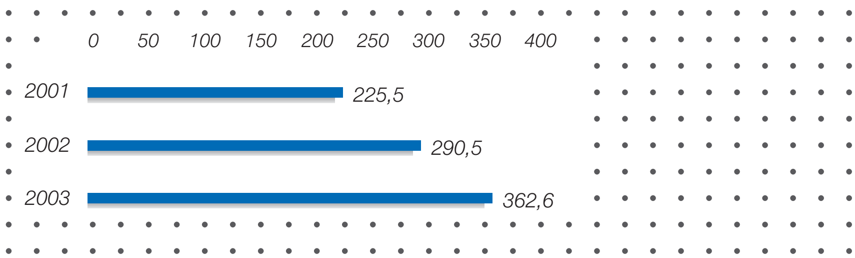
Annual Report 2003
SINGULUS TECHNOLOGIES AG

Right Direction

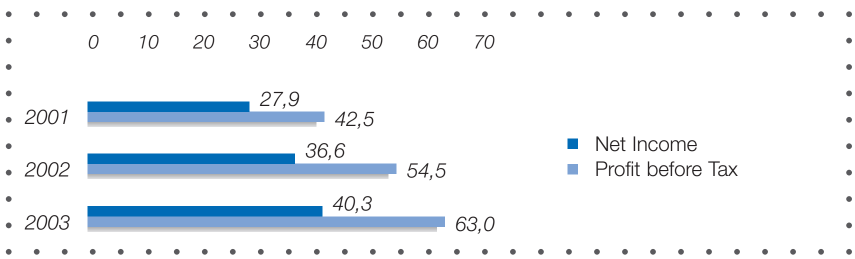
SINGULUS TECHNOLOGIES made several seminal decisions in 2002/2003. Our corporate strategy is directed toward technological leadership.

At a Glance

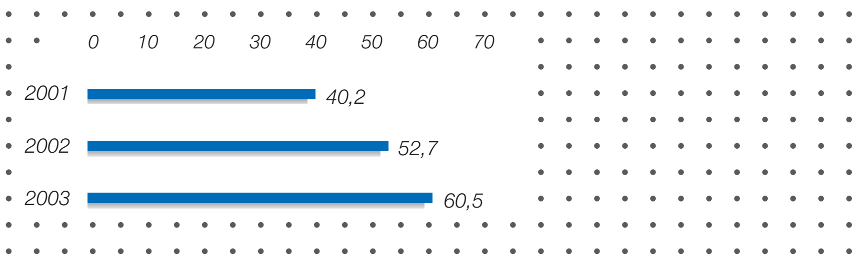
Gross Revenues (in Mio. Euro)



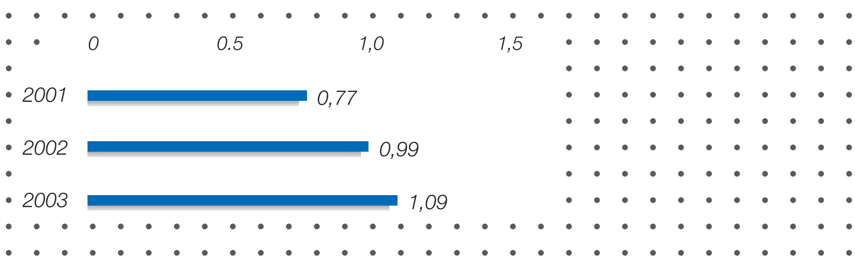
Financial Result (in Mio. Euro)



EBIT (in Mio. Euro)



Earnings per Share (in Euro)



	2001 KEUR	2002 KEUR	2003 KEUR
Gross Revenues	225,525	290,548	362,559
EBIT	40,227	52,741	60,488
Profit before Tax	42,448	54,521	63,002
Net Income	27,935	36,589	40,257
Total Shareholder's Income	135,406	181,621	219,467
Balance Sheet Total	187,662	263,349	311,837
Operating-Cash-Flow	16,280	20,949	18,387
R & D Expenses	8,307	16,155	16,290
Employees* (31.12.)	367	502	599
Earnings per Share (EUR)	0.77	0.99	1.09**

All figures in KEUR, except * (actual number)
** based on 37,064,316 shares at 1 EUR per value at Dec. 31, 2003

Company Calendar 2004

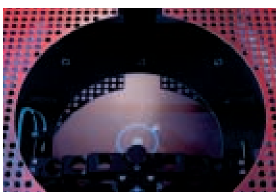
30.03.04	Quartely Report 4/2003 and Annual Closing 2003
	Annual Press Conference, 10:00 am, Commerzbank
	DVFA-Meeting, 1:00 pm, Commerzbank, Frankfurt/Main
05.05.04	Quartely Report 01/2004
13.05.04	Annual Shareholders Meeting 10:30 am,
	Deutsche Bank, Hermann-Josef-Abs Saal, Frankfurt/Main
27.05.04	Analyst/Investors Meeting, Frankfurt/Main
02.08.04	Quartely Report 02/2004
04.11.04	Quartely Report 03/2004

Contents

Notable Events in 20

JANUARY. Dr. Holtmann resigns from the company and Stefan A. Baustert becomes new CFO.

SINGULUS announces preliminary (unaudited) figures for 2002: Revenues 286 million €, Net Income: 35 million €.



FEBRUARY. SINGULUS OMP introduces new DMS Evolution mastering system.

MARCH. SINGULUS participates in the Replication Expo in India.

SINGULUS announces final year-end figures for 2002: Revenues 290.5 million € (+28.8 %), Net Income 36.6 million € (+31 %).

SINGULUS announces launch of a third business division for optical coatings and the expansion of its Managing Board.

Approximately 15 journalists and 60 analysts attend the financial press conference and DVFA conference.

APRIL. SINGULUS introduces TMR technology at the Semicon Europe in Munich.

The new SKYLINE II is introduced to the market.

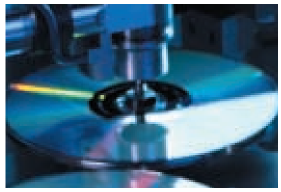
The 4.5 second cycle time STREAMLINE DVDR/SP-A is introduced to the market.

Foundation of SINGULUS TECHNOLOGIES Taiwan

MAY. SINGULUS' order intake for Q1 2003 grows to 128.6 million Euro. Revenues total 56.9 million Euro.

SINGULUS participates in the industry's largest international trade show in Las Vegas, USA, exhibiting the new SKYLINE II CD/DVD 5 replication line, the new STREAMLINE DVD-R replication line, and the new DMS Evolution mastering system.

The General Shareholders' Meeting is held in Frankfurt with approximately 800 share-holders in attendance.



JUNE. The company resolves to expand its manufacturing capacity.

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AUGUST. Successful mid-year figures reflect high order intake and revenue growth.

OCTOBER. SINGULUS receives 2nd place Investor Relations Award for the TechDax Index from Focus Money.

DECEMBER. SINGULUS exhibits 3 machines at the Replication Expo, Shanghai and simultaneously presents its TMR activities at Semicon Japan.

JULY. TMR technology is introduced at the world's largest semiconductor show, Semicon West, USA.

SEPTEMBER. SINGULUS exhibits at Semicon Taiwan.

NOVEMBER. Markedly increase of revenues and EBIT.

SINGULUS signs letter of intent to acquire ODME mastering and MoldPro injection molding technology from OTB/NL, extending its market leadership position in the optical disc market.

Supervisory Board Report

SUPERVISORY BOARD

Alexander von Engelhardt
Kronberg
Chairman

William Slee
London
Vice Chairman

Thomas Geitner
Cologne

In fiscal 2003, the Supervisory Board regularly reviewed the position and progress of the company in accordance with the functions and responsibilities with which it was charged by law and company statutes. In exercising these duties, the Supervisory Board regularly advised the Management Board on matters of proposed policies, the administration of fundamental future business ventures, and provided oversight of executives. The Supervisory Board was advised, verbally and in writing, of all significant business transactions.

In seven sessions the Supervisory Board thoroughly reviewed the status of the company, completed and pending acquisitions, start-ups, the corporation's annual financial statements, the ongoing review of existing operations (subsidiaries), Management Board personnel matters, and the Management Board's risk-management system. The Supervisory Board reviewed important business transactions and passed resolutions on matters requiring its consent.

The Supervisory Board additionally addressed accounting standards, particularly as they pertained to working capital and risk management, auditor autonomy, the auditor appointment, as well as the determination of the audit focus and honorarium.

The Supervisory Board devoted special attention to improving the practical implementation of the Code of Corporate Governance. In some instances business practices were revised in order to comply with the recommendations and suggestions set forth in the Code. The annual Compliance Declaration of which the annual submission is mandated by §161 AktG was jointly issued by the Management and Supervisory Boards.

The Supervisory Board and the auditor agreed that the Supervisory Board would be informed if, while conducting the audit, the auditor discovered any material misstatements during the audit with respect to the declaration submitted by the Management and Supervisory Boards (Code Fig. 7.2.3, Par. 2). The auditor discovered no unfounded statements in the Compliance Declaration.

All members of the Supervisory Board attended at each of the Supevisory Board sessions. In addition to regularly-held meetings, the Supervisory and Managing Board chairmen maintained close contact with regard to business developments and individual subsidiaries. The Supervisory Board was subsequently advised of these interactions (German Code of Corporate Governance Fig. 5.2).

Because the Supervisory Board comprises only 3 members, no committees are formed: all issues are addressed in plenary sessions.

In fiscal 2003, the Supervisory Board developed procedures to evaluate its activities and will implement these measures at the start of the new fiscal year (Code Fig. 5.2). No conflicts of interest among members of the Supervisory Board arose during the period in report.

The 2003 annual and consolidated financial statements for SINGULUS TECHNOLOGIES AG and the composite annual and consolidated status reports were reviewed and approved without reservation by Ernst & Young AG, Certified Public Accountants, Frankfurt am Main, the auditing firm appointed at the General Shareholders' Meeting. The audit report found the early risk identification system implemented by the Management Board to be suitable for the early detection of events jeopardizing the company's survival.

The Supervisory Board examined the year-end financial statements for SINGULUS TECHNOLOGIES AG as well as the year-end consolidated financial statements, the consolidated status report and recommended earnings utilization, conducting detailed discussions on these matters with the Management Board in the presence of the auditor. The auditors presented the results of the overall audit and the major audit focus in particular, providing detailed responses to the questions asked by the members of the Supervisory Board. No objections were made to these reports.

No objections were raised following issuance of the final audit report on the annual closing and consolidated financial statements and summarized status report.

The Supervisory Board approved the SINGULUS TECHNOLOGIES AG annual and consolidated financial statements during its session held on March 15, 2004. The annual financial statement has thereby been finalized. The Supervisory Board concurred with the recommendations submitted for the utilization of earnings.

Mr. Stefan A. Baustert became a member of the Management Board on January 15, 2003, and took over as Chief Financial Officer (CFO) responsible for the departments finance, controlling, human resources, and IT. He already took part in last year´s general shareholders´ meeting.

Effective July 1, 2003, Dr. Reinhard Wollermann-Windgasse was appointed to the Management Board, assuming responsibility as Chief Operating Officer (COO) for engineering matters (assembling, engineering, and procurement). He introduced himself to the shareholders during last year's general shareholders' meeting.

The Supervisory Board extends its thanks and gratitude to the Management Board and employees of the company in recognition of their accomplishments during the past year.

Kahl am Main, March 2004
The Supervisory Board

Alexander von Engelhardt
Chairman

Letter to Shareholders

Dear Shareholders,

2003 was another excellent year in the company's history. Despite numerous challenges, double-digit growth was achieved in both revenues and earnings. We were able to provide seamless continuity with the successes of our intrinsic core business. The market launch of new high performance machines further enhanced our global leadership in optical data storage replication machines (CD, DVD). Even in its eighth year of operation, SINGULUS has remained true to its strategy of independently sustaining double-digit average annual revenues and earnings growth.

The acquisition of the ODME B.V., Eindhoven/NL mastering business along with the acquisition from the Dutch OTB Group B.V. of patents and other rights to MoldPro injection molding technology which took effect January 1, 2004 were among the measures taken to bolster our technological lead. These strategic acquisitions have secured our exclusive access to components needed for the third generation of optical data storage known as Blu-Ray, and enabled us to cut our own research efforts in this area by 1-1/2 to 2 years. This acquired technology will become the base technology for video recording in the era of high definition television (HDTV). Our newly gained technological leadership in this area gives us an opportunity vis-à-vis our competitors to sell our systems and processes based primarily on innovation, technical performance, and quality instead of price.

Despite the enormous growth in DVD sales around the world, the heightened competition among CD and DVD manufacturers increased the pressure exerted on our prices and margins during the course of the year. The positiv effects of the dynamic growth in the DVD-market was partially offset by the repeated revaluation of the Euro. These combined factors are reflected in a disproportionately lower ratio between earnings growth and revenues. Despite this, we were undeterred in our quest to increase our earnings per share and to independently finance all investments.

Stefan A. Baustert
(from 01/15/2003)
Krefeld

Klaus Hammen
Untermeitingen

Roland Lacher
Gelnhausen
Chairman

Dr. Reinhard Wollermann-Windgasse
(from 07/01/2003)
Maulbronn

SINGULUS TECHNOLOGIES' evolution into a comprehensive supplier for all optical data storage replication machines remains our primary goal. The purchase of the EMOULD injection molding machine business and the OMP acquisition were initial measures taken toward achieving this end. The ODME acquisition, providing us leadership in the mastering market, as well as our ramp-up in the "new formats" segment have led to our firm conviction that our company is well-equipped for further developments in the optical disc industry. Our awareness of "time to market," i.e. the rapid implentation of technical innovations, remains one of the hallmarks of our organization.

The accelerated new business program implemented by the company two years ago was designed to ensure that our organization become well-versed in new technology markets that are growth and profit oriented. Our concentration is focused on areas related to our core competence in vacuum thin film technology.

In 2002/2003, important investments were made in a special segment of the computer industry's new generation of permanent storage known as MRAM. By the end of 2003, the development of a new vacuum thin film coating and system technology was completed to the point of market introduction. Additionally, two application systems were operated in a semiconductor cleanroom for 200 and 300 mm silicon wafers for MRAM coatings. We have meanwhile started marketing this product.

A third line of business, ophthalmic lens coating systems, was also initiated in 2003. Our innovative system for coating eyeglass lenses will contribute to a drastic reduction in production costs and is unique throughout in the world. A key customer has successfully conducted operating trials of the first system. Interest among other eyeglass manufacturers in the industry is enormous. The emergence of another application for coating optical products with functional optical layers such as lenses and filters has already begun. We will continue to actively pursue our technology-based growth strategy in this manner and to expand the breadth of its foundation.

The exploration of new business endeavors has transformed SINGULUS from the “CD machine manufacturer“ of the nineties into a nanotechnology company in vacuum thin film technology for a variety of industries. Our innovative capabilities continue to serve as the cornerstone that will enable us to replicate SINGULUS’ past successes in new markets. New technologies are the prerequisite for the emergence of new markets. Conversely, tomorrow’s technological possibilities soon become the customer’s demands.

Our prioritization of technological leadership on all business fronts is a costly and demanding strategy; however, it is our firm conviction that it will yield the most lasting success. Technical competence will remain the essential driver of value for our company.

Kahl am Main, February 24, 2004

The Managing Board

Roland Lacher | **Stefan A. Baustert**

Klaus Hammen | **Dr. Reinhard Wollermann-Windgasse**

Our Objective

We have defined a long-term goal to make our company synonymous with innovative systems and technologies centered around selected, highly profitable applications in vacuum thin film technology.

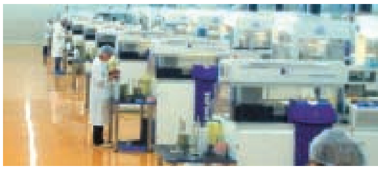
Corporate Goals and Strategies

Corporate Goals and Strategies

Fiscal 2003 was another extraordinarily successful year. An accelerated rate of technical innovation and a focused expansion of our product portfolio and production capacity enabled us to achieve repeated double-digit growth in revenues and earnings. The company succeeded in raising revenues by 24.8 % and earnings before interest and tax (EBIT) by 14.7 %.

The rapid dissemination of DVD technology into private households was the principal source of the positive development.

The rapid dissemination of DVD technology into private households throughout the industrialized world was the principal source of these developments. As successor to the video cassette and the data storage medium of choice for video games, the prerecorded DVD had a major impact on this success. According to recent statistics, worldwide DVD production grew 46 % to 3.7 billion discs in 2003 but still has attained only a quarter of global CD production which, at last count, numbered 13.3 billion discs. All leading market research institutes agree that DVD production will grow at an average rate of at least 25 % annually for years to come even though it has barely affected the heavily populated countries in Asia.



STREAMLINE Replication Lines for the Production of CD-R

A SUCCESSFUL BUSINESS MODEL Thanks to our intense market research and equally important dialog with leading customers the world over, we were well-prepared for these developments. Consequently, we have been able to fully satisfy the explosive demand generated during the past two years and still maintain our high quality standards. We expect the DVD market to exhibit dynamic growth well beyond the year 2007. As a result, the production capacity of the replicators who purchase our DVD replication systems for their manufacturing needs will also expand. As is the nature of all new technologies, however, growth in production capacity will taper off over time. It is therefore critical that our technologies stay well ahead of the markets in order to capitalize on the new growth areas of our core business. Our strategy of upgrading our value-added supply chain in-house, complementing our product line, and achieving technological leadership in all sectors of our business has enabled us to achieve an unrivaled position of leadership in our markets.

During the course of 2002/2003 we began to implement the complete re-engineering of our product line with a series of technical innovations. Our base component, the metallizer, was upgraded first, culminating in the 2002 unveiling of the SINGULUS V. Incorporating countless updates, this core component is incorporated throughout our comprehensive line program. We revamped our successful SKYLINE line during 2003 and introduced it to the market under the name “SKYLINE II.” Thereafter, all development efforts focused on our SPACELINE DVD-line and STREAMLINE DVD-R-line. SPACELINE II has already successfully completed beta-testing at key clients. Both systems will be shown at the “Media-Tech Expo 2004” trade show to be held in Frankfurt/Main in May 2004. The aim of the new designs was improving both machines’ performance and implementing engineering advances. Considerable attention was also devoted to cutting manufacturing costs and stabilizing or improving profit margins.

In November 2003 we finally announced our planned acquisition of all shares in ODME B.V., Eindhoven/NL along with the patents and other intellectual property rights to MoldPro injection molding technology from the Dutch OTB Group B.V., Eindhoven/NL which took effect 1/1/2004. On January 9, 2004 this process was legally concluded. This action secures for SINGULUS exclusive access to all technological components needed for the third generation of optical data storage.

ODME will join forces with the existing SINGULUS OMP mastering business. The new company, operating under the name SINGULUS MASTERING BV, Eindhoven/NL, leads the world market in mastering with its comprehensive advanced portfolio for all existing and emerging optical disc formats. In other words, our strategy for achieving world market leadership in all segments of optical data storage through our command of technology has been put into practice and is nearing completion.

Our strategy for achieving world market leadership through our command of technology has been put into practice.

The year 2003 certainly presented increased risks that a globally-arrayed market leader must surmount. Compared to the U.S. Dollar, and as a consequence of its function as a key currency in relation to a wide range of the Asian economy, the Euro experienced an drastic upward revaluation in 2003. A negative effect on our traditionally high profit margins could no longer be completely avoided.

Our strategic response to global challenges in international markets comprises three essential elements:

- The expansion of our technological leadership will enable us to sell products based on increased performance and quality instead of on price alone. Our short Time-to-Market cycles for development of new products allow us to maintain our technological leadership and stay ahead of the competition.
- The accelerated generational shift in our product line will be completed in 2004 and will result in manufacturing cost advantages.
- Finally, the acquisitions that complete our value-added supply chain provide us with synergystic potential which we will now systematically develop.

Blu-Ray Recorder

BUSINESS MODELS MUST BE ENHANCED In last year's annual report we announced our consideration of strategic business development. We declared our long-range goal of becoming "globally synonymous with innovative systems and machines centered around select, highly-profitable areas of application in vacuum thin film technology."

Our reasoning is apparent: Technology-based business models have relatively typical life cycles. This holds true for the demand for optical data storage media from the CD to the current DVD to the emerging Blu-Ray disc, and to the profitability of the businesses to which they are tied. Despite the dynamic development of the DVD market, the technology itself is mature and the markets for DVD manufacturers, i.e., replicators, are in the midst of a consolidation trend. Cost pressures are mounting throughout the entire physical DVD production process.

This development is quite normal and comes as no surprise. It is one we countered very early on by using the high profitability of our core business to explore new, technologically-related applications.

Nevertheless, the current growth in the DVD market is extraordinarily dynamic. The new DVD recordable (DVD±R) and rewritable (DVD±RW/DVD-RAM) formats provide additional growth, and the third generation of optical-data-storage media (Blu-Ray, AOD) will be accelerated by the introduction of digital high-definition television in Japan and the U.S.

SYSTEMATIC EXPANSION OF GROWTH STRATEGY Two years after the announcement of our technological venture into new areas of application, we can look back on the considerable progress made. Our TMR technology, which SINGULUS has worked tirelessly on since the beginning of 2002, has passed all trial runs and sample coatings successfully.

Our advanced technological position in the field of vacuum thin film technology, which was derived from our core business and largely patented, made possible the transition from our core business into an entirely new arena. In accordance with major members of the semiconductor industry, we agree that MRAM (magnetic-random-access-memory) technology will become the storage technology of the future. MRAM combines the advantages of numerous current storage technologies; it has the speed of SRAM and achieves the storage density and cost advantages of DRAM while consuming considerably less energy and retaining stored data, despite removal from a power source, (i.e. a power outage). MRAM uses magnetic elements for the storage of data bits instead of an electrical charge. SINGULUS systems will become an important link in the value-added chain of supply for this new technology.

In March 2003 we announced our entry into a third domain. Close cooperation with a renowned key customer led to the 2003 development of an innovative technology for anti-reflective eyeglass coatings. Our vacuum thin film coating technology is a frontrunner in this area as well. The savings eyeglass manufacturers can realize during the production process approaches 50 %. The system prototype will be delivered shortly. Further deliveries during 2004 may be expected.

TECHNOLOGICAL EXPERTISE As the world's largest manufacturer of CD-machines and DVD-machines, SINGULUS has been experiencing higher sales growth rates than competitors for years. Among other reasons, this has been due to our continual upgrading of our equipment. Our intensive involvement in our core area of expertise, vacuum thin-film technology, has allowed us to penetrate attractive new application areas over time. One example is coating ophthalmic lenses. Industry interest has meanwhile progressed well beyond that; new applications will emerge for coating of all sorts of optical lenses, such as lenses for a variety of projectors, binoculars, cameras, etc.

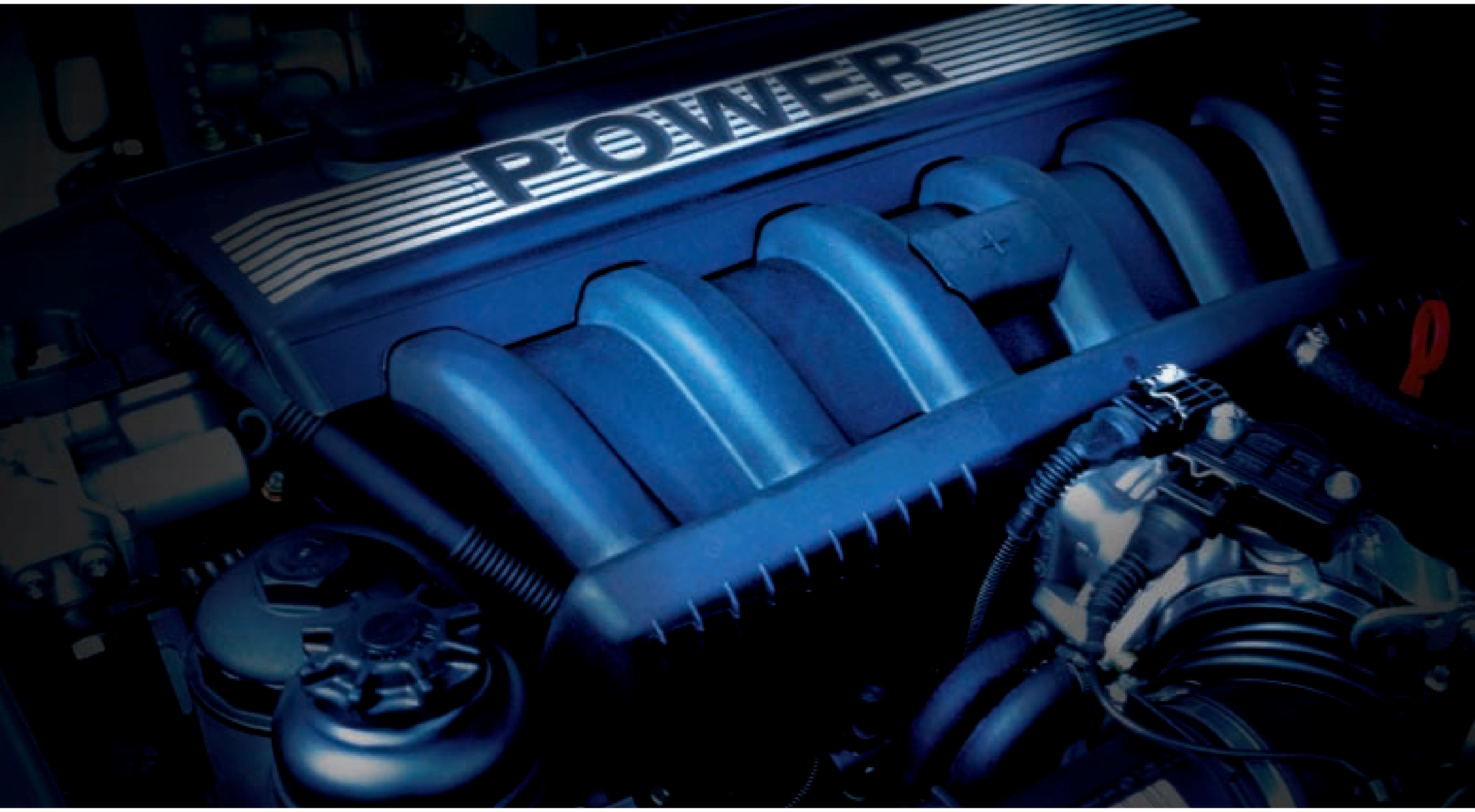
Our expertise in high-performance coating is the key to arousing the interest of product manufacturers. This technological innovation provides our customers with clear economic advantages over conventional processes.

We believe that dynamic growth in our core business as a result of these two new lines of business will boost both revenues and earnings. This projected growth is based on the prioritization of our technological and system leadership across all business sectors and our ability to successfully market technological innovations.

Our Impetus

Our sustained success in the optical disc arena has afforded us the opportunity to expand into completely new areas of vacuum thin film application. Our goal is to increase our share of new fields of business to more than 20 % within five years.

Vacuum Thin Film Deposition Technology in Three Application Areas



Vacuum Thin Film Deposition Technology in Three Application Areas

Optical Disc

THE FORMATIVE VACUUM THIN FILM TECHNOLOGY.

SINGULUS TECHNOLOGIES' principal business is the development and manufacture of all components for optical data storage replication systems. The company's replication systems for prerecorded CDs and DVDs, i.e. the SKYLINE and SPACE-LINE models, have averaged over 50 % of world market share for years. With more than 1700 SKYLINE systems installed around the world, this replication line has become an unrivaled industry benchmark. The metallizer, which applies thin and extremely uniform layers of metal such as aluminum and silver or even silicon onto any given substrate by means of vacuum thin film technology, is the foundation for the company's technological market dominance.

SKYLINE II SETS NEW INDUSTRY STANDARD. Improvements to the SKYLINE CD/DVD 5 replication system have been underway since 2002. The integration of the new SINGULUS V metallizer was at the core the entire re-engineering process. The market launch for this new concept occured in May 2003 at the Media-Tech Expo trade show in Las Vegas. The demands on the machine redesign included smaller size, faster speed, and increased performance that was ultimately more cost-effective for customers than any other machine on the market.

SKYLINE II
New CD/DVD 5 - Replication Line

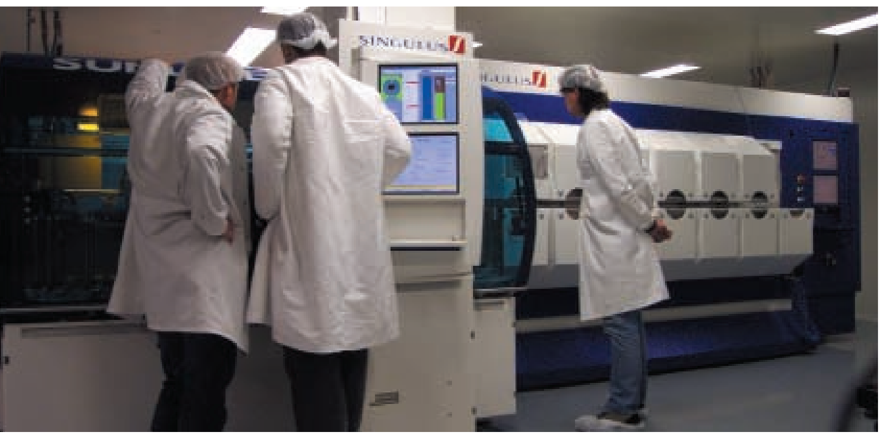
The redesigned metallizer incorporated the most impressive advances: Improved reliability, shorter cycle times and reduced maintenance generated a real jump in productivity which has since been acknowledged by the market. Of the 310 CD/DVD 5 lines delivered in 2003, 126 were the new SKYLINE II model.

SPACELINE II IN BETASITE LOOP. In the Fall of 2003, key customers took receipt of DVD 9 SPACELINE II replication line prototypes for betasite trials. Initial trial results in the rigorous daily production environment have already shown that this exemplary machine will become the new industry benchmark in terms of reliability and yield. This will reinforce and enhance SINGULUS TECHNOLOGIES' exceptional position in the prerecorded disc market.

STREAMLINE II. The next cycle of development has also begun in the new DVD-R growth market and will conclude with the May 2004 introduction of the redesigned STREAMLINE II at the Media-Tech Expo in Frankfurt. The new system concept meets the most stringent demands made to machine and process technology. The STREAMLINE II has sufficient reserves to keep pace with additional process developments even if advances in injection molding technology reduce cycle times below their current level of approx. 4 seconds. The new system can also be used for CD-R-production and at the same time is equipped with 3 molding machines.

STREAMLINE DVDR / SP-A Replication Line for the Production of DVD-R

MODULUS AND SUNLINE. Rewritable DVD formats impose the most stringent demands in our industry on systems engineering and coating technologies/demands that can be met by only a few manufacturers. Our MODULUS coating system and SUNLINE replication system allow us to supply that market segment with general purpose manufacturing equipment that has proven itself in actual practice and is capable of turning out all rewritable DVD-formats (± RW/RAM).



SUNLINE - Replication Line for DVD-RW Discs

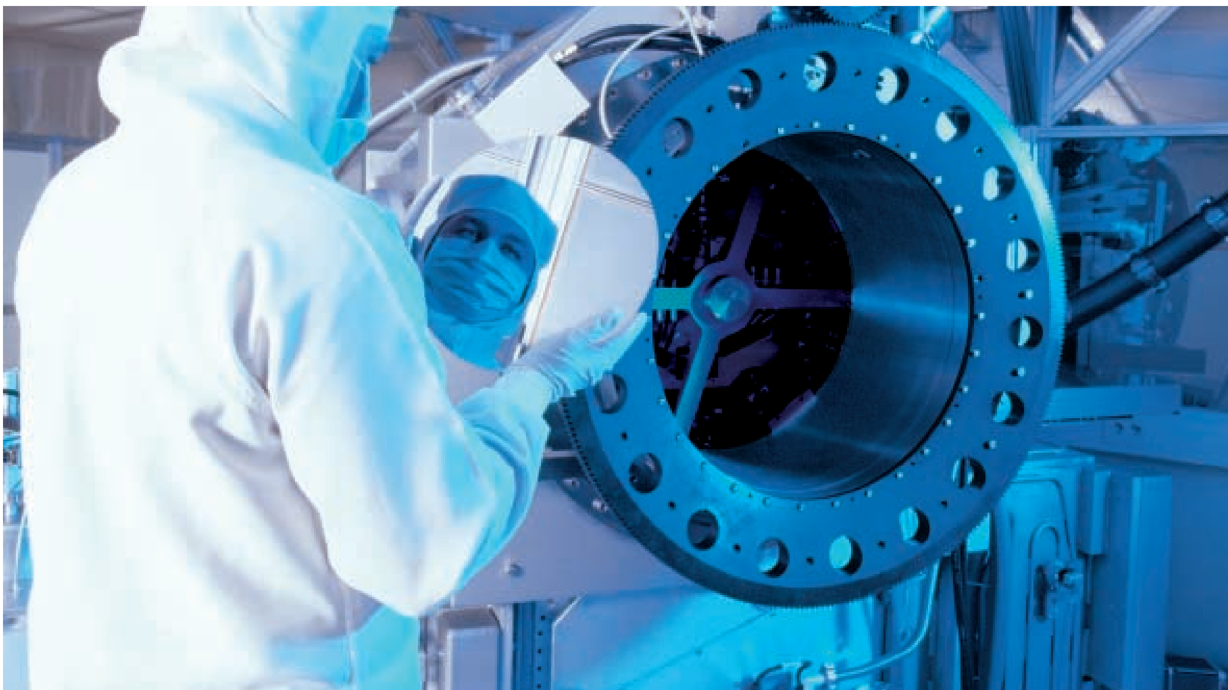
TMR Technology

TIMARIS COATING SYSTEM FOR MRAM-WAFERS.

SINGULUS is establishing two new fields of business in addition to its optical data storage replication systems. The SINGULUS TIMARIS machine concept has enabled the company to become one of the first to enter the realm of TMR (tunnel magnetic resistance) technology. SINGULUS engineers have been working on the TIMARIS since 2002 and the machine was introduced to the public at the Semicon Europe semiconductor trade show in Munich in April, 2003. It was also shown at the largest trade show for the semiconductor industry, the Semicon West, San Francisco, as well as at the Semicon, Taiwan, and, finally, the Semicon, Tokyo, in late December, 2003. Interest among various manufacturers was high in this new key technology for depositing multilayer coatings having ultrathin layers and high uniformities over the entire area of a 300-mm-dia. silicon wafer.

Two areas of application are accessible to this new technology: a semiconductor application for MRAM (magnetic random access memory) as the base technology for the emerging generation of silicon storage chips, and an application in the area of thin film read heads for magnetic hard disk drives.

TIMARIS
TMR - Deposition System for MRAM - Semiconductor Wafer



Optical Coatings

OPTICUS INLINE COATING SYSTEM FOR OPHTHALMIC LENSES.

The company's second new business domain is ophthalmic lens coating. This involves the precise yet economical application of scratch-resistant and optically functional layers, i.e., vacuum layering systems that are much more cost-effective than conventional systems.

PROTECTIVE AND FUNCTIONAL FILMS ON OPHTHALMIC LENSES.

The company's second new business domain is ophthalmic lens coating.

Synthetic lenses are much more susceptible to becoming scratched than conventional glass lenses but are increasingly preferred by people who wear glasses because of their light weight. A scratch-resistant protective coating must, therefore, be applied to the surface of synthetic lenses. In the past, this has generally been achieved by means of an immersion process that applies a hard lacquer to both sides of the lens which then undergoes a curing process.

In addition, eyeglass lenses reflect incident light to varying degrees causing the wearer to notice undesirable reflective lens glare which can impede the person's vision. These optical distractions can be virtually eliminated by applying an anti-reflective (AR) coating. Vacuum chamber systems using an electron beam evaporation process for multiple layer applications were developed and are employed around the world. For the past few years, the AR coating treatment has increasingly gained market share.

The application of dual-sided hard and multiple AR coatings on synthetic lenses is a difficult technical challenge for all production facilities offering these services for the refinement of eyeglass lenses. Because conventional machines and processes, particularly single batch recipe manufacturing, have never been able to integrate hard and AR coatings in an inline process or completely automate the process technology, the search for a simpler and more cost effective solution has lasted years.

In close cooperation with our key customer Rupp+Hubrach, a renowned manufacturer of eyeglass lenses within the ESSILOR group, an in line coating and systems technology was developed for single substrates in which hard as well as multiple AR coatings are applied exclusively by means of vacuum thin film technology. This new combination of processing stages in the coating of ophthalmic lenses represents a true innovation and provides substantial benefits to customers, since the total coating costs may be reduced significantly. Additionally, full automation results in reduced order throughput times at specialized coating centers, which means that opticians will be able to fill customer orders faster than ever before.

Furthermore, the OPTICUS system can be employed for coating precision optics, such as those used in LCD projectors, cameras, and many other applications employing multiple AR coatings and other optical filters. In addition to existing eyeglass lens coating, the future upside potential for SINGULUS TECHNOLOGIES is significant and will be systematically tapped in the years ahead.

The unique combination of PECVD and sputter-technology represents a true innovation and provides substantial benefits to customers.

OPTICUS
Inline Coating System for Ophthalmics

New Horizons

Along with the steady growth of the well-established DVD formats, the future of the optical disc will be shaped by digital high definition television. We are actively engaged in the transfer of our inline manufacturing expertise to the third generation of optical discs.

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

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

The company availed itself of the opportunity afforded by §315 Abs. 3 HGB to issue a combined status report for the consolidated SINGULUS TECHNOLOGIES group and SINGULUS TECHNOLOGIES AG. Since business developments, the status of the company, and risk exposure are by and large identical for SINGULUS TECHNOLOGIES AG and SINGULUS TECHNOLOGIES consolidated, the following remarks and, in particular, the figures provided, refer to the SINGULUS TECHNOLOGIES consolidated group.

THE GENERAL ECONOMIC SITUATION. The year 2003 brought an upturn in overall economic terms. Indicators in all industrialized countries initially showed a distinct upturn in mood which was confirmed by hard data showing economic growth during the second half of the year. Central Europe was the only exception to this trend, with Germany approaching economic stagnation.

In 2003, the United States again spearheaded the recovery in the industrialized world. Aggressive fiscal policies, along with massive tax reductions and increased public expenditures, finally produced tangible results in spite of the war in Iraq. The Deutsche Bank estimates that the U.S. economy grew at a rate of 3.2 % in 2003. The only negative is that this growth was spurred primarily by private consumption. The transition to self-sufficient growth, i.e., growth driven by an above-average increase in investments, still lies ahead.

Strong gains in the American stock markets (averaging over 25 % in 2003), however, indicate that this might occur. U.S. industry will benefit from the drastic foreign devaluation of the U.S. Dollar (down approx. 20 % against the Euro for both 2002 and 2003). The American Federal Reserve Bank is currently trying to allay the financial market's fear of a renewed hike in interest rates. The Deutsche Bank expects the American economy to demonstrate robust real growth of 5.2 % in 2004.

With an estimated growth of 2.2 %, even Japan has embarked on the road to recovery after nearly ten years of real stagnation. In addition to benefits derived from initial economic reforms, the country is reaping the rewards of its heavy involvement with the enormous revitalization of the Southeast Asian economy which is spearheaded by the Peoples' Republic of China. A return to Asia's collective average growth rate of over 4 % is possible in 2004.

Conversely, progress in "Euroland" continues to disappoint. With 0.5 % growth, 2003 netted a more or less break-even in terms of economic growth. Nevertheless, economists at the Deutsche Bank expect a 1.8 % rate of economic growth, the highest in the past four years. They are also projecting a noticeable general economic recovery for 2004 and beyond. In addition to the organizational problems of the former EU countries (high national deficits in France, Germany, and Italy as well as inflexible labor markets, strong unions, and high wages), the strength of the Euro continues to plague corporations. While Europe's "global players" strive to achieve relatively balanced cost-to-earnings ratios in all major currency spheres, mid-level European manufacturers with substantial U.S. and Asian exports have suffered a noticeable loss in economic competitiveness. The European Central Bank (EZB), however, does not yet consider the strong Euro to be a critical problem. In January 2004, the EZB announced that interventions such as interest rate reductions or other financial policy measures will only be considered if the exchange rate reaches 1.30 Dollar/Euro.

BUSINESS DEVELOPMENTS IN REVIEW. It still holds true that SINGULUS TECHNOLOGIES is only conditionally dependent on the overall world economy. The current rapid growth rate in DVD distribution as the quintessential mode of storage for films and software in markets all over the world is the most important factor in this regard.

Optimists continue to be pleasantly surprised by the growth in the global DVD market. SINGULUS retained global market leadership for replication systems in 2003, also capturing a larger market share of the important recordable format sector.

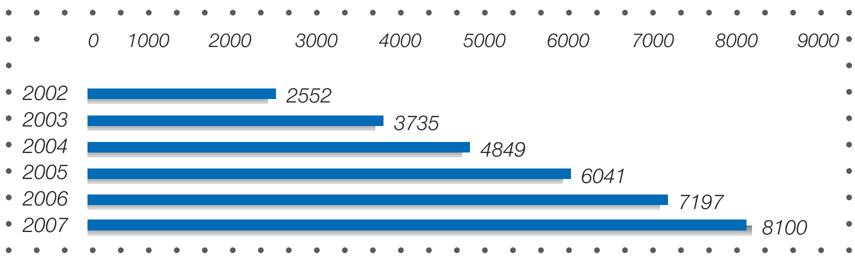
SINGULUS earned consolidated revenues of 362.6 million Euro during the past fiscal year, a 24.8 % gain over the prior year (290.5 million Euro). Due to the drastic devaluation of the Dollar, these revenue figures conceal distinct volumetric growth since the company has grown faster than the market.

The same applies to earnings before interest and taxes (EBIT), which rose by 14.7 %, compared to the preceding fiscal year. At 382.7 million Euro, order receipts were considerably higher than in 2002 (293.3 million Euro). Backlog at December 31, 2003, totaled 78.6 million Euro, an increase of 34 % over the preceding year (58.5 million Euro), which is also an indicator of additional growth in 2004.

During the past fiscal year, SINGULUS earned a 24.8 % gain in revenues.

The high 11.8 million Euro supplemental backlog for the newly-acquired ODME mastering company is particularly gratifying, boosting consolidated backlog to over 90 million Euro as of January 1, 2004. Positive cash flow increased the company's liquid assets to 66.4 million Euro by the end of 2003 (2002 = 53.9 million Euro).

Market Development of Prerecorded DVD (in Mio. Discs)



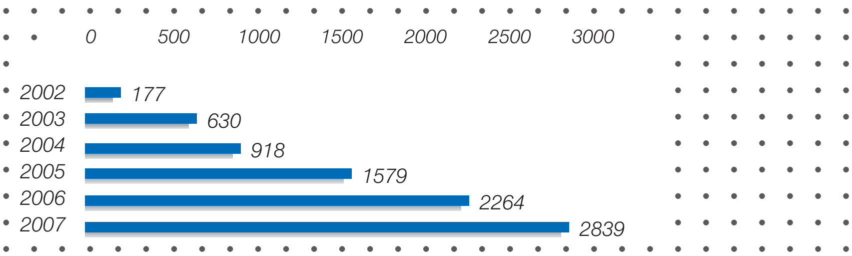
Source: Understanding & Solutions, Nov. 2003

These results can largely be attributed to the continued strong sales of prerecorded DVD replication lines along with the growth in recordable CD-R and DVD-R lines.

In the case of the growth market of write-once DVD, SINGULUS TECHNOLOGIES expects to significantly improve its market position and gain additional market share.

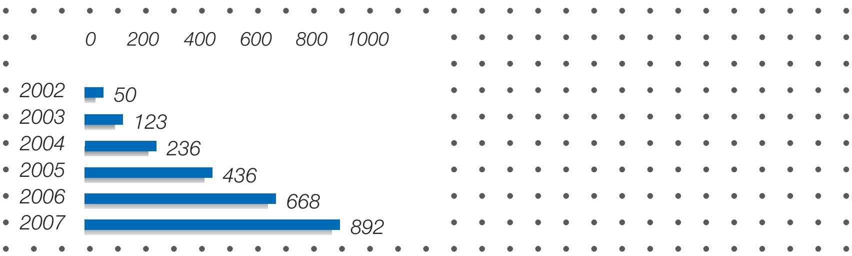
Expected sales of write-once DVD-R over the coming years are several times those for rewritable DVD±RW/RAM.

Market Development of Recordable DVD (in Mio. Discs)



Source: Understanding & Solutions, Nov. 2003

Market Development of Rewritable DVD (in Mio. Discs)



Source: Understanding & Solutions, Nov. 2003

The Global Optical-Disk Market and Market Outlook

OPTICAL DISCS 2003: CD-MARKET STABILIZES, DVD-BOOM CONTINUES. 2003 was the strongest year in technological history for the use and distribution of prerecorded optical storage formats (CD, DVD). The United States continue to lead the market in these technologies. While the downturn in CD production is subsiding in the U.S., the triumphant advance of the DVD as the premier storage medium, particularly for movies and software, continued unabated. The legal victories in the war against music piracy and the boom in audio books have had a stabilizing effect on CD sales.

According to information published by the industry research firm Understanding & Solutions, global CD production declined slightly from 13.9 to 13.4 billion discs. Meanwhile, worldwide DVD production recorded a dynamic 42 % growth rate, climbing from 2.6 to 3.7 billion discs. North America constitutes approximately half that market while Europe accounts for one-quarter, and Japan and the rest of Asia, approximately 16 % of the world market. The mass markets of India and China hold great promise. Combined, they are home to one-third of the planet's population and still very much shaped by the CD as their primary optical storage medium, especially the special video CD format.

DVD players´ penetration of U.S. households continued at an accelerated pace. In 2003, 21.7 million DVD players were sold in the U.S., corresponding to 30.5 % growth over already strong prior-year sales.

According to information supplied by the American "DVD Report," 2.4 billion DVDs were sold in the U.S. during the year in report, corresponding to 33 % growth over the previous year. Sales of DVD software packages for computer games demonstrated above-average growth, increasing by nearly 50 % to 1.02 billion units. U.S. music video sales grew at an above-average rate as well, advancing 100 % to 17.2 million units.

FORMAT CONFLICT DEFUSED. The format conflict (various manufacturers marketed their own formats), long viewed as a hindrance to rapid market penetration by write-once and rewritable DVD formats, has been defused. Leading electronics manufacturers successfully countered format diversity by manufacturing multi-format recorders. The prices for these all-format DVD-recorders have developed favorably from the consumer's point of view, transforming this device into a sales hit for the 2003 Christmas season. While the recordable DVD formats are presently enjoying robust demand, the rewritable DVD format is still just a niche market.

OPTICAL DISCS 2004 TO 2006. The dynamic advances among all DVD formats in developed markets is likely to continue for years. Because of the increased household infusion of DVD players and recorders, DVD sales will continue to grow. All pertinent market studies predict that the development will be reflected in an annual growth rate of 25 % for the next three years.

SINGULUS has earned a market position without equal among replication line manufacturers. SINGULUS is the only worldwide supplier of replication equipment to offer comprehensive lines for all CD and DVD formats including mastering. From the customers vantage point this offers optimal one-stop equipment shopping without forfeitures due to interfacing or attrition. Even service, from installation to process technology as well as user training, maintenance and spare parts deliveries, originates from a single source. Additionally, SINGULUS machines can be employed universally even if various formats in the recordable and rewritable product segments are desired.

In the interim, it will be crucial that these advantages be transferred to the third generation of optical discs. SINGULUS TECHNOLOGIES has created a unique position for itself through the recently completed acquisition of all business shares of ODME B.V., along with the patents and other intellectual property rights for MoldPro injection molding technology. ODME's mastering pilot systems have been setting the pace in Japan since 2003, and have been installed at Philips in Europe for the development of Blu-Ray discs. The Deep-UV laser-beam recorder developed specifically for this purpose has already been delivered to companies including ITRI, Taiwan, and Samsung, South Korea.

The dynamic advances among all DVD formats is likely to continue for the next 3 years.

HDTV AND BLU-RAY/AOD: SOONER THAN EXPECTED? The future of the optical disc sector will not just be shaped by the steady growth of the established DVD formats, but by high-definition digital television (HDTV) as well. Digital television, already the technical standard in Japan and South Korea, has begun its emergence in Europe (the broadcast of the 2006 World Soccer Championship will be entirely digital) and the USA (analog television will be discontinued by 2007). The subject of "digital television" has made further inroads in the U.S. due to the dominating role played by cable TV there. The country's first significant sales of digital TVs occurred in 2003, with approx. 4 million units sold.

The two premier international consumer electronics trade shows, the Internationale Funkausstellung in Berlin (IFA; September 2003) and the Consumer Electronics Show in Las Vegas (CES; January 2004), recently had on display a sampling of the digital age to come. Driven by breakneck competition for technological performance, manufacturers such as Sony and Panasonic introduced their first mass-produced prototypes of these groups of devices. The switch from analog to digital television, however, is not the sole consideration since manufacturers plan to accomplish a concurrent shift to high definition television with its optimal image resolution.

Blu-Ray Disc

Even beyond cable TV, the devices needed for the reception of high-definition digital television (HDTV) are already available in the U.S. market: satellite dishes with digital capability, high definition screens of every size, initial Blu-Ray recorders for recording these data-dense broadcasts and even HDTV set-top boxes. Since numerous manufacturers will be offering these devices by the end of 2004, consumer prices are expected to drop sharply.

In spite of negative experiences with format conflicts in the past, the onset of the third generation of optical discs has sparked another flare-up in the dispute over incompatible product specifications, which has far-reaching impacts on the design of equipment and manufacturing technologies to be employed in the later mass-production of the disks involved.

While the 25-GB storage-capacity Blu-Ray format is backed by major names such as Philips, Sony, Matsushita/Panasonic, and Hitachi, the 15 GB AOD-Advanced Optical Disc is advanced as a competitive alternative by Toshiba and NEC. A dual-layer version could increase storage capacity to 50 GB for Blu-Ray (2 x 25 GB) and 30 GB for AOD (2 x 15 GB). The 30 GB AOD disc would provide sufficient storage capacity for a conventional movie with HDTV specifications.

Sooner than expected: HDTV and Blu-Ray/AOD!

Consequently, Blu-Ray primarily offers additional upside potential for future storage capacity demands significantly exceeding 30 GB. The Blu-Ray replication technology, however, entails a quantum leap in machine and production technology. Conversely, progressive development of current DVD systems is expected to fulfill AOD requirements and would be associated with significantly lowering overall costs.

HDTV-Flat Screen

F.A.Z. Newspaper on 1/27/2004:
“High Definition Television is a Blockbuster“

“What has become commonplace in Japan and Korea, remains just a dream for us: to experience the crisp and sharp TV images with their 1920 x 1080 pixel image resolution just once is to be convinced... Whether it’s sports, suspense or comedy, the advantages of HDTV are impressive. The smallest details and designs can be seen and the image seems more detailed and precise. Even an uneventful Japanese afternoon TV series kept us spellbound for hours.“

TV Studio with HDTV Equipment
HDTV = High Definition Television

SINGULUS Heralds the Future with Blu-Ray

"Blu-Ray" – The CD's Third Life.

During the past ten years, the CD and then the DVD became the quintessential data storage media for all sorts of information such as music, photos, videos and computer data. While the DVD (4.7 Gbyte storage capacity) prepares to take a permanent place alongside the 650 MB CD, the next 25 Gbyte generation of discs known as Blu-Ray has already appeared on the optical storage technology horizon.

With the same geometric dimensions as the conventional CD or DVD, the storage medium of the future has significantly greater storage at its disposal. A blue-violet, particularly short wave laser beam (with a wavelength of 405 nm) can bundle significantly more storage information into a smaller space than can a red laser light (640 nm). The reason: the shorter the wavelength of the light, the better the focus of a corresponding laser beam. The beam spot becomes smaller and thereby fits into a more narrow "groove."

In the end, more advanced data compression technology can ultimately apply five times the amount of information onto the same surface area. The prescribed optical geometry of the probing beam necessitates that the Blu-Ray disc be free from defects such as scratches so it is protected by a special hard surface layer.

Home video recording, i.e. home recording of digital high definition television (HDTV) is expected to be the principal application for this 3rd generation format. This new TV standard will become viable within a few years. For this reason, research initially concentrated on recordable and rewritable high density discs unlike the CD and DVD formats, which were geared toward prerecorded music or movies.

SINGULUS TECHNOLOGIES' acquisition of ODME Mastering and MoldPro injection molding technology secured its exclusive access to the technology components needed for the third generation of optical data storage.

Home video recording, i.e. home recording of digital high definition television (HDTV) is expected to be the principal application for the 3rd generation format.

Deep UV - Mastering System in the Philips Test Lab for the 3rd Generation of Optical Disc – Blu-Ray

RESEARCH AND DEVELOPMENT. As world technology leader in the development of optical data storage replication systems, SINGULUS TECHNOLOGIES continues to benefit from steady growth in these markets. Aided by dynamic research and development efforts, SINGULUS continues to expand its technology-based leadership position in the market. With a total of 16.3 million Euro, R&D activities remained at prior year levels (16.2 million Euro). R&D expenditures totalled 4.7 % of revenues. All preparatory work performed during the past two years for the two new MRAM and ophthalmic business segments was financed from the company's own funds.

The cycle time for the new SKYLINE II CD/DVD 5 replication line was reduced specifically for DVD 5 manufacturing from its initial 8.5 seconds to 6 seconds. This speed-up can be equated to significant gains in productivity.

A much improved version of the DVD 9 system concept will be marketed in 2004 in the form of the SPACELINE II. While the cycle time for the DVD 9 system has been reduced from 3 seconds to 2.5 seconds, it incorporates the potential for additional improvements.

SINGULUS TECHNOLOGIES has continued its optimization of the STREAMLINE DVDR/SP-A. Its cycle time is now less than 4.5 seconds. This line was simultaneously qualified for 4 x production of DVD-R. Development work for the next DVD-R generation, 8 x DVD-R, was finished in January 2004.

A new high performance replication system known as the STREAMLINE II has been developed for the manufacture of DVD-R, and was designed specifically to meet the rigorous requirements of our Asian customers. Improved cycle times and low reject quotas along with markedly reduced manufacturing costs were among the major challenges our engineers and physicists had to meet.

At SINGULUS OMP, the newly developed DMS EVOLUTION mastering system was successfully introduced to the market in the Spring of 2003 and followed by mul-

tiple installations around the world. The first laser beam recorder for recordable CD and DVD has also been sold.

By joining forces, our development efforts in 2004 will be systematically furthered and expanded in order to secure a lasting technological lead not just in our core business but in the two new business arenas as well, i.e. across the entire range of application in vacuum coating technology.

INVESTMENT IN THE EXPANSION OF CAPACITY. Following the January 2003 completion of the Kahl headquarters' first addition for Engineering and Development, SINGULUS TECHNOLOGIES expanded its facility by another 3000 sqm, increasing its total operating area to 18000 sqm. The 3.4 million Euro investment in a fourth production hall created the space needed to house the new MRAM and ophthalmic divisions.

SALES AND SERVICE: BEING GLOBALLY ACTIVE. Our market consists of the industrialized nations of the world, with regional strongholds in Europe, Southeast Asia, and the USA.

While our research and development efforts are concentrated in Germany and the Netherlands, the configuration of our Sales and Service organisation is as international as our customers. With its foreign subsidiaries and additional network of agents, SINGULUS maintains the most widespread sales and service network in the industry.

The sales and service activities for the recently-acquired ODME mastering activities are now being integrated into this global network with the clear goal of growing market share for mastering components and systems.

In order to meet the demands of major customers, SINGULUS reinforced its presence in Taiwan during the year in report by establishing SINGULUS TECHNOLOGIES Taiwan. As in all other rapidly growing markets, that organization now offers first-class on-site service.

The SINGULUS Sales and Service network comprised the following subsidiaries as of 12/31/03:

- SINGULUS Emould GmbH, Würselen, Germany
- SINGULUS OMP B.V., Best, Netherlands
- OMP International GmbH, Schaffhausen, Switzerland
- SINGULUS TECHNOLOGIES Inc., Windsor, USA
- SINGULUS TECHNOLOGIES Service Group Inc., Windsor, USA
- SINGULUS TECHNOLOGIES Ltd., Swindon, UK
- SINGULUS TECHNOLOGIESASIA PACIFIC Pte. Ltd., Singapore
- SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil
- SINGULUS TECHNOLOGIESIBERICA S.L., Sant Cugat del Vallés, Spain
- SINGULUS VIKA CHINA LIMITED, Wanchai, Hong Kong
- SINGULUS TECHNOLOGIES FRANCE S.a.r.l., Valence, France
- SINGULUS TECHNOLOGIES ITALIA s.r.l., Senigallia (Ancona), Italy
- SINGULUS TECHNOLOGIES TAIWAN Ltd., Taipeih, Taiwan

With the exception of SINGULUS VIKA CHINA LIMITED (51 % share), the corporation, directly or indirectly, holds all shares in the aforementioned companies. Agencies and service facilities are also maintained in the following regions:

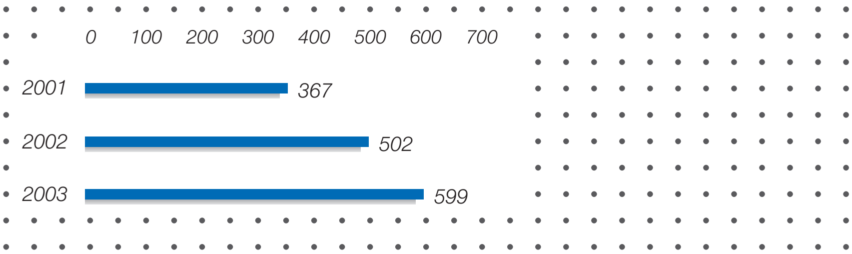
EUROPE: the Benelux countries, Bulgaria, the Czech Republic, Greece, Poland, Sweden, Finland, Norway, Turkey, Russia

NEAR EAST AND ASIA: Egypt, India, Hong Kong, Thailand, Korea, Japan

EMPLOYEES. As of December 31, 2003, SINGULUS TECHNOLOGIES employed 599 people worldwide (12/31/02: 502). 343 people are employed in our headquarters in Kahl and 256 in our subsidiaries. The company expanded its capacity in order to quickly satisfy the increase in machines ordered and sufficiently prepare for the development of new business sectors. In addition to the permanent workforce, 76 temporary workers were taken on board in order to help handle peak manufacturing periods by year-end.

MANAGING BOARD CHANGES. Stefan A. Baustert, who holds a graduate degree in business administration, was appointed to the Management Board effective January 15, 2003, and as Chief Financial Officer (CFO) is responsible for the areas of Finance, Administration and Human Resources. Dr. Reinhard Wollermann-Windgasse joined the Management Board on July 1, 2003 as new Chief Operating Officer (COO), supporting the company's expansion into new business segments.

Employees (at 12/31)



REVENUES AND EARNINGS. SINGULUS TECHNOLOGIES' revenues for fiscal 2003 grew to 362.6 million €, up by 24.8 % over last year (290.5 million €), continuing the excellent results achieved a year ago. For the first time, the CD-recordable (CD-R) and DVD-recordable (DVD-R) formats were the principal drivers of revenues. While only 10 CD-R replication lines were booked for 2002, 62 were sold in 2003. DVD-R replication line sales were even more successful, with 28 lines sold in 2003, compared to only 4 sold in 2002.

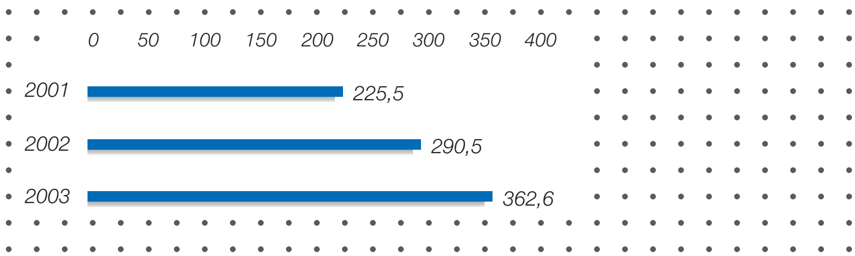
Strong results were also posted in the prerecorded CD/DVD 5 sector where volume rose from 134 to 310 machines. The excellent business with China was crucial in achieving these results.

> SINGULUS was able to strengthen its global market leadership in the optical disc arena.

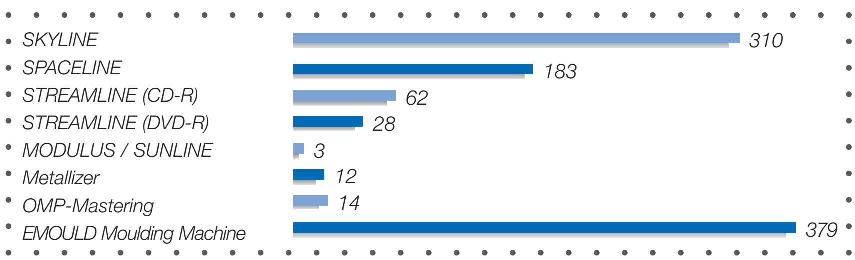
Sold and invoiced DVD-lines for prerecorded discs remained at prior-year levels (183 machines). A concurrent 10 % decline in revenues was recorded, which can largely be attributed to the weak relationship between the U.S. Dollar and the Euro.

SINGULUS was able to strengthen its global market leadership in the optical disc arena, with the DVD replication line share exceeding 65 %.

Gross Revenues (in Mio. Euro)



Number of Booked Machines 2003

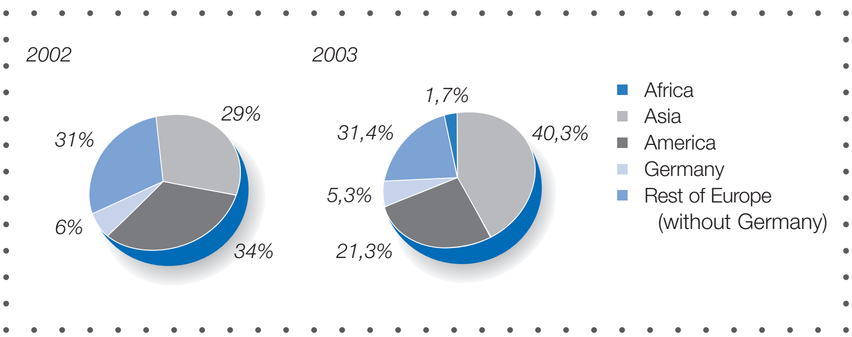


The company followed the 2003 integration of SINGULUS OMP with another acquisition, that of the Dutch global leader in mastering activities, ODME B.V. SINGULUS attained the global lead in the mastering market with this acquisition. Since the closing did not take effect until the beginning of January 2004, ODME is not included in the 2003 consolidated closing statement.

RECORDABLE ON THE UPSWING. Revenues for 2003 were distributed over a wider range of products than in 2002. Revenue share for DVD prerecorded replication lines declined from 58.9 % to 41.9 %. In contrast, revenues for CD and DVD recordable lines rose from 4.1 % to 20.6 %. The share of service and spare parts business dipped slightly from 9.9 % to 9.1 %.

DEVELOPMENT OF REVENUES WORLDWIDE. Asia was our major geographic sales territory in 2003. The Asian share of total revenues was 40.3 % (prior year 29 %). Europe (including Germany) also remained a strong sales territory, capturing 36.7 % (5.3 % from Germany) of SINGULUS machine sales (prior year 37 %, 6 % of which originated in Germany). Revenues from North and South America totaled 21.3 % (prior year 34 %) and in Africa, 1.7 %.

Sales per Region (in %)



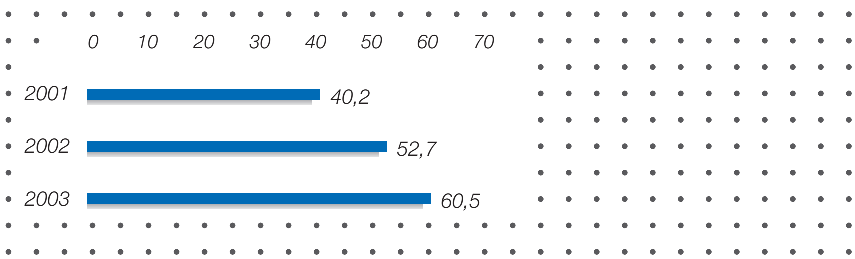
SUSTAINED PROFITABILITY. SINGULUS' gross margin for fiscal 2003 totaled 31.7 % (prior year 35.9 %). The product mix and cost pressure in markets around the world precluded attainment of the previous year's margin. Despite a drastic decline in prices in the Asian market as well as a significant drop in the standing of the U.S. Dollar against the Euro, the company was able to sustain the gross margins for most of its product groups.

While the average forward exchange rate for our U.S. Dollar based contracts was 0.87 Dollar/Euro in 2002, it deteriorated to 1.08 Dollar/Euro in 2003, i.e. approx. 23 %.

Earnings before Interest and Tax (EBIT) totaled 60.5 million Euro (prior year 52.7 million Euro). The EBIT yield totaled 17.3 % (prior year 18.9 %). The decline in the EBIT yield can be mainly attributed to a shift in the product mix. The operating expense share of net revenues declined from 17 % to 14.4 %.

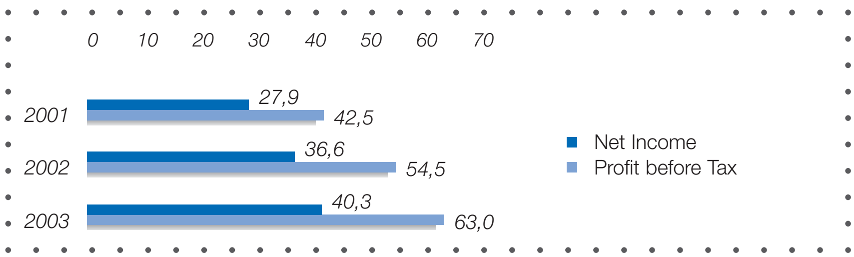
Financial results for 2003 totaled 2.5 million Euro (1.8 million Euro last year). Pre-tax earnings totaled 63.0 million Euro (prior year 54.5 million Euro). This led to a pre-tax gain of 18.1 % (19.6 % a year ago). Compared to 2002, the pre-tax rate of return grew 15.6 %.

EBIT (in Mio. Euro)



The tax rate for the year in report was 36.1 % (prior year 32.9 %). The higher taxation rate for fiscal 2003 was due to the offsetting effects of corporate income taxes and business taxes in both years, along with a higher domestic taxation rate due to contributions under the Flood-Victim-Solidarity Act dated September 19, 2002, and a higher percentage of total pretax earnings earned domestically for fiscal 2003. SINGULUS attained a net income of 40.3 million Euro (preceding year, 36.6 million Euro). The rate of return on after-tax earnings for 2003 was 11.5 % (preceding year, 13.1 %).

Financial Results (in Mio. Euro)



BACKLOG AND ORDER RECEIPTS. Order receipts for 2003 totaled 382.7 million Euro. As of 12/31/03, backlog totaled 78.6 million Euro. Acquisition of ODME B.V.'s mastering business added 11.8 million Euro to backlog, which rose to 90.4 million Euro at the beginning of January 2004.

FIXED ASSETS. Fixed assets (excluding long-term accounts receivable and the long-term portion of capitalized latent taxes) rose to 33.1 million Euro. 15.8 million Euro thereof went toward plant and equipment (prior year 14.6 million Euro) and 17.2 million Euro for intangible assets (prior year 17.0 million Euro).

Depreciation allowances on fixed and intangible assets totaled 3.7 million Euro.

BALANCE SHEET AND LIQUIDITY. Working capital (including long-term accounts receivable, but excluding the short-term portion of capitalized latent taxes) grew by 47.9 million Euro. The increase can be attributed primarily to receivables and inventory value.

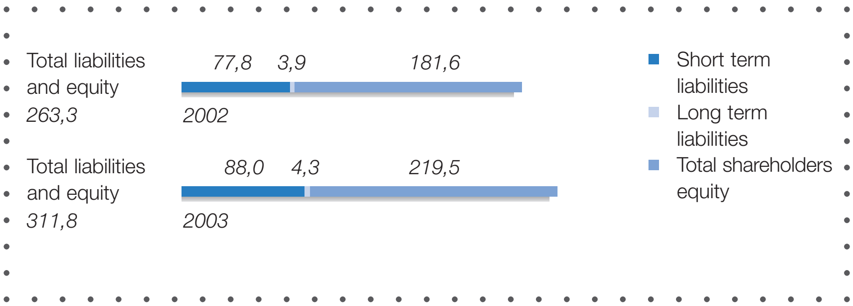
Current liabilities rose slightly from 77.8 million Euro to 88.1 million Euro. Trade payables rose by 3.4 million Euro. Discount opportunities were utilized whenever possible. Customer progress payments rose by 7.1 million Euro to 19.1 million Euro.

Long-term liabilities include pension funds and liabilities for convertible bonds and rose slightly, from 3.9 million Euro to 4.3 million Euro over the reporting period, where the increase in pension-fund reserves was offset by a reduction in accounts payable arising from convertible notes.

Total liabilities rose by 10.7 million Euro from 81.7 million to 92.4 million Euro.

Assets (in Mio. Euro)

Liabilities and Equity (in Mio. Euro)



EQUITY AND EARNINGS UTILIZATION. The company's shareholder equity rose from 181.6 million Euro on 12/31/02 to 219.5 million Euro by the end of 2003. Retained earnings had the most significant impact on this development. The equity ratio is 70.4 % (prior year 69.0 %). The equity return, measuring the relationship between pre-tax earnings and equity capital – totals 28.7 % (30.0 % for the preceding fiscal year). Fiscal 2003 earnings, capital, and financial figures were, once again, extraordinarily good for the SINGULUS Group.

The conversion of net income into the company's reserves is a consequence of Board recommendations made to shareholders. In accordance with § 16.3 of the statutes, half of the 30.3 million Euro net income will be converted to "other retained earnings." The remaining 15.2 million Euro profit is also to be converted into "other retained earnings" by means of a General Shareholders' resolution. Earnings per shares were 1.09 Euro.

ALLOCATION OF RETAINED EARNINGS. Because double-digit corporate growth was achieved in 2003 and prospects for 2004 point to further revenue growth, the Management Board once again recommends that the company retains all earnings.

GROWTH. The results achieved in 2003 were based entirely on internal growth. The ODME B.V. acquisition finalized early in 2004 is not included in the 2003 consolidated financial statement. The purchase price for this company totaled 23 million Euro; 20 million Euro of which was paid in January 2004 from cash on hand. The Management Board is confident that solid earnings will be achieved in 2004 with the capital utilized.

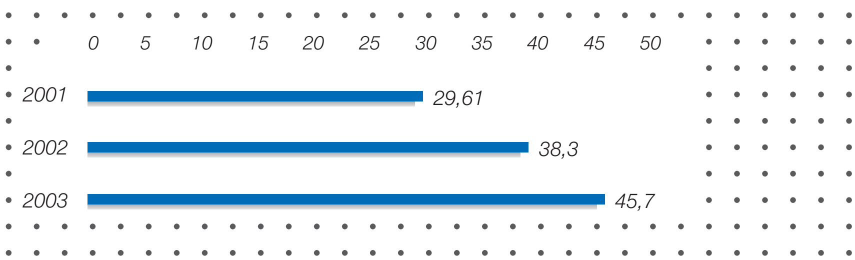
CAPITAL INVESTMENTS AND FINANCING. Additions to gross fixed assets totaling 8.4 million Euro were divided between SINGULUS TECHNOLOGIES AG, which accounted for 7.2 million Euro SINGULUS EMOULD, which accounted for 0.4 million Euro and SINGULUS OMP, which accounted for 0.4 million Euro. The remaining 0.4 million Euro were accounted for by sales subsidiaries. Gross fixed asset capital expenditures totaling 3.4 million Euro for SINGULUS Kahl went toward building expansion. Additional space was created for technical personnel and manufacturing additional machines, since the number of replication machines sold (excluding metallizers) rose from 332 for fiscal 2002 to 586 for fiscal 2003. Facilities for our new MRAM and ophthalmic lens coating system operations also had to be created.

A total of 2.3 million Euro (1.3 million Euro in Kahl) was spent on facility and office equipment.

Investments were once again financed entirely from cash flow.

CASH FLOW. The company's cash flow from normal operations, prior to adjustments to allow for changes in working capital, increased by 7.4 million Euro totaling 45.7 million Euro for fiscal 2003, up from 38.3 million Euro (before change of working capital). Working capital (liquid assets minus current liabilities) grew by 38.7 million Euro. This growth is attributed to an increase in inventory as well as short-term accounts receivable. Inventories and gross accounts receivable grew in step with the growth of our business.

Cash-Flow from Normal Operations (in Mio. Euro)



In terms of risk, the configuration of our receivables improved. Consequently, that portion of accounts receivable due in one year or more declined by 1 million Euro, despite a nearly 25 % growth in revenues.
SINGULUS remains totally debt-free, on a net basis.

Capital investments and investments in financial instruments, along with the increase in working capital, were financed out of cash flow from normal operations. Moreover, liquid assets rose to 66.4 million Euro by the closing date.

RISK REPORT / KONTRAG. The SINGULUS TECHNOLOGIES Group is subject to particular risks due to its business model and export sales of more than 90 %. The risks that must be covered are technological risks, market risks, foreign-exchange risks, purchasing risks, political risks, and customer risks. SINGULUS recently introduced and upgraded control and monitoring systems in order to detect, assess, and cover these risks.

A highly significant aspect thereof are customer risks, duly allowing for the sales markets involved. Assessments of customer risks were refined by the introduction of associated analyses and reports.

Business risks that might arise due to competitive pressures, as well as such that might arise from technological developments are tracked and assessed.

Market risks must also be assessed. Our business has increasingly shifted from CDs to DVDs over recent years. During fiscal 2003, we experienced a significant shift in our business toward recordable lines. SINGULUS has formed its own teams of experts in order to be able to rapidly detect such shifts in our markets.

Forward exchange rates are used to cover foreign-exchange risk exposures arising from invoices written in foreign currencies, a practice that we have adhered to during 2003.

On the procurement front, our supplies are secured by negotiating appropriate long-term blanket agreements. Regular quality audits are conducted in order to prevent vendor related quality risk exposures.

The company fully complies with regulations set forth in the German law called KonTraG. The instruments with which we monitor risk have been reviewed with our auditors and the Supervisory Board and are adequate for the timely identification of risks endangering the company.

The Management Board is convinced that no risks jeopardizing the survival of the company have been identified for the current fiscal year or ensuing years.

ENVIRONMENTAL AWARENESS. Long-term economic success is only possible if economic, ecological, and social responsibilities are continually improved and advanced in a balanced manner. SINGULUS is commited to mindful management and the systematic reduction of all environmental hazards.

SINGULUS TECHNOLOGIES AG does not produce hazardous waste in its manufacturing. Even water and energy consumption are limited to normal usage for a mid-sized manufacturing operation. As a consequence of our investment in a closed-loop cooling water system for commissioning and testing of our machines prior to delivery, water resources are handled sparingly and responsibly.

The company is represented by an external safety agent for matters concerning occupational safety and legal requirements affecting the environment. The new office and manufacturing spaces at the Kahl headquarters conform to the most modern building codes. The environmental standards employed in the expansion of our manufacturing space exceeded legal requirements. High standards of environmental protection are in force at all SINGULUS locations, particularly with respect to occupational safety.

Corporate Governance at SINGULUS TECHNOLOGIES

The term “corporate governance” represents the governance and management of corporations which has long-term value enhancement as its goal. Consideration of shareholder interests, efficient cooperation between Management and Supervisory Boards, as well as openness and transparency are central to these considerations.

An appreciation of responsible organizational leadership has been held in high regard at SINGULUS TECHNOLOGIES ever since the company’s inception. As a result, no special measures have been needed to assure compliance with the principles of conduct established in the “German Code of Corporate Governance.“

The Management and Supervisory Boards as well as executives at SINGULUS TECHNOLOGIES support the principles and tenets of transparent and responsible corporate management and governance, since these criteria help maintain and improve the confidence that shareholders, employees, business associates, and members of the general public have in us.

The in-depth, ongoing dialogue between the Management and Supervisory Boards is the basis for efficient corporate administration. The Management Board advises the Supervisory Board in a timely and comprehensive manner of all relevant matters pertaining to corporate planning and strategic development, business transactions, the status of the business, including risk exposures, as well as risk management. Deviations from established plans and goals are discussed at length. The company’s strategic management is thoroughly reviewed with the Supervisory Board on an ongoing basis.

SINGULUS TECHNOLOGIES Stock

FINANCIAL MARKETS IN GENERAL. Following a three-year downhill trend, many stock markets around the world hit a low in the Spring of 2003. The end of the Iraq war and the containment of the SARS disease improved prospects for the future development of financial markets. The recovery in corporate earnings anticipated by the markets, low capital investment interest rates, as well as high cash reserves around the world have since caused the stock markets to rebound.

SINGULUS TECHNOLOGIES' STOCK. SINGULUS' stock was also hit by the general stock-market volatility during the early weeks of calendar 2003, and reached a low for the year of 8.93 Euro/share im March 2003. By year-end, it had reached 16.70 Euro in XETRA-trading. The rise during fiscal 2003 was 32.54 %.

TECDAX AS THE NEW BENCHMARK. In February 2003, the TecDAX was established as the stock market successor to the New Market's "Nemax-50" Index. SINGULUS was one of 30 publicly-traded companies admitted to the TecDAX, and has been a heavyweight in this index ever since.

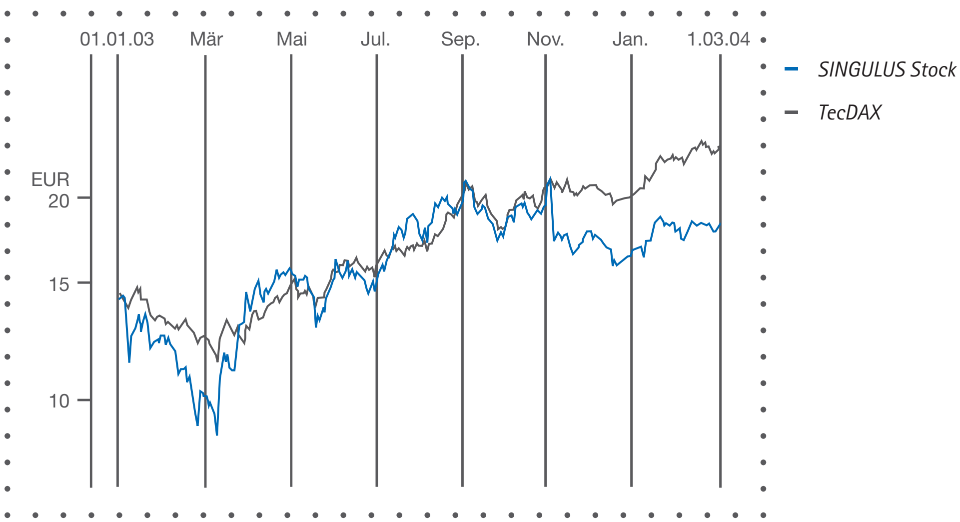
SINGULUS' market capitalization improved from 462 million Euro to 619 million Euro over fiscal 2003. By year-end, approximately 37 million shares were in circulation. The free float stands at 100 %.

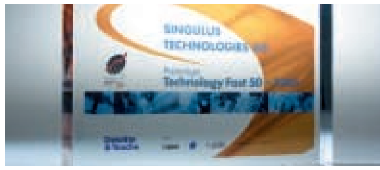
Its average 2003 trading volumes of 194,139 shares in Xetra and 38,724 shares in floor trading make it one of the most frequently traded stocks in the TecDax. Its price-to-earnings ratio on 12/31/03 was 15.58. Earnings per share grew from 0.99 Euro in 2002 to 1.09 Euro in 2003 (DVFA/SG: 1.06 Euro/share).

Stock Key Figures

Stock exchange:	Frankfurt, Market Segment TecDAX
ISIN:	DE0007238909
Master data:	723890
Stock symbol:	SNG / Reuters SNGG.DE / Bloomberg SNG.NM
Type of shares:	Ordinary bearer shares for EUR 1
Issued share capital:	37,064,316
Nomical capital:	EUR 37,064,316
Indices:	NEMAX-All-Share, TecDAX
Prime Standard:	Technology
Freefloat, approx.:	100 %
Shares per 12/31/2003:	37,064,316
Market Cap per 12/31/2003:	619 Mio. EUR
Annual low 2003:	8.93 EUR
Annual high 2003:	21.40 EUR
Year-end 12/31/2003:	16.70 EUR
Trade volumina, Ø Xetra:	194.139 pieces / day
Trade volumina, Ø Parkett:	38.724 pieces / day
KGV (12/31/2003):	15.58
Earnings per share in EUR:	1.09

The SINGULUS TECHNOLOGIES Stock In Comparison





Analyst-Coverage

ABN Amro Bank AG

B. Metzler Seel. Sohn & Co.

Bank Vontobel

Bankhaus Reuschel & Co.KG

Bayerische Landesbank

Berenberg Bank

Berliner Bankgesellschaft

BNP Paribas

BW Bank

Citigroup

Commerzbank AG

CA Indosuez Cheuvreux

CSFB Credit Suisse First Boston

Deutsche Bank AG

DZ BANK

Dresdner Kleinwort Wasserstein

Helaba Trust

HSBC Trinkaus & Burkhardt KG

Hypo Vereinsbank

Independent Research

ING Financial Markets

Kepler Equities

Landesbank Baden-Württemberg LB BW

Mainfirst Bank AG

Merrill Lynch

Metzler Equity Research

Morgan Stanley

Sal. Oppenheim

SG Securities

SEB Research

SES Research GmbH

UBS Investment Bank

West LB Equtiy Markets

INVESTOR RELATIONS Efforts Remain a High Priority!

Post-12/31/2003 Events

On January 9, 2004, SINGULUS TECHNOLOGIES AG legally acquired all shares of ODME B.V., Eindhoven, The Netherlands, and acquired from the OTB Group B.V., Eindhoven, The Netherlands, the exclusive rights to patents and other intellectual property rights of MoldPro injection-molding technology. The firm's optical data storage replication line business had previously been divested, and remained with the OTB Group. The purchase price for all of the mastering system product lines involved totaled 23 million Euro, 20 million of which was paid out of cash on hand during January, 2004. The ODME mastering business is profitable, earning margins similar to those of SINGULUS. A total of 96 employees were transferred as a result of the acquisition.

Outlook

GROWTH IN OUR CORE BUSINESS MARKETS. All leading market observers expect that the annual growth rate in global DVD-production will average 25 % over the next three years, i.e., over the period 2004 - 2006. SINGULUS expects to sustain its dominant role in this dynamic growth market.

The company is particularly attentive to growth in the DVD-R market, i.e. once-recordable DVDs. This disc format is primarily used in “stand-alone” DVD recorders but is increasingly being used in DVD burners for PCs. This market has broadened enormously due to the sharp drop in the price of recorders and will presumably be as successful as the CD-R market was in the past. In accordance with our own projections, the SINGULUS product portfolio will see a corresponding marked increase in the sale of its recordable-format replication systems.

By the end of 2004, high-definition digital television (HDTV) will achieve a technological breakthrough in the markets of North America and Japan, and will proliferate in 2005 and beyond. Conventional DVD formats are not suitable for storing or recording this amount of data. Digital TV will accelerate the demand for the new formats needed, especially “Blu-Ray” or “AOD,” or even both of these options that are vying to become the third generation optical disc.

The SINGULUS mastering capabilities are already spearheading the development of the third generation of optical data storage. SINGULUS TECHNOLOGIES will provide all prerequisites for the Blu-Ray/AOD replication line market and once again demonstrate its technological leadership.

NEW BUSINESSES ENHANCE IMAGINATION. SINGULUS TECHNOLOGIES' projected success in optical data storage-replication systems continues to provide the company the opportunity to expand into promising new vacuum thin film technology applications (MRAM, ophthalmic lenses, specialty lenses, etc). Their market introduction has been scheduled for fiscal 2004. The Management Board has set a goal of increasing the revenues and earnings of new business segments 20 % within five years. These new activities should thus be reporting above-average growth rates commencing in 2005.

The decline of the U.S. Dollar against the Euro exerted sale pricing pressures on SINGULUS' products during fiscal 2003. The U.S. Dollar-Euro exchange rate will continue to affect the course of our business during fiscal 2004.

The company enters fiscal 2004 with a higher backlog than a year ago. The general mood in the "digital industry" remains very upbeat. SINGULUS TECHNOLOGIES has grown at double-digit average annual growth rates throughout its entire eight-year history.

In view of its core areas of technological expertise, leading position on the world market for optical disk replication systems, and expansion into new lines of business, the company believes that it is well-equipped to remain on a dynamic growth track and to continue to report solid earnings over the medium-term as well.

Kahl am Main, February 24, 2004

The Managing Board

Roland Lacher **Stefan A. Baustert**

Klaus Hammen **Dr. Reinhard Wollermann-Windgasse**

A New Course

SINGULUS has embarked on a new course to safeguard the future. New application opportunities in vacuum thin film technology were sought to complement our core competence in the optical disc business. The formation of our promising ophthalmic lens coating division exemplifies this strategy.

Year End Closing for SINGULUS TECHNOLOGIES Consolidated as of 12/31/2003

REPORT OF INDEPENDENT AUDITORS

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, prepared by SINGULUS TECHNOLOGIES AG, Kahl am Main, for the fiscal year from January 1 to December 31, 2003. The preparation and the content are the responsibility of the Company's management. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with the US-GAAP, based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with the German audit regulations and the generally accepted German standards for the audit of financial statements promulgated by the IDW ["Institut der Wirtschaftsprüfer in Deutschland": Institute of Public Auditors in Germany]. Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatement. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with US-GAAP.

Our audit, which also extends to the management report of the Company and the Group prepared by the management board for the fiscal year from January 1 to December 31, 2003, has not led to any reservations. In our opinion, on the whole the management report of the Company and the Group together with the other disclosures in the consolidated financial statements provides a suitable understanding of the Group's position and suitably presents the risks of future development.

In addition, we confirm that the consolidated financial statements and the management report of the Company and the Group for the fiscal year from January 1, 2003 to December 31, 2003 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law.

Eschborn/Frankfurt am Main, February 24, 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

sgd. Bösser	sgd. Weber
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2003 AND 2002

ASSETS

	Note No.	2003 KEUR	2002 KEUR
Cash and cash equivalents	(4)	**66,425**	**53,915**
Trade accounts receivable, net	(5)	79,275	52,995
Other receivables and other assets	(5)	8,848	12,169
Total accounts receivables, net		**88,123**	**65,164**
Raw and packing materials		27,208	24,696
Work in process		73,612	62,481
Prepayments to suppliers		1,503	1,672
Inventories, net	(6)	**102,323**	**88,849**
Deferred tax assets (current)	(13)	3,272	4,133
Total current assets		**260,143**	**212,061**
Trade accounts receivable, net (long-term)	(5)	17,209	18,248
Property, plant and equipment, net		15,842	14,577
Goodwill		16,539	16,539
Other intangible assets, net		695	495
Deferred tax assets (non-current)	(13)	1,409	1,429
Total non-current assets		**51,694**	**51,288**
Total assets		**311,837**	**263,349**

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2003 AND 2002
LIABILITIES

	Note No.	2003 KEUR	2002 KEUR
Trade accounts payable		28,957	25,521
Other current liabilities	(7)	19,304	18,367
Progress payments	(7)	19,116	11,984
Tax accruals		11,334	10,291
Other accruals	(9)	9,382	11,645
Total current liabilities		**88,093**	**77,808**
Convertible bonds	(7)	719	1,147
Pension accruals	(8)	3,558	2,763
Total long-term liabilities		**4,277**	**3,910**
Total liabilities		**92,370**	**81,718**
Share capital (37,064,316 and 36,947,226, respectively, authorized, issued and outstanding ordinary shares)	(10)	37,064	36,947
Additional paid-in capital	(10)	27,650	26,950
Retained earnings		159,514	119,257
Accumulated other comprehensive income		-4,761	-1,523
Total shareholders' equity		**219,467**	**181,631**
Total liabilities and shareholders' equity		**311,837**	**263,349**

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Note No.	2003 KEUR	%	2002 KEUR	%
Gross revenues	(15)	**362,559**	**103,9**	**290,548**	**104.2**
Sales deductions and direct distribution cost		-13,771	-3,9	-11,748	-4.2
Total net revenues		**348,788**	**100,0**	**278,800**	**100.0**
Cost of goods sold		-238,233	-68,3	-178,651	-64.1
Gross profit		**110,555**	**31,7**	**100,149**	**35.9**
Research and development		-16,290	-4,7	-16,155	-5.8
Sales and customer services		-19,148	-5,5	-16,673	-6.0
General management and adminis-tration		-10,271	-2,9	-9,760	-3.5
Other operating income/(expenses)		-4,358	-1,2	-4,820	-1.7
Total operating expenses		-50,067	-14,4	-47,408	-17.0
Operating income (EBIT))		**60,488**	**17,3**	**52,741**	**18.9**
Interest income	(12)	4,044	1,2	2,120	0.8
Interest expense	(12)	-1,530	-0,4	-340	-0.1
Income before tax		**63,002**	**18,1**	**54,521**	**19.6**
Income tax	(13)	-22,745	-6,5	-17,932	-6.4
Net income		**40,257**	**11,5**	**36,589**	**13.1**
Other comprehensive income:					
Currency translation adjustment		-2,907		-2,485	
Minimum pension liability adjustment, net		-331		-143	
Comprehensive income		**37,019**		**33,961**	
Earnings per share - basic (in EUR)		1,09		0,99	
Earnings per share - diluted (in EUR)		1,04		0,95	
Weighted average shares outstanding - basic		36,986,738		36,792,112	
Weighted average shares outstanding - diluted		38,599,908		38,589,372	

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Share capital KEUR	Additional paid-in capital KEUR	Retained earnings KEUR	Accumulated other comprehensive income KEUR	Total shareholders' equity KEUR
Balance at December 31, 2001	36,436	15,197	82,668	1,105	135,406
Capital increase	511	11,753			12,264
Minimum pension liability adjustment, net				-143	-143
Currency translation adjustment				-2,485	-2,485
Net income			**36,589**		**36,589**
Balance at December 31, 2002	36,947	26,950	119,257	-1,523	181,631
Capital increase	117	700			817
Minimum pension liability adjustment, net				-331	-331
Currency translation adjustment				-2,907	-2,907
Net income			**40,257**		**40,257**
Balance at December 31, 2003	**37,064**	**27,650**	**159,514**	**-4,761**	**219.467**

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003 KEUR		2002 KEUR	
Cash flows from operating activities				
Net income		40,257		36,589
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	3,722		2,878	
Additions to pension accrual	795		394	
Other non-cash expenses / income	-1,085		-1,376	
Deferred taxes	2,029	5,461	-217	1,679
		45,718		**38,268**
Changes in operating assets and liabilities				
Trade accounts receivable, net	-25,813		-756	
Other receivables and other assets	3,245		-6,940	
Inventories, net	-14,486		-29,309	
Trade accounts payable	3,502		8,196	
Other current liabilities	1,002		4,888	
Progress payments	7,132		3,096	
Tax accruals	241		4,381	
Other accruals	-2,154	-27,331	-875	-17,319
Net cash provided by operating activities		**18,387**		**20,949**

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003 KEUR		2002 KEUR	
Cash flows from investing activities				
Purchase of fixed assets	-8,866		-5,265	
Disposal of fixed assets	3,622		1,175	
Cash paid for the acquisition of consolidated companies less cash acquired	0	-5,244	-11,253	-15,343
Net cash used in investing activities		-5,244		-15,343
Cash flow from financing activities				
Increase/Decrease in convertible bonds	-250		348	
Capital increase	769	519	864	1,212
Net cash provided by financing activities		519		1,212
Net increase in cash and cash equivalents		**13,662**		**6,818**
Effect of foreign currency exchange rate changes		-1,152		-334
Cash and cash equivalents, beginning balance		**53,915**		**47,431**
Cash and cash equivalents, ending balance		**66,425**		**53,915**
Supplemental cash flow disclosures Cash paid for interest		117		253
Cash paid for income taxes		14,597		22,498

CONSOLIDATED FIXED ASSETS MOREMENT SCHEDULE FOR FISCAL YEAR 2003

	Acquisition and production cost				
	1/1/2003 KEUR	Additions KEUR	Reclassi-fication KEUR	Disposals KEUR	Currency Translation Differences TEUR
Property, plant and equipment					
Land, land rights and buildings including buildings on third party land	6,213	3,937	0	1,097	0
Technical equipment and machines	871	317	33	0	0
Other equipment, factory and office equipment	6,847	2,289	366	0	-176
Equipment under operating leases	5,808	1,574	5,808	0	0
Payments on account and assets under construction	1,097	235	0	-1,097	0
	20,836	**8,352**	**6,207**	**0**	**-176**
Intangible assets					
Concessions, industrial and similar rights and assets and licenses in such rights and assets	1,199	514	0	0	0
Intangible pension asset	191	0	63	0	0
Goodwill	16,539	0	0	0	0
	17,929	514	63	0	0
	38,765	**8,866**	**6,270**	**0**	**–176**

	Accumulated depreciation					Net book values	
				Currency Translation Differences			
12/31/2003 KEUR	1/1/2003 KEUR	Provisions KEUR	Reversals KEUR	KEUR	12/31/2003 KEUR	12/31/2003 KEUR	12/31/2002 KEUR
11,247	584	264	0	0	848	10,399	5,629
1,155	348	181	33	0	496	659	523
8,594	3,680	1,410	334	–119	4,637	3,957	3,167
1,574	1,647	1,616	2,281	0	982	592	4,161
235	0	0	0	0	0	235	1,097
22,805	**6,259**	**3,471**	**2,648**	**-119**	**6,963**	**15,842**	**14,577**
1,713	895	251	0	0	1,146	567	304
128	0	0	0	0	0	128	191
16,539	0	0	0	0	0	16,539	16,539
18,380	895	251	0	0	1,146	17,234	17,034
41,185	**7,154**	**3,722**	**2,648**	**–119**	**8,109**	**33,076**	**31,611**

SINGULUS TECHNOLOGIES AG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003

Note 1 - Basis of presentation

The accompanying consolidated financial statements present the operations of SINGULUS TECHNOLOGIES AG and its subsidiaries (the “Company”).

All amounts are stated in thousand Euro (KEUR) unless mentioned otherwise.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”). The consolidated financial statements have been prepared in accordance with the EC 7th Directive based on the interpretation of the Directive by GAS 1 “Exempting consolidated financial statements in accordance with § 292a of the German Commercial Code” issued by the German Accounting Standards Committee (GASC). According to the German Commercial Code (“HGB”), the Company, since it is listed on a German Stock Exchange, is exempt from publishing consolidated financial statements according to German generally accepted accounting principles (“German GAAP”). German GAAP varies in certain respects from US GAAP. Since the Company maintains its books and records in German GAAP, certain adjustments have been recorded for the preparation of these consolidated financial statements in accordance with US GAAP. These adjustments primarily relate to deferred taxes due to deductible temporary differences and differences from consolidation, accounting for leases, accounting for pension obligations, accounting for stock-based compensation as well as accounting of foreign currency hedges and goodwill.

Note 2 - Description of business

The Company is engaged in the development, manufacturing and distribution of metallizers for prerecorded, recordable and rewritable CD and DVD coating and replication lines for the mentioned products. Metallizers are distributed under the name “SINGULUS” and “MODULUS” and replication lines under the names “SKYLINE” for prerecorded CD and DVD, “STREAMLINE” for CD-R and DVD-R, “SPACELINE” for Video DVD and “SUNLINE” for CD-RW and DVD-RW. Since 2002 the Company is also engaged in the development, manufacturing and distribution of Mastering systems which complement the Company’s replication lines.

Note 3 - Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include all companies in which the Company has legal or effective control.

The following subsidiaries are included:

- SINGULUS Emould GmbH, Würselen, Germany
- SINGULUS OMP B.V., Best, Netherlands
- OMP International GmbH, Schaffhausen, Switzerland
- SINGULUS TECHNOLOGIES Inc., Windsor, USA
- SINGULUS TECHNOLOGIES Service Group Inc., Windsor, USA
- SINGULUS TECHNOLOGIES Ltd., Swindon, UK
- SINGULUS TECHNOLOGIESASIA PACIFIC Pte. Ltd., Sĩngapore
- SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil
- SINGULUS TECHNOLOGIESIBERICA S.L., Sant Cugat del Vallés, Spain
- SINGULUS VIKA CHINA LIMITED, Wanchai, Hong Kong
- SINGULUS TECHNOLOGIES FRANCE S.a.r.l., Valence, France
- SINGULUS TECHNOLOGIES ITALIA s.r.l., Senigallia (Ancona), Italy
- SINGULUS TECHNOLOGIES TAIWAN Ltd., Taipeih, Taiwan

All subsidiaries are directly or indirectly wholly owned, except SINGULUS Vika China Limited, in which the Company holds a stake of 51%.

The equity and net income attributable to minority shareholders' interests are shown separately on the balance sheet and income statement, respectively. However, if the minority shareholders' share of losses exceeds the carrying amount of their interests in equity, this carrying amount is adjusted to zero and the recognition of losses is discontinued. Therefore, no equity or net income attributable to minority shareholders' in respect to SINGULUS Vika China Limited has been recognized as of December 31, 2003 and 2002. The total of unrecognized shares of losses attributable to minority shareholders' amounts to KEUR -19 as December 31, 2003, and KEUR -18 as of December 31, 2002.

The results of operations for businesses acquired are included in the consolidated financial statements from their respective date of acquisition. All significant inter-company balances and transactions have been eliminated in consolidation.

Acquisitions

Effective January 1, 2002, the Company acquired a 100 % equity interest in Optical Measuring-Equipment & Projects B.V., Best, Netherlands, for KEUR 25,238. KEUR 11,343 of the purchase price were paid by issuing 379,110 ordinary bearer shares with a fair market value as of December 6, 2001 of EUR 29,92 per share. The Company accounted for this business combination in accordance with SFAS 141, “Business Combinations”. KEUR 1,400 of the purchase price were allocated to land and buildings and KEUR 1,600 were allocated to other intangible assets (production backlog). The resulting Goodwill of KEUR 13,322 is not amortized but is subject to an annual impairment test in accordance with SFAS 142, “Goodwill and Other Intangible Assets”.

Under SFAS 142, goodwill will no longer be amortized on a straight-line basis over its estimated useful life, but will be tested for impairment at least annually. The goodwill impairment test, which is based on fair value, is to be performed on a reporting unit level. A reporting unit is defined as a SFAS 131 operating segment or one level lower. Under SFAS 142, intangible assets with indefinite lives will not be amortized. Instead, they will be carried at the lower of cost or market value and tested for impairment at least annually. All other recognized intangible assets will continue to be amortized over their estimated useful lives.

The annual impairment test is performed on December 31 of the financial year in consideration.

Foreign currency translation

The financial statements of the Company’s foreign subsidiaries are measured in the currency in which that entity primarily conducts its business (the functional currency). The functional currency of all these subsidiaries is the applicable local currency. The translation of the applicable foreign currency into Euro is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date, except for subsidiaries' share capital which is translated at the relevant historical rate, and for revenue and expense accounts using the weighted-average rates of exchange prevailing during the year. The unrealized gains and losses resulting from such translation are included in accumulated other comprehensive income.

Gains and losses from foreign currency transactions are charged or credited to current income at settlement date based on the difference in exchange rates between the transaction date and the settlement date.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, products have been shipped (for metallizers - excluding MODULUS - and moulding machines), acceptance by customers has been obtained (for replication lines) or services have been rendered, the price of the transaction is fixed and determinable and collectability is reasonably assured.

Revenues are recognized excluding value-added tax and net of goods returned, trade discounts, and allowances.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 outlines the SEC's views on applying generally accepted accounting principles to revenue recognition in financial statements. Specifically, the bulletin provides both general and specific guidance as to the periods in which companies should recognize revenues. In December 2003, the SEC issued SAB 104 "Revenue Recognition", which revised or rescinded parts of SAB 101 and codified some additional revenue recognition guidance in accordance with newly issued authoritative pronouncements.

In addition, SAB 101, as modified by SAB 104, also highlights factors to be considered when determining whether to recognize revenues on a gross or net basis and how to recognized revenue transactions with multiple elements. The Company believes that its policies with regard to the recognition of revenues are in compliance with the guidance of SAB 101 as modified by SAB 104.

Research and development

Significant costs are incurred each year in connection with research and development and engineering programs that are expected to contribute profits to future operations. Such costs are expensed as incurred.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less and bank drafts with an original maturity of three month or less to be cash equivalents.

Accounts receivable

Invoices for goods sold are mainly stated in Euro. Allowances are recorded for management's estimate of the likely uncollectible amounts. For the accounting methods of the currency forward contracts the company uses for hedging purposes please refer to "Derivative financial instruments".

Inventories

Inventories are generally valued at the lower of cost or market. Raw materials and supplies including spare parts are valued at average cost. A full cost absorption method is employed using standard cost techniques for the costing of work-in process. The standards are reviewed and adjusted annually. Potential losses from obsolete and slow-moving inventories are provided for in the current period.

Property, plant and equipment

Property, plant and equipment are recorded at acquisition costs. For financial reporting purposes depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Useful lives have been estimated as follows:

● Buildings:	25 years
● Machinery and equipment:	2 to 10 years
● Other equipment, factory and office equipment:	1 to 4 years

Gains or losses on sale or losses on retirement of assets are included in income. Please refer to the attached fixed assets movement schedule for details.

Impairment of Long-Lived Assets

The Company applies the provisions of SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived”. This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired because the carrying value exceeds the expected undiscounted cash flows, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

In 2003 and 2002, no events or changes in circumstances occurred which indicated that the carrying amount of any long-lived asset may not be recoverable.

Intangible assets

Acquired intangible assets are stated at acquisition cost, less amortization on a straight-line basis over their estimated useful life (3 years for EDP software). In addition, intangible pension assets as calculated and recorded under SFAS 87, ‘Employers’ accounting for pensions’, are included in intangible assets. KEUR 16,539 of the intangible assets relate to goodwill resulting from the acquisition of e-mould GmbH, Würselen, Germany, in 2001 and Optical Measuring-Equipment & Projects B.V., Best, Netherlands, in 2002. The impairment tests in 2003 and 2002 did not lead to impairment charges and also no planned depreciation was taken on the goodwill, either.

Warranty accruals

Warranty costs are provided for when the related revenue is recognized based on the estimated costs of fulfilling the warranty obligation, including handling and transportation costs. The calculation of the warranty accrual is based on historical experience.

Pension accruals and other accruals

The valuation of pension accruals is based upon the projected unit credit method in accordance with SFAS 87, “Employers’ Accounting for Pensions”. Other accruals are recorded when an obligation to a third party has been incurred, the payment is probable and the amount can be reasonably estimated.

Leases

The Company is a lessee of property, plant and equipment and a lessor of equipment (replication lines). All leases that meet certain specified criteria intended to represent situations where the substantive risks and rewards of ownership have been transferred to the lessee are accounted for as capital leases. All other leases are accounted for as operating leases.

Equipment under operating leases, where the Company is the lessor, is valued at production costs and depreciated over its estimated useful life of 5 years using the straight-line method. Related lease income is recorded when earned on a straight-line basis over the term of the contract.

Deferred taxes

Deferred taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock based compensation

The Company has issued convertible bonds to management and certain other employees which are accounted for in accordance with Accounting Principles Board (APB) Opinion No 25, “Accounting for Stock Issued to Employees”. Following the provisions of SFAS 123, “Accounting for Stock based Compensation”, the required additional disclosures are given in the notes to the consolidated financial statements.

Comprehensive income

The Company adopted SFAS 130, “Reporting Comprehensive Income”. SFAS 130 establishes standards for the reporting and presentation of comprehensive income and its components in a full set of financial statements.

Comprehensive income of the Company consists of net income, currency translation adjustment and minimum pension liability adjustment, as presented on the face of the consolidated income statement. SFAS 130 requires only additional disclosures in the consolidated financial statements; it does not affect the Company's financial position or results of operations.

Earnings per share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share are computed by dividing net income applicable to common shareholders by the weighted average number of common and potentially dilutive common shares outstanding.

Derivative financial instruments

The Company uses foreign currency forward contracts as a means of hedging exposure to foreign currency risks for accounts receivable. The Company and its subsidiaries are end-users and do not utilize these instruments for speculative purposes. The Company has strict policies regarding financial stability and the credit worthiness of its counter parties.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS 133, as amended by SFAS 137 and 138, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific accounting criteria are met.

If a derivative instrument qualifies for hedge accounting, the gains or losses from the derivative may offset results from the hedged item in the statement of operations or other comprehensive income, depending on the type of hedge. To qualify for hedge accounting, a company must formally document, designate and assess the effectiveness of transactions that are to receive hedge accounting.

Effective January 1, 2001, the Company adopted SFAS 133 as amended by SFAS 137 and SFAS 138. The adoption did not have a material impact on the financial position or the results of operations of the Company.

As of December 31, 2003, the Company had foreign currency forward contracts amounting to USD 7.9 million (December 31, 2002: USD 13.0 million) in order to hedge foreign currency risks relating to trade accounts receivable. Those derivative transactions, while providing effective economic hedges under the Company's risk management policies, do not qualify for hedge accounting under the rules of SFAS 133. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under SFAS 133, are recognized in other operating income or expenses. Therefore, a gain of KEUR 126 (prior year: gain of KEUR 1,414) in respect to those contracts has been recorded.

Concentration of credit risk

The Company provides services to a wide range of clients who operate in many industry sectors in varied geographic areas. The Company grants credit to all qualified clients and does not believe that it is exposed to undue concentration of credit risk to any significant degree.

New pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 143, "Accounting for Asset Retirement Obligations." SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. An entity shall measure changes in the liability for an asset retirement obligation due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period. The interest rate used to measure that change shall be the credit-adjusted risk-free rate that existed when the liability was initially measured. That amount shall be recognized as an increase in the carrying amount of the liability and as an expense classified as an operating item in the statement of income. SFAS 143 is effective for fiscal years beginning after June 15, 2002. The Company's adoption of SFAS 143 in fiscal year 2003 had no material impact on its results of operations or its financial position.

In April 2002 the FASB issued SFAS No. 145. This statement amends SFAS No. 13 which requires that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. This especially effects contracts that have previously been accounted for as a capital lease, and now have to be classified as an operating lease. SFAS No. 145 is effective for financial years beginning after May 15, 2002 with early application encouraged. The Company is of the opinion that the adoption of SFAS No.145 has no material impact on its result of operation or its financial position.

In June 2002, the FASB issued SFAS 146, "Accounting for the Costs Associated with Exit or Disposal Activities". SFAS 146 addresses significant issues regarding the recognition, measurement and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are currently accounted for under Emerging Issues Task Force ("EITF") 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)".

SFAS 146 also includes costs related to terminating a contract that is not a capital lease and termination benefits that employees who are involuntary terminated receive under the terms of a one-time benefit arrangement that is not an ongoing benefit or an individual deferred-compensation contract. SFAS 146 was effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 has no material impact on the Company's financial statements.

In November 2002, the FASB issued FASB Interpretation ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others – an interpretation of FASB statements 5, 57 and 107 and rescission of FASB Interpretation 34." This interpretation elaborates on the disclosure to be made by a guarantor in its financial statements regarding obligations under certain guarantees that it has issued. FIN 45 also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation due to the issuance of the guarantee. Disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002. The recognition and measurement provisions are effective for guarantees issued or modified after December 15, 2002. The Company determined that the recognition and measurement provisions of FIN 45 had no impact on its consolidated financial statements.

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure provisions of SFAS No. 123 to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. SFAS No. 148 does not amend SFAS No. 123 to require companies to account for their employee stock-based awards using the fair value method. However, the disclosure provisions are required for all companies with stock-based employee compensation, regardless of whether they utilize the fair method of accounting described in SFAS No. 123 or the intrinsic value method described in APB Opinion No. 25, Accounting for Stock Issued to Employees. The provisions of SFAS No. 148 are effective for fiscal years beginning after December 15, 2002. The Company does not expect SFAS No. 148 to have any effect on its financial position or results of operations upon its adoption in fiscal year 2003.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies accounting for derivative instruments and hedging activities under SFAS 133. SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003. However, the provisions of SFAS 149 that relate to Derivative Implementation Group Issues that have been effective for fiscal quarters that began prior to June 15, 2003, shall continue to be applied in accordance with their respective effective dates. The adoption of SFAS 149 did not have a significant impact on the Company's consolidated financial statements.

In May 2003, the EITF reached a consensus on EITF 01-8, "Determining Whether an Arrangement Contains a Lease". EITF 01-8 clarifies certain provisions of SFAS 13, "Accounting for Leases," with respect to the identification of lease elements in arrangements that do not explicitely include lease provisions. Any lease element identified under EITF 01-8 should be accounted for under current lease accounting literature by lessors and lessees. Initial adoption of EITF 01-8 did not have a significant impact on the Company's financial statements.

In December 2003, the FASB issued SFAS 132 (revised 2003)), "Employers' Disclosure about Pensions and Other Postretirement Benefits – an amendment of FASB Statement No. 87, 88 and 106," which requires additional disclosures about the Group´s defined benefit plan and other postretirement plan assets, obligations, net costs, and cash flows. The Company has adopted the new disclosure requirements as of December 31, 2003 (see Note 8).

In December 2003, the FASB issued FIN 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN 46R"), which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights (a "variable interest" in a "variable interest entity") and accordingly should consolidate the entity. FIN 46R replaces FIN 46, "Consolidation of Variable Interest Entities," which was issued in January 2003. The Company does not expect FIN 46R to have any effect on its financial position or results of operations upon its adoption in fiscal year 2003.

Corporate governance

Pursuant to the German Stock Corporation Law ("AktG"), § 161 and § 15 EGAktG, the Company's Board of Directors and Supervisory Board have issued a declaration of compliance and have granted shareholders permanent access to this declaration.

Note 4 - Cash and cash equivalents

	2003 KEUR	2002 KEUR
Cash at bank and cash in hand	65,884	33,174
Bank drafts with original maturity of three months or less	541	20,741
	66,425	**53,915**

Note 5 - Accounts receivable and other assets

Trade accounts receivable

	2003	2002
	KEUR	KEUR
Trade accounts receivable – short term	82,169	61,300
Trade accounts receivable – long term	17,209	18,248
Less - allowance for doubtful accounts	(2,894)	(8,305)
	96,484	**71,243**

Other receivables and other assets

	2003	2002
	KEUR	KEUR
Tax refunds	2,772	8,341
Prepaid expenses	1,815	532
Forward contracts at fair value	1,540	1,414
Bonus from suppliers	1,048	67
Employee loans	171	221
Insurance claims	70	124
Accrued interest income	27	17
Others	1,405	1,453
	8,848	**12,169**

Concerning “Forward contracts at fair value” please refer to ‘”Derivative Financial Instruments” under Note 3.

Note 6 - Inventories

Inventories consist of the following:

	2003 KEUR	2002 KEUR
Raw materials and packing materials	32,279	31,663
Work-in process	73,612	62,954
Prepayments to suppliers	1,503	1,672
Less – inventory reserve	(5,071)	(7,440)
	102,323	**88,849**

Note 7 - Liabilities

Other current liabilities

	2003 KEUR	2002 KEUR
Sales commissions	4,858	2,550
Annual bonus	2,288	1,408
Accrued interest income	1,925	0
Accruals for invoices not yet received	1,444	3,455
Liabilities for employee’s compensation for future absence	1,415	1,244
Other personnel liabilities	1,405	787
Tax liabilities	1,112	439
Liabilities for social security insurance	708	925
Current portion of convertible bonds	639	511
Outstanding credit notes to customers	595	710
Shareholder’s meeting / Annual report liabilities	450	385
Outstanding wages and salaries	272	922
Remaining purchase price for acquisitions	0	2,701
Other	2,193	2,330
	19,304	**18,367**

The remaining purchase price for acquisitions at December 31, 2002 relates to the acquisition of Optical Measuring-Equipment & Projects B.V., Best, Netherlands.

Progress payments

	2003 KEUR	2002 KEUR
Advanced payments received from customers	19,116	11,984

The progress payments at December 31, 2003 and 2002, represent the advance payments received from customers mainly for replication lines included in the work-in process.
The increase is mainly due to the fact that orders for replication lines are higher than prior year's volume.

Covertible bonds

Convertible bonds include only convertible bonds held by management and certain other employees.

	2003 KEUR	2002 KEUR
Non-current portion of convertible bonds	719	1,147

The convertible bonds have been issued according to a management share option plan. This was created for members of the management board and employees of the Company in order to motivate the respective subscribers to ensure the success of the Company. The conditional capital increase necessary for the issuance of the convertible bonds was agreed upon by the extraordinary general shareholders' meeting on November 6, 1997, the ordinary shareholders' meeting on May 7, 1999 and the ordinary shareholders' meeting on May 7, 2001. According to the shareholders' resolutions, the management board is authorized to issue interest-bearing convertible bonds in one or more steps with an aggregate nominal value of up to Euro 1,597,104 up to September 30, 2002 and to issue interest-bearing convertible bonds in one or more steps with an aggregate nominal value of up to Euro 1,800,000 up to September 30, 2005 and a maturity up to December 31, 2010, subject to the consent of the supervisory board.

On November 30, 1997, 150,000 convertible bonds with a nominal amount aggregating to KEUR 383 with an interest rate of 6 % p.a. were issued. Each DM 5 (Euro 2.56) nominal value of convertible bonds may be converted to six ordinary bearer shares with a nominal value of Euro 1. The conversion rate was fixed to the initial offer price of DM 82 (Euro 41.93) per share with a nominal value of DM 5 . Considering a 3 for 1 stock split and another 2 for 1 stock split after the issuance of the convertible bonds the current conversion rate is Euro 6,99. In 1998 and 1999, 14,727 convertible bonds equivalent to KEUR 38 were returned by employees who have left the company. In 1999, 2000, 2001 and 2002, 94,688 of the convertible bonds with a total nominal value of KEUR 242 were converted. Another 19,515 convertible bonds with a total nominal value of KEUR 50 were converted in 2003. A further 7.5 % may be converted on each conversion date thereafter. Conversion dates are May 31 and November 30 of each calendar year up to 2005. On December 31, 2003, the aggregated nominal value of the outstanding convertible bonds of this tranche amounts to KEUR 54.

494,181 convertible bonds with an aggregated nominal value of KEUR 494 were issued in 1999 and 2000 with an interest rate of 6 % p.a. Each Euro 1 nominal value of convertible bonds may be converted to two ordinary bearer shares with a nominal value of Euro 1. 121,000 convertible bonds equivalent to KEUR 121 have been returned in 2000 by employees who have left the Company. In 2000 and 2001 these convertible bonds were given to new employees. The conversion rate for convertible bonds with an aggregate nominal value of KEUR 373 was fixed to the share price as of December 21, 1999 (Euro 29.73 per share, considering a 2 for 1 stock split after the issuance of the convertible bonds) with a nominal value of 1 Euro. The conversion rate for convertible bonds with an aggregate nominal value of KEUR 81 was fixed to the share price as of November 30, 2000 (Euro 37.50 per share). The conversion rate for the remaining convertible bonds with an aggregate nominal value of KEUR 40 was fixed to the share price as of January 31, 2000 (Euro 42.45 per share, considering a 2 for 1 stock split after the issuance of the convertible bonds). 25 % of the convertible bonds may be converted on May 31, 2002 and a further 7.5 % may be converted on each conversion date thereafter. Conversion dates are May 31 and November 30 of each calendar year up to 2007. In fiscal year 2002, 153,181 convertible bonds with an aggregate amount of KEUR 153 were returned to the Company. On December 31, 2002, the aggregated nominal value of the outstanding convertible bonds of this tranche amounts to KEUR 341. In fiscal year 2003, 158,500 convertible bonds with an aggregate amount of KEUR 159 were returned to the Company. On December 31, 2003, the aggregated nominal value of the outstanding convertible bonds of this tranche amounts to KEUR 183.

In 2001, 711,000 convertible bonds with an aggregated nominal value of KEUR 711 were issued at nominal value with an interest rate of 4 % p.a. Each Euro 1 nominal value of convertible bonds may be converted to one ordinary bearer share with a nominal value of Euro 1. The conversion rate for these convertible bonds was fixed to Euro 32.53 equaling 130 percent of the average share price of the period from May 14 to May 18, 2001 (Euro 25.02 per share). 25 % of the convertible bonds may be converted at May 31, 2003 and a further 15 % may be converted on each conversion date thereafter. Conversion dates are May 31 and November 30 of each calendar year up to 2006. In 2002, 61,432 convertible bonds with an aggregate amount of KEUR 61 were returned to the Company. In 2003, 221,000 convertible bonds with an aggregate amount of KEUR 221 were returned to the Company. On December 31, 2003, the aggregated nominal value of the outstanding convertible bonds of this tranche amounts to KEUR 429.

In 2002, 563,182 convertible bonds with an aggregated nominal value of KEUR 563 were issued at nominal value with an interest rate of 4 % p.a. Each Euro 1 nominal value of convertible bonds may be converted to one ordinary bearer share with a nominal value of Euro 1. The conversion rate for these convertible bonds was fixed to Euro 19,09 equaling 130 % of the average share price of the period from September 9 to September 13, 2002 (Euro 14.69 per share). 25 % of the convertible bonds may be converted at November 30, 2004 and a further 15 % may be converted on each conversion date thereafter. Conversion dates are May 31 and November 30 of each calendar year up to 2008. In 2003 another 130,000 convertible bonds of this tranche with a nominal value of KEUR 130 were issued. On December 31, 2003 the aggregated nominal value of the outstanding convertible bonds of this tranche amounts to KEUR 693.

As of December 31, 2003, the aggregate nominal value of all four tranches of the convertible bonds amounts to KEUR 1,358. Based on the conversion date, the value at maturity of the bonds is as follows:

	KEUR
Due in 2004	639
Due in 2005	345
Due in 2006	223
Due in 2007	131
Due in 2008	20
	1,358

According to the above table, the current portion of the convertible bonds due within one year amounts to KEUR 639 therefore is stated under 'Other current liabilities'.

Compensation expenses are calculated and recorded for stock option plans that qualify as variable plans under APB No. 25. In fiscal year 2003 the Company did not record compensation expenses in relation to the stock option plans since the performance conditions as defined were not met as of December 31, 2003.

Had compensation expense for options granted under the plans been determined based on fair value at the grant dates in accordance with SFAS 123, the company's charge to income for the year 2003 and 2002 would have been KEUR 4,320 KEUR 4,117 respectively. Net income and earnings per share would have been reduced to the pro-forma amounts shown below:

	2003	2002
Net income under US GAAP:		
As reported (KEUR)	40,257	36,589
Pro forma (KEUR)	35,937	32,472
Earnings per share per US GAAP (basic):		
As reported (EUR)	1.09	0.99
Pro forma (EUR)	0.97	0.88
Earnings per share per US GAAP (diluted):		
As reported (EUR)	1.04	0.95
Pro forma (EUR)	0.93	0.84

The fair value of options granted was estimated using the Black-Scholes stock options pricing model. The following assumptions were used for the calculation of the options granted in 2003: dividend yield of zero, volatility of 60.4 % (2002: 63.4 %), risk free rate of 3.9 % (2002: 3.8 %) and expected life of 5 years (2002: 4.5 years).

All options granted in the year 2003 had an exercise price of EUR 18.24 respectively EUR 26.01 which was above the market value of the stock, and the fair value of each option was EUR 5.04 respectively EUR 7.19.

The following table summarizes the information about the stock options outstanding at December 31, 2003.

Range of exercise price EUR	Number of stock options	Weighted average exercise price EUR	Weighted average remaining contractual life years
6.99	21,072	6.99	1.0
18.24	80,000	18.24	5.0
19.09	563,182	19.09	3.5
26.01	50,000	26.01	5.0
29.73	182,500	29.73	3.5
32.53	428,568	32.53	2.0
	1,325,322	**23.41**	**3.1**

Note 8 - Employee benefit plans

In Germany, the Company sponsors a pension plan covering all employees who were taken over from Leybold AG, the employees who were hired by Leybold AG on behalf of the Company as well as the members of the board of directors. The pension plan is based on the benefit plan of Leybold AG established in 1969 and the amendments hereto as of 1977, 1986 and 2001.

Consistent with German practice, the pension plan is not funded. Pension costs are recorded based on independent actuarial valuations. Pension benefits under German plans are generally based on a percentage of the employees' compensation for each year of credited service.

The table that follows contains a reconciliation of the changes in the benefit obligation and the funded status for the respective reporting periods:

	2003 KEUR	2002 KEUR
Change in projected benefit obligation:		
Projected benefit obligation, beginning balance	3,260	2,723
Service cost	149	155
Interest cost	185	163
Amendments	0	0
Actuarial (gain)/loss	700	239
Benefits paid	(79)	(20)
Projected benefit obligation, ending balance	4,215	3,260
Funded status	(4,215)	(3,260)
Unrecognized net (gain) or loss	1,398	720
Unrecognized prior service cost	128	191
Net amount recognized	**(2,689)**	**(2,349)**
Amounts recognized in the consolidated balance sheet consist of:		
Accrued pension liability	(3,558)	(2,763)
Intangible assets	128	191
Accumulated other comprehensive income	741	223
	(2,689)	**(2,349)**

Principal weighted assumptions used in determining projected benefit obligation are as follows:

	2003	2002
Discount rate	5.25%	5.75%
Salary increase	3.00%	3.00%
Pension payment increase	1.50%	1.50%

The components of net periodic pension cost were as follows:

	2003	2002
	KEUR	**KEUR**
Service cost	149	155
Interest cost	185	163
Amortization of prior service cost	63	63
Recognized actuarial loss / (gain)	22	13
	419	**394**

Pension benefit payments were KEUR 79 during 2003 and KEUR 20 during 2002. The total estimated future pension benefits to be paid by the Company's pension plan for the next 10 years approximates KEUR 1,730 and are expected as follows:

2004	2005	2006	2007	2008	2009 to 2013
KEUR	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**
79	**79**	**79**	**123**	**216**	**1,154**

Note 9 - Other accruals

Other accruals include the following:

	2003	2002
	KEUR	**KEUR**
Warranty accruals	8,739	8,671
Buy-back obligations	350	1,432
Contingent losses	0	1,000
Other	293	542
	9,382	**11,645**

Warranty accruals are determined based on the estimated costs of fulfilling the warranty obligation, including handling and transportation costs and calculated as a percentage of sales (2 % for all sales and additional 6 % for prototypes) based on historical experience.

Buy-back guarantees were given to leasing institutions and relate to sales of replication lines. The Company sets up provisions for buy-back-obligations, if there is evidence that one or more replication lines will be returned.

Note 10 - Shareholders' equity

Share capital

In 2002, the share capital increased by KEUR 132 due to the conversion of convertible bonds when 131,676 new bearer shares were issued. Moreover 379,110 new bearer shares with a total nominal amount of KEUR 379 were issued in order to pay 50 percent of the provisional purchase price for the acquisition of Optical Measuring-Equipment & Projects B.V., Best, Netherlands. At December 31, 2002, the share capital of the Company amounts to KEUR 36,947 and consists of 36,947,226 bearer shares, with a nominal value of Euro 1 each.

In 2003, the share capital increased by KEUR 117 due to the conversion of convertible bonds when 117,090 new bearer shares were issued.

At December 31, 2003, the share capital of the Company amounts to KEUR 37,064 and consists of 37,064,316 bearer shares, with a nominal value of Euro 1 each.

All shares have been fully paid. Each share is entitled to one vote. All shares are admitted to the official market [Geregelter Markt] a market segment of the Frankfurter Stock Exchange [Deutsche Börse Frankfurt].

Conditional capital

The management board is authorized to issue, in one or more steps, interest-bearing convertible bonds equivalent to KEUR 1,597 shares of Euro 1 each with a maturity up to December 31, 2010, subject to the consent of the supervisory board (conditional capital I).The management board is authorized to issue, in one or more steps, interest-bearing convertible bonds equivalent to KEUR 1,800 shares

of EURO 1 each with a maturity up to December 31, 2010, subject to the consent of the supervisory board (conditional capital II). On November 30, 1997, a nominal amount, aggregating to KEUR 383 of the conditional capital, was converted to convertible bonds following a share management option plan. In 1999 and 2000, a nominal amount, aggregating to KEUR 494 of the conditional capital, was converted to
convertible bonds according to an additional share management option plan. In 2001 a nominal amount aggregating to KEUR 711 of the conditional capital was converted to convertible bonds and in 2002 a further nominal amount, aggregating to KEUR 563 was converted to convertible bonds. In 2003 a nominal amount aggregating to KEUR 130 of the conditional capital was converted to convertible bonds. The long-term portion of the convertible bonds are stated under 'Long-term liabilities', the current portion due within one year is stated under 'Other current liabilities'. We further refer to the comments under Note 7 - Liabilities.

Authorized capital

The management board is authorized to increase the Company's share capital with the consent of the supervisory board, in one or more steps, until June 21, 2007, by an aggregate nominal amount of up to KEUR 7,363 by issuing new bearer shares with a nominal value of Euro 1 each, against contribution in cash or in kind (authorized capital 1). Furthermore, the management board is authorized to increase the Company's share capital, in one or more steps, until June 21, 2007 by an aggregate nominal amount of up to KEUR 1,841 by issuing new bearer shares with a nominal value of Euro 1 each, against contribution in cash or in kind (authorized capital 2). For both authorized capital amounts the pre-emptive rights may, with consent of the supervisory board, be excluded under certain conditions.

Additional paid-in capital

The additional paid-in capital increased in 2003 by KEUR 700 and in prior years by KEUR 3,503 due to the conversion of convertible bonds. Moreover the additional paid-in capital increased in 2002 by KEUR 10,964 when 379,110 new bearer shares with a total nominal amount of KEUR 379 were issued in order to pay 50 % of the provisional purchase price for the acquisition of Optical Measuring-Equipment & Projects B.V., Best, Netherlands.

Dividend payments

Dividends may only be declared and paid from distributable shareholders equity as shown in the Company's annual statutory unconsolidated accounts. As of December 31, 2003, the Company's German statutory unconsolidated accounts state revenue reserves of KEUR 15,169 and retained earnings of KEUR 106,370.

Note 11 - Leases and rentals

As of December 31, 2003 minimum annual rental payments for rental commitments were as follows:

	KEUR
2004	1,103
2005	1,103
2006	1,103
2007	1,103
2008	1,103
2009 and thereafter	10,478
	15,993

Rental expenses for these operating leases were KEUR 1,103 for 2003 and KEUR 1,103 for 2002.

Note 12 - Interest income / -expenses

Interest income consists of the following

	2003 KEUR	2002 KEUR
Interest income from long-term receivables	3,423	1,224
Interest income from financial investments	589	303
Other interest income	32	593
Interest expenses	(1,530)	(340)
	2,514	**1,780**

Note 13 - Income taxes

Based on a guideline for the interpretation of the revised section 8, paragraph 4 of the Corporation Income Tax Act on the usage of tax loss carry forwards issued by the German tax authorities, the usage of tax loss carry forwards may be limited. This paper presents the interpretation of the tax authorities but does not represent law and may eventually be either confirmed or abolished by the Federal Tax Court. In this opinion, the tax authorities state that tax loss carry forwards acquired in connection with a change in ownership of a corporation of more than 50 % of the shares cannot be used against future income if predominantly new assets are supplied in the following five years. Based on this paper, the usage of such tax losses could be disallowed in the case of Singulus Technologies AG from fiscal year 1997 onwards.

If this interpretation would succeed in a court case a tax risk with respect to the realization of such tax loss carry forwards for fiscal year 1997 in the amount of up to 4.6 million Euro exists. However, legal proceedings are pending before the federal court (Bundesverfassungsgericht) with regard to the formal unconstitutionality of Sec. 12 (2) UmwStG (Reorganization Tax Law) due to failure to comply with the legislative procedure. As the legislative procedure for Sec. 8 (4) KStG (Corporate Income Tax Act) has the same defects, it is possible that this regulation is formally unconstitutional as well. At present, the outcome of this discussion is uncertain and cannot be finally evaluated. Accordingly, no accrual has been set up for this matter in the financial statements.

Beside this contingency, the tax accruals (2003: KEUR 11,334; 2002: KEUR 10,291) include a provision for income taxes which has been set up in prior years in an amount of KEUR 5,113, as the acceptance of the realization of corporate income tax loss carry forwards in prior years by the tax authorities is subject to a final assessment.

Income tax data from continuing operations for the year ended December 31, 2003 and 2002, is as follows:

	2003 KEUR	2002 KEUR
Pretax income:		
Germany	48,513	39,044
Foreign	17,013	22,194
	65,526	**61,238**
Consolidation adjustments	(2,524)	(6,717)
	63,002	**54,521**
Current income tax:		
Germany:	9,938	7,307
Corporate income tax	5,415	4,209
Trade tax		
Foreign		
Income tax	5,363	6,633
	20,716	**18,149**
Deferred income tax:		
Germany	1,964	139
Foreign	65	(356)
Total income tax	**22,745**	**17,932**

Under German corporate tax law, taxes on income are composed of corporate taxes, trade taxes and solidarity surcharge. Deferred income taxes are established for all significant temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and for tax purposes

Deferred tax assets, for which no valuation allowances have been provided, include the following:

	2003 KEUR	2002 KEUR
Temporary differences due to Inventory reserves	1,790	2,160
Other accruals/liabilities	299	809
Warranty accruals	804	763
Allowance for doubtful accounts	293	319
Other temporary differences	605	666
Consolidation adjustments	890	845
	4,681	**5,562**

Deferred tax liabilities of KEUR 1,507 (in 2002: KEUR 503) which relate to consolidation adjustments (KEUR 244 in 2003 and KEUR 308 in 2002) and other temporary differences (KEUR 1,263 in 2003 and KEUR 195 in 2002) are included in the tax accruals.

The German statutory tax rate (for income tax, trade tax on income and solidarity surcharge) was approximately 37.3 % for the year ended December 31, 2003, and 36.0 % for the year ended December 31, 2002. The reconciliation between the statutory tax rates for income taxes and the effective tax rate is as follows:

	2003	2002
Statutory tax rate	37.3%	36.0%
Differences in foreign tax rates	-1.9%	-1.9%
Non tax deductible items (Germany)	0.0%	0.0%
Non tax deductible consolidation adjustments	0.0%	0.4%
Prior years tax refunds	0.7%	-1.6%
Effective tax rate	**36.1%**	**32.9%**

Note 14 - Contingent liabilities

Contingent liabilities not recognized on the consolidated balance sheets amount to KEUR 41,208 and represent buy-back guarantees given to leasing institutions related to sales of replication lines (KEUR 25,143) and contingent liabilities in connection with the discount of bank drafts (KEUR 16,065). If there are any claims under the guarantees given to leasing institutions, the Company has the right to resell the replication lines bought back.

Management is not aware of any other matters that could give rise to any other liabilities to the Company that would have a material adverse effect on the Company's business, financial condition or results of operation.

Note 15 - Segment reporting

The product groups of the Company are similar with regard to both production processes as well as marketing methods and markets. Hence, they are not considered as separate industry segments and do not require individual financial reporting for segments.

Revenue by product group

	2003	2002
	KEUR	KEUR
Prerecorded CDs/DVDs	229,976	220,967
Recordable CDs/DVDs	74,657	14,722
Mastering Systems	16,934	15,656
Service and other	40,992	39,203
	362,559	**290,548**

Geographic information as of December 31, 2003:

	Germany	Rest of Europe	America	Asia	Africa
	KEUR	**KEUR**	**KEUR**	**KEUR**	**KEUR**
Gross revenue by country of Origin	326,850	19,195	10,082	6,432	0
Destination	19,232	113,962	77,185	145,934	6,246

Geographic information as of December 31, 2002:

	Germany	Rest of Europe	America	Asia	Africa
	KEUR	**KEUR**	**KEUR**	**KEUR**	**KEUR**
Gross revenue by country of Origin	256,202	19,691	10,334	4,321	0
Destination	17,186	90,523	97,386	85,453	0

According to international standards our report is concentrated on SINGULUS TECHNOLOGIES group.

On the following pages you will find the balance sheets and the income statement of the legal entity SINGULUS TECHNOLOGIES AG in prepared conformity with German accounting prinicples and translated into English.

The complete German report (HGB) is available on request:

SINGULUS TECHNOLOGIES AG

Hanauer Landstraße 103
D-63796 Kahl

Tel.: +49-6188-440-0
Fax: +49-6188-440-110

Internet: www.singulus.de
email: investor-relations@singulus.de

Balance Sheets as of December 31, 2003 and 2002

Assets

	Dec. 31, 2003 EUR	Dec. 31, 2002 EUR
Fixed assets		
Intangible assets		
Franchises, industrial Trademarks and similar rights and values, as well as lincences thereto	445,425.42	524,810.96
Property, plant and equipment		
Estates, similiar rights and buildings on foreign estates	19,917,835.75	15,805,286.99
Technical equipment, plant and machinery	461,352.83	369,348.74
Other equipment, operational and office equipment	2,756.163.32	2,193,870.44
Prepayments to suppliers	234,780.00	1,097,299.32
	23,370,131.90	**19,465,805.49**
Equipment under operating leases	591,943.04	4,160,866.00
Financial assets		
Shares in affiliated companie	28,910,155.47	28,814,503.18
Loans to affiliated companies	1,075,401.10	1,075,401.10
	29,985,556.57	29,889,904.28
Total fixed assets	**54,393,056.93**	**54,041,386.73**
Current assets		
Total inventories		
Raw and packing materials	20,885,995.74	20,276,453.76
Work-in-process and finished goods	63,920,111.52	51,690,615.18
Prepayments to suppliers	695,111.15	1,282,141.05
Prepayments to suppliers	-18,438,134.33	-10,498,092.31
	67,063,084.08	**62,751,117.68**
Total accounts receivable		
Trade accounts receivable	79,710,603.68	76,228,331.09
Accounts due from affiliated companies	4,762,807.76	25,145.66
Other assets	4,232,095.32	8,262,561.39
	88,705,506.76	**84,516,038.14**
Checks, cash on hand and in Federal Bank and in postal giro accounts, and cash in bank	57,986,583.08	21,415,114.67
Total current assets	**213,755,173.92**	**168,682,270.49**
Deferred charges and prepaid expenses	1,703,653.98	388,779.11
Total assets	**269,851,884.83**	**223,112,436.33**

Balance Sheets as of December 31, 2003 and 2002

Liabilities

	Dec. 31, 2003 EUR	Dec. 31, 2002 EUR
Shareholders' equity		
Share capital	37,064,316.00	36,947,226.00
Add. Paid-in capital	27,649,507.34	26,949,080.39
Other earnings	106,370,060.50	78,759,569.85
Retained earnings – ending	15,169,306.76	12,441,183.89
Total shareholders' equity	**186,253,190.60**	**155,097,060.13**
Provisions		
Pension accruals and reserves for similar obligations	3,557,507.00	2,762,747.00
Tax accruals	6,730,250.55	5,134,450.52
Other provisions	16,820,605.35	17,146,778.15
Total provisions	**27,108,362.90**	**25,043,975.67**
Liabilities		
Long-term loans	1,358,119.71	1,657,509.01
Trade accounts payable	21,240,501.94	10,963,346.91
Accounts due to affiliated companies	16,943,934.76	11,220,000.90
Other liabilities	14,995,656.78	19,130,543.71
– thereof for taxes EUR 265,083.34 (prior year EUR 210,994.71)		
– thereof for social security EUR 835,042.68 (prior year EUR 719,338.72)		
Total liabilities	**54,538,213.19**	**42,971,400.53**
Deferred charges and prepaid expenses	1,952,118.14	0.00
Total liabilities and shareholders' equity	**269,851,884.83**	**223,112,436.33**

Statements of Income for the years ended December 31, 2003 and 2002

	Dec. 31, 2003 EUR	Dec. 31, 2002 EUR
Gross revenues	341,689,110.34	265,261,781.65
Increase in finished goods and work-in-process	12,229,496.34	22,565,976.33
Other capitelized production assets	1,574,100.80	2,773,565.00
Other operating income	5,711,371.23	4,547,645.60
	361,204,078.71	**295,148,968.58**
Cost of materials Cost of raw materials, supplies and benefit costs		
Personnel expenses	232,309,313.82	179,979,721.94
a) Wages and salaries	-7,882,004.29	-7,526,847.25
b) Social security, pension and other benefit costs		
thereof for pensions plan EUR 603,534.23	-21,431,114.89	-17,464,666.31
(prior year EUR 474,518.73)	-4,964,841.28	-3,965,974.22
Depreciation on intangible assets and plant and equipment		
Other operating expenses		
Income from affiliated companiesthereof from affiliated companies EUR 2,434,260.42 (prior year EUR 9,837,542.03)	-3,777,598.54	-2,868,061.92
Other interest and similar income	-51,639,353.05	-50,397,836.75
thereof from affiliated companies	**-322,004,225.87**	**-262,203,108.39**
EUR 165,877.15 (prior year EUR 33,829.44)	4,214,403.29	2,434,260.42
Write-off financial assets and marketable securities		
Interest and similar expenses	3,902,984.88	2,225,172.89
	-2,053,369.88	-1,155,131.58
	6,064,018.29	**3,504,301.73**

Statements of Shareholders' Equity for the years ended December 31, 2003 and 2002

	Dec. 31, 2003	Dec. 31, 2002
	EUR	**EUR**
Operating income	**45,263,871.13**	**36,450,161.92**
Taxes on income	-14,885,593.80	-11,516,268.60
Other taxes	-39,663.81	-51,525.54
	-14,925,257.61	-11,567,794.14
Net income	**30,338,613.52**	**24,882,367.78**
Retained earnings at beginning of the year	12,441,183.89	14,466,714.70
Allocation to other earnings reserve	-27,610,490.65	-26,907,898.59
Retained earnings at end of the year	**15,169,306.76**	**12.441,183.89**

Average Total Employment

In the fiscal year concluded, the annual average of permanent numbered 313. The annual average for the prior year was 277.

Corporate Bodies of SINGULUS TECHNOLOGIES AG

The Supervisory Board consists of three members who are appointed at the General Shareholders' Meeting. Supervisory Board members for the period under review are listed below:

Alexander von Engelhardt	William Slee	Thomas Geitner
Kronberg (Taunus)	London	Cologne
Chairman	Vice Chairman	

The appointment of the aforementioned Supervisory Board memebers is in effect through the General Shareholders' Meeting at which time a discharge decision for fiscal 2005 will be made.

Supervisory Board Remuneration

Each member of the Supervisory Board receives, in addition to compensation for expenses, fixed remuneration amounting to Euro 15,000 for each full financial year of Supervisory Board membership. (This fixed remuneration is payable at the end of the financial year.) In addition, subsequent to the decision on profit appropriation, each Supervisory Board member receives, for its membership on the Supervisory Board during the preceding financial year, performance-based remuneration of Euro 800.00 for each cent by which the consolidated earnings per share, pursuant to US-American accounting standards, exceed the amount of Euro 0.30.
The basis of assessment is at most equal to the Company's balance sheet profit reduced by an amount of four of a hundred of the capital invested in the lowest issue amount of the shares.

The Chairman of the Board receives twice this amount, the deputy Chairman receives one and a half times the amount of fixed and performance-based remuneration.

Supervisory Board members who have been members of the Supervisory Board for only part of the financial year receive a reduced amount of fixed and performance-based remuneration on a prorated basis.

The Company reimburses each Supervisory Board member for the turnover tax attributable to its remuneration.

The current occupations of Supervisory Board members are listed below along with any additional supervisory board positions held, i. e. membership in comparable regulatory bodies:

	Professions	**Further memberships in Supervisory Boards and other bodies**
Alexander v. Engelhardt	Supervisory Borard	• WashTec AG (Chairman) • Dr. Schmidt AG & Co. (Vice Chairman) • Gütermann AG • Tarkett Sommer AG
William Slee	Supervisory Borard	• The Game Group plc, Großbritannien (Non executive Director) • Algemeen Burgerlijk Pensioenfonds (Member or the Investment Committee • Dimon Inc., Danville, Virginia, USA (Non exe cutive Director) • ECOFIN Water + Power Opportunities plc., Großbritannien (Non executive Director)
Thomas Geitner	Executive Director Vodafone Group plc.	• Vodafone D2 GmbH, Düsseldorf • Arcor AG & Co., Eschborn (Chairman) • Vodafone Libertel N.V., Niederlande, (Until December 2, 2003) • Vodafone Information Systems GmbH, Düsseldorf (Chairman) • Vizzavi Ltd. London

Members of the company's management board were in 2003
Roland Lacher (Chairman),
Stefan A. Baustert (effective january 15, 2003),
Klaus Hammen and
Dr. Reinhard Wollermann-Windgasse (effective July 1, 2003).

The Managing Board received payments totaling 1.921 KEUR during the period in report. These are itemized as follows:

	Fix*	Variable	Total
	KEUR	KEUR	KEUR
Roland Lacher	360	304	664
Stefan Baustert	256	293	549
Klaus Hammen	188	237	425
Dr. Reinhard Wollermann-Windgasse	130	153	283
Total	**934**	**987**	**1,921**

* Basic salery plus benefits as well as monetary equivalents

Other Financial Obligations and Contingent Liabilities

In fiscal 2000, the company finalized a lease agreement for the office and manufacturing facility in Kahl. The term of the lease runs from July 1, 2000 through June 30, 2018 with an annual lease amount of 1.103 KEUR. Financing for the property was secured through the Commerzbank AG, Hanau in the form of a 13,805 KEUR mortgage.

Additionally, recourse agreements provided to finance companies for replication line sales total 25,143 KEUR. Any claims made will be offset by the profits realized from the resale of the returned machines.

Contingent liabilities from discounted bank drafts maturing after December 31, 2003, total 16,065 KEUR.

Furthermore, outstanding financial obligations for leased passenger and commercial vehicles have lease periods not exceeding 2 years.

By the year-end closing date, liabilities from surety orders totaled 70 KEUR.

Declaration in Accordance with § 161 AktG Re: Code of Corporate Governance

The company has submitted, and made available to shareholders, its declaration for 2003 as prescribed by § 161 AktG.

Kahl am Main, February 24, 2004

The Managing Board

R. Lacher S. Baustert K. Hammen Dr. R. Wollermann-Windgasse

GLOSSARY OF TECHNICAL TERMS

Anti-Reflective (AR) Coating reduces disturbing reflections on glass surfaces.

AOD/HD-DVD Advanced Optical Disc/High Density Digital Versatile Disc. Third generation optical storage medium for digital information (HDTV data); up to 15 Gigabyte storage capacity per layer. Operates with the blue laser (405 nm), 120 mm disc diameter.

Blu-Ray New, third generation optical data storage medium. Storage capacity is 25 Gigabyte per layer, works with the blue laser (405 nm), 120 mm disc diameter.

Bonding One of the DVD production steps in which two disc halves are permanently adhered to one another.

CD Compact Disc; first generation optical storage medium for digital pre-recorded information (audio, video, computer data); 650 megabyte storage capacity; 780 nm laser wavelength; one polycarbonate substrate (120 mm diameter, 1.2 mm thickness).

CD-ROM Compact Disc – Read Only Memory; first generation optical data storage medium used for pre-recorded data (software). This information can be read but not altered.

CD-R Compact Disc – Recordable; optical data storage medium used for personal archiving (burning) of digital information; information can be recorded onto a CD-R only once, thereafter it can only be read like a CD-ROM.

CD-RW Compact Disc – Rewritable; first generation optical data storage medium used for archiving (burning) digital information; the CD-RW can be recorded and erased repeatedly.

CD Card First generation optical storage medium with/of the size of a credit card which can be read on a conventional CD-ROM drive; usually 60 MB storage capacity.

Cleaning Performed to prepare eyeglass lenses for additional processing/coating.

Curing Process during which the lacquers applied to eyeglass lenses are dried.

DMS Evolution Mastering System for prerecorded, recordable and rewritable CD and DVD optical data storage formats.

DVD Digital Versatile Disc; second generation optical storage medium for digital information (audio, video, computer data); 9.4 (2 x 4.7) Gigabyte max. storage capacity; 650 nm laser wavelength; 2 polycarbonate substrates (120 mm diameter; 0.6 mm thickness each), individually produced, coated and subsequently bonded together. The digital information can be read but not altered.

DVD-Audio Digital Versatile Disc-Audio; second generation optical data storage medium for music.

DVD-Plus Second generation optical storage medium combining CD and DVD technology on a single disc. A CD is bonded to the flip-side of a DVD 5 disc.

DVD-ROM Digital Versatile Disc-ROM; second generation optical data storage medium for digital information (data, software, games, etc.); the digital information can be read but not altered.

DVD-Video Digital Versatile Disc-Video; second generation optical storage medium for movies with multiple supplemental features including language options.

DVD-R Digital Versatile Disc-Recordable; second generation optical data storage medium for personal archiving (burning) of digital information; the DVD-R can be recorded only once, and thereafter can only be read like a normal DVD. This format has a 4.7 Gigabyte storage capacity.

DVD – 5 Digital Versatile Disc – 4.7 Gigabyte storage capacity

DVD – 9 Digital Versatile Disc – 8.5 Gigabyte storage capacity

DVD – 10 Digital Versatile Disc – 9.4 Gigabyte storage capacity

DVD–RW Digital Versatile Disc – Rewritable; second generation optical data storage medium for repeated digital recording, used for PC and video applications. (Format used by Pioneer and others).

DVD+RW Digital Versatile Disc – Rewritable; second generation optical data storage medium for repeated digital recording, used for PC and video applications. (Format used by Philips and others).

DVD-RAM Digital Versatile Disc – Read Access Memory; second generation optical data storage medium for repeated digital recording, used for PC and video applications. (Format used by Hitachi and others).

Dye Special dye on CD-R and DVD-R discs onto which information is recorded in a CD or DVD burner.

Finishing Refining the mechanical and optical properties of eyeglass lenses through the application of multiple functional thin coatings.

Forming Adaptation of eyeglass lens geometry to correct vision impairment.

Hard Coating (Scratch-Resistance Coating) First layer applied to synthetic eyeglass lenses during the finishing process. Lens wear- and scratch-resistance are enhanced, thereby improving the durability of the lenses.

HDTV Digital Television High definition digital television with a 1920 x 1080 pixel image resolution.

Immersion Lacquering Process by which the surface of an object is coated by immersing it into a liquid.

Injection Molding Machine Used to create a disc blank by molding thermoplastic material. Melted polycarbonate is injected into a mold cavity where it is pressed into shape, impregnated with digital content, and cooled. (See molding).

Lacquering process for application of Hard Coat: Coating by means of an immersion or spin coating process.

Mastering The mastering process converts digital music, data or video information into pits. The disc master created during this process is the foundation for the replication process.

Metallizing Application of a thin layer of metal (aluminum, gold, silver) or silicon onto a CD or DVD disc; this reflective layer serves to reflect the laser beam; the cathode technology employed is known as sputtering.

MODULUS Multiple-cathode metallizer for coating rewritable CD-RW, DVD-RW, DVD+RW and DVD-RAM media.

MRAM (Magnetic Random Access Memory) Contrary to conventional technology, this non-volatile storage medium does not lose memory in the absence of power, uses less energy, and exceeds the read/write speeds and data density of other forms of storage.

Molding Injection molding process used to manufacture and shape disc blanks.

MoldPro Injection molding machine - the patents for this technology were acquired effective January 1, 2004.

OPTICUS System on which eyeglass lenses are coated in an inline process.

Organic Glass A vitriform, entirely synthetic material characterized by its low specific weight and impact resistance.

PECVD Plasma Enhanced Chemical Vapor Deposition – process used to apply Hard Coat and Top Coat to eyeglass lenses. Plasma is used in this process to deconstruct complex gas molecules. The product of this reaction precipitates onto the surface of a substrate forming a thin, hard layer.

Phase-Change Technology Process during which the composition of a material is alternately converted between an amorphous and crystalline state.

Polycarbonate CD and DVD substrate material.

SACD (Super Audio CD) Optical data storage medium and advancement of the Audio CD combining the advantages of analog and digital formats.

Semiconductor Industry Field engaged in research and the manufacture of microelectronic integrated circuits or transistors commonly known as microchips used in electronic devices.

Semiconductor Materials (i.e., silicon) are good insulators at low temperatures and good conductors of electricity at high temperatures.

SKYLINE Fully automated replication line for CD, CD-ROM and CD cards.

SKYLINE II New, fully automated replication line for CD introduced in April 2003.

SKYLINE II Duplex Fully automated replication line for CD and DVD 5.

Smart Cathode® Patented sputter cathode for coating CD and DVD discs with highly uniform reflective layers.

SPACELINE Fully automated replication line for DVD 5, DVD 10 and DVD 9.

SPACELINE II New, Fully automated replication line for DVD introduced in April 2003.

Spin-Coating A coating process during which liquids such as dyes or lacquers are spun onto the surface of an object.

Sputtering The process by which a thin layer of metal or silicon is deposited onto a polycarbonate disc. Material bombarded by electrically-charged particles (ions) in a vacuum is knocked loose and precipitates onto the surface of a substrate forming a thin coating.

Sputter-Cathode Sputtering device in a metallizer.

STREAMLINE Fully automated replication line for CD-R.

STREAMLINE DVDR/SPA Fully automated replication line for DVD±R.

STREAMLINE II New, fully automated replication line for DVD±R and CD-R.

SUNLINE Fully automated replication line for rewritable CD-RW, DVD-RW, DVD+RW and DVD-RAM discs.

Target Metal plate which is the source of the selected disc layer material (i.e., aluminium, silver); ionic bombardment of its surface releases the material which subsequently coats the disc.

Tempering Heating of eyeglass lenses in preparation for additional manufacturing steps.

TIMARIS Vacuum coating system which operates in accordance with TMR principles, designed for use in the semiconductor industry. Manufactures either MRAM wafers or future read-write heads for magnetic hard disc drives.

TMR (Tunnel Magnetic Resistance) Effect Electrical resistance can be altered depending on the external magnetic field applied. The application of this external magnetic field can alter the magnetic alignment in one of the ferromagnetic portions of a three-tiered sandwich (two ferromagnetic layers and a middle, non-magnetic isolating layer). The magnetization of the second layer remains unchanged. These two alignment options, parallel or anti-parallel, can now be used to store bits of information.

Top Coat (Easy Care Coating) Hydrophobic (water-repellent) coating which inhibits dust and other contaminants from adhering onto surfaces. A Top Coat application reduces the cleaning frequency needed in everyday lens care.

Uniformity Consistency in the thickness of a layer applied to the surface of an object.

UV-curing Drying or curing of adhesives or lacquers using ultraviolet rays.

Vaporization Vacuum coating process for applications such as anti-reflective coatings on eyeglass lenses in which a material is melted and evaporated in a vacuum.

Wafer Extremely thin slice of silicon up to 300 mm in diameter. Serves as the substrate material for integrated circuits (also known as chips).

SINGULUS TECHNOLOGIES AG – Declaration in Accordance with § 161 AktG

The company complied with the German Code of Corporate Governance recommendations issued by the German Federal Ministry of Justice on May 21, 2003 (“Code”) during fiscal 2003 and will continue to do so during the current fiscal year. Exceptions are as follows:

1. In lieu of a deductible for its directors’ and officers’ liability insurance (“D&O insurance“), the company and the members of its governing bodies agreed that members’ respective insurance premiums for D&O insurance will be borne by the individuals involved (Code Fig. 3.8, Par. 2).

2. In lieu of a statutory provision, the company’s Supervisory Board bylaws stipulate that the retirement age for Management Board members will be considered during succession planning (Code, Fig. 5.1.2, Par. 2).

3. Caucuses have not been, and will not be, formed as long as the Supervisory Board consists of just three members (Code, Fig. 5.3.1 and 5.3.2).

4. In lieu of a statutory provision, the Supervisory Board bylaws stipulate that the retirement age for Supervisory Board members will be considered when exercising nominating rights for new elections (Code, Fig. 5.4.1).

Kahl am Main, February 2004
SINGULUS TECHNOLOGIES AG

Alexander von Engelhardt **William Slee** **Thomas Geitner**

Roland Lacher **Stefan A. Baustert**

Klaus Hammen **Dr. Reinhard Wollermann-Windgasse**

Annual Shareholders Meeting 2004

You can find detailed information on the SINGULUS TECHNOLOGIES AG homepage
http://www.singulus.de/english/2_investor/index_investor.htm

1. - Your way to the Hermann-Josef-Abs Saal
   - Frankfurt city map
   - Routing
   - Your way by the German Railway
   - Agenda Shareholders Meeting (available from 30.03.2004)
   - Invitation as PDF file (available from 30.03.2004)

2. - All counter motions

3. - Important questions as HTML-document

4. About the Annual Shareholders Meeting:

   - Speech from Roland Lacher as Text-document
   - Presentation as PDF file
   - Video of the speech from Roland Lacher, AVI file (temporarily delayed)
   - Audio recording of the speech from Roland Lacher (temporarily delayed)

SINGULUS TECHNOLOGIES AG

Hanauer Landstraße 103

D-63796 Kahl/Main

Tel.: +49-6188-440-0

Fax: +49-6188-440-110

Internet: www.singulus.de

email: investor-relations@singulus.de

Published by
SINGULUS TECHNOLOGIES AG, Kahl/Main

Production
MetaCom Corporate Communications GmbH,

Conception and Idea: Bernhard Krause

Text
Dr. André Hülsboemer,
Bernhard Krause,
SINGULUS TECHNOLOGIES AG

Artwork/DTP: Jens Gloger, Andrzej Korzec

Photography
Matthias Müller, Viktor Diebold
Werksfotos SINGULUS TECHNOLOGIES AG
Bilderdienste Zefa, Image Ready, Gettyimages
With kind permission of INTERSONIC, SENTI-NEL, SKY-MEDIA, RUPP+HUBRACH, SONY Corporation, PHILIPS

Printing
Printed on chlorine-free bleached paper

SINGULUS TECHNOLOGIES AG

Hanauer Landstrasse 103

D-63796 Kahl/Main

Fon +49-6188-440-0

Fax +49-6188-440-110

email investor-relations@singulus.de

www.singulus.de