

Q02

Report Second Quarter 2005

Consolidated Statements IFRS for Fiscal 2005 as of 06/30/05 (unaudited)

Optical Disc

Mastering

TMR Technology

Optical Coatings



SINGULUS



- Markedly improved order intake in the 2nd quarter 2005
- Lower revenues and earnings as expected
- First orders received for HD DVD and Blu-ray systems
- Delivery of second OPTICUS system in August
- Asian market shows first signs of recovery

Dear Ladies and Gentlemen,

During the 2nd quarter of 2005, SINGULUS TECHNOLOGIES (SINGULUS) recorded a markedly higher order intake than in the two preceding quarters. At 78.7 million € this important indicator clearly exceeded 1st quarter figures but, as expected, remained below the 146.4 million € figure for the prior-year period. The decline in revenues and earnings compared with the same period one year ago is an outcome of the weak order intake for the two preceding quarters.

The Media-Tech Expo trade show held in Las Vegas in May 2005 was once again the industry's largest optical disc event. An agreement in the dispute about the third generation optical disc format for high definition TV, most eagerly anticipated during the trade show by the film industry, was not achieved. The SONY and TOSHIBA consortia were unable to reach an agreement on a joint format. SINGULUS presented its results for both new formats in Las Vegas. The market-ready SPACELINE II HD replication line enables the manufacturing of both DVD and HD DVD disc (TOSHIBA format). Approximately 50 % of all SPACELINE II systems are now sold with this configuration and will substantially contribute to earnings.

SINGULUS is also excellently positioned for Blu-ray technology (SONY format). In cooperation with SONY, the new BLU-LINE replication line was presented to major international customers and their Hollywood studio end-users in April this year. The order intake for the first machine was recorded in the meantime. Several BLU-LINE machines will be delivered to a number of major customers in September.

Disc producers in the Asian market continue to suffer from strained earnings resulting from the drastic price increase in polycarbonate, the raw material used to manufacture discs. This accelerates the trend toward manufacturing higher quality products in the recordable market - discs with increased recording speeds (16x) as well as greater storage capacity (dual layer DVD R). As the leading technology provider, SINGULUS benefits from this situation and is again receiving



SINGULUS TECHNOLOGIES AG booth
at Media-Tech Expo in Las Vegas, USA,
May 10 - 12, 2005.



a growing number of orders in this segment of the business. In Asia the order intake for the 2nd quarter 2005 rose for the first time following three quarters of decline.

Despite the continued tense situation in the American as well as the Asian markets, SINGULUS has prevailed over the weak preceding quarters. The technological leadership has enabled SINGULUS return to the positive order developments of the past.

In May our ophthalmic lens coating technology was introduced at the Mido, the largest European ophthalmics show. Delivery of the first OPTICUS machine at the beginning of the year will be followed by shipment of a second machine scheduled for August. The increasing acceptance of our machine in the market leads the company to expect additional sales and provides another pillar outside the realm of optical discs.

Revenues

Gross revenues in the 2nd quarter 2005 amounted to 48.7 million € and could not keep up with revenues achieved in the previous year (91.0 million €). Consequently, also the 99.1 million € revenues in the 1st half of 2005 were lower than the previous years' 160.4 million €. Above all, fewer recordable CD and DVD disc replication machines were sold. In this segment SINGULUS felt the market slowdown in Asia very considerably. In prerecorded CD and DVD machines high sales in past years were among the factors contributing to the decline. In the 2nd quarter revenues were primarily achieved from prerecorded DVD lines and mastering systems. At 14.7 million €, the share of service business totaled 14,8 %.

Development of Revenues by Region

A demand-driven shift in revenues from Asia and the US to Europe occurred during the 2nd quarter. Revenues were split by regions in the past six months as follows: Asia 34.7 % (previous year 48.1 %), North and South America 15.7 % (previous year 18.9 %), Europe 46.6 % (previous year 29.9 %), Africa 3 % (previous year 3.1 %).

Order Intake and Backlog

The order intake amounted to 78.7 million € (previous year 146.4 million €) for the 2nd quarter 2005 and thus exceeded that of the 1st quarter (34.3 million €). At 113 million €, the order intake for the first half of 2005 was also weaker than for the previous year (297.6 million €). The previous year figures could not be sustained due to the weak Asian market and a reluctance toward new capital expenditure in the US and Europe. Fortunately, orders in Asia have shown a positive trend for the first time after three consecutive quarters of decline.

Compared with the 1st quarter (40.6 million €), the order backlog on June 30, 2005 of 70.7 million € demonstrated renewed strength (previous year 215.9 million €).

Earnings

At 0.2 million €, earnings before interest and taxes (EBIT) for the 2nd quarter were slightly positive (previous year 11.3 million €). As expected, a mid-year comparison shows that the 1.2 million € EBIT remained below prior year figures (17.9 million €).

The EBIT margin came to 1.2 % (previous year 11.6 %). The net profit totaled 1.3 million € for the first half of the year following 11.6 million € the year before. At 27.1 %, the gross margin was maintained close to prior-year levels (28.4 %).

The cost reduction program implemented in February has demonstrated initial success. The 5 million € savings projected for 2005 are progressing according to plan.



Customer trainingcenter in Kahl/Main.

Cash Flow

In the 2nd quarter the operating cash flow was negative at 2.4 million €. The main reason was the decline in short-term liabilities due to a lower amount of prepayments received. Furthermore, the increase in other receivables results from tax reimbursement claims. Inventories remained at previous quarter's level and amounted to 98.9 million €. Raw materials and supplies were substantially reduced as well as accounts receivable.

Employees

The redundancy program implemented in January reduced the company's workforce by 98 during the 1st half of the year, a drop from 736 on December 31, 2004 to 638 on June 30, 2005 (previous year 709). Staff was reduced by 55 people during the last three months alone. An additional 23 temporary workers were employed as of June 30 (prior year 178).

Research and Development (R&D)

Irrespective of the decline in revenues and earnings for fiscal 2005, SINGULUS continues its intense research and development efforts to improve and upgrade its products. The companies fundamental philosophy with respect to R&D activities is based on the following goals:

- Defending of the No. 1 market position for prerecorded replication machines
- Securing the No. 1 position in the emerging market for third generation optical disc machines (HD DVD as well as Blu-ray)
- Expansion of our market share for recordable disc machines through technologic outperformance (dual layer DVD R)
- A diversification strategy promoting the development of machines with a high level of innovation (OPTICUS)

During the 1st half of 2005, R&D expenditures totaled 8.2 million € (previous year 9.5 million €).

Optical Disc

We continuously advance our DVD and DVD R replication machines and also consider the specific requirements of the Asian market. The development of a dual layer DVD R machine was an important milestone in the competitive market position of recordable disc replication lines.

Additional development activities have been devoted to machines for the manufacture of Blu-ray discs. Through its cooperation with SONY, SINGULUS is in an excellent competitive position and is currently working on the development of the single layer Blu-ray system towards a dual layer machine. The single layer system has undergone testing in continuous operation since April and its development is ongoing. Delivery of the first machine is scheduled for September 2005.

In early July 2005, the test production of the new MoldPro injection molding machine was relocated from Kahl to Schaffhausen, Switzerland. SINGULUS has begun assembling the first MoldPro machines at this new SINGULUS MOLDING AG location.

Mastering

The development of the new HD DVD LBR 266 mastering system was concluded. The system was introduced in Las Vegas. Development efforts for the mastering of prerecorded Blu-ray will most likely be concluded by the end of 2005.

OPTICUS / MRAM

The development of new processes are also ongoing for our OPTICUS ophthalmic coating system. Additional successful sales are expected to follow now that arrangements for delivery of a second system have been made.

In mid July 2005 SINGULUS again presented its MRAM (magnetic random access memory) technology at the Semicon West, the world's largest semiconductor trade show in the US. Discussions about additional projects spark hopes for further positive developments in this segment. Talks regarding a strategic partnership have not yet been concluded.

OUTLOOK

Indications of an extremely difficult market environment became evident in early 2005. As stated early in the year, 2005 represents a year of transition for the SINGULUS Group with a considerable decline in revenues and earnings compared with 2004.

Due aforementioned factors, our order intake in the Asian and American markets declined at the beginning of the year. A rise in order intake was only recorded during the second quarter again. The positive order intake development during the 2nd quarter will not be able to compensate for the poor start early in the year. Based on today's knowledge, we expect to achieve total revenues of 240-250 million €. Dependent upon the product mix as a whole, a high single-digit EBIT is projected.

We see significant growth potential in our core business for 2006 due in part to the introduction of third generation optical disc machines as well as the new dual layer DVD R system. In 2006, our new OPTICUS product will also contribute to revenues and earnings for the first time. Following a year of strong consolidation comparable to the transition from 2000 to 2001, SINGULUS and the entire industry will regain growth momentum in 2006.

Sincerely,

SINGULUS TECHNOLOGIES AG

The Executive Board



SINGULUS TECHNOLOGIES AG booth
at Mido in Milan, Italy, May 6 - 9, 2005.

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2005 AND DECEMBER 31, 2004 (IFRS UNAUDITED)

	June 30, 2005	Year End 2004
	€ k	€ k
Cash and cash equivalents	58,266	77,148
Trade accounts receivable, short-term	75,693	85,869
Raw materials, consumables and supplies	26,538	30,951
Work in process	72,314	69,432
Total inventories	98,852	100,383
Deferred tax assets (current)		
Accruals and other current assets	20,171	9,143
Total current assets	252,982	272,543
Trade accounts receivable, long-term	8,726	12,789
Property, plant & equipment	13,915	13,917
Intangible assets	47,678	43,960
Goodwill	31,249	31,249
Deferred tax assets (non-current)	5,227	5,640
Total non-current assets	106,796	107,555
Total assets	359,778	380,098
Current bank liabilities	3,750	3,785
Trade accounts payable	25,123	24,312
Advance payments received	13,111	21,255
Other provisions, accrued expences	8,733	10,222
Tax accruals	7,951	11,299
Other current liabilities	17,795	23,127
Total current liabilities	76,463	94,000
Non-current bank liabilities	8,438	10,313
Pension accruals	5,021	4,800
Other long-term liabilities	21,551	21,409
Total long-term liabilities	35,010	36,522
Total liabilities	111,473	130,522
Share capital	34,932	35,392
Additional paid-in capital	23,640	28,347
Retained earnings	191,355	191,355
Profit current year	1,267	0
Currency translation adjustment (CTA)	-2,890	-5,518
Total shareholders' equity	248,304	249,576
Total liabilities & equity	359,778	380,098

CONSOLIDATED INCOME STATEMENTS AS OF JUNE 30, 2005 (IFRS UNAUDITED)

	2 nd Quarter		First 6 Months	
	2005	2004	2005	2004
	€ k	€ k	€ k	€ k
Revenues (gross)	48,726	91,004	99,076	160,365
Sales Deductions & Direct Distribution Costs	-2,354	-3,313	-4,607	-6,150
Net Revenues	46,372	87,691	94,470	154,216
Cost of Goods Sold	-33,846	-62,041	-68,837	-110,431
Gross Profit	12,526	25,650	25,632	43,785
Research and Development	-2,142	-2,065	-4,516	-3,959
Sales and Customer Service	-5,167	-5,665	-10,085	-10,566
General Management and Administration	-3,045	-3,872	-6,048	-6,851
Goodwill on Company Value	0	-726	0	-1,453
Other Operating Income (+) / Expenses (-)	-1,929	-2,038	-3,829	-3,099
Total Operating Expenses	-12,283	-14,366	-24,479	-25,928
Operating Result (EBIT)	243	11,284	1,154	17,857
Interest Income (+) / Expenses (-)	434	304	778	835
Profit Before Tax	677	11,588	1,932	18,692
Income Taxes	-238	-4,300	-665	-7,064
Net Income	439	7,288	1,267	11,628
Net Income per share (basic), EUR	0.01	0.20	0.04	0.31
Net Income per share (diluted), EUR	0.01	0.20	0.04	0.31
Weighted average shares outstanding (basic)	35,171,987	37,083,498	35,188,654	37,073,907
Weighted average shares outstanding (diluted)	35,171,987	37,083,498	35,188,654	37,073,907

CONSOLIDATED CASH FLOW STATEMENTS AS OF JUNE 30, 2005 (IFRS UNAUDITED)

	First 6 Months	
	2005 € k	2004 € k
Net Income	1,267	11,628
Depreciation and amortization	7,173	5,976
Change in pension accruals	221	295
Change in deferred taxes	1,690	1,978
Change in Working Capital	-12,795	-25,784
Net cash flows from operating activities	-2,444	-5,909
Change in Property, Plant & Equipment	-2,917	-3,459
Change in other intangible assets	-7,972	-16,456
Change in goodwill	0	-17,487
Change in other long-term liabilities	-3,010	3,427
Capital Increase	0	402
Currency Translation	2,628	208
Cash paid to buy back shares	-5,167	0
Net Change in Cash & Liquid Funds	-18,882	-39,273
Cash & Cash equivalents at beginning of period	77,148	66,425
Cash & Cash equivalents at end of period	58,266	27,152

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
AS OF JUNE 30, 2005 AND 2004 (IFRS UNAUDITED)

	Share capital € k	Capital reserves € k	Other reserves € k	Accumulated profit € k	Equity € k
Balance on December 31, 2004	35,392	28,347	-5,518	191,355	249,576
Capital increase					0
Repayment of share capital	-460	-4,707			-5,167
Exchange differences in the fiscal year			2,628		2,628
Net income				1,267	1,267
Balance on June 30, 2005	34,932	23,640	-2,890	192,622	248,304
for comparison the figures of the same period the year before					
Balance on December 31, 2003	37,064	27,650	-4,287	166,627	227,054
Capital increase	58	344			402
Repayment of share capital					0
Exchange differences in the fiscal year			208		208
Net income				11,628	11,628
Balance on June 31, 2004	37,122	27,994	-4,079	178,255	239,291

Company Calendar 2005

07. - 09.09.2005	Replication Expo 2005, Shanghai, China
04. - 05.10.2005	Media-Tech Showcase & Conference, Frankfurt, Germany
21. - 24.10.2005	Silmo, Paris, France
07.11.2005	Quarterly Report 3-2005

Shares of Executive and Supervisory Board, June 30, 2005: Shares á 1 Euro

WG Roland Lacher GbR	141,750 shares
William Slee	29,520 shares
Thomas Geitner	1,500 shares

Stock Subscription Rights provided in form of convertible bonds á 1 Euro as of June 30, 2004:

Stefan Baustert	160,000 shares
Staff	968,322 shares

Key Figures (Six months cumulative)

		2001	2002	2003	2004	2005
		US GAAP	US GAAP	US GAAP	IFRS	IFRS
Gross revenues	million €	104.5	110.3	139.2	160.4	99.1
Order intake	million €	108.6	169.6	225.6	297.6	113.0
Order backlog (06/30)	million €	77.9	115.0	144.9	215.9	70.7
EBIT	million €	19.0	19.1	21.4	17.9	1.2
Profit before tax	million €	19.9	19.9	22.0	18.7	1.9
Net income	million €	12.2	12.6	14.0	11.6	1.3
Operating cash flow	million €	23.2	-11.3	-3.9	-5.9	-2.4
Equity capital	million €	135.4	159.3	194.3	239.3	248.3
Balance sheet total	million €	187.7	262.8	288.8	379.2	359.8
Research & Development	million €	2.7	5.7	7.7	9.5	8.2
Staff (03/31)		322	456	527	709	638
Weighted average shares outstanding, basic		36,330,903	36,635,581	36,957,144	37,073,907	35,188,654
Earnings per share, basic	€	0.34	0.34	0.38	0.31	0.04

Additional Notes:

Annotations in accordance with § 63 BörsO of the Frankfurt Securities Exchange (§ 63 paragraph 3 figure 5 exchange regulations)

The financial statements for Q2/2005 were drawn up in accordance with IFRS regulations. The figures for 2004 were adjusted accordingly.

Development of Expenses and Pricing

Prices and expenses developed as planned.

Capital Expenditures

Gross Capital expenditures in Q2/2005 totaled 1.5 million Euro (previous year 1.7 million Euro). These figures reflect normal expansion and replacement expenditures for office equipment as well as for measuring and control technology.

Breakdown of Revenues

In Q2/2005, the company realized revenues of approx. 85 % (previous year 89 %) through the manufacture and sale of systems for the production of optical discs. The revenue share for spare

parts, upgrades and service totaled 15 % (previous year 11 %). The new business sectors for MRAM and ophthalmic systems have not yet generated revenues.

Changes in Executive Management and Supervisory Bodies

No changes.

Events of Exceptional Significance with the Potential to Affect the Outcome of Business Operations

No exceptional events.

Interim Dividends

No interim dividends were distributed.

Distribution or Recommended Distributed Amount

No dividends were distributed or recommended for distribution.

Changes in Consolidated Equity

See "Statement of changes in consolidated equity" table.