

Optical Disc

Mastering

TMR Technology

Optical Coatings



SINGULUS 



SPACELINE II HD:  
New push button replication line  
for DVD 9 and HD DVD

### Dear Ladies and Gentlemen,

SINGULUS has maintained its global leadership among prerecorded CD and DVD replication lines despite difficult overall market conditions. The company reached 65 % global market share for prerecorded CD/DVD manufacturing lines; its share of mastering equipment exceeds 70 %.

SINGULUS' 1<sup>st</sup> quarter revenues and earnings were strained by weak market conditions according to expectations. The Asian market continues to be characterized by an investment reluctance in particular due to the drastic increase in the price of polycarbonate in 2004, the raw material needed to manufacture discs.

The U.S. market is currently being affected by a hesitance towards purchases as well. There is uncertainty with respect to the market launch of the third generation of optical disc formats. However, an end to the dispute over the new format appears to be within sight. Both camps, i.e. HD DVD (Toshiba) and Blu-ray (Sony) are now working hard to reach an agreement on a joint platform that would pave the way for a market- and user-friendly concept.

A noticeable upturn in demand, which indicates an improvement in revenues and earnings during the second half of the year. Our Asian customers are already showing initial signs of improved margins. An agreement on the new format for the third generation of optical discs expected during the second half of the year will create growth potential.

Since early 2005 we face difficult market conditions and have decided counter measures in an early stage. We expect all agreed measures to be implemented no later than the 4th quarter of the year and reduce our overall costs by more than 5 million Euro. As announced at the Annual Press Conference in March, the year 2005 will be a period of transition for the company and one in which we will set the course for the success of our future business developments.

In light of the preceding year's excellent financial results and the positive forecast from 2006 onwards, SINGULUS continued with its share buyback program during the first quarter of 2005. By the end of March 2005, the company had purchased 1,888,819 own shares in total. All acquired shares will be canceled.

266 - Mastering system for the new format generation



## Revenues

Gross revenues for the 1<sup>st</sup> quarter of 2005 declined to 50.4 million Euro compared with the same prior-year period (69.4 million Euro), reflecting the languid business in Asia in particular. The development of our mastering business, however, was favorable, with its 20 % share in total revenues (prior year approx. 9 %). The acquisition of the mastering activities from the Dutch company OTB B.V. in early 2004 clearly proved to be the right step. SINGULUS MASTERING was able to expand its global market share to over 70 %. Except for mastering, the gross margins of all product groups declined from the prior year. This is also the result of the hard-fought Asian market.

## Development of Revenues Worldwide

A comparison with the prior-year period reveals a demand-based shift in net revenues from Asia to Europe. The regional contribution of revenues for the first three months in 2005 is as follows: Asia 35.6 % (previous year 55 %), North and South America 19.4 % (previous year 19.1 %), Europe 43.0 % (previous year 22.2 %), Africa and Australia 2.0 % (previous year 3.7 %).

## Order Intake and Backlog

At 34.3 million Euro (prior year 139.9 million Euro), the order intake for the 1<sup>st</sup> quarter of 2005 declined, reflecting both the weakness of the Asian market and capital expenditures uncertainties in the U.S. Even in the still robust European market environment, previous year's level of order intake could not be maintained. The sluggish order intake resulted in an order backlog of 40.6 million Euro as of March 31, 2005 (prior year 160.5 million Euro).

## Earnings

Earnings before interest and taxes (EBIT) fell from nearly 6.6 million Euro during the 1<sup>st</sup> quarter last year to 0.9 million Euro in the same period in 2005. The EBIT margin totaled 1.9 % (prior year 9.9 %). The net profit of 0.8 million Euro trailed the 4.3 million Euro earned a year earlier. At 27.3 %, the gross margin was comparable to that of last year.

## Cash Flow

The Group posted a negative operating cash flow of 5.4 million Euro for the 1<sup>st</sup> quarter. This is attributable to a decline in short-term liabilities as weakened business developments yielded fewer down-payments. Trade accounts receivable declined by 4.8 million Euro; inventories by 4.7 million Euro. The increase in other receivables is largely attributable to tax reimbursement claims.

## Employees

The labor reduction included in the scope of cost-saving measures led to staff cutbacks by the 1<sup>st</sup> quarter of 2005. Consequently, 44 positions were eliminated in the Group and are reflected in the employee headcount which dropped from 736 to 692. The number of temporary employees totaled 15 (March 31, 2004: 108).

## Research and Development (R&D)

R&D expenditures totaling 4.4 million Euro were at prior-year levels (4.3 million Euro). The company is directing intense efforts towards a number of important projects designed to increase future earnings potential. The major sectors are described below.

### Optical Disc

SINGULUS is in an excellent position with regard to the development of the new HD DVD and Blu-ray formats. The cooperation agreements with SONY and TOSHIBA/MEMORY-TECH provide the company with paramount access to the new technologies. A newly conceived SPACELINE II HD line for HD DVD production is already available to the market.

The cooperation with SONY provides a decisive competitive edge for the development of Blu-ray. In April SINGULUS tested a single-layer Blu-ray replication line in production; a dual-layer Blu-ray prototype will be introduced by the end of 2005.

Additional research and development projects are underway for the DVD-R format. Contracts with PLASMON and CIBA are in place for the development of the organic layer (dye). This partnership is aimed at increasing productivity and reducing costs by means of a new, simplified manufacturing process and achieving a greater acceptance of the dual-layer DVD-R.

### Mastering

The development of the 3<sup>rd</sup> generation is also a top priority for mastering. In the recordable segment, the first Blu-ray mastering systems have already been sold. The development activities for prerecorded mastering systems (ROM) should be concluded by the end of 2005. This will make SINGULUS the only company in the world to supply Blu-ray technology for replication lines and mastering by the end of 2005.

### OPTICUS/MRAM

Field tests at our key customer began with the delivery of the first OPTICUS machine for coating of eye lenses in January 2005. Our coating technology will be introduced from May 6-9, 2005 at the Mido in Milan, the largest ophthalmic trade show in Europe. There is still a high level of interest in this technology and we are confident to achieve further commercialization success.

We have received favorable feedback with regard to the search for market partners for our MRAM activities. Initial discussions have already taken place and we expect to have concluded this process as far as possible by the middle of the year.



STREAMLINE II DVDR DL - Replication Line for Dual Layer DVDR



OPTICUS: The technology for inline optical coating of eyeglass lenses will be presented at MIDO/Milan in early May



## FORECAST

At the beginning of the year, it had become evident that 2005 would be characterized by extremely difficult market conditions especially in Asia. The year 2005 will be one of transition for the SINGULUS Group with revenues and earnings showing a marked decline compared with 2004. Because of the noticeable improvement in market demand in April 2005 we expect a significantly better trend in the second half of the year.

The establishment of a new manufacturing facility for injection molding machines in Switzerland is progressing according to plan. SINGULUS will begin serial production of the first MoldPro machines at SINGULUS MOLDING AG in Schaffhausen in July 2005.

Discussions are currently being held by representatives of the film and electronics industries on a possible compromise with regard to the debate about the third format generation optical disc for high-definition television. The film industry in particular is counting on the SONY and TOSHIBA consortiums to reach a consensus on a single shared format. An agreement would surely lead to reinvigorated demand in the short-term for third generation optical disc production lines.

The Media-Tech Expo in Las Vegas/USA, the industry's largest trade show, will be the platform used by SINGULUS to unveil its initial development efforts for the new formats: the SPACELINE II HD with EMOULD injection molding machines and the new mastering systems.

Despite difficult market conditions, we look to the future with optimism. We see growth potential in both the introduction of new injection molding machines and the diversification into optical coating. The introduction of third generation optical disc machines will provide additional stimulus for our core business.

Sincerely

**SINGULUS TECHNOLOGIES AG**

**The Executive Board**

## CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2005 AND DECEMBER 31, 2004 (IFRS UNAUDITED)

	March 31, 2005	Year End 2004
	€ k	€ k
Cash and cash equivalents	64,628	77,148
Trade accounts receivable, short-term	82,336	85,869
Inventories	95,727	100,383
Deferred tax assets (current)		
Accruals and other current assets	18,305	9,143
<b>Total current assets</b>	<b>260,996</b>	<b>272,543</b>
Trade accounts receivable, long-term	11,498	12,789
Property, plant & equipment	13,976	13,917
Intangible assets	45,780	43,960
Goodwill	31,249	31,249
Deferred tax assets (non-current)	5,640	5,640
<b>Total non-current assets</b>	<b>108,143</b>	<b>107,555</b>
<b>Total assets</b>	<b>369,139</b>	<b>380,098</b>
Current bank liabilities	3,758	3,785
Trade accounts payable	23,699	24,312
Advance payments received	15,683	21,255
Other provisions, accrued expences	9,703	10,222
Tax accruals	10,316	11,299
Other current liabilities	19,788	23,127
<b>Total current liabilities</b>	<b>82,947</b>	<b>94,000</b>
Non-current bank liabilities	9,375	10,313
Pension accruals	4,910	4,800
Other long-term liabilities	21,664	21,409
<b>Total long-term liabilities</b>	<b>35,949</b>	<b>36,522</b>
<b>Total liabilities</b>	<b>118,896</b>	<b>130,522</b>
Share capital	35,392	35,392
Additional paid-in capital	27,131	28,347
Retained earnings	191,355	191,355
Profit current year	829	0
Currency translation adjustment (CTA)	-4,365	-5,518
<b>Total shareholders' equity</b>	<b>250,243</b>	<b>249,576</b>
<b>Total liabilities &amp; equity</b>	<b>369,139</b>	<b>380,098</b>

## CONSOLIDATED INCOME STATEMENTS AS OF MARCH 31, 2005 (IFRS UNAUDITED)

	First 3 Months	
	2005	2004
	€ k	€ k
<b>Revenues (gross)</b>	<b>50,350</b>	<b>69,361</b>
Sales Deductions & Direct Distribution Costs	-2,253	-2,837
<b>Net Revenues</b>	<b>48,097</b>	<b>66,525</b>
Cost of Goods Sold	-34,991	-48,390
<b>Gross Profit</b>	<b>13,107</b>	<b>18,135</b>
Research and Development	-2,374	-1,894
Sales and Customer Service	-4,918	-4,901
General Management and Administration	-3,003	-2,979
Other Operating Income (+) / Expenses (-)	-1,900	-1,788
Total Operating Expenses	-12,194	-11,562
<b>Operating Result (EBIT)</b>	<b>912</b>	<b>6,572</b>
Interest Income (+) / Expenses (-)	344	531
<b>Profit Before Tax</b>	<b>1,256</b>	<b>7,103</b>
Income Taxes	-427	-2,764
<b>Net Income</b>	<b>829</b>	<b>4,339</b>
Net Income per share (basic), EUR	0.02	0.12
Net Income per share (diluted), EUR	0.02	0.12
Weighted average shares outstanding (basic)	35,341,987	37,064,316
Weighted average shares outstanding (diluted)	35,341,987	37,064,316

## CONSOLIDATED CASH FLOW STATEMENTS AS OF MARCH 31, 2005 (IFRS UNAUDITED)

	First 3 Months	
	2005 € k	2004 € k
<b>Net Income</b>	<b>829</b>	<b>4,339</b>
Depreciation on amortization	3,618	2,759
Change in pension accruals	110	147
Change in deferred taxes	728	883
Change in Working Capital	-10,735	-465
<b>Net cash flows from operating activities</b>	<b>-5,449</b>	<b>7,663</b>
Change in Property, Plant & Equipment	-1,439	-1,818
Change in other intangible assets	-4,060	-12,153
Change in goodwill	-	-17,487
Change in other long-term liabilities	-1,411	3,514
Currency Translation	1,153	373
Cash paid to buy back shares	-1,316	-
<b>Net Change in Cash &amp; Liquid Funds</b>	<b>-12,521</b>	<b>-19,907</b>
Cash & Cash equivalents at beginning of period	77,148	66,425
Cash & Cash equivalents at end of period	64,628	46,518

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS OF MARCH 31, 2005 (IFRS UNAUDITED)

	Share capital € k	Capital reserves € k	Other reserves € k	Accumulated profit € k	Equity € k
<b>Balance on December 31, 2004</b>	<b>35,392</b>	<b>28,347</b>	<b>-5,518</b>	<b>191,355</b>	<b>249,576</b>
Capital increase					0
Repayment of share capital	-100	-1,216			-1,316
Exchange differences in the fiscal year			1,153		1,153
Net income				829	829
<b>Balance on March 31, 2005</b>	<b>35,292</b>	<b>27,131</b>	<b>-4,365</b>	<b>192,184</b>	<b>250,243</b>
for comparison the figures of the same period the year before					
<b>Balance on December 31, 2003</b>	<b>37,064</b>	<b>27,650</b>	<b>-4,287</b>	<b>166,627</b>	<b>227,054</b>
Capital increase					0
Repayment of share capital					0
Exchange differences in the fiscal year			373		373
Net income				4,339	4,339
<b>Balance on March 31, 2004</b>	<b>37,064</b>	<b>27,650</b>	<b>-3,914</b>	<b>170,966</b>	<b>231,766</b>

## Company Calendar 2005

30.05.05	Annual Shareholders Meeting at Deutsche Bank, Hermann-Josef-Abs Saal, Frankfurt/Main
02.08.05	Quarterly Report 2-2005
07.11.05	Quarterly Report 3-2005

### Shares of Executive and Supervisory Board, March 31, 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 March 31, 2004:

Stefan Baustert	160,000 shares
Staff	1,024,750 shares

### Key Figures (Three months cumulative)

		2001	2002	2003	2004	2005
		US GAAP	US GAAP	US GAAP	IFRS	IFRS
Gross revenues	million €	51.5	53.5	56.9	69.4	50.4
Order intake	million €	48.8	77.5	128.6	139.9	34.3
Order backlog (03/31)	million €	111.2	79.7	130.1	160.5	40.6
EBIT	million €	9.1	9.2	8.7	6.6	0.9
Profit before tax	million €	9.6	9.4	9.1	7.1	1.3
Net income	million €	5.9	6.1	5.8	4.3	0.8
Operating cash flow	million €	12.8	-2.1	-9.6	7.7	-5.4
Equity capital	million €	111.7	152.7	186.3	231.8	250.2
Balance sheet total	million €	196.1	213.2	273.0	350.4	369.1
Research & Development	million €	1.6	2.5	4.2	4.3	4.4
Staff (03/31)		320	427	508	702	692
Weighted average shares outstanding, basic		36,321,312	36,625,990	36,792,226	37,064,316	35,341,987
Earnings per share, basic	€	0.16	0.17	0.16	0.12	0.02

### Additional Notes:

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

The financial statements for Q1/2005 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 Q1/2005 totaled 1.4 million Euro (2004: 1.8 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 Q1/2005, the company realized revenues of approx. 84 % (2004: 89 %) through the manufacture and sale of systems for the production of optical discs. The revenue share for spare parts,

upgrades and service totaled 16 % (2004: 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.