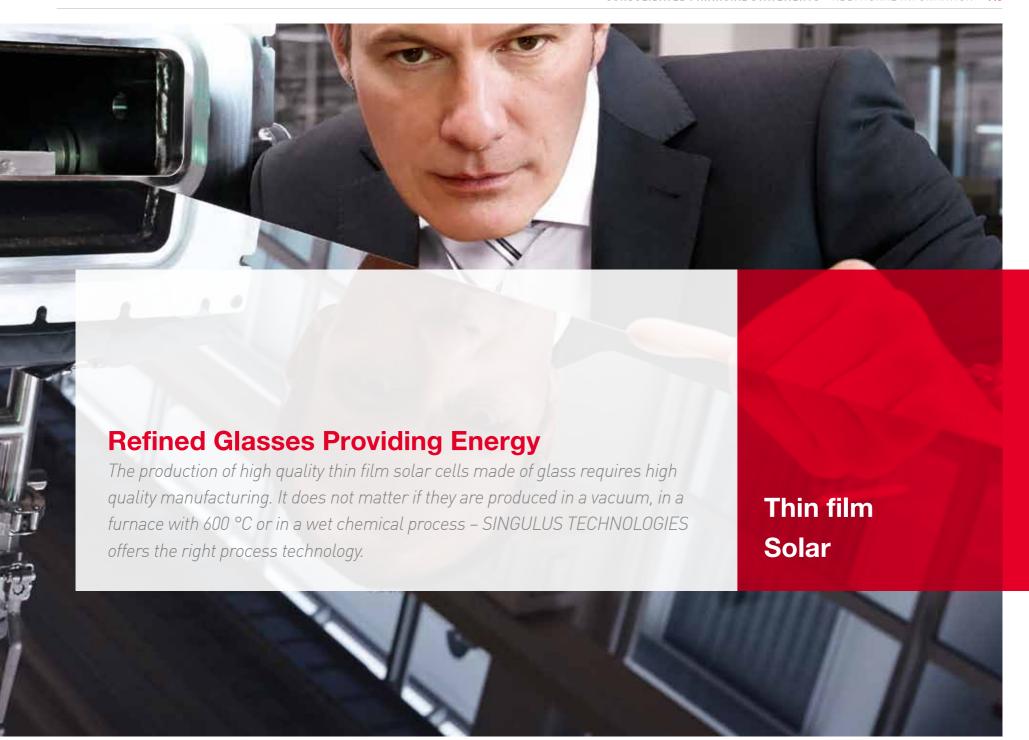
Kahl am Main, March 14, 2013

SINGULUS TECHNOLOGIES AG The Management Board

Dr.-Ing. Stefan Rinck

Dipl.-Oec. Markus Ehret





## **Auditor's Report**

We have audited the consolidated financial statements prepared by the Singulus Technologies AG, Kahl/Main, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes, together with the group management report for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the IDW [Institut der Wirtschaftsprüfer "Institute of Public Auditors in Germany"]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accountingrelated internal control system and the evidence supporting the disclosures in

the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 15, 2013

KPMG AG Wirtschaftsprüfungsgesellschaft

Pürsün Kast

German Public Auditor German Public Auditor

# **SINGULUS TECHNOLOGIES AG**

Balance Sheet as of December 31, 2012 and 2011

ASSETS		Dec. 31, 2	Dec. 31, 2012		Dec. 31, 2011	
7.002.0		[EUR k]	[EUR k]		[EUR k]	
	A. Fixed assets					
	I. Intangible fixed assets					
			1,570		4,485	
	II. Tangible fixed assets					
		12,962				
		385				
	3. Other equipment, operating and office equipment	850	14,197	1,024	15,579	
	III. Long-term financial assets					
		29,187		39,633		
		8,675				
		224				
	4. Other loans	3,738	41,824		39,633	
			57,591		59,697	
	B. Current assets					
	I. Inventories					
		16,644		12,152		
	2. Work in process	43,085				
		3,771				
		-42,042	21,458	-26,225	32,618	
	II. Receivables and other assets					
	1. Trade receivables					
	thereof with a residual term longer than one year EUR k 3,443 (PY: EUR k 8,037)	21,387		24,728		
	2. Receivables from affiliates			9,022		
					34,527	
	3. Other assets  III. Cash and bank balances				17,577	
	III. Casii aliu balik batalites		112,600		84,722	
			112,000		04,722	
	C. Prepaid expenses		113		88	
	C. Frepaid experises		113		00	

170,304

144,507

### **EQUITY AND** LIABILITIES

	Dec. 31, 2012	Dec. 31, 2011	
	[EUR k] [EUR k]	[EUR k] [EUR k]	
A. Equity			
I. Subscribed capital	48,930	48,930	
II. Capital reserves	75,185		
III. Accumulated losses	-65,958	-61,760	
	58,157		
B. Provisions			
1. Provisions for pensions and similar obligations	7,688		
	156	379	
3. Other provisions	13,321	8,671	
	21,165	16,516	
C. Liabilities			
	60,000		
2. Liabilities to banks thereof with a residual term of less than one year: EUR k 1,660 PY: EUR k 2,526	4,160		
3. Trade payables thereof with a residual term of less than one year: EUR k 6,649 PY: EUR k 7,128	6,754		
	4,485		
5. Other liabilities thereof with a residual term of less than one year: EUR k 5,387 PY: EUR k 3,835 thereof with a residual term of more than five years: EUR k 0 PY: EUR k 6,067 thereof in relation to taxes EUR k 258 PY: EUR k 256 thereof in connection with social security EUR k 0			
PY: EUR k 1	15,583		
	90,982	65,576	
D. Deferred income	0	60	
	170,304	144,507	

# **SINGULUS TECHNOLOGIES AG**

Income statement for the period from January 1 to December 31, 2012

	2012			
	[EUR k]	[EUR k]	[EUR k]	[EUR k]
		93,191		118,748
2. Decrease (PY: increase) in work in progress		-2,065		8,024
Other operating income     thereof income from currency translation: EUR k 588 (prior year: EUR k 299)		3,250		
a) Cost of raw materials, consumables and supplies and of purchased merchandise	-52,313		-65.579	
	-12,114	-64,427	-11,472	
5. Personnel expenses				
a) Wages and salaries	-19,225			
b) Social security, pension and other benefit costs thereof for old-age pensions: EUR k 438 (prior year: EUR k 564)	-3,178	-22,403		
		-5,002		-3,887
7. Other operating expenses thereof expenses from currency translation: EUR k 145 (prior year: EUR k 586)		-24,529		
8. Income from investments thereof from affiliates: EUR k 22,268 (prior year: EURk 0)		22,268		
9. Other interest and related income thereof from affiliates: EUR k 385 (prior year: EUR k 140)		2,065		2,307
		-11,085		
11. Interest and similar expenses thereof to affiliates: EUR k 26 (prior year: EUR k 182) thereof expenses from discounting: EUR k 384 (prior year: EUR k 363)		-5,531		-4,082
		-14,268		
		10,052		1,328
		73		
15. Other taxes		<u>-55</u>		
		-4,198		
		-61,760		-71,602
19. Appropriation of "Other revenue reserves"		0		16,540
20. Accumulated loss		-65,958		-61,760

### **Declaration of the Executive Board**

pursuant to Art. 297 Para. 2 S. 4, Art. 315 Para. 1 S. 6 HGB

We assert to our best knowledge and belief that pursuant to the applied principles of correct consolidated reporting the consolidated financial accounts pursuant to IFRS reflect the true situation of the asset, financial and earnings situation of the SINGULUS TECHNOLOGIES Group, that the combined status report of the SINGULUS TECHNOLOGIES AG as well as of the SINGULUS TECHNOLOGIES Group depicts the course of business including the business events and the situation of the SINGULUS TECHNOLOGIES Group in a way reflecting the true situation and that the material opportunities and risks of the foreseeable development of the Group have been described.

Kahl am Main, March 14, 2013

SINGULUS TECHNOLOGIES AG The Executive Board

# **Corporate Calendar**

#### March

03/27 Annual Press Conference

**03/27** Analysts' Conference

#### May

**05/08** Q1/2012 Report

June

06/06 Annual Shareholders' Meeting

### **August**

**08/13** Q2/2012 Report

#### **November**

**11/12** Q3/2012 Report

# **Annual Shareholders' Meeting** 2013

SINGULUS TECHNOLOGIES AG, Kahl am Main Thursday, June 6, 2013, 10:30 am Commerzbank Auditorium Große Gallusstrasse 19 60311 Frankfurt am Mainn

Please refer to SINGULUS TECHNOLOGIES 'page under: http://www.singulus.de/de/investor-relations/hauptversammlung.html for detailed information about the Annual General Meeting 2013.

Key Figures 2009-2012
The financial statements of the years 2009 to 2012 were drawn up according to the International Financial Reporting Standards (IFRS )

		2009	2010	2011	2012
Revenue (gross)	million €	116.6	120.1	160.0	108.6
Revenue (net)	million €	115.0	118.2	157.5	107.5
Revenue Germany	%	18.4	25.1	17.1	12.8
Revenue Rest of Europe	%	24.3	22.9	11.7	16.0
Revenue Americas	%	23.3	26.6	34.3	43.7
Revenue Asia	<u></u> %	32.7	20.0	34.8	22.5
Revenue Africa & Australia	%	1.3	5.4	2.1	5.0
Orderintake	million €	81.1	128.2	151.6	121.9
Order backlog (Dec. 31)	million€	34.7	35.5	26.8	40.1
EBIT	million €	-73.2	-80.2	6.7	-60.5
EBIT margin	<u></u> %	-63.7	-67.8	4.3	-56.3
EBITDA	<u></u> %	-42.7	-16.6	18.5	-33.8
Earnings before taxes	million €	-79.4	-84.9	5.6	-63.8
Profit or loss for the period	million €	-78.8	-77.9	5.6	-61.6
Operating cash flow	million €	0.2	-0.9	7.5	-0.4
Operating cash flow in % of net sales		0.0	-0.1	4.8	-0.4
Property. plant & equipment	million €	12.3	10.6	9.9	7.5
Goodwill	million €	42.5	21.7	21.7	21.7
Current assets	million €	114.3	107.3	105.4	153.1
Shareholders' equity	million €	165.8	106.2	137.9	77.2
Equity ratio	<u></u> %	62.9	58.4	75.6	37.4
Balance sheet total	million €	263.6	181.9	182.4	206.5
Research & development expenditures	million €	15.1	11.0	8.8	8.9
(in % of net sales)		13.1	9.3	5.6	8.3
Employees (Dec. 31)		572	459	455	400
Weighted average shares outstanding		37,294,111	40,383,023	45,195,314	48,930,314
Stock price at year-end		3.07	4.48	2.04	1.39
Earnings per share		-2.11	-1.92	0.14	-1.23

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