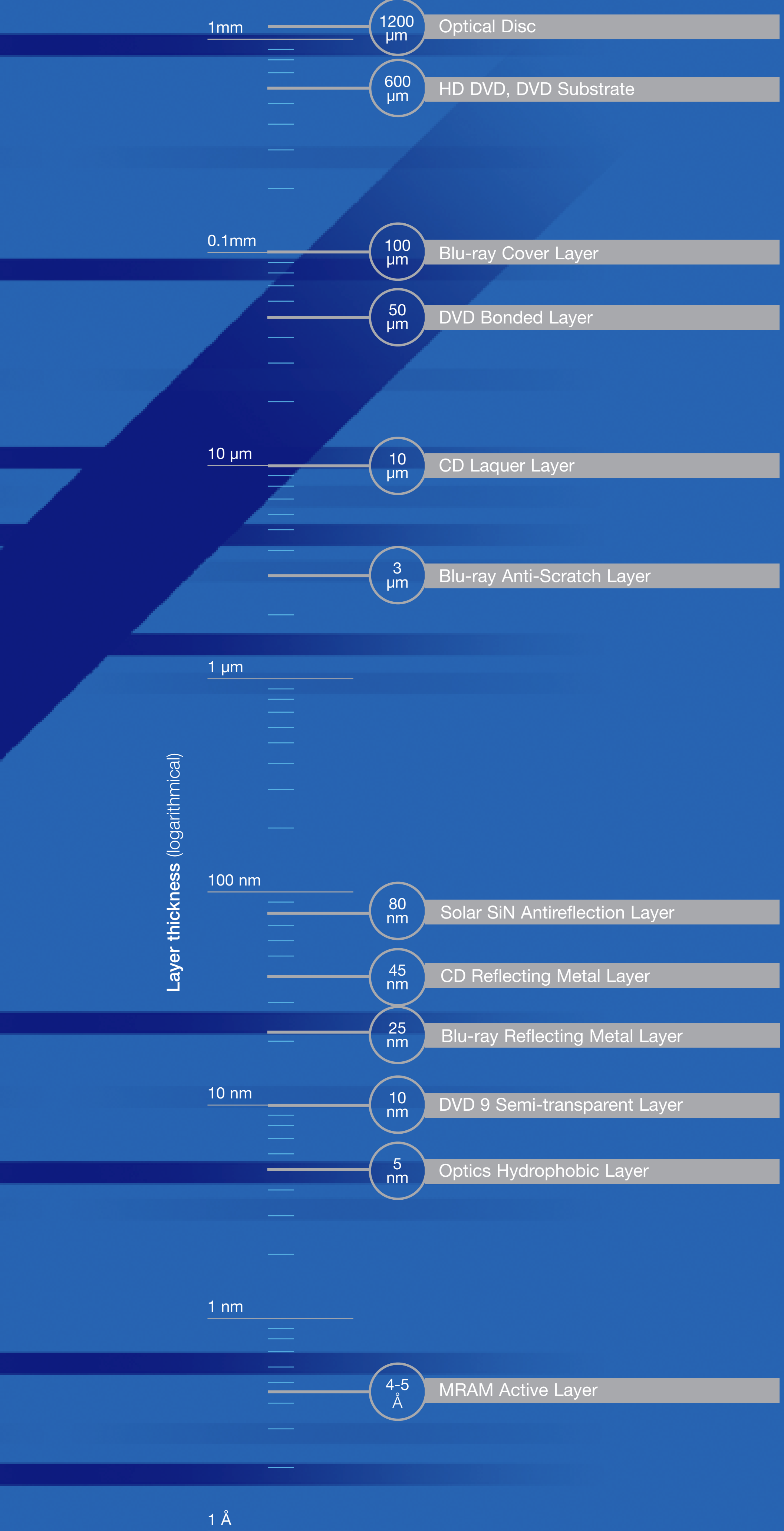
New Directions in Thin Film Technology

Annual Report 2006

SINGULUS

Smart Solutions to Drive the Future.



Thin Film Technology

Thin Film Technology – SINGULUS' potential. SINGULUS' core competence is multi-dimensional. The current and potentially future work areas of the company can only be subsumed very generally under the term vacuum coating technology. We are experts for highly automated production machines and lines, which are able to apply coatings on large scale, that satisfy complex characteristics on very small surfaces and meet highest quality requirements.

Some examples are illustrated on the left.

Units of length for comparison:

1 cm		=	10 mm
1 mm =	1000 µm		
1 µm =	1000 nm	=	0.001 mm
1 nm =	10 Å	=	0.000001 mm
1 Å =			0.0000001 mm

Company Profile
SINGULUS TECHNOLOGIES

In addition to the further development of our core activities in Optical Disc, we view diversification as the most important goal and biggest challenge for our company in the coming years.

In 2007, SINGULUS will focus on the following goals:

- Clear market leadership in all areas of Optical Disc, with benefits from the growth of the new format generation far exceeding those of our competitors.
- Expansion of market share for photo mask cleaning and processing machines for the semi-conductor industry.
- Extensive further development in our segments “Nano Deposition Technologies” and “Optical Coatings” as well as the new business area “Decorative Coatings," to become independent work areas with increasing sales and earnings contributions.
- Consistent expansion of all activities in the next couple of years through the introduction of new work areas via acquisitions in order to generate sales and earnings contributions with additional new business area.

The increasing penetration of the new disc formats HD DVD and Blu-ray; the stable market position in the photo mask area; the opportunities arising from the new work areas Nano Deposition Technologies, Optical Coatings and Decorative Coatings; our strategy to broaden our activities into new work areas—these form the strategy to secure the future of our company and to generate new growth.

Key Figures

The consolidated financial statements of the years 2001 and 2002 were drawn up according to US accounting standards (US GAAP), the statements of the years 2003 to 2006 pursuant to International Financial Reporting Standards (IFRS).

		[US GAAP] 2001	[US GAAP] 2002	[IFRS] 2003	[IFRS] 2004	[IFRS] 2005	[IFRS] **2006**
Sales (gross)	[in mn. €]	225.5	290.6	362.6	439.5	244.4	**283.1**
Sales (net)	[in mn. €]	213.3	278.8	348.8	423.5	232.3	**272.5**
Sales Germany	[%]	7.0	6.0	5.3	10.1	13.3	**11.7**
Sales Rest of Europe	[%]	26.0	31.0	31.4	30.1	36.5	**30.2**
Sales Americas	[%]	23.0	34.0	21.3	24.3	20.1	**28.0**
Sales Asia	[%]	44.0	29.0	40.3	33.7	24.4	**27.5**
Sales Africa & Australia	[%]	–	–	1.7	1.8	5.7	**2.6**
Order intake	[in mn. €]	212.0	293.3	382.7	417.6	248.7	**319.0**
Order backlog	[in mn. €]	55.7	58.5	90.4	56.7	60.9	**81.5**
EBIT	[in mn. €]	40.2	52.7	68.4	72.6	2.1	**4.0**
EBIT margin	[%]	18.9	18.9	19.6	17.1	0.9	**1.5**
Earnings before taxes	[in mn. €]	42.5	54.5	70.9	73.9	3.3	**4.3**
Net profit	[in mn. €]	27.9	36.6	44.5	46.8	7.3	**11.1**
Operating cash flow	[in mn. €]	16.3	20.9	18.4	49.1	8.3	**9.0**
Net cash flow in % of sales	[%]	7.6	7.5	5.3	11.6	3.6	**3.3**
Tangible assets	[in mn. €]	9.3	14.6	15.8	13.9	12.9	**22.3**
Financial assets	[in mn. €]	3.2	16.6	13.0	31.2	31.2	**31.2**
Current assets	[in mn. €]	165.6	207.9	256.9	284.9	238.8	**256.2**
Shareholders' equity	[in mn. €]	135.4	181.6	227.1	249.6	255.5	**274.7**
Equity ratio	[%]	72.2	69.0	69.4	63.0	71.0	**69.1**
Balance sheet total	[in mn. €]	187.7	263.3	327.0	396.0	359.9	**397.6**
Research & Development	[in mn. €]	8.3	16.2	16.3	22.8	19.4	**23.5**
(in % of net sales)	[%]	3.9	5.8	4.7	5.4	8.4	**8.6**
Employees (as of Dec. 31)	[number]	367	502	599	736	636	**796**
Weighted average shares outstanding, basic	[quantity]	36,361,342	36,792,112	36,986,738	36,769,485	35,065,241	**34,941,929**
Weighted average shares outstanding, diluted	[quantity]	37,941,709	38,589,372	36,986,738	36,769,485	35,065,241	**35,015,262**
Net profit	[€]	31.50	12.52	16.70	12.90	14.50	**12.13**
Earnings per share	[€]	0.77	0.99	1.20	1.27	0.21	**0.35**

27-01-2006 SINGULUS reports preliminary results for 2005

27-01-2006 SINGULUS announces acquisition of STEAG HamaTech

07-02-2006 SINGULUS holds 84.74 % of the STEAG HamaTech shares
Extended acceptance period for the STEAG HamaTech offer until February 21, 2006

13-02-2006 New order for OPTICUS ophthalmic lens coating machine

01-03-2006 SINGULUS sells its 1000th SPACELINE

06-03-2006 SINGULUS' in-house exhibition in Kahl with more than 140 attendees

10-03-2006 Roland Lacher announces his retirement as CEO as of June 23, 2006

24-03-2006 SINGULUS reports final results for 2005

21-04-2006 SINGULUS TECHNOLOGIES Beteiligungs GmbH and STEAG HamaTech AG sign control agreement

05-05-2006 Presentation of Optical Coatings at MIDO, Milan, Italy

09-05-2006 SINGULUS reports results for the 1st quarter of 2006

23-05-2006 SINGULUS receives additional TIMARIS order for MRAM application

30-05-2006 MEDIA-TECH Expo, Frankfurt/Main
SINGULUS presents its new injection molding machine MOLDPRO and its new BLU-LINE inline replication system for single layer Blu-ray Disc in Frankfurt

21-06-2006 SINGULUS receives additional TIMARIS order for MRAM application

23-06-2006 Singulus' Annual General Meeting appoints Roland Lacher to the Supervisory Board - Klaus Hammen is appointed Spokesman of the Executive Board

11-07-2006 Presentation of TMR technology at Semicon West, San Francisco

14-07-2006 Opening SINGULUS MANUFACTURING GUANGZHOU, China

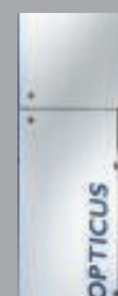
26-07-2006 SINGULUS receives follow-up order for thin film head applications

02-08-2006 SINGULUS reports results for the 1st half of 2006

Summary of Key Events in 2006





13-09-2006	SINGULUS presents SPACELINE and DMS Evolution at Replication Expo, Shanghai, China
21-09-2006	Klaus Hammen leaves SINGULUS with effect from December 31, 2006
06-10-2006	SINGULUS concludes the first step of the portfolio optimization: Böhm Fertigungstechnik acquires 51 % of the Slovakian subsidiary from the HamaTech AG
10-10-2006	MEDIA-TECH Showcase & Conference in Long Beach, USA
01-11-2006	Stefan A. Baustert is appointed new CEO
06-11-2006	SINGULUS reports Q3 figures as of September 30, 2006
23-11-2006	HamaTech plans to relocate Recordable division to Kahl
06-12-2006	First customer acceptance of new ophthalmic lens coating machine OPTICUS
31-12-2006	Dr.-Ing. Anton Pawlakowitsch is appointed Executive Board Member responsible for Technology, Research and Development with effect from January 1, 2007

Report of the Supervisory Board

Dear Shareholders,

for the SINGULUS TECHNOLOGIES AG and its entire group of companies the business year 2006 was a year of consolidation of the core activities as well as preparatory efforts for future growth in new business areas. The acquisition of the majority in STEAG HamaTech AG as of the beginning of the year will enable us on the one hand to strengthen the market position for recordable equipment and on the other hand to adjust the capacities to the current as well as to the future demand. At the end of the year the first products of the third generation for HD DVD and Blu-ray players and discs were launched. Great expectations for renewed strong growth in the future years are tied to them.

With respect to new machines for Nano Deposition Technologies and Optical Coatings the business activities are intended to be further developed in the next couple of years from the stage of pilot installations to stable growth in sales and earnings.

There were some personnel changes in the Executive Board in the business year 2006: Following the Annual General Meeting in June, Mr. Roland Lacher became member of the Supervisory Board. As of the end of the year, Mr. Klaus Hammen left the Executive Board. With effect from November 1, 2006, Mr. Stefan A. Baustert, previously CFO of the company, was appointed Chief Executive Officer and nominated to the Executive Board for five years. As of January 1, 2007, Dr.-Ing. Anton Pawlakowitsch, previously Spokesperson of the Executive Board at the subsidiary HamaTech AG, was appointed Chief Technology Officer.

Main Activities of the Supervisory Board. The Supervisory Board was regularly apprised in detail of the course of business and the Group's situation during the fiscal year 2006 and provided oversight for the Executive Board's leadership of the company. The basis of the information and oversight activities of the Supervisory Board rested on written and verbal reports by the Executive Board and other employees as well as by auditors and consultants.

2006 was a year of consolidation of the core activities as well as preparatory efforts for future growth

Changes in the Supervisory and Executive Boards. With conclusion of the Annual General Meeting in 2006 the tenure of the former Supervisory Board members expired so that new elections had to be held. Mr. Alexander von Engelhardt, Chairman of the Supervisory Board since November 1997, did not run for reelection for reasons of age. The attendees of the Annual General Meeting 2006 expressed their gratitude for Mr. von Engelhardt by acclamation for his long-term and very successful work as Chairman of the Supervisory Board to the benefit of the company and its shareholders.

The other former members of the Supervisory Board, Mr. William Slee and Mr. Thomas Geitner, ran for office again and were reelected with high majority. In addition, Mr. Roland Lacher, who stepped down as Chairman of the Executive Board of the SINGULUS TECHNOLOGIES AG with conclusion of the Annual General Meeting, was elected as a new member of the Supervisory Board. Subsequent to the Annual General Meeting the Supervisory Board convened and appointed Mr. Roland Lacher as Chairman and Mr. William Slee as Deputy Chairman.

The Executive Board informed the Supervisory Board in writing on a monthly basis about the current course of business of the individual segments and their respective market environments. The Supervisory Board was notified about important projects and measures by means of current status quo reports amongst others. Thus, the Executive Board at all times informed the Supervisory Board in detail and promptly about the acquisition of the majority in the STEAG HamaTech AG, renamed to HamaTech AG, from the SES Beteiligungs-GmbH and about the public offer for the remaining shareholders of the STEAG HamaTech AG to acquire their shares. Furthermore, the planned measures to cut costs and to enhance the performance were discussed. The Chairman of the Supervisory Board also met with the Executive Board for numerous individual discussions held in addition to the Supervisory Board meetings to review the status and further development of the company. At all times, the Supervisory Board was informed about these meetings in detail.

Due to the close coordination and open cooperation with the Executive Board, the Supervisory Board had detailed knowledge about all important business events and trends at the SINGULUS TECHNOLOGIES Group at all times. Accordingly, the Board was able to discuss the corporate planning and strategy in-depth in its meetings and with the Executive Board. For each meeting the Executive Board provided the Supervisory Board with a written report of the discussed procedures.

If required, further reports of the Executive Board regarding transactions important for the development of the company were discussed in detail with the Executive Board in the course of extraordinary meetings. In particular, the quick integration of STEAG HamaTech AG, renamed to HamaTech AG, and the disposal of individual investments were topics discussed in those meetings. An additional focus was directed at the strategic planning of the expansion of the business areas outside the core activities of Optical Disc equipment. Finally, issues regarding the Executive Board were a focus of the discussions of the Supervisory Board. The compensation structure was reviewed and the former compensation system redesigned and adjusted. Following Mr. Hammen's announcement to leave the company, his replacement was discussed and Mr. Baustert was appointed new Chief Executive Officer.

During the business year 2006 the Supervisory Board convened seven times, thereof five meetings were ordinary and two meetings extraordinary. In each quarter at least one meeting was convened. All members of the Supervisory Board were present at all meetings. A regular topic on the agenda was the business trend of the company, in particular the development of sales and profitability, the comparison of the actual business performance with the budgets, the company's planning as well as the respective interim reports. Specifically the following topics were in the spotlight of the discussions of the Supervisory Board.

Meeting on January 20, 2006. Planning and budget for the current business year and three-year plans were discussed and adopted. The adjustment of the Executive Board's compensation scheme was discussed.

Meeting on March 10, 2006 (annual results Supervisory Board meeting). During this meeting the Supervisory Board dealt in detail with accounting principles and the consolidation accounting practices of the SINGULUS TECHNOLOGIES AG as well as the results of the annual audit for the business year 2005. Among the other issues was the preparation of the proposal of the Supervisory Board regarding the agenda items "Election to Supervisory Board" and "Election of Auditor" as well as the further agenda items of the invitation to the ordinary Annual General Meeting 2006 of the SINGULUS TECHNOLOGIES AG.

Meeting on May 22, 2006 (extraordinary meeting). Subject matter of the meeting was a strategy discussion with respect to the future development of the SINGULUS Group including HamaTech. Important topics were the disposal of "non-core assets" of the HamaTech Group as well as the discussions about the expectations regarding the developing Blu-ray activities.

Meeting on June 23, 2006. Subject matter of the meeting was the assignment of the auditor, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Eschborn, to be appointed by the Annual General Meeting for the auditing of the annual accounts for 2006. Main areas of the auditing were agreed and the fee was determined. Mr. Hammen was appointed Spokesman of the Executive Board.

Meeting on September 21, 2006. At this meeting Mr. Hammen announced that he would pursue a different task in the industry and resigned from office. The Supervisory Board awarded the auditing for the business year 2006 to the auditor Ernst & Young AG.

Meeting on October 2, 2006 (extraordinary meeting). Subject matter of this meeting was the changed situation of the Executive Board and the necessary consequences resulting from the resignation of Mr. Hammen. The decision was made to appoint Mr. Stefan A. Baustert Chief Executive Officer and to a have a respective employment contract drafted.

Meeting on November 27, 2006. Presentation, discussion and adoption of the forecasts for 2007 as well as the budget for 2007 including medium-term plans. In addition, the future strategic positioning of the company as well as potential acquisition targets were discussed. The Supervisory Board subscribed to the Executive Board's proposal regarding the dividend policy for 2006 and adopted the stock option plan for 2007.

In the course of the regular reporting the Executive Board informed the Supervisory Board also about the introduced risk monitoring system of the SINGULUS TECHNOLOGIES AG pursuant to Art. 91 Para. 2 Stock Corporate Act (Aktiengesetz) and presented the consolidated risk report. This report combines all relevant risks of the business units and functions and presents them accordingly. The Supervisory Board examined the report with respect to plausibility and concluded that there was no doubt about this matter.

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

The Supervisory Board adheres to rules and regulations that have remained unchanged in the business year 2006. The Supervisory Board is constantly analyzing the efficiency of its activities in particular with regards to the preparation of the meetings. Since the Board is comprised of only a few members, an efficient and focused work is principally ensured.

Corporate Governance. The SINGULUS TECHNOLOGIES AG and its Supervisory Board subscribe to the principles of proper and responsible corporate governance. No conflicts of interests of members of the Supervisory Board arose during the period under review. The cooperation of the Supervisory Board was characterized by efficiency, professional competence and trust.

Since the change of the corporate form into a corporation (Aktiengesellschaft) the Supervisory Board is comprised of three members. The Supervisory Board continued to refrain from forming auditing committees or other Supervisory Board committees in the business year 2006 as well. According to the Supervisory Board's opinion, neither enhancements in efficiency nor an improved handling of complex subject matters nor a more efficient or improved fulfillment of the duties of the Supervisory Board with respect to issues regarding accounting principles, risk management or auditing can be expected from such committees. Accordingly, there were no committee meetings during the business year 2006.

The Executive and Supervisory Board adopted a mutual declaration of conformity pursuant to Art. 161 German Stock Corporation Act in January 2006. (please refer to page 19 of this Annual Report 2006). In the declaration the Executive and Supervisory Boards jointly declared that the recommendations of the German Corporate Governance Code as amended by the Federal Department of Justice as of May 21, 2003 and June 2, 2006 were adhered to in the business year 2006 except for the Code recommendations in Art. 3.8 Para. 2 (no deductibles for D&O insurance), Art. 5.1.2 Para. 2 (no age limit for members of the Executive Board as per articles of association), Art. 5.3.1 and 5.3.2 (no formation of committees), Art. 5.4.1 (no age limit for members of the Supervisory Board as per articles of association) and Art 4.2.5. Para. 2 (no individualized information about the annual additions to the provisions for pensions or pension funds for pension promises to members of the Executive Board).

Instead, the by-laws of the Supervisory Board stipulate that no person may be proposed for election to the Supervisory Board for a longer term than after the age of 75. In addition, the by-laws of the Supervisory Board stipulate that the age limit for members of the Executive Board is 65.

Pursuant to Art. 3.10 the Executive and Supervisory Boards published a Corporate Governance Report which can be found on pages 16 to 18 of this Annual Report. The report also explains the deviations from recommendations of the Corporate Governance Code. For further information please refer to this report.

Compensation of the Executive Board. The sitting members of the Executive Board have signed individual employment contracts with the company. Pursuant to the legal requirements of the Stock Corporation Act, for the conclusion of the employment contracts the company was represented by the Supervisory Board. Details of the general terms of the contracts and changes in compensation are specified in the Compensation Report which is part of the Group's Status Report and the Corporate Governance Report. For the Compensation Report please refer to pages 50 to 54 of this Annual Report.

Risk Management. According to relevant regulations of stock corporation and commercial laws the SINGULUS TECHNOLOGIES AG is subject to special requirements with respect to company-internal risk management. Accordingly, the SINGULUS TECHNOLOGIES AG has introduced an adequate monitoring system. The design and the results of the monitoring system are of particular interest to the Supervisory Board. The Supervisory Board considers the monitoring system of the SINGULUS TECHNOLOGIES AG efficient and concurs with the risk assessment of the Executive Board.

Shareholdings of the Members of the Supervisory Board. The stock holdings of Supervisory Board members are published in this Annual Report as well as on the internet (for a detailed presentation please refer to the annotations on page 53 of this Annual Report).

Information pursuant to the German Takeover Directive Implementation Act. In its meeting on March 16, 2007 the Supervisory Board discussed the information and report about the information in the status report pursuant to Art. 289 Para. 4 and Art. 315 Para. 4 of the German Commercial Code (HGB). The relevant information in the Status Report (page 55 of this Annual Report) is referred to. The Supervisory Board examined the information and explanations and adopted them. The Supervisory Board deems them to be complete.

Financial Statements of the AG and the Group, Status Report and Proposal of Profit Appropriation. The financial statements of the SINGULUS TECHNOLOGIES AG as well as the consolidated financial statements and the combined status report of the SINGULUS TECHNOLOGIES AG drawn up by the Executive Board as of December 31, 2006 were audited by the Ernst & Young AG, Certified Public Accountants, Eschborn.

Pursuant to the requirements of the German Corporate Governance Code, the auditors Ernst & Young AG declared in writing to the Chairman of the Supervisory Board on June 14, 2006, that there are no circumstances possibly affecting the independence as auditors. During the meeting of the Supervisory Board on March 10, 2006 the suitability of Ernst & Young AG, Certified Public Accountants, as auditors for the business year 2006 was discussed by the Supervisory Board in detail and agreed.

Subsequently, as proposed by the Supervisory Board, the Ernst & Young AG, Certified Public Accountants, was elected as auditor for the business year 2006 at the ordinary Annual General Meeting of the SINGULUS TECHNOLOGIES AG on June 23, 2006.

The financial statements and the status report of the SINGULUS TECHNOLOGIES AG for the business year 2006 were drawn up pursuant to the regulations of the German Commercial Code (HGB) and the Stock Corporation Act (AktG). The consolidated financial statements were drawn up pursuant to the International Financial Reporting Standards (IFRS). The consolidated financial statements were supplemented by a consolidated status report, which was combined with the status report of the financial results pursuant to Art. 315 Para. 3 read in conjunction with Art. 298 Para. 3 Sent. 1 HGB.

The Ernst & Young AG, Certified Public Accountants, reviewed the financial statements and the consolidated financial statements as well as the combined status report considering the accounting principles and approved them without reservation.

In the course of the review of the financial statements of the SINGULUS TECHNOLOGIES AG the auditor also had to review whether a risk monitoring system enabling the early detection of risks threatening the continuity of the company has been implemented by the Executive Board. With respect to the monitoring system the auditor stated that the Executive Board had implemented the required measures pursuant to Art. 91 Para. 2 Stock Corporation Act and that the system is capable of an early detection of trends potentially threatening the continuity of the company. The audited financial statements of the SINGULUS TECHNOLOGIES AG, the audited consolidated financial statements as well as the combined status report as of December 31, 2006 were presented to all Supervisory Board members for examination in a timely manner. The audited financial statements and the combined status report were the subject of the Supervisory Board meeting on March 16, 2007. In the course of this Supervisory Board meeting the Executive Board also reported about the profitability of the company in detail. This report was discussed in detail with the Executive Board.

The approved auditor participated in this Supervisory Board meeting concerning the financial statements and presented to the Supervisory Board the course and results of its audits and focal points of the audit. The results of the audit were discussed by the Supervisory Board and the auditors in details in which all queries of the members of the Supervisory Board were elaborately answered. The Supervisory Board took note of the results of the audit of the financial statements and consolidated financial statements by the auditor, discussed them and did not have any objections.

The Supervisory Board reviewed the financial results of the AG as well as the consolidated statements and the combined status report and regards them as true, plausible and complete. As a result of its own review the Supervisory Board was thus able to agree that there are no objections to the financial statements of the SINGULUS TECHNOLOGIES AG, the consolidated financial statements and the combined status report as of December 31, 2006. In its meeting on March 16, 2007, the Supervisory Board approved the financial statements of the SINGULUS TECHNOLOGIES AG and the consolidated financial statements drawn up by the Executive Board. Thus, the financial statements of the SINGULUS TECHNOLOGIES AG for 2006 have been finalized.

In the course of the Supervisory Board meeting concerning the financial statements the Supervisory Board also discussed and decided upon the proposal for the resolution at the Annual General Meeting with respect to the appropriation of the net profit. The Supervisory Board agreed to the profit appropriation proposal of the Executive Board for the Annual General Meeting.

f.l.t.r.: William Slee, Roland Lacher, Thomas Geitner

In recognition of the accomplishments achieved during the business year 2006, which was characterized by many internal and external changes, the Supervisory Board expresses its thanks and appreciation to the Executive Board and all employees of the company. Together with the Executive Board the members of the Supervisory Board are confident about the further positive business development of the company.

Kahl am Main, March 16, 2007

Roland Lacher
Chairman of the Supervisory Board

Stefan A. Baustert
Chief Executive Officer

Dr.-Ing. Anton Pawlakowitsch
Board Member Responsible for Technology, Research and Development

On November 1, 2006 Mr. Baustert was appointed Chief Executive Officer of the SINGULUS TECHNOLOGIES AG. He has been a member of the Executive Board since January 15, 2003 and until October 2006 he was responsible for Finance, Controlling and Human Resources.

After the completion of his studies of business administration at the University of Saarland as a Master of Science in Management degree (Diplom-Kaufmann) and receiving a Master of Science in Business Administration from the Pennsylvania State University, Stefan A. Baustert began his professional career in the Finance department of the Thyssen AG in 1986. In 1994 he was appointed to the Executive Board of the Thyssen Telecom AG and joined the Executive Board of E-PLUS as Chief Financial Officer in 1997.

Dr.-Ing. Anton Pawlakowitsch was appointed to the Executive Board of SINGULUS TECHNOLOGIES AG, Kahl/Main effective January 1, 2007. In this capacity, he is responsible for technology, research and development.

Dr.-Ing. Pawlakowitsch attended the University of Stuttgart where he graduated with a degree in mechanical engineering and received a Ph.D. from the University of Stuttgart's Faculty of Engineering. His career at Leybold AG in Hanau spanned from 1984 to 1995 where he last held the position of Division Manager of Engineering. His subsequent leading management positions at various companies included MAN Roland and most recently Focke & Co. in Verden as Technical Managing Director.

Stefan A. Baustert
Dr.-Ing. Anton Pawlakowitsch

SINGULUS TECHNOLOGIES AG
Hanauer Landstraße 103
63796 Kahl am Main

To the Shareholders of
SINGULUS TECHNOLOGIES AG

Dear Shareholders,

The business year 2006 was very eventful for the company and challenging in many aspects. Management and employees did not only have to cope with a continuing weak market; the acquisition of STEAG HamaTech AG as well as changes in the Executive Board required a high degree of support and loyalty to the company.

All the more we can look back with pride on the business year 2006, because we were once more able to be profitable in the year under review and increased sales compared with previous year's level. The main and trend-setting topics for the company in the year 2006 can be summarized as follows:

- Acquisition of STEAG HamaTech AG
- Changes in the Supervisory and Executive Boards
- Market introduction of the new optical disc formats of the 3rd generation HD DVD and Blu-ray
- First successes of our diversification strategy with the products TIMARIS and OPTICUS

Acquisition of the STEAG HamaTech AG. On November 6, 2005 SINGULUS TECHNOLOGIES announced the signing of the contract for the acquisition of the majority of STEAG HamaTech. Subsequently, on December 16, 2005 the offer documents for the voluntary public takeover offer were published.

66.28 % of the STEAG HamaTech shares were transferred from SES/RAG to SINGULUS TECHNOLOGIES with effect from January 27, 2006. Due to share purchases on the stock exchange in the meantime SINGULUS TECHNOLOGIES already held 78.73 % of the shares of STEAG HamaTech as of that date.

On April 21, 2006 a controlling agreement was signed between the SINGULUS TECHNOLOGIES Beteiligungs GmbH (SINGULUS GmbH), a 100 % subsidiary of the SINGULUS TECHNOLOGIES AG, and the STEAG HamaTech AG. On June 21, 2006 the Annual General Meeting of the STEAG HamaTech AG approved this controlling agreement. At the same time the company was renamed to HamaTech AG as of the end of June 2006.

With the combination of the two companies an important consolidation in the sector was effected, which will be decisive for the joint further success of the SINGULUS TECHNOLOGIES Group. The combination of SINGULUS and HamaTech form the basis for a technologic and market leadership in all optical disc formats in particular also with regards to the introduction of the upcoming once recordable Blu-ray/ HD DVD for the recording of high-definition TV programs (HDTV).

The business unit Prerecorded Disc will continue to be located at SINGULUS in Kahl am Main. SINGULUS' activities in the Recordable segment in Kahl were shut down. The division Recordable Disc is continued by HamaTech. On November 23, 2006 the Executive Board of the HamaTech AG announced its intention to examine the relocation of the continued Recordable Disc activities of HamaTech from Sternenfels to Kahl in order to generate additional synergies. A relevant decision was made at the end of January 2007. The relocation will be completed by end of April 2007.

As of December 31, 2006 SINGULUS held 88.79 % and thus the majority of the shares of the HamaTech AG. As per February 28, 2007 89.61 % of the HamaTech shares were held by SINGULUS TECHNOLOGIES.

With effect from October 1, 2006 the HamaTech AG sold 51 % of the shares of its Slovakian subsidiary STEAG Electronic Systems. As per February 8, 2007 HamaTech sold its 100 % subsidiary STEAG ETA-Optik to the Scandinavian company AudioDev AB. Accordingly, the announced portfolio optimizations have been completed.

Changes in the Executive and Supervisory Boards. Roland Lacher, founder of the SINGULUS TECHNOLOGIES AG, already announced on March 10, 2006 that he would like to step down from his position as Chief Executive Officer with conclusion of the Annual General Meeting 2006 and to go into retirement. At the same time he also agreed to run for membership of the Supervisory Board since the long-time Chairman of the Supervisory Board, Alexander von Engelhardt, decided not to run for reelection due to age considerations. Subsequently to the Annual General Meeting the new Supervisory Board of the company convened for its constituent meeting on June 23, 2006 and appointed Roland Lacher as Chairman of the Supervisory Board of the SINGULUS TECHNOLOGIES AG. At the same time Klaus Hammen was appointed Spokesman of the Executive Board. In September 2006 Klaus Hammen resigned. With effect from December 31, 2006 he left the company.

Stefan A. Baustert, so far CFO, was appointed by the Supervisory Board of the company as Chief Executive Officer of the SINGULUS TECHNOLOGIES AG with effect from November 1, 2006. In addition, the Supervisory Board appointed Dr.-Ing. Anton Pawlakowitsch as Executive Board Member responsible for Technology and Research & Development as from January 1, 2007.

Market introduction of the new formats HD DVD and Blu-ray. HDTV, Blu-ray and HD DVD – the new technology of consumer electronics is slowly but surely gaining momentum. The Internationale Funkausstellung 2006 (IFA) Berlin, the Consumer Electronics Show (CES) in Las Vegas in January 2007 as well as the CeBIT 2007 in Hanover clearly support this trend. Since high-definition television (HDTV) has already established itself in Japan as well as in the US and HD-Ready has virtually become a standard for new television sets in Europe too, the introduction of corresponding players is still awaited. Both format groups – HD DVD and Blu-ray – have published first movies in high-definition quality, but the high price for players as well as the continuing dispute about the formats has resulted in delays in the start of the anticipated mass market. Because the game console Xbox 360 by Microsoft was only available with an HD DVD drive at the end of 2006 and the Playstation 3 by Sony with a Blu-ray drive was launched in the US and in Japan in fall 2006 later than expected, an increase in demand for discs of the new format generation is not expected before the second half of 2007. A positive side effect of this delay is a continuing healthy demand for DVDs, from which we expect a stable machine business for SINGULUS with existing formats in the next couple of years.

With respect to HD DVD and Blu-ray SINGULUS TECHNOLOGIES is confident for the year 2007. We are convinced that we as market leader in the machine technology will benefit from this growth with rising market volumes as one of the first companies.

Successful acceptance of the new machine concepts TIMARIS and OPTICUS. SINGULUS TECHNOLOGIES achieved a breakthrough in 2006 with several orders for the business area TIMARIS coating technology. In the meantime the first machines have been delivered and undergone the technical acceptance stage. Due to its broad scope of application of this technology we have combined this work area in a segment called “Nano Deposition Technologies”.

In the 2nd new work area, the segment “Optical Coatings”, the first OPTICUS coating equipment for plastic eyeglass lenses was qualified and accepted for production by a customer. We also experienced a high level of interest and first sales in the segment “Decorative Coatings” for the metallizer 3DS.

Further development of the company’s potential. We have set out clear goals for the further development of our company in the next couple of years:

1. Market leadership in all work areas Optical Disc including the third format generation HD DVD and Blu-ray.

2. Extensive further development of our segments “Nano Deposition Technologies” and “Optical Coatings” as well as the new business area “Decorative Coatings" to become independent work areas with increasing sales and earnings contributions.

3. Consistent diversification strategy in the next couple of years through the set-up of new work areas as well as by acquisitions.

We will consistently follow our path of restructuring the Group in the coming years. At the same time we have great expectations for our core activities – the manufacturing of equipment for the production of optical discs. With the launch of the first dual layer Blu-ray machine in the second half of 2007 we anticipate the decisive step in a stage of long-term growth in the engineering segment for the 3rd format generation of optical discs.

We would like to express our gratitude to all shareholders for the trust in us.

We would also like to thank all employees for having excellently coped with a difficult year 2006. Their know-how is the most important asset of our company.

Kahl am Main, March 16, 2007

yours sincerely,

Stefan A. Baustert
Chief Executive Officer

Dr.-Ing. Anton Pawlakowitsch
Executive Board Member

Corporate Governance Report

The Executive Board – at the same time also for the Supervisory Board – reports pursuant to Art. 3.10 of the German Corporate Governance Code about the corporate governance at the SINGULUS TECHNOLOGIES AG as follows: A responsible and sustainable corporate governance was also very important to the SINGULUS TECHNOLOGIES AG in 2006. The Executive and Supervisory Boards unanimously agreed to the implementation of the rules of the German Corporate Governance Code and regard it as a process integrated in the corporate development that is being continuously expanded. With a maximum of transparency the SINGULUS TECHNOLOGIES AG makes corporate processes comprehensible and promotes an open and trusting relationship with the shareholders.

A responsible and sustainable corporate governance was also very important to SINGULUS in 2006.

Close cooperation of Executive and Supervisory Boards. As a German corporation (Aktiengesellschaft) the SINGULUS TECHNOLOGIES AG is comprised of a dual management and control structure according to German corporate law. Executive Board and Supervisory Board are working closely together to the benefit of the company; the mutual goal is to sustainably increase the company value. The Executive Board reports regularly, timely and in detail to the Supervisory Board about the relevant issues of corporate planning, the strategic development, the course of business activities and the overall situation of the Group. The Chairman of the Supervisory is in constant contact with the Executive Board. He usually visits the company once a week to inform himself about the business activities and to advise the Executive Board on decisions. According to the by-laws of the Supervisory Board significant business decisions are subject to the approval by the Supervisory Board. This was complied with in the business year 2006. In total, the Supervisory Board convened for seven meetings in the business year 2006.

Members and work of the Executive Board. Until June 23, 2006 the Executive Board of the SINGULUS TECHNOLOGIES AG was comprised of three members. Subsequently it was scaled down to two members. It is the management body of the company. In managing the company the Executive Board is solely obligated to the interests of the company and follows the goal of a sustainable increase in the company's value.

The former Spokesman of the Executive Board, Mr. Klaus Hammen, told the Supervisory Board in September 2006 that he would leave the company as of the end of the year. With effect from November 1, 2006 Mr. Stefan A. Baustert, so far primarily responsible for the Finance department was appointed Chief Executive Officer of the company by the Supervisory Board for five years. The appointment as Chief Executive Officer of the SINGULUS TECHNOLOGIES AG and the expansion of his tasks and responsibilities made the reappointment of Mr. Baustert before expiration of his contract necessary (extraordinary circumstance in terms of Art. 5.1.2 Para. 2 of the German Corporate Governance Code). At the same time his employment contract was renewed. In addition to the Finance department Mr. Stefan A. Baustert took over the departments Sales, Strategy and Public Relations. As the second member of the Executive Board, Dr.-Ing. Anton Pawlakowitsch heads the division Technology and Research & Development of the SINGULUS TECHNOLOGIES AG since January 1, 2007.

Members and work of the Supervisory Board.The Supervisory Board is comprised of three members. The term of office of the members of the Supervisory Board ends with the conclusion of the Annual General Meeting, which resolves the discharge for the business year 2010. With conclusion of the Annual General Meeting on June 23, 2006 the long time Chairman of the Supervisory Board, Mr. Alexander von Engelhardt, left the Supervisory Board of the SINGULUS TECHNOLOGIES AG due to reasons of age. At the same time, Mr. Roland Lacher, Chief Executive Offers of the company since 1997, changed from the Executive to the Supervisory Board of the company. Therefore, a former member of the Executive Board has become a member of the Supervisory Board of the SINGULUS TECHNOLOGIES AG. With the election of Mr. Lacher the Annual General Meeting supported the proposal of the Supervisory Board to make use of Mr. Lacher's long time knowledge about the company as co-founder of the SINGULUS TECHNOLOGIES AG, his customer relationships as well as his more than 20 years of industry experience. The Supervisory Board elected Mr. Lacher as its Chairman.

The Supervisory advises and monitors the Executive Board with respect to the company's management. It discusses the business trends and planning, the strategy and its implementation. It analyzes the financial reports and examines the annual accounts. Significant decisions by the Executive Board such as major acquisitions and financial measures are subject to the Supervisory Board's approval according to the by-laws. The Supervisory Board also refrained from forming audit committees or other Supervisory Board committees in 2006 since committees do not make sense with a Supervisory Board with three members.

You can find additional information about the work of the Supervisory Board in the business year 2006 in the Report of the Supervisory Board on page 6.

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

Transparency and communications. The Executive Board publishes insider information concerning the SINGULUS TECHNOLOGIES AG immediately unless being exempt in individual cases. In addition, the company keeps an insider register which includes all people with access to insider information. These persons are regularly informed in detail about the resulting legal obligations.

The SINGULUS TECHNOLOGIES AG makes sure that the shareholders of the company are able to gain timely and extensive access about the situation of the company through the information provided on its internet website. Amongst others, the SINGULUS TECHNOLOGIES AG publishes its financial reports and company presentations as well as the corporate calendar under www.singulus.de in the section Investor Relations. To improve transparency and to support the stock price the SINGULUS TECHNOLOGIES AG held two self-organized analysts conferences and many one-on-one discussions with investors in 2006.
Besides in the ad hoc announcements and the Directors' Dealing pursuant to § 15a WpHG, the declaration of conformity to the German Corporate Governance Code, the Code itself as well as the articles of incorporation of the SINGULUS TECHNOLOGIES AG are available on SINGULUS' website under Investor Relations/Corporate Governance.

Accounting principles and audit of financial accounts. Since the business year 2004 the Group's annual accounts, the annual accounts and the interim accounts have been drawn up according to the International Financial Reporting Standards (IFRS) and are internationally comparable. The annual accounts were audited by the Ernst & Young AG Wirtschaftsprüfungsgesellschaft. Interim reports were made public within 45 days after the end of the respective quarter, the Group's accounts and the annual financial statements within 90 days after the end of the business year. The annual report about the business year 2006 is available for download on the website of the SINGULUS TECHNOLOGIES AG.

Compensation. Similar to the past years SINGULUS TECHNOLOGIES individually reports the fixed and variable components of the compensation as well as the compensation components with long-term incentives for the members of the Executive Board. The information is provided in the compensation report as part of the status report on page 50 of this Annual Report. The compensation report sets forth the compensation systems for the members of the Executive Board in detail and also describes the implementation of the stock option plan 2005 and similar incentive systems. In addition, the remuneration of the members of the Supervisory Board is stated individually.

Director's Dealings/Shareholdings. The information about securities transactions of the members of the Executive Board and the Supervisory Board of the SINGULUS TECHNOLOGIES AG and related persons pursuant to § 15 a German Securities Trading Act (WpHG) as well as shareholdings are listed in the compensation report as part of the status report on page 54 and also on the website under Investor Relations/SINGULUS Stock/Directors' Dealing.

Declaration of conformity of the SINGULUS TECHNOLOGIES AG pursuant to Art. 161 Stock Corporation Act (AktG).

The members of the Supervisory Board hold the following occupations and are members of the following Supervisory Boards and boards of comparable monitoring entities:

	Occupation held	**Members of other Supervisory Boards and boards of other monitoring entities**
Roland Lacher	Supervisory Board (since June 23, 2006)	
Alexander v. Engelhardt	Supervisory Board (until June 23, 2006)	WashTec AG, Chairman (until May 25, 2007) Tarkett Sommer AG (until December 31, 2006)
William Slee	Supervisory Board	
Thomas Geitner	Supervisory Board	Vodafone D2 GmbH, Düsseldorf (until December 31, 2006) Vodafone Holding GmbH, Chairman (until December 31, 2006) Vodafone Deutschland GmbH, Chairman (until December 31, 2006) BBC (British Broadcasting Cooperation) Worldwide Ltd. Board

Declaration of conformity of the SINGULUS TECHNOLOGIES AG pursuant to Art. 161 Stock Corporation Act (AktG).

The Federal Department of Justice published an amendment of the German Corporate Governance Code in 2006. During the previous business year 2006 the recommendations of the German Corporate Governance Code as amended by the Federal Department of Justice as of June 2, 2005 were adhered to. During the current business year 2007 the SINGULUS TECHNOLOGIES AG will adhere to the recommendations of the German Corporate Governance Code as amended by the Federal Department of Justice as per June 12, 2006. Exceptions are the following recommendations under Para. 1 - 4 for the business years 2006 and 2007 as well as Para. 5 for the business year 2007 only:

1. In connection with the conclusion of a personal liability insurance for the members of the Boards ("D&O insurance") the company agreed with them that the members of the Boards will pay their own insurance premiums for the D&O insurance (c. Sec. 3.8 Para 2 of the Code).

2. Instead of the determination of the maximum age of a member of the Executive Boards according to the by-laws, the by-laws of the Supervisory Board state that the age limit has to be considered for the succession planning (c. Sec. 5.1.2 Para. 2 of the Code).

3. As long as the Supervisory Boards is only comprised of three members, there have not been and there will be no committees (c. Sec. 5.3.1 and 5.3.2 of the Code).

4. Instead of the determination of the maximum age of a member of the Supervisory Board according to the by-laws, the by-laws of the Supervisory Board state that the age limit has to be considered for the proposal of new members to be elected (c. Sec. 5.4.1 of the Code).

5. There is no individualized information about the annual contribution to the provisions for pensions or pension funds for pension benefits for members of the Executive Board (with respect to Art. 4.2.5 Para. 2 of the Code) and no information about the kind of the fringe benefits granted to the members of the Executive Board by the company (with respect to Art. 4.2.5 Para. 3 of the Code).

Kahl, January 26, 2007
SINGULUS TECHNOLOGIES AG

Roland Lacher | William Slee | Thomas Geitner
Stefan A. Baustert | Dr.-Ing. Anton Pawlakowitsch

The SINGULUS TECHNOLOGIES Stock

Positive development of the indexes. For the fourth consecutive year the DAX was able to report a gain. In the year 2006 alone the index rose by 22 %. The year-end close at 6,597 points meant the highest level for the index since February 2001. In retrospect the DAX development was very positive for the first months of the year 2006. However, there was a significant correction by about 1,000 points in May 2006. The reason was an expected substantial downturn in the economic activities in the US. When this did not materialize as projected and the private consumption in Germany also continued to increase further, the DAX was able to rise sharply. The TecDAX exhibited a similarly positive trend and increased by about 25 %. However, the global stock markets experienced considerable declines at the end of February.

SINGULUS TECHNOLOGIES stock. At the beginning of 2006 the SINGULUS TECHNOLOGIES stock rose to € 18.06. Subsequently the stock was in a downtrend until August 2, 2006 with a low at € 9.31. In the following months until the beginning of October the stock price traded in a range around the € 10 mark. During the last weeks of the year the stock price advanced significantly and closed at € 12.13 on December 29, 2006. This level was maintained in the first weeks of 2007. The high was at € 12.79 on February 23, 2007, but the stock declined to € 11.12 at the end of February due to the general weakness at the stock markets.

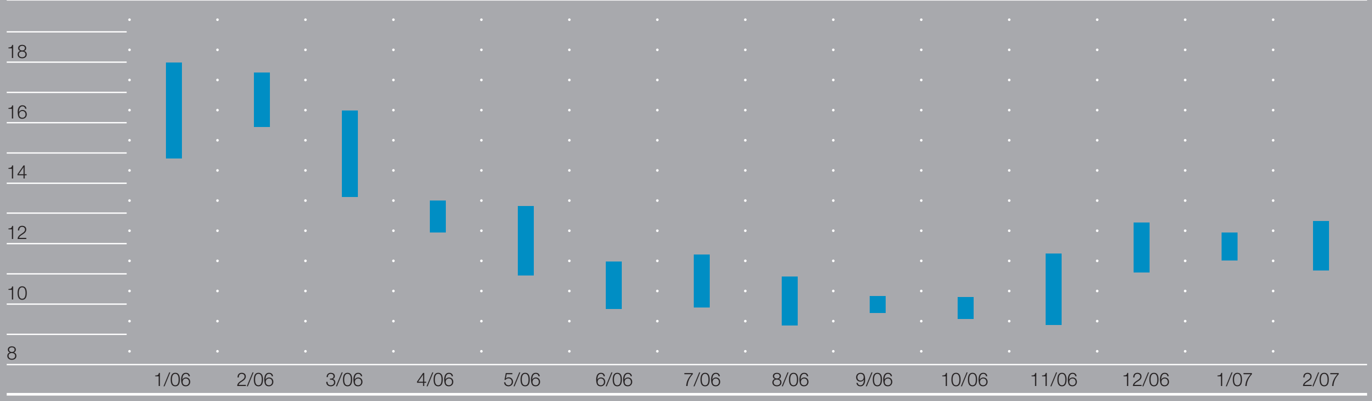
Annual General Meeting. The ordinary Annual General Meeting of the SINGULUS TECHNOLOGIES AG took place at the Hermann-Josef-Abs Hall at Deutsche Bank in Frankfurt as in the previous years. For the last time as Chief Executive Office Roland Lacher informed the numerous attendees of the Annual General Meeting about the past business year and current developments. Roland Lacher concluded that the SINGULUS TECHNOLOGIES AG was able to hold up well in a changed market characterized by tough pricing competition and still occupied the leading market position. The technologic foundation for a successful market introduction of equipment for both formats of the third generation of optical discs has been laid. Not only will the diversification in new work areas generate initial sales in 2007 but also contribute to earnings for the first time.

Increased investor relations activities. The investor relations activities have been further expanded in the business year 2006. In addition to the annual press conference and the analysts' conference, further conferences as well as an analysts' day were held. The focus of these events was on providing the details of the acquisition of STEAG HamaTech as well as explanations of the development of the new high definition formats HD DVD and Blu-ray. The presence of SINGULUS was further strengthened through regular roadshows at the world's main financial centers. Comprehensive investor relations information is provided on our website such as current financial reports, presentations, information regarding the Annual General Meeting and many more (www.singulus.de). You can register on our homepage to receive quarterly reports and publications by SINGULUS via email in the future.

Analyst coverage:
_ABN Amro Bank AG
_Bankhaus Lampe
_B. Metzler Seel. Sohn & Co.
_Berenberg Bank
_BHF Bank
_BW Bank
_Citigroup
_Commerzbank AG
_CSFB Credit Suisse
_Deutsche Bank AG
_DZ Bank
_Dresdner Kleinwort Wasserstein
_HSBC Trinkaus & Burkhardt KG
_Hypo Vereinsbank
_Independent Research
_Kepler Equities
_Landesbank Baden-Württemberg
_Mainfirst Bank AG
_Merrill Lynch
_Metzler Equity Research
_Morgan Stanley
_Sal. Oppenheim
_SG Securities
_SEB Research
_SES Research
_UBS Investment Bank
_West LB Equity Markets

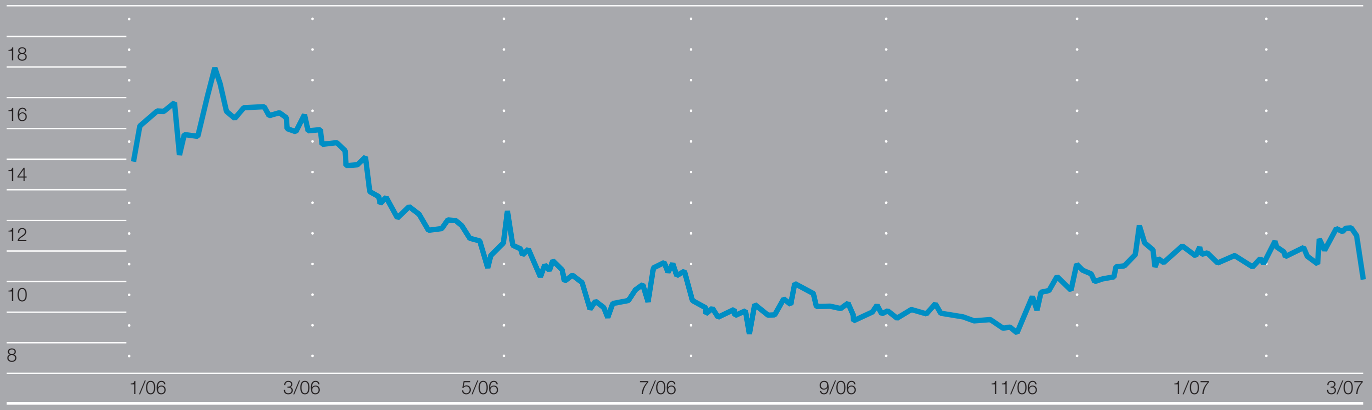
High and low of the SINGULUS TECHNOLOGIES stock

[Highs and lows in €]



SINGULUS TECHNOLOGIES stock

[Closing in €]



SINGULUS TECHNOLOGIES stock compared to the TecDAX

[closing price]

Stock Profile

The SINGULUS TECHNOLOGIES AG is a company listed in the Prime Standard and therefore meets the high international transparency requirement of the Deutsche Börse. The admission to the Prime Standard is a prerequisite for the acceptance to the TecDAX, the index comprised of the most important German technology companies, in which SINGULUS has been a member since inception of the index. As of the end of 2006 the market capitalization amounted to € 424 million. With an index weight in the TecDax in the amount of more than 2 % SINGULUS TECHNOLOGIES was ranked 18th in terms of index weight. The average trading volume per day of the stock totaled 213,255 shares on Xetra in 2006. The earnings per share rose from € 0.21 to € 0.35 per no-par share in 2006. As of December 31, 2006 the number of shares outstanding was unchanged at 34,941,929 shares. 95 % of the shares in circulation are considered as free float as of the beginning of March 2007.

Stock Key Figures

ISIN:	DE0007238909
WKN:	723890
Stock symbol:	SNG/Reuters SNGG.DE/Bloomberg SNG.NM
Type of shares:	Ordinary bearer shares at a par value of € 1 each
Indices:	NEMAX-All-Share, TecDAX
Prime Standard:	Technology

	2001*)	2002*)	2003**)	2004**)	2005**)	**2006****)
Outstanding shares as of December 31	36,436,440	36,947,226	37,064,316	35,391,987	34,941,929	34,941,929
Nominal capital in €	36,436,440	36,947,226	37,064,316	35,391,987	34,941,929	34,941,929
Market capitalization as of December 31 in million €	1,036	463	619	457	507	424
Lowest share price for the year in €	14.83	10.60	8.93	10.58	8.96	9.31
Highest share price for the year in €	35.70	34.55	21.40	18.72	15.02	18.06
Year-end share price in €	31.50	12.52	16.70	12.90	14.50	12.13
Ø daily turnover (Xetra)	152,500	159,966	194,139	162,369	173,611	213,255
Earnings per share in €	0.77	0.99	1.20	1.27	0.21	0.35

*) US-GAAP **) IFRS

As of the end of 2006 the market capitalization amounted to 424 million Euro.

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

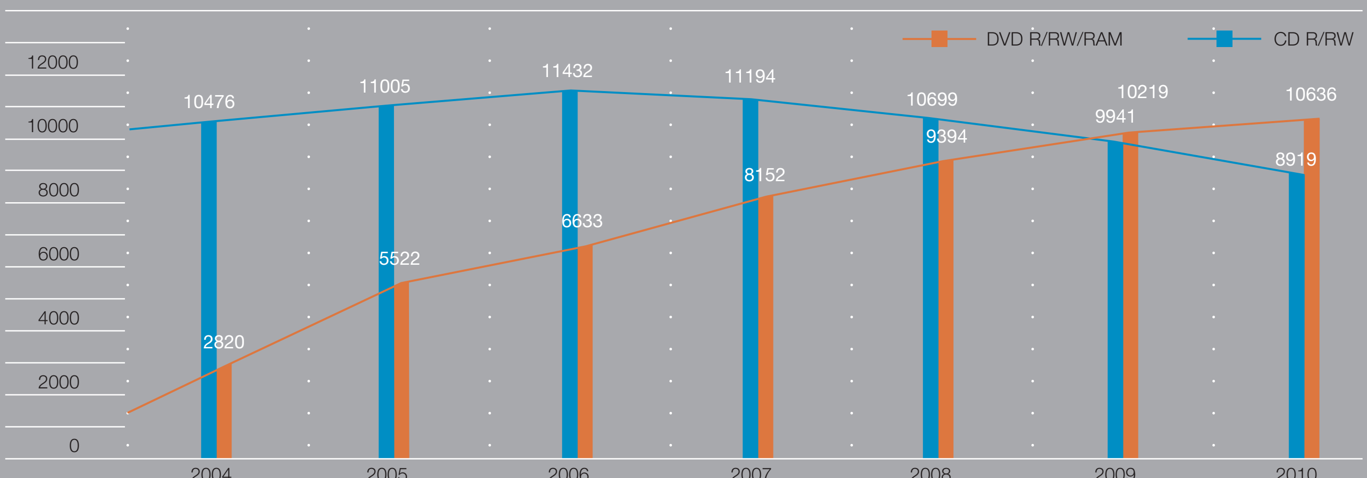
The company exercised its right pursuant to Art. 315 Para. 3 German Commercial Code (Handelsgesetzbuch (HGB) to prepare a combined status report for the SINGULUS TECHNOLOGIES Group and the SINGULUS TECHNOLOGIES AG. Since the course of business, the situation of the company as well as the risks of future development of the SINGULUS TECHNOLOGIES AG and the SINGULUS TECHNOLOGIES Group broadly coincide, the following statements, in particular references to specific data, refer to the SINGULUS TECHNOLOGIES Group.

Overall Economic Situation

General global economy. The Organization for Economic Cooperation and Development (OECD) in Paris published its country report about the economic outlook 2006 to 2008 in the first week of January 2007 and confirmed its growth forecasts for the Euro-zone. The global economy is more likely heading towards a period of more balanced growth than a downturn. The expected slow-down in the US and in Japan is likely to be limited while a solid upturn is expected for the Euro-zone. For Germany, it is forecast that the increase in the value-added tax will only moderately impact growth.

In the past year the German economy recorded the highest growth rate since 2000. According to the German Federal Statistical Office the real domestic product (GDP) rose by 2.5 % compared with the previous year (0.9 %). The growth in the past year was mainly driven by capital expenditure and external trade. Economists at the major German banks expect the robust growth to continue in 2007. The boom in the German mechanical and plant engineering industry still carries on. The sector association VDMA meanwhile estimates production growth in the engineering sector in 2006 to amount to approximately 7 %. An increase of 4 % is projected for 2007.

Recordable / rewritable CD/DVD market worldwide
[in million discs]



Source: Understanding & Solutions, January 2007

General optical discs market. Relatively stable sales of machines for the production of CDs and DVDs were experienced in the business year 2006. Although the CD was introduced to the market as the first format of optical discs about 25 years ago, still more than 11 billion units in 2006 are sold worldwide. The first major orders for replacement investments were received for CD replication lines in 2006.

The market of the 2nd format generation, the DVD, will continue to grow in the next couple of years. Research companies involved with the optical disc market expect that the total volume of sold DVDs will rise from about 7.6 billion in 2007 to 9.6 billion in 2010 due to blockbusters from Hollywood and the introduction of DVDs in Eastern Europe, China, Africa and other regions. Consequently, we also expect stable machine orders for SINGULUS in the coming years.

The situation of the new formats HD DVD and Blu-ray is still uncertain. One of the major obstacles is the unavailablity, inexpensive players in the market. It is expected that more inexpensive players will be available in the market and that accordingly the sales volumes of HD DVDs and Blu-ray Discs will increase significantly in the course of 2007/2008.

Although the new machines for DVD production have been able to produce HD DVDs as dual use machines since mid-2005, this production process has hardly been used by our customers.

There has not been yet a breakthrough for the Blu-ray format in the business year 2006. Several reasons were accountable for this. For example, the delayed market launch of the Playstation 3 by SONY in the US and Japan resulted in a general burden for the Blu-ray format. The launch in Europe has even been postponed to March 2007.

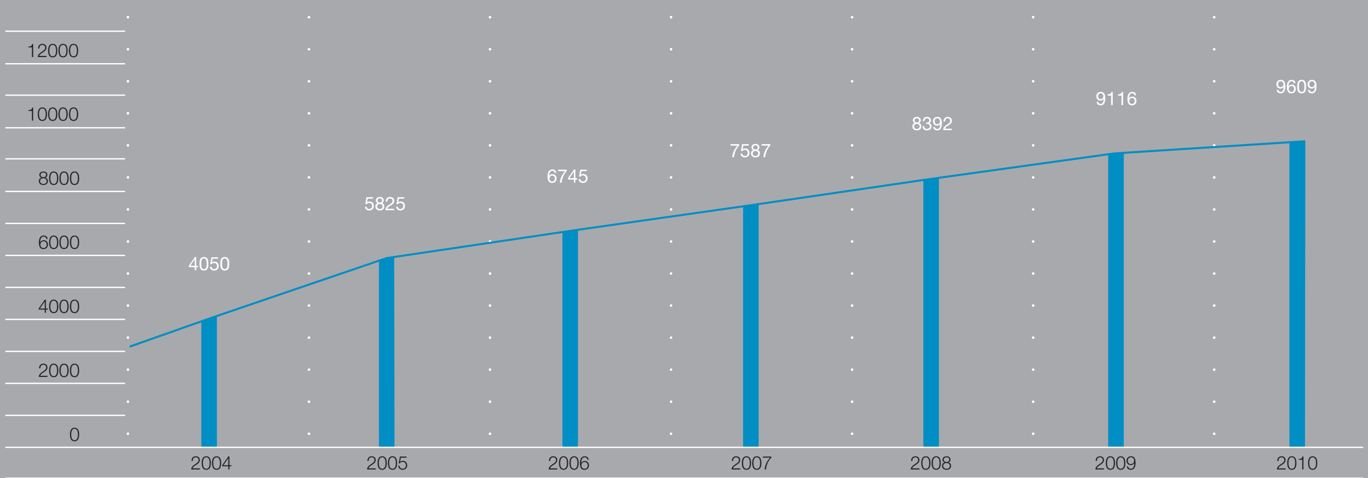
Globally, engineering companies working in the field of Blu-ray production equipment were still focusing on the development of single layer Blu-ray machines. Following the launch of the single layer Blu-ray with 25 gigabyte storage capacity in 2006, the dual layer disc with 50 gigabyte is expected for the 2nd half of 2007. In 2006 SINGULUS delivered production equipment for single layer Blu-ray to all major disc producers and will present its new line for dual layer Blu-ray in the summer of 2007.

So far, there has been no agreement about a single format of the third generation of optical storage media. Both HD DVD and Blu-ray will probably be available in the next couple of years.

In addition, the competitive pressure between those two parties resulted in the development of intermediate formats (hybrid formats) in the past months, which will rather have contributed to additional uncertainty on part of the end consumers than problem solving. SINGULUS does not expect that these intermediate formats will have any significance in the market in the future. An interesting solution for the end-user was presented in January 2007: a device able to play both formats.

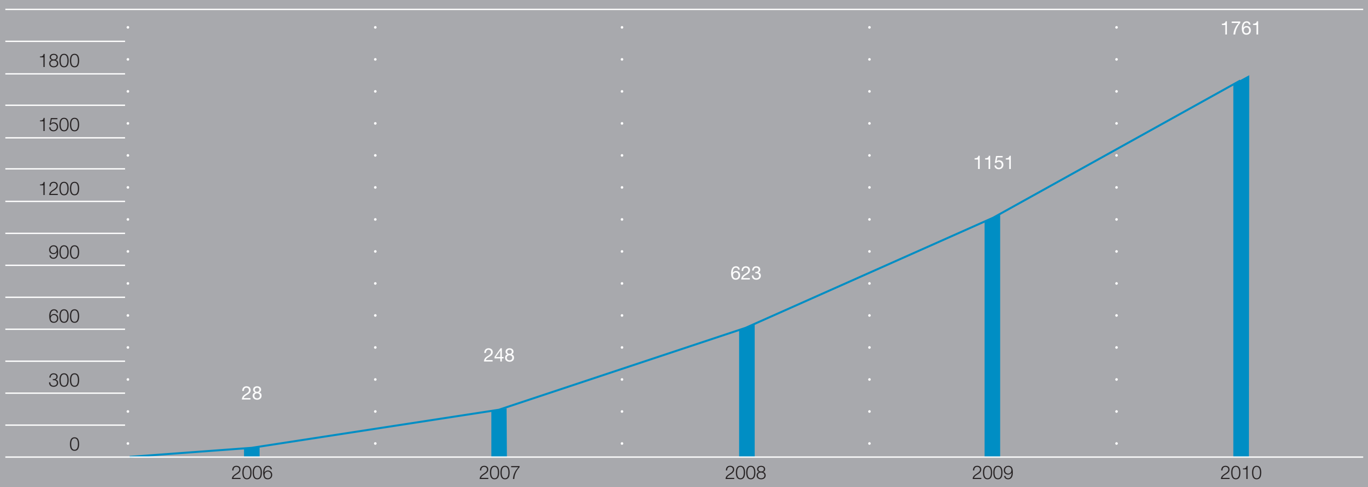
However, basically all players available in the market are still too expensive for consumers – both for HD DVD and also for Blu-ray Discs.

Prerecorded DVD market worldwide
[in million discs]



Source: Understanding & Solutions, January 2007

Prerecorded HD DVD / Blu-ray market worldwide
[in million discs]



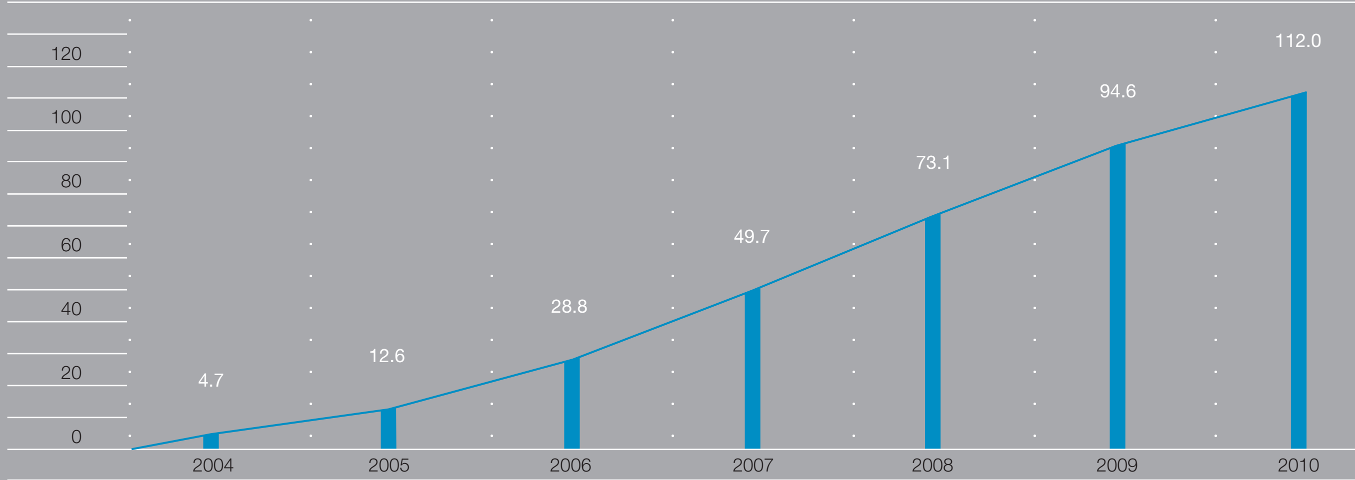
Source: Understanding & Solutions, January 2007

The market introduction of high definition will gain further momentum.

A positive impulse for the market introduction of the new formats is expected from the increasing penetration of game consoles. There are currently three competing systems: The Xbox 360 by MICROSOFT, whose drive can be upgraded to HD DVD format, the Playstation3 by SONY, which is equipped with a Blu-ray drive and the Wii by NINTENDO, which still relies on the DVD standard. All competitors are fighting for market share in the segment of game consoles with high marketing and sales expenditure.

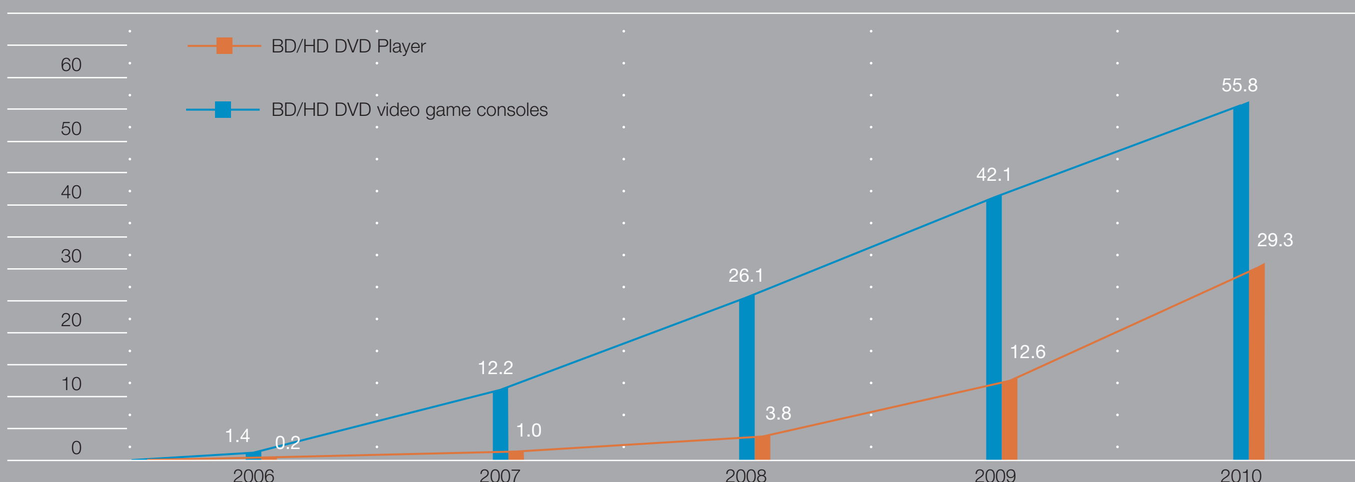
The market introduction of high definition TV will gain further momentum. In the US and in Japan, flat-screen displays with high definition technology are already in use and in Europe and especially also in Germany, HD Ready has virtually become a standard in 2006 when purchasing a new TV set. There is no doubt that the formats of the 3rd generation, HD DVD and Blu-ray, will find their way into the living rooms of the consumers in the next couple of years. Due to the high storage capacity of dual layer Blu-ray (50 GB) SINGULUS is still convinced that this format will prevail in the market in the end.

Market penetration with HDTV in Europe and USA
[in million households]



Source: Screen Digest, Mach 2007

HD DVD/Blu-ray Players in Europe, USA and Japan
[in million households]



Source: Screen Digest, March 2007

The Future:
Further Development of SINGULUS TECHNOLOGIES

In 2006 we acquired the HamaTech AG and for the most part completed the integration into the SINGULUS Group. The disposal of non-core activities has also been realized.

Similar to the previous year, we will publish the forecast for our full-year figures for 2007 with the reporting of the 2nd quarter 2007. A statement at an earlier point in time would contain great uncertainties.

Due to the difficult development of our core activities Optical Disc in the past couple of years it is necessary for the long-term continuity of the company to examine the entry into new business areas and to execute it where appropriate. In addition to the further development of our core activities Optical Disc we therefore view the diversification as the most important goal and biggest challenge for our company in the coming years.

In 2007 SINGULUS will focus on the following goals:

- Clear market leadership in all work areas of Optical Disc with the goal to benefit disproportionately from the upcoming growth of the new format generation.

- Expansion of market leadership for photo mask cleaning and processing machines for the semiconductor industry.

- Extensive further development of our segments “Nano Deposition Technologies” and “Optical Coatings” as well as the new business area “Decorative Coatings" to become independent work areas with increasing sales and earnings contributions.

- Consistent expansion of the activities in the next couple of years through the introduction of new work areas by means of acquisitions in order to generate sales and earnings contribution with additional new business areas.

A large market potential as well as the proximity to the competencies of our company are the essential factors in examining the expansion possibilities into new work areas. The huge technologic competence of our employees enables a broad scope of activities and therefore many diversification opportunities. In the previous year, SINGULUS already started the “screening” of the markets for interesting technologies and companies with significant growth potential.

The increasing penetration of the new disc formats HD DVD and Blu-ray, the stable market position in the photo mask area, the opportunities arising from the new work areas Nano Deposition Technologies, Optical Coatings and Decorative Coatings as well as our strategy to broaden our activities into new fields form the basis to secure the future of our company and to generate new growth.

Research and Development (R&D)

The research and development activities in 2006 were aligned with the strategy of the company. SINGULUS is working intensively in its core work area Optical Disc to further develop and optimize the production machines in order to maintain its competitive advantage. At the same time SINGULUS invests in new work areas with the goal to create new business for the future which will be able to make positive sales and earnings contributions for the company. At € 23.5 million overall, the expenses for R & D as of December 31, 2006 were slightly above previous year's level (€ 19.4 million), however, they also included € 4.7 million from HamaTech for our Recordable and Photo Masking activities. The R&D ratio (R&D expenditure/net sales) amounted to 8.6 % and is around the level reported in 2005.

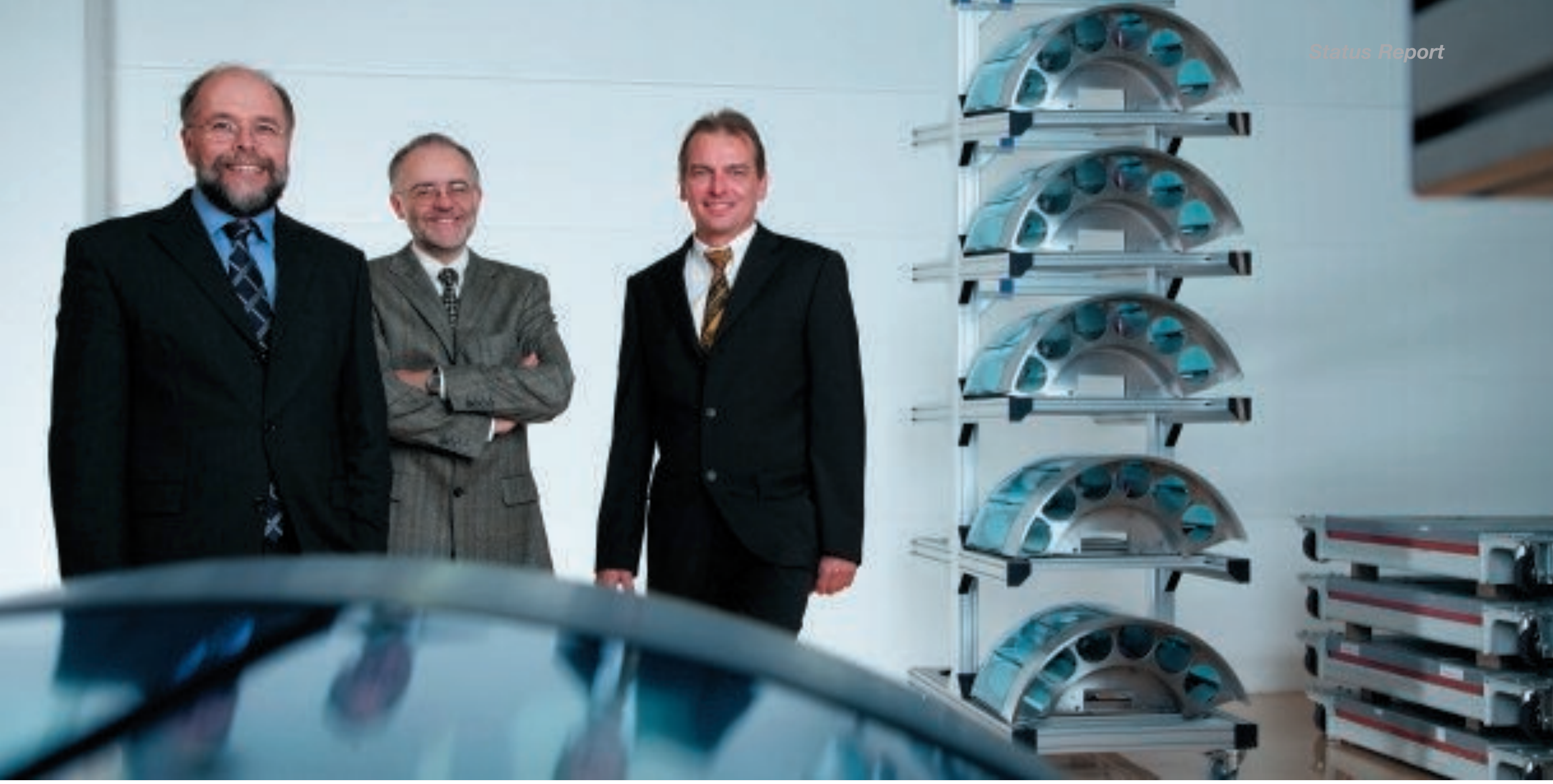
Optical Disc. Following SINGULUS' sales of HD DVD enabled versions of the SPACELINE II in the summer of 2005 and the delivery of single layer Blu-ray Disc production lines by SINGULUS to the major disc producers in the US since fall 2005, the further development activities focus on the set-up of a production line for dual layer Blu-ray media. The movie studios in the US have plans to add bonus material and interesting, new interactive features for most of the new movies on dual layer Blu-ray Discs with a storage capacity of 50 GB and up-to-date copyright protection.

SINGULUS MASTERING in Eindhoven is working extensively on a new mastering system for the 3rd generation disc formats. This development is progressed in cooperation with the Philips Laboratories, Eindhoven. SINGULUS MASTERING will employ Phase Transition Mastering (PTM) technology for the development of a Laser Beam Recorder (LBR) for the third generation of optical storage media. The new recorder, which works with a laser with 405 nm wave length, will be the core of a completely newly developed inline machine, which will be able to produce masters for pre-recorded and recordable DVD, HD DVD and Blu-ray Discs. Accordingly, SINGULUS MASTERING will - next to SONY - clearly stand at the forefront of the technological development.

Nano Deposition Technologies. One of the most promising technologies of this century is nano technology. The deposition of Tunnel Magnetic Resistance (TMR) layers in the TIMARIS machine is exactly focusing on this subject. In a controlled way atomic layer by atomic layer is applied onto the substrate in ultra high vacuum. Therefore, SINGULUS concentrated these activities in the division "Nano Deposition Technologies" and will continue to expand it in 2007. Following SINGULUS' first order for a TIMARIS machines from the US for the application area thin film heads (write-/read-heads) on December 28, 2005, the same customer ordered a second machine at the beginning of 2006. In sum, SINGULUS has four machines for thin film heads and MRAM applications in its order book. This number confirms the market breakthrough for the TIMARIS deposition machines. Additional, new applications in the area of magnetic data storage and for silicon semiconductor technology are intensively researched.

Optical Coatings. In 2006, SINGULUS was able to announce an important sales success for the second new business area "Optical Coatings". A total of three machines was delivered of which one machine for plastic ophthalmic glasses was qualified for production and technically accepted in December 2006.

This new technology satisfies all the prerequisites to revolutionize the existing production of optical lenses. SINGULUS' proven inline coating process stemming from the batch production of CDs and DVDs automates the production process and therefore considerably reduces the personnel expenses. An automation of the customary hard, anti-reflection and easy-care coating within plastic eyeglass lens



The research and development activities are aligned with the strategy of the company.

production has not been possible with the traditional batch coating machines and vacuum deposition processes. Subject to its high utilization rate the OPTICUS machine has a shorter pay-back period than comparable machines using a batch process. With SINGULUS' know-how all coating steps can be performed in one machine on both sides of the plastic eyeglass lenses at the same time and within 30 minutes only.

Further development efforts focus on customer-specific layer systems as well as on the further integration of pre-processing steps such as ultra-sound cleaning.

Decorative Coatings. In October 2006, a cooperation for the development of a production line for the refining of plastic covers for mobile phones and portable game consoles was concluded with Balda AG, Bad Oeynhausen. On the basis of the SINGULUS 3 DS metallization machine, a product line was developed, which integrates into the production cycle several processing steps from the injection molding machines to the metallization and the application of anti-scratch finishes. All production processes are completely automated. Amongst others, the line concept is also useful in the cosmetics packaging, toy and automobile industries. Accordingly, the different requirements of the process handling within the respective industrial sectors are considered. The first machines will be delivered in May 2007. Compared to traditional production methods, such as vaporization, where only batch processes are possible, this revolutionary technology with integrated pre- and post-processing steps offers huge savings in the production cycle and the logistics.

The good cooperation with a key customer offers SINGULUS the opportunity to enter the market for decorative protective coatings with the currently most innovative product in the segment and hence to successfully implement the announced diversification strategy. Additional orders for integrated production lines for the processing of plastic surfaces are expected in 2007.

Global Activities

With the implementation of the acquisition of the HamaTech AG the international presence has been further strengthened. The sales and service locations were integrated in SINGULUS' worldwide network. In some regions, such as South America for example, the service network has been expanded to even better take care of the new customers of recordable disc equipment.

In terms of customer support for optical disc production machines, SINGULUS is the benchmark. A hotline operating 365 days per year and 24 hours per day for all inquiries around the world safeguards our customers the necessary high uptime of our production equipment. This high level of service is achieved through an SAP controlled, international network with service centers in Kahl am Main (Europe) and in Singapore (Asia).

In terms of customer support for optical disc production machines, SINGULUS is the benchmark.

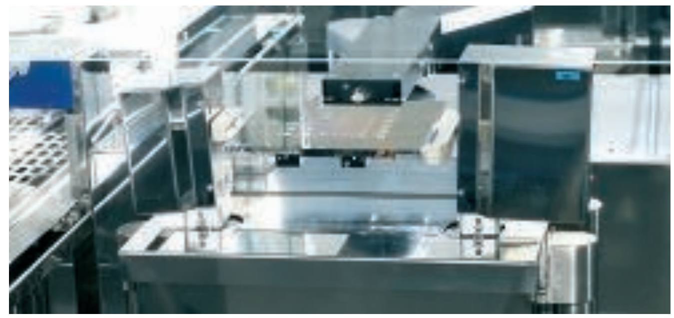
Global assembly sites:

_ HamaTech AG, Sternenfels, Germany
_ HamaTech APE GmbH & Co. KG Sternenfels, Germany
_ SINGULUS TECHNOLOGIES AG, Kahl, Germany
_ SINGULUS MANUFACTURING GUANGZHOU Ltd. (SMG) Guangzhou, China
_ SINGULUS MASTERING B.V., Eindhoven, Netherlands
_ SINGULUS MOLDING AG, Schaffhausen, Switzerland
_ SINGULUS EMOULD GmbH, Würselen, Germany
_ STEAG ETA-Optik GmbH, Heinsberg, Germany

Distribution subsidiaries worldwide:

_ SINGULUS MASTERING INTERNATIONAL GmbH, Schaffhausen, Switzerland
_ SINGULUS TECHNOLOGIES UK Ltd., Swindon, UK
_ SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat del Vallés, Spain
_ SINGULUS TECHNOLOGIES FRANCE S.a.r.l., Valence, France
_ SINGULUS TECHNOLOGIES ITALIA s.r.l., Senigallia (Ancona), Italy
_ SINGULUS TECHNOLOGIES Inc., Windsor, USA
_ SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil
_ SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore
_ SINGULUS VIKA CHINA LIMITED, Wanchai, Hong Kong
_ SINGULUS TECHNOLOGIES TAIWAN Ltd., Taipei, Taiwan

Except for the HamaTech AG, SINGULUS VIKA CHINA LIMITED and SINGULUS MANUFACTURING GUANGZHOU the company directly or indirectly holds all shares of the stated companies. In addition, agencies and service centers are present in 19 countries.

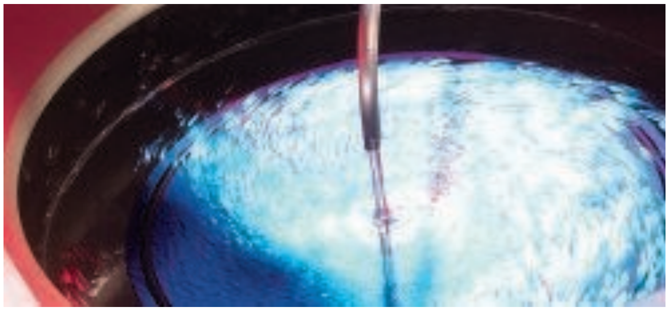


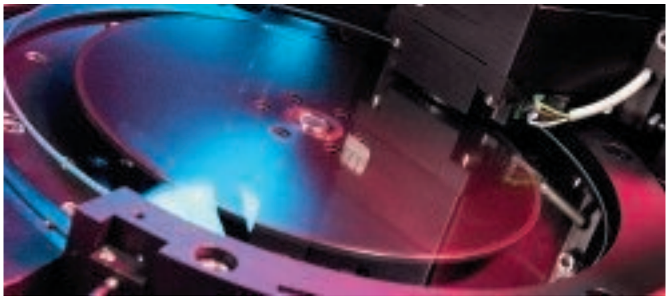
Acquisition of the STEAG HamaTech AG. The asset, financial and earnings position of the SINGULUS Group was substantially impacted by the acquisition of the HamaTech Group in the year under review.

With the acquisition of the HamaTech AG as well as its subsidiaries, the business activities of the SINGULUS Group expanded. Specifically, in addition to the core activities Optical Disc, the business segments ETA-Optik, Advanced Process Equipment as well as Manufacturing Service were acquired. The business segment Manufacturing Service was deconsolidated with effect from October 1, 2006.

STEAG HamaTech implemented extensive restructuring measures at the location in Sternenfels in 2006. The one-off expenses for restructurings in the HamaTech Group amounted to a total of about 7.9 million € in 2006. This included personnel adjustments which took into account the substantially changed framework conditions in the optical disc markets as well as the shut-down of the segment Prerecorded. In addition, extensive write-offs on inventories as well as the one-time realization of closure expenses and assumptions of losses from subsidiaries (ETA, wafer activities in the US) were recognized.

In 2006 and up to now a pick-up in demand could not be experienced in the business division Recordable. Following the market drop in 2005 a sustained recovery in demand for equipment for the production of recordable discs did not occur. Under the prevailing circumstances the expected recovery in demand in 2007 will not be sufficient either in order to break-even sustainably in the Recordable division without the initiation of further measures. Therefore, to realize additional cost reductions the decision was made to concentrate all activities concerning the development and marketing of optical disc machines of all formats at the location in Kahl. The realization of further synergies offers a good chance to be profitable with Recordable machines in the future as well.





The business division Advanced Process Equipment (APE) was able to continue its positive trend of the preceding quarters in 2006. The order intake remained at a high level. The business activities of the division were transferred to an independent GmbH under the name HamaTech APE as of November 1, 2006. HamaTech APE was able to further expand its leading role for equipment for the cleaning of photo masks; its global market share in the sub-segment amounts to more than 30 %. The demand for these machines is still high. Accordingly, we expect the positive business trend to continue. As of December 31, 2006 the HamaTech AG employed in total 226 people, of which 89 worked at HamaTech APE and 55 at STEAG ETA-Optik. With the sales of STEAG ETA-Optik with effect from February 8, 2007 in total 43 employees are no longer within the scope of consolidation of the SINGULUS TECHNOLOGIES Group.

Overall, the SINGULUS TECHNOLOGIES Group held 89.61 % of the shares of the HamaTech AG as of February 28, 2007.

SINGULUS MANUFACTURING GUANGZHOU (SMG), China. In the spring of 2006 SINGULUS made the decision to establish an assembly location for prerecorded DVD replication lines in China. SINGULUS and its long-time partner VIKA, Hong Kong, founded the joint venture (JV) Singulus Manufacturing Guangzhou (SMG) in Panyu, Southern China. SINGULUS owns 51 % of the shares. On July 14, 2006, SMG was inaugurated in the presence of 130 business partners and official Chinese representatives. In Panyu, DVD machines and EMOULD injection molding equipment are assembled on a business space of 10,000 sqm. and sold to the Chinese market. SMG was included in the Group's accounts of the SINGULUS TECHNOLOGIES AG in 2006 for the first time. As of December 31, 2006, SMG employed in total 31 people in Panyu.

SINGULUS EMOULD GmbH, Würselen, Germany. The technical superiority and the stability of the electro-mechanical injection molding machines by SINGULUS EMOULD are still competitive advantages over the competitors. Step by step the injection molding machine by EMOULD is replaced by the newly developed MoldPro. Accordingly, SINGULUS EMOULD adjusted its headcount to the activities and employed 45 people (previous year: 64) as of December 31, 2006.

SINGULUS MOLDING AG, Schaffhausen, Switzerland.
Since the summer of 2005, SINGULUS has been producing the new generation of injection molding machines in Schaffhausen. The broad market launch started in May 2006 with the presentation of the machine at the MEDIA-TECH in Frankfurt. 85 machines were delivered by the end of 2006. As of December 31, 2006 SINGULUS MOLDING employed 45 people (previous year: 33).

SINGULUS MASTERING BV, Eindhoven, Netherlands.
The plant development for optical discs of the 3rd generation receives the highest priority at SINGULUS MASTERING as well. The presentation of a completely newly developed mastering system is scheduled for May 2007 using the PTM process which has up to now only been offered by Sony. The new system was developed in cooperation with Philips.

For the first time, SINGULUS MASTERING was not able to break even in the business year 2006. A significant cooling in the market for mastering equipment worldwide had an impact on SINGULUS MASTERING as well. Therefore, it become necessary to restructure the division by which the headcount was reduced by 29 employees at the beginning of 2007.

As of December 31, 2006 SINGULUS MASTERING employed 102 people (previous year: 98).

It is indispensable for SINGULUS to maintain the ability to innovate at a high level.

Employees

High qualification of employees. Committed and motivated employees are essential for the success of our company. A high willingness to perform coupled with excellent professional know-how of our employees is a key success factor for the future.

The average staff membership in the company amounts to 7.5 years and measured against the eleven year existence of the company reflects the employees' high level of identification with the SINGULUS TECHNOLOGIES AG.

Many employees of the middle and top management in Marketing & Sales, Construction, Research & Development and Production have been with the company since inception and safeguard with their know-how that the SINGULUS TECHNOLOGIES AG will be a leader of developments in the future as well.

Changed organizational structures. The organization of the SINGULUS TECHNOLOGIES Group was adjusted to the changed and partly new requirements. Compared with December 31, 2005, the headcount (excluding HamaTech) declined from 636 to 570 employees. The HamaTech AG further reduced its headcount as well. The SINGULUS TECHNOLOGIES Group (including HamaTech) employed 796 people as of December 31, 2006. With the sale of ETA-Optik at the beginning of 2007 the number of employees is further reduced by 43.

The average headcount in the SINGULUS TECHNOLOGIES Group amounted to 1,129 employees (previous year: 666 employees) in the business year 2006.

Relocation decision for Recordable media. SINGULUS decided to concentrate all optical disc activities at one site in the future. This also includes the development and marketing for machines for the production of once-recordable discs (Recordable equipment). With the realization of additional synergies the necessary foundation is therefore laid to be able to be profitable with Recordable equipment in the future. We expect that the centralization of all optical disc activities at the location in Kahl will be completed by the end of April 2007.

Continuing education. It is indispensable for a technology company such as the SINGULUS TECHNOLOGIES AG to maintain the ability to innovate at a high level. The continuing further development of the knowledge of our employees was safeguarded through specific, professional further training. One of the focal points was the promotion of occupational qualifications.

Performance-related compensation systems. A stock option plan was initiated for the management in 2006. The stock options can be exercised after a 24-month holding period for the first time subject to achieving predefined targets.

A high willingness to perform coupled with excellent professional know-how of our employees is a key success factor.

Employees as of December 31

	2005	**2006**
HamaTech	675	226
SINGULUS TECHNOLOGIES	636	570
SINGULUS TECHNOLOGIES Group	1,311	796

Employees as of December 31

	2003	2004	2005	**2006***
Germany	419	459	393	485
Abroad	180	277	243	311
Total	599	736	636	796

* including HamaTech AG

Financial Report
of the SINGULUS TECHNOLOGIES AG

Sales and earnings. Sales increased from € 244.4 million in the previous year to € 283.1 million in 2006. This includes sales of the HamaTech Group, which was consolidated for the first time. During the year under review sales were considerably shaped by the Prerecorded business with our SPACELINE and SKYLINE machines.

In the fiscal year 2006, Europe (including Germany) was once again our main sales region with a share of total sales of 41.9 % (previous year: 49.8 %). In the year-over-year comparison the Americas increased their share to 28.0 % (previous year: 20.1 %). The region Asia accounted for 27.5 % of sales (previous year: 24.4 %). On a low level the activities in Africa and Australia declined slightly to 2.6 % of sales (previous year: 5.7 %).

The gross profit margin was nearly unchanged in the business year 2006. The slight decline to 25.2 % (previous year: 25.7 %) was mainly due to the lower-margin business of equipment for the production of once-recordable discs at the HamaTech AG as well as Manufacturing Services. The operating expenses were above previous year's level and amounted to € 7.0 million (+12.1 %). This included one-off effects in connection with the first-time consolidation of the HamaTech AG in the 1st quarter of 2006. They stem from an extraordinary gain in the amount of € 33.8 million from the purchase price accounting resulting from the HamaTech acquisition as well as restructuring charges in the amount of € 27.2 million.

The restructuring charges mainly include write-offs on capitalized development expenses (€ 10.8 million) write-offs on inventories (€ 6.8 million) as well as redundancy program costs (€ 5.1 million), amortization of goodwill (€ 0.9 million) and write-offs on commercial property rights (€ 0.8 million). The development expenses in the year under review amounted to € 21.2 million, the expenses for sales & marketing and customer service totaled € 24.0 million and the general administrative expenses came to € 25.9 million.

The other operating expenses in the amount of € 8.1 million mainly include expenses due to write-offs on accounts receivable totaling € 7.3 million.

The other operating income amounting to € 8.0 million predominantly stem from the deconsolidation of a subsidiary (€ 3.4 million), currency gain of € 1.8 million and gains from the reversal of provisions amounting to € 0.8 million. The earnings before interest and taxes (EBIT) increased slightly to € 4.0 million (previous year: 2.1 million). The EBIT margin came to 1.5 % (previous year: 0.9 %). The interest income declined to € 0.3 million compared with previous year's € 1.2 million. The net profit amounted to € 11.1 million (previous year: 7.3 million). This includes a tax income in the amount of € 8 million in connection with the first-time capitalization of corporate tax assets from the transition to the so-called "half-income procedure" pursuant to the German Tax Reduction Act as of October 23, 2000 through the revision of the "Act on Accompanying Measures for the Introduction of the European Company and Amendment of Further Tax Provisions" (SEStEG) as of December 7, 2006.

Order backlog and order intake. The order intake including the first-time consolidated HamaTech Group came to € 319.0 million in the year under review (previous year: € 248.7 million) and was 28 % above previous year's level. As of the end of 2006, the order backlog of € 81.5 million including the consolidated HamaTech Group showed a significant improvement compared with previous year (€ 60.9 million).

Balance Sheet and Liquidity. The overall non-current assets (excluding long-term receivables and capitalized tax assets) increased by € 13.9 million compared with the previous year mainly due to the acquisition of HamaTech. The fixed assets rose by € 9.4 million. In addition, for the first time in the business year 2006 commercially used land and buildings, which were leased, were recorded under the line item "Investment Property" in the amount of € 8.8 million. The capitalized development expenses declined by € 3.1 million owing to the shut-down of the Recordable activities in Kahl am Main and the resulting extraordinary

write-offs. Furthermore, the shares of HamaTech already bought on the stock exchange in the business year 2005 and amounting to € 5.2 million were eliminated in the course of the first-time consolidation in 2006. The depreciation (incl. extraordinary write-offs) of property, plant and equipment and amortization of intangible assets amounted to € 30.6 million (previous year: € 14.9 million).

Current assets increased by € 17.4 million during the period under review. The level of inventories rose by € 26.7 million. In addition, "Financial assets available for sale" amounting to € 5.2 million were recognized in the year under review. They result from the sale of 100 % of the shares in the STEAG ETA-Optik GmbH, Heinsberg, effected at the beginning of February 2007. The amount of cash and cash equivalents recorded an opposite trend with a decline totaling € 11.5 million.

The short- and long-term accounts receivable were € 12.5 million (-13.4 %) below previous year's level despite the first-time consolidation of HamaTech.

Compared with the previous year the short-term liabilities increased by € 15.9 million. This amount is split into an increase of € 11.8 million for prepayments received, an increase of € 3.7 million of other short-term liabilities and a rise of € 1.3 million in other provisions. In contrast, the short-term liabilities owed to banks were reduced by € 4.0 million. Similar to the previous years, cash discounts for accounts payable were used in the business year 2006 if possible.

Shareholders' equity and profit appropriation. As of the end of 2006 the equity of the group increased slightly from € 255.5 million as of December 31, 2005 to € 274.7 million. Equity in the amount of € 267.8 million is attributable to the shareholders of the parent company and € 6.9 million to minorities.

The equity ratio stood at 69.1 % and was thus only slightly below previous year's level (71.0 %). The return on equity – measured by the ratio of earnings before taxes to equity – amounted to 1.6 % (previous year: 1.3 %).

Sales
[in million €]

	2003	2004	2005	**2006**
Sales (gross)	362.6	439.5	244.4	283.1
Individual selling expenses	13.8	16.0	12.1	10.7
Sales (net)	348.8	423.5	232.3	272.4

Breakdown of sales by region
[in percent]

	2003	2004	2005	**2006**
Asia	40.3	33.7	24.4	27.5
Americas	21.3	24.3	20.1	28.0
Germany	5.3	10.1	13.3	11.7
Europe (excl. Germany)	31.4	30.1	36.5	30.2
Africa & Australia	1.7	1.8	5.7	2.6

Key earnings figures
[in million €]

	2003	2004	2005	**2006**
EBIT	68.4	72.6	2.1	4.0
Earnings before taxes	70.9	73.9	3.3	4.3
Net profit	44.5	46.8	7.3	11.1
Earnings per share	1.20	1.27	0.21	0.35

Order intake and order backlog
[in million €]

	2003	2004	2005	**2006**
Order intake	382.7	417.6	248.7	319.0
Order backlog (Dec. 31)	90.4	56.7	60.9	81.5

The addition of the net profit to the reserves of the company will take place on the basis of the proposal of the company's legal bodies to the Annual General Meeting. Pursuant to Art. 16.3 of the by-laws, half of the net profit of the SINGULUS TECHNOLOGIES AG under commercial law amounting to € 54,581.60 in total will be transferred to the item “Other revenue reserves”. The remaining balance sheet profit in the amount of € 27,290.80 shall be transferred to the item “Other revenue reserves” as well upon resolution of the Annual General Meeting.

Capital expenditure and financing. The gross addition to tangible fixed assets (including the addition from company acquisitions) amounted to € 22.3 million (previous year: € 4.5 million) in the SINGULUS TECHNOLOGIES Group. This is set against depreciation of property, plant and equipment in the amount of € 4.6 million (previous year: € 5.5 million).

As of December 31, 2006, the intangible assets amounted to € 83.5 million. This includes € 38,9 million of capitalized development expenses, € 31.2 million of goodwill as well as € 13.3 million of other intangible assets.

The capital expenditure for property, plant and equipment in the period under review was completely financed from the operating cash flow.

Cash flow. In the business year 2006 the cash flow from operating activities rose from € 8.3 million to € 9.0 million.

Number of invoiced machines

	2003	2004	2005	**2006**
SKYLINE	310	202	82	113
SPACELINE	183	255	149	123
STREAMLINE CDR	62	38	11	4
STREAMLINE DVDR	28	49	32	9
TAURUS	-	-	-	28
MASTERING	14	41	42	25
EMOULD/MoldPro	379*	555*	336	344

Cash flow
[in million €]

	2003	2004	2005	**2006**
Cash flow from operating activities	18.4	49.1	8.3	9.0
Cash flow from investing activities	–5.2	–26.0	–9.9	-20.2
Cash flow from financing activities	0.5	–11.9	–11.9	-0.3
Effect of exchange rate changes	–1.2	–0.5	4.1	0
Total cash flow	12.5	10.7	–9.4	-11.5
Cash & cash equivalents at the beginning of year	53.9	66.4	77.1	67.7
Cash & cash equivalents at the end of year	66.4	77.1	67.7	56.2

Assets
[in million €]

	2003	2004	2005	**2006**
Cash and cash equivalents	66.4	77.1	67.7	56.2
Accounts receivable	89.6	107.4	92.1	94.3
Inventories	100.8	100.4	78.9	105.7
Non-current assets	70.1	111.1	121.1	136.2
Others	-	-	-	5.2
Total assets	327.0	396.0	359.9	397.6

Liabilities and Equity
[in million €]

	2003	2004	2005	**2006**
Current liabilities	86.8	106.4	68.5	84.5
Non-current liabilities	13.1	40.0	35.9	36.9
Total shareholders' equity	227.1	249.6	255.5	274.7
Others	-	-	-	1.5
Total liabilities and equity	327,0	396.0	359.9	397.6

* only EMOULD

Risk Report

On a quarterly basis the different risk positions of the company are reviewed, analyzed and evaluated within the SINGULUS TECHNOLOGIES Group according to the management's best assessment. This report is also presented to the Supervisory Board once every year. Insofar there is an extensive gathering of information of the different risk categories within the company and in predefined periods of time.

Furthermore, there are regular discussions with the Supervisory Board during the Supervisory Board meetings with respect to potential risks of the further development of the company. This holds also true for the meetings of the Executive Board, which take place on a regular basis. In addition to customer and currency risks, the individual risk categories include procurement and purchasing, IT management, project management, research & development, sales markets, production and quality assurance as well as risks stemming from our three previous producing subsidiaries SINGULUS MASTERING, SINGULUS EMOULD and SINGULUS MOLDING.

Furthermore, the HamaTech AG was included in the risk reporting for the first time at the end of 2006. Appropriate key figures, which will be part of the risk reporting from Q1/2007, were determined for the joint venture in China.

Basically, the risk management information system is built in a way to classify the individual risk categories as very low, low or high risk. This reflects that from SINGULUS TECHNOLOGIES' specific company perspective different segments also represent different risk potentials for our company. This procedure, which is been in place since 2005, has proven suitable and was maintained.

The probability of occurrence of such risks also differs from company to company. The lowest category of probability of occurrence is set from 0 – 10 %. The following ranges are 10 – 25 % and 25 – 50 %. We do not see higher probabilities of occurrence in any risk category.

Furthermore, the potentially resulting impact on the operating result in case of occurrence of a risk category is analyzed. This assessment ranges from < T€ 250 (very little) to T€ 250 - T€ 1,250 (medium) up to T€ 1,250 – T€ 5,000 (high).

The above mentioned risk categories, the definition of probabilities of occurrence as well as the potential impact on the results are evaluations and assessments of the company as a result of a detailed review of the business processes. One example of the process robustness of our risk management system is the early detection of changes in demand in some markets towards the end of 2004 and the immediately initiated cost reduction measures at the beginning of 2005. An analogous analysis of the situation at the end of the business year 2005 induced us to implement additional, significant restructurings in Q1/2006.

Risk Report of the SINGULUS TECHNOLOGIES Group.

The individual risk segments are set out below: For the segment procurement and purchasing credit assessments of our suppliers are performed on a regular basis. In addition, our suppliers' ability to deliver the required quality and on time is reviewed on a continuous basis. This segment also includes the review of the inventory turnover of raw materials and supplies as well as the analysis of the age distribution of our goods. Due to the risk categorization the impact on the operating result, which could potentially arise from the above mentioned risk category, is assessed as being very small. The probability of occurrence is determined to be 0 – 10 %.

IT management risks include the evaluation of potential failures of servers, data theft or unauthorized data access. In this context relevant security systems have been implemented. The risk of a server failure as well as data theft is regarded as low and assessed with a probability of occurrence of 10 – 25 %. As a risk precaution, back-ups of data are performed on magnetic tape on a daily basis, which are stored in a fireproof safe. On a weekly basis, the tapes are stored in a bank's safe deposit box. To prevent data theft the data access is controlled by a special access authorization procedure.

Project management has to make sure that the internal and external logistics can be implemented smoothly. This is important to minimize the acceptance period of our products by the customer. SINGULUS TECHNOLOGIES only recognizes sales after acceptance of the machines by the customers. Regarding delays a medium probability of occurrence (10 – 25 %) is expected as well. Potential delays in acceptance are prevented through active construction site management, which takes care of the preparation of machine assembly and the ongoing service during commissioning at the site.

The segment R&D is also integrated in the risk management report. An important aspect of the assessment of the R&D risk is the analysis of the market requirements and making sure that we are not missing market requirements. The risk of misinterpretation or a delayed development is regarded as relatively high and is assessed at a probability of 25 – 50 %. Misinterpretations, i.e. development of machines missing the market requirements, have not occurred since the company was founded. However, this risk is high since machines will be developed in the future – as was the case in the past – that, amongst others following the diversification strategy, are not only affecting the core activities. In this area no significant additional risks have arisen compared with 2005, because further developments have been progressed in the course of the already implemented diversification approach.

A risk, which is also the hardest to assess, exists in the sales and marketing segment. The segment's task is to recognize and evaluate sharp declines in demand or risks of potentially misleading assessments in individual markets or products. External data such as market research results but also close contacts with companies such as SONY or PHILIPS help to improve the evaluation of future trends. These risks are regarded as high and could also result in material effects on the company's results in case of misinterpretations. From a historic point of view it can be seen that market changes are only visible with a lead time of about 3 – 4 months and therefore immediate action is required.

In the segment production and quality in particular the processes and potential deficiencies of our machines are analyzed in the course of the risk assessment. Production interruption and process risks are regarded as medium and the probability of occurrence determined to be at the medium level of 10 - 25 %.

With respect to currency risks resulting from invoicing in foreign currencies the principles of hedging are applied. Once again, we did not deviate from this principle in 2006.

A comparable risk assessment of the different risk groups is also performed at SINGULUS MASTERING. SINGULUS EMOULD as well as SINGULUS MOLDING are pure production operations with an exclusive supply to SINGULUS TECHNOLOGIES and are limited to construction, procurement, production and commissioning in terms risks assessments.

In conclusion, the rules and regulations of the KonTraG are met to the full extent. We reviewed the instruments used for the monitoring of the risks with our auditors and our Supervisory Board. The instruments are sufficient to identify risks endangering the survival of the company in due time. Risks endangering the survival of the company are neither identifiable for the current business year nor for the following years according to the management's opinion.

Events after December 31, 2006

With effect from January 1, 2007 Dr.-Ing. Anton Pawlakowitsch has been appointed as a member of the Executive Board of the SINGULUS TECHNOLOGIES AG.

On January 23, 2007 SINGULUS successfully started an additional diversification area and announced the cooperation with the Balda AG, Bad Oeynhausen, for the development of a production line for the finishing of plastic covers for mobile phones and portable gaming consoles.

On January 26, 2007 a reconciliation of interests including a social compensation plan was concluded with the work council of the HamaTech AG. The agreement stipulates the termination of about 50 employments at the Sternenfels site. The followed the decision to relocate the Optical Disc activities to the site in Kahl, since no recovery in demand for equipment for the production of recordable mediums occurred in 2006 despite the sharp market decline in 2005. Relevant provisions in the amount of EUR 1.506 million were recognized in 2006.

On February 8, 2007 the HamaTech AG sold 100 % of the shares in the STEAG ETA-Optik GmbH (ETA-Optik), Heinsberg, to the stock-listed Swedish company AudioDev AB, Malmö. The divestment became effective on that same day.

SINGULUS TECHNOLOGIES AG announced a new development cooperation for Blu-ray with Sony DADC, Salzburg, Austria on March 6, 2007. The agreement includes the further development of production technology for the mass production of Blu-ray dual layer discs with a storage capacity of 50 gigabyte. It is the goal of the cooperation to offer independent disc producer inline production equipment for dual layer Blu-ray Discs shortly and to build up sufficient capacities for the production of the new disc generation. Sony DADC will provide SINGULUS with the necessary production expertise.

A positive impulse for the market introduction of the new formats is expected from the increasing penetration of game consoles.

Compensation Report

This compensation report is an integral part of the combined status report for the SINGULUS TECHNOLOGIES Group and the SINGULUS TECHNOLOGIES AG and includes information which pursuant to the German Commercial Act amended by the German Management Compensation Disclosure Act (VorstOG) is an element of the Appendix pursuant to Art. 314 HGB and the status report pursuant to Art. 315 HGB.

The compensation report takes into account the recommendation of the German Corporate Governance Code and is included as part of the Status Report in this Annual Report.

A. Compensation of the Executive Board

I. Members of the Executive Board in the business year 2006

Roland Lacher	until June 23, 2006, Chief Executive Officer
Klaus Hammen	until December 31, 2006
Stefan A. Baustert	until October 31, 2006, Chief Executive Officer since November 1, 2006

II. Individual compensation

For the individual members of the Executive Board the following compensation was paid in the period under review (in '000 EUR):

Furthermore, Mr. Baustert received 80,000 stock option in the business year 2006 for the 120,000 convertible bonds received in the years 2003 and 2004.

III. Description of the compensation structure

1. Overview

The compensation of the members of the Executive Board is determined and regularly analyzed by the Supervisory Board. It is the goal to appropriately remunerate the Executive Board members according to their functions and responsibilities and to consider the individual performance as well as the economic situation, the success and the future prospects of the company.

In this context the Supervisory Board assumes a target compensation which is composed of 60 % fixed and 40 % variable components. The Supervisory Board determines the amount of the target remuneration according to the compensation paid to members of management at comparable companies. Through the compensation structure the Supervisory Board also aims to commit the members of the Executive Board to the company in the long-term and to incentivize them to increase the company value. The Supervisory Board considers the individual performance and the extent of the responsibilities assumed compared with the other members of the Executive Board for the analysis of the compensation The review is performed during the first meeting of the Supervisory Board in the year.

The compensation generally includes fixed and performance-related components. The fixed parts are composed of a fixed salary and fringe benefits. The performance-related components are split in a variable bonus and a special

	Fixed compensation (salary plus other benefits)	**Variable compensation**	**Total**
Roland Lacher (until June 23, 2006)	197	9	206
Stefan A. Baustert	349	300	649
Klaus Hammen	300	19	319
	846	328	1,174

bonus program with long-term incentivization. The variable bonus was tied to the earnings per share in the past. During the year under review the Supervisory Board at its meeting on October 2, 2006 agreed to fundamentally change the system of the variable bonus. The variable bonus is no longer determined by the earnings per share but by achieving individually set targets. This change was agreed with Mr. Baustert with effect from October 1, 2006. The contract with Mr. Hammen remained unchanged because his leaving of the company was certain at the time of the change. The employment contracts with the Executive Board members include special arrangements concerning change of control. Furthermore, the members of the Executive Board received stock options and pension benefit plans.

Overall, the compensation of the active members of the Executive Board for the business year 2006 amounted to EUR 1,174,000. The annually fixed remuneration part contributed about 72 %, the performance-related variable components about 28 % of the total compensation. Due to the changes in the composition of the Executive Board during the year under review, the total compensation of the Executive Board cannot be appropriately compared with the previous year's amount. Following the review of the compensation at the Supervisory Board's first meeting of the year on January 20, 2006, the Supervisory Board agreed to increase the fixed salary of Mr. Lacher from EUR 375,000 to EUR 400,000 (+ 6.7 %), of Mr. Baustert from EUR 280,000 to EUR 300,000 (+ 7 %) and of Mr. Hammen from EUR 255,000 to EUR 300,000 (+ 17 %) with effect from January 1, 2006. In addition, a special bonus program and special change of control clauses were introduced. Furthermore, the Supervisory Board agreed to raise the fixed salary of Mr. Baustert to EUR 337,000 as of October 1, 2006 after his appointment as Chief Executive Officer.

2. Fixed salary

The fixed compensation is paid on a monthly salary basis. The appropriateness of the amount is reviewed annually. An adjustment can also be made by granting one-time extraordinary payments. The Supervisory Board’s review is based on a target income, which is determined on the basis of an analysis of the compensation of the management at comparable companies.

3. Variable compensation

3.1 In the business year 2006 a variable compensation based on the earnings per share was agreed for the Executive Board members Lacher and Hammen. This agreement applied to Mr. Baustert until September 30, 2006. This variable compensation is specifically determined in the employment contract, unchanged for many years and based on the earnings per share.

3.2 By resolution as of October 2, 2006, the Supervisory Board introduced a fundamentally new variable remuneration. Instead of being based on the earnings per share, the variable compensation is tied to individual targets including financial, business, operating and technical targets. These targets are set afresh annually by the Supervisory Board following the adoption of the budget for the subsequent year. If the targets are not met or only partially met, the Supervisory Board determines whether and what amount of the variable compensation will be paid.

3.3 For the first time, in the business year 2006 an additional variable compensation (special bonus) with a long-term incentivization was agreed with all member of the Executive Board. Accordingly, the company will pay each member of the Executive Board a special bonus in the amount of EUR 500,000 p.a. subject to meeting specific performance targets, which are amongst others based on the consolidated net profit pursuant to IFRS. The target level to qualify for the bonus increases by 10 % per annum. If the performance target is not achieved, the special bonus for the respective year is locked-up until the performance target in one of the following years is met. In that case all locked-up special bonuses will be paid out cumulatively. This represents an incentive to stay at the company and to sustainably increase the company's value by improving the earnings per share.

Instead of the special bonus in cash the members of the Executive Board have the right to acquire virtual shares, which can be sold virtually to the company after expiration of the qualifying period and reaching the performance target.

Locked-up bonuses and the special bonus granted for the current business year expire if the employment contract is terminated during the business year. The same applies to virtual shares, whose lock-up period has not expired.

4. Components with long-term incentivization

The third component of the compensation are stock options. The Supervisory Board determined the number of the stock options granted to the individual members of the Executive Board within the range approved by the Annual General Meeting in 2005 and granted Mr. Baustert and Mr. Hammen 80,000 stock options each in August 2006. At the time of granting the stock options their fair market value pursuant to IFRS 2 amounted to EUR 706,000. The stock options can be exercised in portions of 25 % of the overall granted options semi-annually for the first time after a qualifying period of two years. The exercise of the first portion is only possible of the stock price of SINGULUS at the time of the exercise of the option is at least 15% higher than on the day of granting the stock option (performance target). For each additional portion the performance target increases by 2.5 % points each.

Upon his leaving the company the stock options granted to Mr. Hammen expired.

5. Other compensation
The members of the Executive Board also receive fringe benefits in the form of benefits-in-kind such as company cars as well as casualty and third-party insurance. Each individual Executive Board member has to pay taxes on these fringe benefits as part of the overall compensation. As a basic principle, each member of the Executive Board is granted the same amount.

Payments from Supervisory Board compensations for the Group's companies are set against the Executive Board compensations. Only 50 % of the compensation for membership in the Supervisory Board of the HamaTech AG is deducted. The compensation consists of a fixed and a variable remuneration components with performance targets based an the earnings before taxes (EBT) of the HamaTech AG for the respective business year. A variable compensation was not paid to the members of the Supervisory Board of the HamaTech AG for the business year 2006.

6. Pension plans
Pensions are paid to members of the Executive Board, who have reached the age limit of 63 and 65, respectively. The pension contracts for Executive Board members include the commitment to pay a proportion of the fixed salary received before leaving the Executive Board.

The present value of the entire pension promises for the members of the Executive Board of the SINGULUS TECHNOLOGIES AG amounted to EUR 2.990 million as of December 31, 2006.

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

1. Severance policies
The employment contracts of the members of the Executive Board do not include explicit severance payments in case of an early termination of the employment. However, a severance payment can result from an individually settled cancellation agreement. A cancellation agreement was concluded with Mr. Hammen as of December 31, 2006. According to this agreement, Mr. Hammen is not entitled to a severance payment. He only keeps his entitlement to the variable compensation pursuant to Art. II.3.1. above and the special bonus as far as the performance target for the year 2006 is reached. The corporate car and all documents have to be returned. A non-competition clause was waived. However, Mr. Hammen is still subject to a commitment to treat all trade secrets as confidential.

2. Benefits by third parties
No benefits by third parties were granted or promised to members of the Executive Board with respect to their work as Executive Board members during the period under review

3. Change of control clauses

3.1. For the first time, a change of control clause was included in the employment contract with the Executive Board in the year under review. Accordingly, members of the Executive Board will receive a special payment in the amount of the fixed salary at the point of time of termination of the employment for one year in case the employment is not prolonged, terminated or the Executive Board member is suspended after a change of control at the SINGULUS TECHNOLOGIES AG. A change of control in this sense occurs, if a shareholder gains control over the company pursuant to Art. 29 German Securities Acquisition and Takeover Act (WpÜG), i.e. acquiring at least 30% of the voting rights of the SINGULUS TECHNOLOGIES AG, and a mandatory takeover offer pursuant to WpÜG has to be submitted to all shareholders. In this case, upon termination of the employment contract also all locked-up special bonuses and locked-up virtual shares are due or can be sold irrespective of the expiration or lock-up period and reaching the performance targets (for special bonuses and virtual shares please refer to III.3.3. above).

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

3.2 The stock options granted to Mr. Baustert on the basis of the stock option plan 2005 can be exercised ahead of schedule provided the qualification period has expired.

B. Compensation of the Supervisory Board

The compensation of the Supervisory Board is determined by the Annual General Meeting and regulated by the by-laws. It is based on the functions and responsibilities of the member of the Supervisory Board as well as the economic success of the Group. The compensation policy currently in place for the Supervisory Board of the SINGULUS TECHNOLOGIES AG was adopted by the Annual General Meeting on March 26, 2003 and is included in Art. 11 of the by-laws.

In addition to the reimbursement of expenses, the members of the Supervisory Board receive a compensation composed of fixed and variables components. Each Supervisory Board member receives a fixed remuneration in the amount of EUR 15,000, which is paid following the end of the year.

A performance-related compensation of EUR 800.00 per cent of the consolidated net profit per shares pursuant to IFRS exceeding EUR 0.30 is paid. The variable component is due after adoption of the profit appropriation for the past business year. The company is reimbursing the members of the Supervisory Board the value-added tax on their compensation.

The Chairman of the Supervisory Board receives twice the amount, the Deputy Chairman one-and-a-half times the amount of the fixed and performance-related compensation. Members of the Supervisory Board not sitting on the Board for the full business year will receive a pro-rata compensation.

The members of the Supervisory Board are entitled to the following compensation for the year under review, whereas the variable compensation will only be paid after adoption of the profit appropriation for the business year 2006 at the Annual General Meeting on June 6, 2007:

in '000 EUR	**Fixed compensation**	**Variable compensation**	**Total**
Alexander von Engelhardt (until June 23, 2006)	14.3	3.8	18.1
Roland Lacher (from June 23, 2006)	15.7	4.2	19.9
William Slee	22.5	6.0	28.5
Thomas Geitner	15.0	4.0	19.0

C. Loans granted to the members of the Executive and Supervisory Board

Loans and advances were not granted to any members of the Executive and Supervisory Board in the year under review.

D. Shareholdings of Executive and Supervisory Board members

As of December 31, 2006 the Chairman of the Supervisory Board, Mr. Lacher, held directly and indirectly through the VVG Roland Lacher GbR and the Familie Roland Lacher Vermögensverwaltungs GmbH (a company attributed to Mr. Lacher pursuant to Art. 15a Para. 3 Sent. 3 Securities Trading Act (WpHG)) 398,191 shares in total corresponding to 1.14 % of the nominal capital of the SINGULUS TECHNOLOGIES AG. No other members of the Executive or Supervisory Board hold directly or indirectly a share of the nominal capital of the company exceeding 1 %.

The following members of the Executive and Supervisory Board held directly shares in the SINGULUS TECHNOLOGIES AG as of December 31, 2006:

Name	**Bearer shares with a nominal amount of EUR 1.00**
Roland Lacher	398,161
Stefan A. Baustert	-
William Slee	29,520
Thomas Geitner	1,500

The following members of the Executive Board held subscription rights through stock options or convertible bonds as of December 31, 2006:

	Stefan A. Baustert
Stock options	
Stock option program 2005	80,000
Convertible bonds	
Employee participation program 2001	120,000

The 80,000 stock options granted to Mr. Hammen expired upon his leaving the company.

E. Directors' Dealings

Pursuant to Art. 15 a German Securities Trading Act (WpHG) all members of the Executive and Supervisory Board of the SINGULUS TECHNOLOGIES AG and related persons have to publish the purchase or disposal of shares of the SINGULUS TECHNOLOGIES AG or financial instruments referenced to them, if the cumulated value of the transactions in the business year is € 5,000 or higher.

The following transactions were reported to the SINGULUS TECHNOLOGIES AG in the past business year:

Name/Function	Date	Transaction type and market	WKN / ISIN	Quantity	Price EUR	Volume EUR
Stefan A. Baustert Chief Executive Officer	June 20, 2006	Disposal of convertible bonds, off-market	420579 XF0004205799	40,000	1.00	40,000.0
	April 7, 2006	Disposal of shares, Frankfurt	723890 DE0007238909	1,000	13.07	13,070.0
	February 28, 2006	Disposal of shares, Frankfurt	723890 DE0007238909	1,400	16.50	23,100.4
Familie Roland Lacher Vermögens-verwaltung GmbH (Related person to member of Executive Board)	May 11, 2006	Disposal of shares, Frankfurt	723890 DE0007238909	200,000	13.136	2,627,200.0
	February 10, 2006	Disposal of shares, Frankfurt	723890 DE0007238909	105,000	16.56	1,738,800.0
	February 9, 2006	Disposal of shares, Frankfurt	723890 DE0007238909	88,000	16.76	1,474,880.0
	February 6, 2006	Disposal of shares, Frankfurt	723890 DE0007238909	7,000	16.75	117,250.0

All transactions were also published on the company’s website under Investor Relations/Corporate Governance/ Directors' Dealings .

F. Others

The members of the bodies of the SINGULUS TECHNOLOGIES AG are indemnified from third-party claims within the legally permitted extent. For this purpose the SINGULUS TECHNOLOGIES AG has concluded a Group D&O insurance for the members of its bodies. The members of the bodies pay the incurred insurance premium for the D&O insurance themselves.

G. Information about benefits to former members of corporate bodies

Former members of the Executive Board and their surviving dependents received pension payments in the amount of EUR 149,300 in the year under review. In addition, provisions for current pensions in the amount of € 1,142,900 in total were recognized for former members of corporate bodies (cf. Group's Annotations on page 99).

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

Information Pursuant to the German Takeover Directive Implementation Act

1. Composition of the subscribed capital
The nominal capital of the company amounts to EUR 34,941,929 and is divided into 34,941,929 bearer shares with a nominal value of EUR 1.00 each. All shares are ordinary shares. They include the rights and obligations arising from the German Stock Corporation Act (AktG).

2. Restrictions concerning the voting rights or transfer of shares: no

3. Direct or indirect stock ownership above 10%: no

4. Bearers of shares with special rights: no

5. Type of voting right control in case of employee ownership: no

6. Legal regulations and by-laws concerning the appointment and dismissal of members of the Executive Board and concerning changes in by-laws. The appointment and dismissal of members of the Executive Board is pursuant to Art. 84 & 85 German Stock Corporation Act (AktG). Notwithstanding Art. 179 Para. 2 AktG, changes in the by-laws through the Annual General Meeting in addition to the simple majority of votes pursuant to Art. 133 Para. 1 AktG only require the simple majority of the nominal capital present at the adoption of a resolution unless the resolution applies to concerns changing the objective of the company. As for the rest, Art. 133, Art. 179 - 181 AktG apply.

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

7.1 The Executive Board is authorized to increase the nominal capital of the company at one time or several times up to EUR 7,363,110.00 in total through the issuance of new, bearer shares with a nominal capital of EUR 1.00 against cash payments and/or contributions in kind (Authorized Capital I). Upon approval of the Supervisory Board the subscription rights of shareholder can be excluded in case of acquisitions of companies, parts of companies or investments.

7.2 The Executive Board is authorized to increase the nominal capital of the company at one time or several times up to EUR 1,840,777.00 in total through the issuance of new, bearer shares with a nominal capital of EUR 1.00 against cash payments and/or contributions in kind (Authorized Capital II). Upon approval of the Supervisory Board the subscription rights can be excluded for capital increases for cash, if the shares are issued at levels around the market price, or for capital increases in kind, if the shares are issued to acquire companies, parts of companies or investments.

7.3 The Executive Board is authorized to issue at one time or at several times interest-yielding bearer warrant bonds and/or convertible bonds with a total nominal value of up to EUR 250,000,000 with a maximum time to maturity of 20 years and to grant the bearers of the warrant bonds option rights and bearers of the convertible bonds conversion rights for bearer shares of the SINGULUS TECHNOLOGIES AG with a nominal value of EUR 1.00 each with a proportional amount to the nominal capital of up to EUR 13,000,000.00 in total. The issuance of warrant and/or convertible bonds against contribution in kind can also be permitted. The subscription rights of the shareholders can be excluded if the issue price does not fall short of the market value of the warrant or convertible bond or if the bond is issued against contribution in kind.

7.4 Pursuant to Art. 71 Para. 1 No. 8 AktG the company is authorized to acquire shares of the company with a total nominal value of up to EUR 3,494,192.00 until December 22, 2007; the acquired shares together with other own shares held by the company or attributable to the company pursuant to Art. 71a et sqq. AktG may at no point in time exceed 10 % of the overall nominal capital.

The Executive Board is authorized upon approval of the Supervisory Board to cancel shares of the company acquired due to this authorization without the cancellation or the performance of the cancellation being subject to additional resolutions by the Annual General Meeting. The acquired shares may not be issued to third parties.

8. Change of control clauses and compensation agreements

8.1. The employment contracts of the Executive Board members include change of control clauses. Accordingly, members of the Executive Board will receive a special payment in the amount of the fixed salary at the point of time of termination of the employment for one year in case the employment is not prolonged, terminated or the Executive Board member is suspended after a change of control at the SINGULUS TECHNOLOGIES AG. A change of control in this sense occurs, if a shareholder gains control over the company pursuant to Art. 29 German Securities Acquisition and Takeover Act (WpÜG), i.e. acquiring at least

30 % of the voting rights of the SINGULUS TECHNOLOGIES AG, and a mandatory takeover offer pursuant to WpÜG has to be submitted to all shareholders.

In addition, the members of the Executive Board have an extraordinary termination right in case of a change of control, to terminate the employment, if differences with the new majority shareholders arise about the future strategic positioning or if the relationship with the majority shareholder is distressed for others reasons. Each member of the Executive Board is entitled to terminate the employment contract with a notice of 6 months or to resign from the Executive Board within one year after a change of control. In case of such an extraordinary termination the Executive Board member will not receive a severance payments or compensation for the remaining term of the contract from the point of the termination.

The company grants each member of the Executive Board a special bonus in the amount of EUR 500,000.00 per annum if a specified level of the earnings per share is reached (performance target). Otherwise the special bonus is locked-up until the performance target is met in one of the following years. The same holds true for virtual shares, which members of the Executive Board can acquire instead of a special bonus in cash. The information is provided in the compensation report as part of the status report. The compensation report sets forth the compensation systems for the members of the Executive Board in detail and also describes the implementation of the stock option plan issued in 2006 and similar incentive systems. If the employment contract after a change of control at the SINGULUS TECHNOLOGIES AG is not prolonged, terminated or if the member of Executive Board is suspended or exercises the right of extraordinary termination, all locked-up special bonuses and locked-up virtual shares become due or are available for sale with termination of the employment contract irrespective of the expiration of lock-up periods or the achievement of performance targets.

8.2 The 380,000 stock option issued in the business year 2006 on the basis of the stock option program 2005 to Executive Board members of the SINGULUS TECHNOLOGIES AG, members of managing bodies of subordinated related companies as well as executives and employees of the SINGULUS TECHNOLOGIES AG can be exercised ahead of schedule after expiration of the qualifying time, if a takeover offer in the sense of Art. 29 Para. 1 German Security Acquisition and Takeover Act (WpÜG) is submitted for the SINGULUS TECHNOLOGIES AG or a person gains control in the sense of Art. 29 Para 2 WpÜG, i.e. holds at least 30% of the voting rights of the SINGULUS TECHNOLOGIES AG. A control in this sense already exists if a relevant contract regarding the disposal of shares is unconditional even if it has not been executed. However, the exercise of all stock options is only possible if the performance targets are achieved at a later exercise period or at the point in time when the takeover offer or the change of control occurs. The performance targets are achieved if the share price of SINGULUS exceeds the stock price at the issue date by at least 15 % (17.5 %, 20 %, 22.5 %) at the point in time of exercising the option.

Environment and Sustainability

Innovations are fundamental for achieving process improvements and higher productivity. In this context, companies are required to design these process improvements in a sustainable way. Sustainability in this connection plays an integral part for SINGULUS TECHNOLOGIES. The changed framework conditions in particular in the international markets require a constant assessment of the own position and the future strategy. Thereby, processes are changed and improved to the benefit of the company.

For the Group, the economical use of resources was one of the fundamental business principles in the year 2006 and will continue to be one. In the production of the machines as well as subsequently in their operating at the customer site energy, water and production material are employed effectively and economically. No environmentally hazardous wastes emerge from the assembly of the machines. The discs produced during testing are recycled. The polycarbonate stemming from this is being recycled.

Sustainability plays an integral part for SINGULUS TECHNOLOGIES

All safety precautions are regularly examined by an external safety expert. With respect to handling hazardous materials, SINGULUS TECHNOLOGIES strictly pays attention to the compliance with legal rules and regulations. A company medical doctor is responsible for the health concerns of our employees.

The entire production program of SINGULUS TECHNOLOGIES reflects the principles of environmental protection and sustainability. The equipment for the coating of optical discs already employ the clean and dry principle of cathode sputtering. For the new work areas Optical Coatings and Decorative Coatings this approach is even more applicable. The manufacturing machines for ophthalmic glasses, mobile phone covers and plastic packaging revolutionize the production not only with regards to automation, cycle times and logistics but also completely replace wet chemical immersion baths for coating and electroplating. In contrast to these processes, no environmentally damaging chemicals or metals are released during the coating in vacuum.

Kahl am Main, March 28, 2007

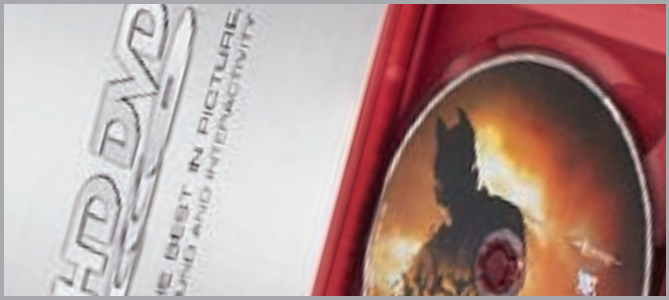
The Management Board

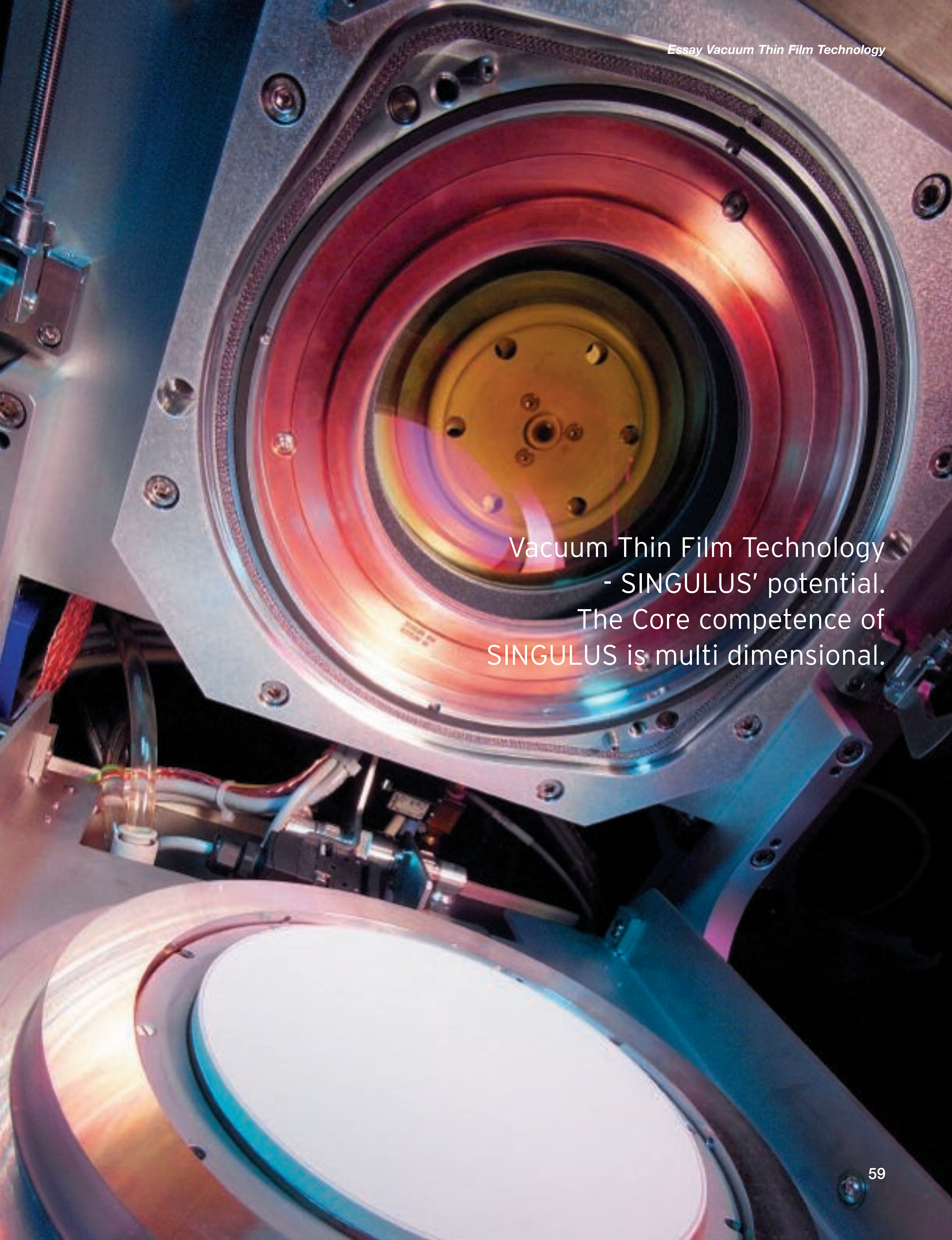
Stefan A. Baustert Dr.-Ing. Anton Pawlakowitsch

Essay
Vacuum Thin Film Technology

SINGULUS' Potential. SINGULUS' core competence is multi-dimensional. The current and potentially future work areas of the company can only be subsumed very generally under the term vacuum thin film technology. We are experts for highly automated production machines and lines, which are able to apply coatings on large scale, that satisfy complex characteristics on very small surfaces and meet highest quality requirements.

Highly automated production machines and lines. When the CD was launched in 1982 no specifically developed production machines existed. In the beginning, the production was very troublesome, the blank CDs were injection-molded and then manually placed in charging cages subsequently to be coated with an aluminum layer in a vaporization machine. Afterwards, the protective layer was applied by a different machine. Due to the individual machines and the high manual efforts, unit costs and rejection rates were very high.





Vacuum Thin Film Technology - SINGULUS' potential. The Core competence of SINGULUS is multi dimensional.

Decorative Coatings - Brilliant layers. The coating of 3-d plastic parts.

After the buy-out in 1995 SINGULUS developed highly automated, fully integrated production lines for CDs named SKYLINE and also launched the world's first inline production line SPACELINE for DVDs in 1997. Both lines quickly became global market leaders in their segments with a market share exceeding 60 %. Also for the new formats HD DVD/Blu-ray, which are indeed more complex and use different coating systems, the individual processing steps are employed according to the same fundamental principles integrated in an inline production line. This know-how for the inline production and coating technology is the global characteristic for the brand name SINGULUS.

Large-scale produced layers. The key element for each line: the cathode sputtering. The key element of SINGULUS' inline production lines is the vacuum coating of individual substrates. The development of vacuum thin film stations working according to the principle of cathode deposition and using specific vacuum locks was the prerequisite for the conquest of the large-scale single disc production technology. During cathode sputtering, minuscule metal particles (aluminum in case of CDs) are emitted with ions from a target and atomic layer by atomic layer is applied to the substrate.

Brilliant layers. The coating of 3-d plastic parts – Decorative Coatings. In November 2005 SINGULUS translated the principle of single disc coating to 3-dimensional plastic substrates. The new Decorative Coatings line SINGULUS 3DS also uses vacuum cathode sputtering as the main coating process. This production line combines all additional process steps from injection molding to metallization and anti-scratch coating in the production cycle as well. All production processes are completely automated. Amongst others, the line is useful in the cosmetics packaging, toy and automobile industries. This long-term know-how developed by SINGULUS for the large-scale single substrate coating by means of cathode sputtering facilitated the technologic transfer to these new application areas and customer sectors.

Layers with highest quality requirements. Optical Coatings – Coating of ophthalmic lenses. The integration of the customary hard and anti-reflective coating for the eye lens glass manufacturing in a fully automated inline process has not been possible so far, particularly not in the so-called prescription production. Similar to the beginnings of the CD production, glasses had to be produced with individual machines and with high labor intensity so that for many years a simpler and thus more cost-efficient solution was looked for. With SINGULUS' patented know-how the hard as well as the anti-reflective layer can be applied on both sides of the plastic lenses and in a fully automated way. The coating satisfies the very high requirements of the industry in terms of layer homogeneity and reflective colors.

SINGULUS TECHNOLOGIES intends to employ this innovative technology in additional application areas of Optical Coatings as well. With only minor modifications the inline coating machine OPTICUS is able to contribute to considerable productivity enhancements in the market of fine optics such as camera lenses.

Layer characteristics on the smallest surfaces: Nano Deposition Technologies for semiconductor and magnetic layers.

Layer characteristics on the smallest surfaces: Nano Deposition Technologies for semiconductor and magnetic layers. Without doubt, this application is the champions league of the vacuum coating technology. During the coating of MRAM chips, individual atomic layers are applied layer by layer on the thin film substrate. Highest requirements also hold true for the vacuum – no foreign particles must be in the vacuum chamber. SINGULUS has been developing and building Tunnel Magnetic Resistance (TMR) coating machines since 2002. After initial market success in 2006, these highly technologic activities were combined in the new working area “Nano Deposition Technologies”.

Vacuum Thin Tilm Technology – potential for SINGULUS TECHNOLOGIES. The mentioned application areas only show a small sample of the vacuum coating technology. Color filters, laser mirrors, modern computers, refined cosmetics products and also coated window panes that drastically reduce the energy consumption of a building and therefore help to reduce the greenhouse effect are some further examples for the broad range of vacuum coating technology.

SINGULUS will continue to diversify its business activities in the future as well. A high market potential and high affinity to the technologic potential mentioned above is decisive for the expansion into new work areas.

The great technologic potential of the company helps overcome even the high entry barriers in new high-tech areas.

Consolidated Financial Statements

Report of Independent Auditors

We have issued the following opinion on the consolidated financial statements and the combined management report:

“We have audited the consolidated financial statements prepared by Singulus Technologies AG, Kahl am Main, Germany, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the combined management report for the fiscal year from January 1, 2005 to December 31, 2006. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] as well as the supplementary provisions of the articles of incorporation are the responsibility of the Company’s management.Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and the supplementary provisions of the articles of incorporation and bylaws and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks relating to future development.”

Eschborn/Frankfurt am Main, 28. Februar 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Bösser	Weber
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Consolidated Balance Sheets as of December 31, 2005 and 2006

ASSETS

	Note no.	Dec. 31, 2006 [K€]	Dec. 31, 2005 [K€]
Cash and cash equivalents	5	56,216	67,719
Trade receivables	6	69,881	80,964
Other receivables and assets	7	24,394	11,155
Total receivables		**94,275**	**92,119**
Raw materials, consumables and supplies		46,181	23,134
Work in process		59,501	55,800
Total inventories	8	105,682	78,934
Total current assets		**256,173**	**238,772**
Available-for-sale financial assets	10	0	5,236
Non-current trade receivables	6	11,031	12,448
Property, plant and equipment	11	22,326	12,887
Investment property	4	8,770	0
Capitalized development costs	9	38,949	42,083
Goodwill	9	31,249	31,249
Other intangible assets	9	13,330	9,241
Deferred tax assets	21	10,545	8,004
Total non-current assets		**136,200**	**121,148**
Non-current assets classified as held for sale	12	5,224	0
Total assets		**397,597**	**359,920**

LIABILITIES

	Note no.	Dec. 31, 2006 [K€]	Dec. 31, 2005 [K€]
Trade payables		20,042	18,780
Current bank liabilities	[17]	9,850	13,866
Other current liabilities	[13]	22,940	19,215
Prepayments received	[14]	21,493	9,666
Tax provisions	[21]	3,645	1,840
Other provisions	[19]	6,492	5,172
Total current liabilities		**84,462**	**68,539**
Non-current bank liabilities	[17]	10,352	9,548
Other non-current liabilities	[15]	3,069	3,046
Pension provisions	[18]	6,115	5,242
Deferred tax liabilities	[21]	17,376	18,063
Total non-current liabilities		**36,912**	**35,899**
Liabilities in connection with assets held for sale	[12]	1,479	0
Total liabilities		**122,853**	**104,438**
Equity attributable to shareholders of the parent company			
Subscribed capital	[20]	34,942	34,942
Capital reserve	[20]	29,879	29,398
Other reserves	[20]	– 2,514	– 2,214
Accumulated profit		205,538	193,356
		267,845	**255,482**
Minority interests	[4]	**6,899**	**0**
Total equity		**274,744**	**255,482**
Total liabilities and equity		**397,597**	**359,920**

(The accompanying notes are an integral part of the consolidated financial statements)

Consolidated Income Statements for 2005 and 2006

	Note no.	2006 [K€]	2006 [%]	2005 [K€]	2005 [%]
Revenues (gross)	[23]	**283,137**	**103.9**	**244,438**	**105.2**
Revenue deductions and direct selling costs	[24]	– 10,671	– 3.9	– 12,109	– 5.2
Revenues (net)		**272,466**	**100.0**	**232,329**	**100.0**
Cost of sales		– 203,867	– 74.8	– 172,652	– 74.3
Gross profit on sales		**68,599**	**25.2**	**59,677**	**25.7**
Research and development	[29]	– 21,229	– 7.8	– 10,956	– 4.7
Sales and customer service		– 24,001	– 8.8	– 18,975	– 8.2
General administration	[28]	– 25,854	– 9.5	– 13,654	– 5.9
Other operating expenses	[31]	– 8,062	– 3.0	– 14,176	– 6.1
Other operating income	[31]	8,010	2.9	142	0.1
Restructuring expenses	[30]	– 27,237	– 10.0	0	0.0
Negative difference from the acquisition of HamaTech	[4]	33,776	12.4	0	0.0
Total operating expenses		– 64,597	– 23.7	– 57,619	– 24.8
EBIT		**4,002**	**1.5**	**2,058**	**0.9**
Finance income	[32]	3,806	1.4	4,617	2.0
Finance costs	[31]	– 3,544	– 1.3	– 3,380	– 1.5
EBT		**4,264**	**1.6**	**3,295**	**1.4**
Tax income/expenses	[21]	6,870	2.5	4,010	1.7
Profit for the period		**11,134**	**4.1**	**7,305**	**3.1**
Thereof attributable to:					
Shareholders of the parent company		12,182		7,305	
Minority interests		– 1,048		0	
		11,134		**7,305**	
Basic earnings per share based on the profit for the period (in EUR) attributable to shareholders of the parent company		*0.35*		*0.21*	
Diluted earnings per share based on the profit for the period (in EUR) attributable to shareholders of the parent company		*0.35*		*0.21*	
Weighted number of shares – basic		*34,941,929*		*35,065,241*	
Weighted number of shares – diluted		*35,015,262*		*35,065,241*	
- thereof effect of the earnings diluting stock option plan 2005		*73,333*		*0*	

(The accompanying notes are an integral part of the consolidated financial statements)

Statement of Changes in Consolidated Equity as of December 31, 2005 and 2006

	Equity attributable to shareholders of the parent company					Minority interests	Equity
Note no.	Sub-scribed capital [20] [K€]	Capital reserve [20] [K€]	Other reserves [20] [K€]	Accu-mulated profit [K€]	Total [K€]	[4] [K€]	[K€]
Balance on January 1, 2005	**35,392**	**28,950**	**– 5,518**	**190,752**	**249,576**	**0**	**249,576**
Derivative financial instruments			– 39		– 39		– 39
Exchange differences in the fiscal year			3,343		3,343		3,343
Net income/expense recognized directly in equity	0	0	3,304	0	3,304	0	3,304
Profit for the period				7,305	7,305		7,305
Total recognized income and expense for the period	0	0	3,304	7,305	10,609	0	10,609
Capital increase	10	60			70		70
Capital repayment	– 460			– 4,701	– 5,161		– 5,161
Share-based payment (IFRS 2)		388			388		388
Balance on December 31, 2005	**34,942**	**29,398**	**– 2,214**	**193,356**	**255,482**	**0**	**255,482**
Derivative financial instruments			578		578		578
Exchange differences in the fiscal year			– 878		– 878		– 878
Net income/expense recognized directly in equity	0	0	– 300	0	– 300	0	– 300
Profit for the period				12,182	12,182	– 1,048	11,134
Total recognized income and expense for the period	0	0	– 300	12,182	11,882	– 1,048	10,834
First-time consolidation HamaTech AG						7,406	7,406
First-time consolidation Singulus Manufacturing Guangzhou						541	541
Share-based payment (IFRS 2)		481			481		481
Balance on December 31, 2006	**34,942**	**29,879**	**– 2,514**	**205,538**	**267,845**	**6,899**	**274,744**

(The accompanying notes are an integral part of the consolidated financial statements)

Consolidated Cash flow Statements for 2005 and 2006

		2006 [K€]		2005 K€]
Cash flows from operating activities				
Profit for the period		11,134		7,305
Adjustment to reconcile consolidated profit for the period to income/expenses				
Income from the realization of negative goodwill	– 33,776		0	
Amortization, depreciation and impairment losses on non-current assets	9,846		14,869	
Net allocation to pension provisions	873		442	
Other non-cash expenses/income	– 3,229		388	
Deferred taxes	1,019	– 25,267	– 1,884	13,815
		– 14,133		**21,120**
Decrease/increase in assets and increase/decrease in liabilities and equity				
Trade receivables	22,238		20,614	
Other receivables and assets	– 4,219		– 2,062	
Capitalized development costs	3,134		– 16,506	
Inventories	5,515		20,548	
Trade payables	– 366		– 5,458	
Other liabilities	– 7,259		– 4,285	
Prepayments received	11,827		– 11,589	
Tax provisions	– 874		– 9,074	
Other provisions	– 6,823	23,173	– 4,984	– 12,796
Net cash flow from operating activities		**9,040**		**8,324**

		2006 [K€]		2005 K€]
Cash flows from investing activities				
Investments in assets	– 3,861		– 4,716	
Disposals of assets (net)	– 232		13	
Cash received from sale of subsidiaries	0		– 5,236	
Cash paid for the acquisition of consolidated companies	1,419		0	
Cash paid for the acquisition of consolidated companies net of cash and cash equivalents received	– 17,624	– 20,298	0	– 9,939
Net expenditure from investing activities		**– 20,298**		**– 9,939**
Cash flows from financing activities				
Cash paid to redeem shares	0		– 5,161	
Cash paid for/received from the raising/redemption of loans	9,743		– 3,754	
Change in liabilities from discounted bills	– 9,696		– 2,807	
Issue/redemption of convertible bonds	– 333		– 272	
Capital increase from the conversion of convertible bonds	0	– 286	70	– 11,924
Net cash flow from financing activities		**– 286**		**– 11,924**
Decrease/increase in cash and cash equivalents		**– 11,544**		**– 13,539**
Effect of exchange rate changes		41		4,110
Cash and cash equivalents at the beginning of the fiscal year		**67,719**		**77,148**
Cash and cash equivalents at the end of the fiscal year		**56,216**		**67,719**
Cash paid in the fiscal year for				
Interest		*1,722*		*67*
Taxes		*2,429*		*3,015*
Payments in the business year for net expenditure from investing activities				
Interest		*1,208*		*712*
Taxes		*3,217*		*0*

(The accompanying notes are an integral part of the consolidated financial statements)

Notes to the Consolidated Financial Statements as of December 31, 2005

[1] General Information

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

The consolidated financial statements have been prepared in euros (EUR). Unless stated otherwise, all figures are disclosed in thousands of euros (EUR k).

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

The Company applied all mandatory standards of the International Accounting Standards Board (IASB), London, as of the balance sheet date. The IFRSs also include the International Accounting Standards (IAS) that are still effective. All interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – formerly the Standing Interpretations Committee (SIC) - that were mandatory for fiscal year 2006 were likewise applied.

The consolidated financial statements have been prepared on a historical cost basis except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments that have been measured at fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

[2] Business Activities

The Company is engaged in the manufacture and distribution of metallizers for prerecorded, recordable and rewritable CDs and DVDs as well as replication lines for these products. Metallizers are distributed under the brand names "SINGULUS" and "MODULUS", and replication lines under the brand names "SKYLINE" (prerecorded CDs and DVDs), "STREAMLINE" (CD-Rs and DVD-Rs), "SPACELINE" (Video DVDs) and "SUNLINE" (CD-RWs and DVD-RWs).

Since fiscal year 2002, the Company has been involved in the manufacture and distribution of mastering systems, which complement the Company's replication lines.

The business activities of the SINGULUS Group were extended with the acquisition of HamaTech AG and its subsidiaries. The subsidiary ETA-Optik manufactures measurement systems which are used in the Optical Disc segment to facilitate the quality assurance of DVDs and CDs. In the Non-Optical Disc segment, measurement technology is used to measure foils and coatings for flat-screens, with measurement tools being manufactured and sold for this purpose. The focus of the subsidiary APE is on the cleaning of photomasks. The MaskTrack systems are used as projection templates in the semiconductor industry. In addition, photomasks are also developed and baked. The product platform ModuTrack is developed and sold for this purpose and can be used to develop and produce wafers. The subsidiary Manufacturing Services manufactures optical disc systems as well as components and equipment for the semiconductor industry. In addition to assembly, customers are also offered support during commissioning and ongoing servicing.

[3] New Accounting Standards

The IASB has made various amendments to the existing IFRSs and published new IFRSs and International Financial Reporting Interpretation Committee (IFRIC) interpretations which, unless described otherwise below, are mandatory for companies for all fiscal years beginning on or after January 1, 2006. The Company decided against earlier application, although it was permitted. Below we outline the amendments and publications of relevance for the consolidated financial statements and their effects on accounting and measurement in the Company's consolidated financial statements.

On December 16, 2004, the IASB published amendments to IAS 19 "Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures". This amendment extends the disclosure requirements in the notes and introduces the recognition of actuarial gains and losses in equity as an alternative to the existing methods. The Company has retained the corridor approach. This involves, to the extent required, repayment of the actuarial gains or losses taking into consideration the expected average activity time of significance which remains at the beginning of the fiscal year.

On December 15, 2005, the IASB published changes to IAS 21 "The effects of changes in foreign exchange rates". The changes relate to the treatment of net investments in a foreign company. The adoption of this standard did not have any material impact on the presentation of net assets, financial position and results of operations.

On June 16, 2005, the IASB published the final fair value option according to IAS 39. These amendments restrict in some cases the previously applicable provisions on full fair value measurement in IAS 39 (2004). Other amendments in IAS 32 and IFRS 1 also arose in connection with the revision of the fair value option. The application of this standard did not have any material impact on the presentation of net assets, financial position and results of operations.

The application of IFRIC 4, "Determining whether an arrangement contains a lease" did not have any material impact on the presentation of net assets, financial position and results of operations.

Apart from the IFRSs whose application is mandatory for fiscal year 2006, the IASB has also published or amended other IFRSs and IFRICs which have already received EU endorsement but which will only become mandatory at a later date. Below, only those standards and interpretations which could be relevant for the Company are described. Voluntary early application of these standards and interpretations is explicitly permitted or encouraged. However, the Company does not make use of this option.

The change made to IAS 1 "Presentation of financial statements" has given rise to the need to include in the financial statements information which enables the addressee to evaluate the aims, methods and processes used in capital management. The change to IAS 1 becomes compulsory for fiscal years beginning on or after January 1, 2007.

On August 18, 2005, the IASB published IFRS 7, "Financial Instruments: Disclosures". This Standard supersedes the existing IAS 30 and incorporates all provisions regarding disclosures in the notes from IAS 32. In this connection, the capital disclosure requirements in IAS 1 were also amended or supplemented. The Standard has completely restructured the disclosure requirements for financial instruments. Disclosures on the objectives, methods, risks, security and management processes are now required. The disclosure provisions of IFRS 7 and the modified capital disclosure requirements of IAS 1 shall apply to periods beginning on or after January 1, 2007; earlier application is encouraged. The new provisions of IFRS 7 do not affect measurement at the Company, but more detailed disclosures and presentations are required.

The interpretation IFRIC 8 "Scope of IFRS 2" regulates the application of IFRS 2 to all agreements under which the fair value of a consideration is lower than the fair value of the equity instruments issued by the company. Adoption of the interpretation is compulsory for fiscal years beginning on or after January 1, 2007.

The interpretation IFRIC 9 "Reassessment of Embedded Derivatives" clarifies the question regarding the extent to which an agreement has to be reviewed on the date it is concluded or continuously throughout its entire term to ascertain whether an embedded derivative exists within the meaning of IAS 39. Adoption of the interpretation is compulsory for fiscal years beginning on or after January 1, 2007.

In addition to the new accounting standards, the IASB published further IFRSs and IFRICs which have not yet been endorsed by the EU.

In this regard, IFRS 8 "Operating Segments", which was published on November 30, 2006, may be of relevance to the Company. This new standard supersedes IAS 14 "Segment Reporting" and follows a management approach to segment reporting. This means that segment reports must be made on the basis of information used internally by management to evaluate the performance of operating segments and allocate resources to the segments. The standard is mandatory for fiscal years beginning on or after January 1, 2009.

[4] Significant Accounting Principles

Business Combinations and Acquisition of Minority Interests

Effective as of January 27, 2006, the Company acquired 66.28 % of the shares in HamaTech AG. In addition, the seller transferred a shareholder loan to SINGULUS TECHNOLOGIES AG. The preliminary purchase price for the transfer of HamaTech shares and the transfer of the shareholder loan totaled EUR 12,347k. EUR 10,100k of this amount relates to the acquisition of the shares and EUR 2,247k to the transfer of the shareholder loan. The purchase agreement stipulates that the purchase price is to be reduced by 60 % if HamaTech's consolidated EBIT audited in accordance with IFRS in 2005 exceeds EUR 5,000k. This resulted in a subsequent reduction in the purchase price of EUR 4,919k in fiscal year 2006.

In addition, the Company issued shareholders of HamaTech with a public takeover bid (cash bid). Under the bid, which was limited to the period from December 16, 2005 to February 1, 2006, the Company offered shareholders EUR 2.40 per HamaTech share. In connection with this takeover bid, the Company acquired a further 14.55 % of the shares for a total purchase price of EUR 12,045k.

In addition, the Company acquired a further 1.14 % of the shares in HamaTech AG, Sternenfels, Germany, through the capital market for a total purchase price of EUR 908k.

The Company had already acquired 6.82 % of the shares in this company for a purchase price of EUR 5,236k in fiscal year 2005.

The purchase price was paid in full from the Company's cash and cash equivalents. The Company accounted for the acquisition in accordance with IFRS 3. EUR 7,544k of the purchase price was mainly allocated to intangible assets. These relate to patents (EUR 2,556k), customer relationships (EUR 2,325k), the "HamaTech" brand (EUR 2,169k) as well as the order book as of the date of first-time consolidation (EUR 494k). Furthermore, other provisions of EUR 2,418k were recognized as part of first-time consolidation. The resulting negative goodwill of EUR 33,776k was recognized in income in fiscal year 2006 on the date it was incurred in accordance with IFRS 3.

As of December 31, 2006, the Company held 88.79% of the shares in HamaTech AG.

The fair value of the identifiable assets and liabilities of HamaTech AG as of the date of acquisition and the corresponding carrying amounts directly prior to the date of acquisition break down as follows:

	Fair value on the date of acquisition	Carrying amount
	[K€]	[K€]
Intangible assets	11,392	3,848
Non-current assets	21,347	21,347
Current assets	67,582	67,582
Deferred tax assets	4,195	3,388
Total assets	**104,516**	**96,165**
Non-current liabilities	(2,143)	(2,143)
Current liabilities	(35,142)	(32,724)
Deferred tax liabilities	(2,679)	0
Total liabilities	**(39,964)**	**(34,867)**
Net assets	64,552	61,298
Minority interests	7,406	
Net assets acquired	57,146	
Negative goodwill from business acquisition	33,776	
Costs with an effect on income:		
Cash acquired		510
Cash paid		23,370
thereof paid in 2005		5,236
Actual cash flow in 2006		17,624

HamaTech Group contributed a net loss of EUR 19,916k in fiscal year 2006. In the fiscal year, the HamaTech Group generated revenues of EUR 87,293k.

The Company founded SINGULUS TECHNOLOGIES Beteiligungs GmbH, Kahl am Main, Germany, with effect as of February 23, 2006. The shares in HamaTech AG, Sternenfels, Germany, were contributed to this company.

Effective as of October 1, 2006, Hamatech AG, Sternenfels, Germany, sold 51 % for a purchase of EUR 1.900 K of its shares in its Slovakian subsidiary STEAG Electronic Systems.

The Company founded SINGULUS CHINA MANUFACTURING GUANGZOU LTD., Panyu, China with effect as of March 17, 2006 and holds 51 % of this company.

Consolidated Group and Consolidation Principles

Along with SINGULUS TECHNOLOGIES AG, the consolidated financial statements include all entities under the legal and/or constructive control of the Company.

The following subsidiaries are included in the consolidated financial statements:

_ SINGULUS EMOULD GmbH, Würselen, Germany
_ SINGULUS MASTERING B.V., Eindhoven, Netherlands
_ SINGULUS MASTERING INTERNATIONAL GmbH, Schaffhausen, Switzerland
_ SINGULUS MOLDING AG, Schaffhausen, Switzerland
_ SINGULUS TECHNOLOGIES Inc., Windsor, USA
_ SINGULUS TECHNOLOGIES SERVICE GROUP Inc., Windsor, USA
_ SINGULUS TECHNOLOGIES Ltd., Swindon, UK
_ SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore
_ SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brasil
_ SINGULUS TECHNOLOGIES IBERICA 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 Limited, Taipeh, Taiwan
_ SINGULUS CHINA MANUFACTURING GUANGZOU Ltd., Panyu, China
_ SINGULUS TECHNOLOGIES Beteiligungs GmbH, Kahl am Main, Germany
_ HamaTech AG, Sternenfels, Germany
_ HamaTech APE GmbH & Co. KG, Sternenfels, Germany
_ HamaTech APE Beteiligungs-GmbH, Sternenfels, Germany
_ STEAG ETA-Optik Gesellschaft für optische Meßtechnik mbH, Heinsberg, Germany
_ HamaTech Slowakei s.r.o., Slovakia (formerly STEAG Electronic Systems spol. s.r.o., Nove Mesto, Slovakia)
_ HamaTech USA Inc., Austin, USA (ehemals STEAG HamaTech USA Inc.)
_ BÖHM ELECTRONIC SYSTEMS SLOWAKEI s.r.o., Nove Mesto, Slovakia
_ STEAG HamaTech Asia Ltd., Hong Kong, China

HamaTech AG, Sternenfels, Germany, founded two new subsidiaries in October 2006: HamaTech APE GmbH & Co. KG, Sternenfels, Germany, and HamaTech APE Beteiligungs-GmbH, Sternenfels, Germany, as the general partner of the abovementioned limited company. On November 2, 2006, the newly founded HamaTech APE GmbH & Co. KG acquired all the assets and liabilities of the former business area “Advanced Process Equipment” (APE) from HamaTech AG.

In September 2006, the former Slovakian subsidiary STEAG ELECTRONIC SYSTEMS SLOWAKEI spol. s.r.o., Nove Mesto, set up a subsidiary into which all assets and liabilities relating to the operating business were contributed. Only the land and the building remained the property of the former company. Effective as of October 1, 2006, 51 % of the shares in the new subsidiary, BÖHM ELECTRONIC SYSTEMS SLOWAKEI s.r.o., Nove Mesto, were sold to BÖHM FERTIGUNGSTECHNIK – SLOWAKEI, Trencin, Slovakia, a subsidiary of BÖHM FERTIGUNGSTECHNIK SUHL GmbH, Zella-Mehlis. Thus, as of the balance sheet date, 49 % of the shares were indirectly owned by HamaTech AG. The buyer of the 51 % and HamaTech as the seller agreed a put/call option on the remaining 49 %. HamaTech will probably make use of the first opportunity to exercise the put option in fiscal year 2007 and, in doing so, sell the company in its entirety. The company was therefore recognized as a other assets and 49% of the shares were not consolidated using the equity method in accordance with IAS 28.

STEAG HamaTech Asia Ltd. discontinued its operating business in April 2003. However, this company had not been fully liquidated as of the balance sheet date.

The share of equity and profit attributable to minority interests is shown separately in the balance sheet and income statement. However, if the loss attributable to minority interests exceeds the carrying amount of their share of equity, this carrying amount is adjusted to zero and no further proportionate losses are recorded.

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

Discontinued Operations

At the beginning of October 2005, HamaTech AG announced that it had sold 51 % of the shares in the operating unit BÖHM ELECTRONIC SYSTEMS s.r.o., Slovakia (hereinafter referred to as “BÖHM”), which had previously been spun off from the subsidiary HamaTech Slowakei s.r.o. (formerly STEAG ELECTRONIC SYSTEMS spol. s.r.o., Slovakia), to BÖHM FERTIGUNGSTECHNIK – SLOWAKEI, a subsidiary of BÖHM FERTIGUNG-STECHNIK SUHL GmbH, Zella-Mehlis, with effect from October 1, 2006. The deconsolidation of this company led to the generation of profit of EUR 3,354k which was disclosed under other operating income. The profit contributions of this unit are not disclosed under discontinued operations in the consolidated income statement for fiscal year 2006 as the company does not fulfill the criteria of a discontinued operation within the meaning of IFRS 5.

At the beginning of 2007, HamaTech announced that it had sold 100 % of the shares in the former subsidiary STEAG ETA-Optik GmbH (hereinafter referred to as “ETA-Optik”), Heinsberg, Germany, to the Swedish stock corporation AudioDev AB, Malmö, Sweden. The transfer took effect on the same day. The company’s assets were disclosed in the balance sheet under “assets of a disposal group classified as held for sale”. The company’s liabilities were disclosed in the balance sheet under “liabilities in connection with assets held for sale”. The profit contributions of this unit are not disclosed under discontinued operations in the consolidated income statement for fiscal year 2006 as the Company does not fulfill the criteria to be called a discontinued operation within the meaning of IFRS 5.

Currency Translation Differences

The financial statements of the foreign subsidiaries are prepared in the currency in which the majority of transactions are concluded (functional currency). The functional currency is the respective local currency. Balance sheet items are translated at the rate on the balance sheet date and income statement items at the average rate of the fiscal year. The capital stock of the investments is measured at the historical rate. Currency differences arising from the application of different rates are shown in other reserves.

Foreign currency monetary items are translated at the closing rate. Translation differences are recognized as income or expenses in the period in which they occurred.

Management's Use of Judgment and Main Sources of Estimating Uncertainties

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

The following areas within the Singulus Group are affected by management's use of judgment and the estimation of uncertainties:

Impairment of Goodwill

The Group tests goodwill for impairment on an annual basis. This requires estimations to the made regarding the useful lives of the cash-generating units to which the goodwill has been allocated. In this context, we also refer to the comments in "Impairment of Assets" contained in this note.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax loss carryforwards to the extent that it is possible that it is probable that taxable income will be available as this will alllow the said tax loss carryforwards to be utilized. Judgment is required when determining the amount of deferred tax assets on the basis of the expected date of occurrence, the amount of future taxable income and future tax planning strategies. In this context, we also refer to note 21.

Pension Obligations

The expenses incurred with defined benefit plans is determined on the basis of actuarial calculations which are made on the basis of assumptions relating to discount rates, future salary increases, mortality rates and the future pension increases. The long-term nature of these plans means that they are subject to a great deal of uncertainty. In this context, we also refer to note 9.

Revenue Recognition

Revenue is recognized when a contract has become effective, delivery has been made (in the case of metallizers – excluding MODULUS – and injection molding machines), the customer has accepted delivery, a preacceptance test has been carried out successfully (in the case of replication lines) or services have been rendered, a price has been agreed and is determinable and payment thereof is probable.

Revenue is stated net of VAT, returns, sales deductions and credit notes.

Goodwill

Goodwill resulting from an acquisition is initially measured at cost, that being the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. In this context, please see our comments in "Impairment of Assets".

Negative Goodwill from Business Acquisitions

If the share in the assets, liabilities, and contingent liabilities recognized at fair value exceeds the cost of the business acquisition, the excess is to be taken to income immediately following completion of another assessment.

Research and Development Costs

Research costs are expensed as incurred. Pursuant to IAS 38, development costs are recognized as intangible assets at cost, provided that the conditions of IAS 38.57 are fulfilled. Cost encompasses all costs directly allocable to the production process as well as appropriate shares of development-related overheads. Amortization is charged using the straight-line method over the expected useful life of the developed products (generally assumed to be five years).

Other Intangible Assets

Intangible assets acquired separately are recognized at cost and from a business combination are capitalized at fair value as of the date of acquisition. Intangible assets, excluding development costs, created within the Company are not capitalized; associated costs are expensed as incurred. Intangible assets with finite useful lives are amortized over their useful lives. Intangible assets with indefinite useful lives are not amortized systematically, but they are tested for impairment at least once a year.

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

_ Software	3 years
_ Patents	8 years

Cash and Cash Equivalents

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

Receivables

Invoices for goods and services are mainly issued in euros.

To cover credit risks, specific bad debt allowances are recognized for trade receivables. For details on the recognition of foreign currency receivables and the related hedging transactions, we refer to our comments under "Derivative Financial Instruments".

Inventories

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. Raw materials, consumables and supplies including spare parts are measured using the average cost method. Work in process is measured using the full cost approach based on standard cost. The standard costs are reviewed once a year and adjusted if necessary. Appropriate allowances are made for potential losses due to obsolete or slow-moving inventories.

Financial Assets and Liabilities

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

All financial assets and liabilities are initially recognized on the transaction date. They are carried at the transaction price plus all transaction costs incurred. In subsequent periods, financial assets of the category "loans and receivables" are measured at amortized cost. "Held-for-trading" and "available-for-sale" financial assets are recognized at fair value on subsequent balance sheet dates. Any changes in the value of "available-for-sale financial assets" are recorded in a separate line item in equity, except when impairment is expected to be permanent. By contrast, changes in the value of derivatives, other than those designated as hedging instruments, are recognized in profit and loss.

Financial liabilities are recorded at amortized cost. Transaction costs are capitalized and amortized over the term of the respective liability using the effective interest method.

Hedge Accounting

Changes in the fair value of derivatives designated as a hedging instrument in a fair value hedge continue to be recognized in profit and loss. In this case, the hedged item relating to the hedged exposure is also carried at fair value such that, if a hedge is highly effective, the changes in value in relation to the hedged exposure more or less offset each other.

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

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

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

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

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

Property, Plant and Equipment

Property, plant and equipment are carried at cost of purchase plus directly allocable costs, less straight-line depreciation. Finance costs are not recognized. Depreciation is charged over the economic lives of the assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The economic lives are estimated as follows:

Buildings	25 years
Machines and technical equipment	2 to 10 years
Other assets	1 to 4 years

Gains or losses on the disposal of assets are recognized in profit or loss.

The increase in property, plant and equipment which resulted from the acquisition of STEAG Hamatech AG, Sternenfels, Germany, in fiscal year 2006 is presented in the statement of changes in non-current assets under "Addition Business Acquisition" and amounted to EUR 17,680k as of the date of first-time consolidation. Of this, EUR 14,454k is attributable to land and buildings.

In the fiscal year no essential impairment losses needed to be recognized on property, plant and equipment.

Depreciation on property, plant and equipment is recognized in the functional area to which the respective assets have been allocated.

For more information on the disclosure of the assets of ETA-Optik and BÖHM in fiscal year 2006 we refer to Note 12. All the assets of both companies are recognized as disposals in 2006.

Investment Property

SINGULUS values investment property at cost net of depreciation and impairment losses in accordance with IAS 40. The fair values, determined using a calculation adjusted for inflation, largely correspond to the cost net of depreciation and impairment losses. The majority of these assets comprise commercially used land and buildings which are now leased out. In fiscal year 2006, property, plant and equipment with book value of EUR 8,770k were reclassified as investment properties. Depreciation of investment properties amounts to EUR 59k in the reporting. Depreciation is charged straight-line over a useful life of between 4 to 40 years. Lease income amounts to EUR 450k p. a.

Leases

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

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

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

Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. The recoverable amount of an asset is the higher of the fair value of the asset or cash-generating unit less costs to sell and the value in use. Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In order to test its recoverability, the goodwill acquired in business combinations was allocated to cash-generating units which, at SINGULUS, correspond to the subsidiaries.

Goodwill is presented in the following table:

	[K€]
SINGULUS EMOULD	603
SINGULUS MASTERING B.V.	30,646
ETA-Optik	942
	32,191
Amortization of goodwill (ETA-Optik)	942
Total goodwill	**31,249**

The recoverable amount of the cash-generating units was determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projections is 9.5 %.

In the fiscal year, impairment losses were charged on intangible assets, in particular due to the sale of ETA-Optik in February 2007. In addition, impairment losses were charged on capitalized development costs as the result of an impairment test and restructuring.

The impairment losses of EUR 12,556k are mainly the result of restructuring measures. Of these, EUR 10,807k is attributable to capitalized development costs and EUR 942k to goodwill on ETA-Optik GmbH.

For more information on the disclosure of ETA-Optik in fiscal year 2006 we refer to Note 12.

Write-downs on intangible assets are recognized in the functional area to which the respective assets have been allocated. Impairment losses on development costs are disclosed under "restructuring expenses" because production of the relevant products was discontinued at the respective locations.

No impairment losses were recognized on the remaining intangible assets in the fiscal year.

Other Receivables and Assets

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

Current Tax Assets and Liabilities

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Calculation is based on the tax rates and tax laws applicable as of the balance sheet date.

Current tax relating to items which are recognized directly in equity is recognized in equity and not in the income statement.

Deferred Tax Liabilities and Assets

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

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable profit in the years in which these temporary differences are expected to be settled. In the event of a change in tax rate, the effects on deferred tax assets and liabilities are recognized in profit or loss in the period to which the new tax rate applies. The tax consequences of distributions are not recognized before the resolution on the appropriation of net profit has been passed.

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

Pension Provisions

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

Actuarial gains and losses are recorded in income if the balance of the cumulative unrecognized actuarial gains and losses exceeds by 10% the obligations arising from defined benefit plans at the end of the prior reporting period. These gains and losses are realized over the expected residual working life of the employees covered by the plan.

Other Provisions

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

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

Liabilities

Current liabilities are stated at the redemption amount or settlement amount. Non-current liabilities are recognized at amortized cost in the balance sheet. Differences between historical cost and the redemption amount are accounted for by using the effective interest rate method.

Finance lease liabilities are carried at the present value of the lease payments.

Government Grants

In the fiscal year, research and development costs included government grants. These reduced costs accordingly. These grants were specifically received from the German Federal Ministry of Education and Research ["Bundesministeriums für Bildung und Forschung": BMBF] and were linked to the achievement of successful completion of project milestones. The grants received for the subsidiary HamaTech AG in fiscal year 2006 totaled EUR 432k (prior year: EUR 290k); EUR 33k (prior year: 82k) was received for the subsidiary STEAG ETA-Optik GmbH.

Share-Based Payment

As a reward for services rendered, employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions'). Senior executives are granted share appreciation rights which can be settled with a cash payment (cash settled transactions) or in the form of equity instruments.

The cost of issuing the equity instruments after November 7, 2002 is measured at the fair value of these instruments on the date they were issued. The fair value is determined by an external valuer using a suitable option pricing model, further details of which are given in note 16.

The recognition of the expenses incurred in connection with the issue of equity instruments and the corresponding increase in equity takes place throughout the period in which the exercise or performance condition must be fulfilled (vesting period). This period ends on the date on which the relevant employees become fully entitled to the award. The cumulative expenses recognized on each reporting date for equity-settled transactions until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in the cumulative expenses recognized as at the beginning and end of that period.

The dilutive effect of the outstanding options is reflected as additional share dilution in the determination of earnings per share.No expense is recognized for compensation claims that are not exercisable. This does not include compensation claims whose exericisabilty is subject to certain market criteria. Irrespective of the market conditions, they are deemed exercisable provided that all other performance criteria are met.

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

Earnings per Share

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

[5] Cash and Cash Equivalents

	2006	2005
	[K€]	[K€]
Cash on hand and bank balances	56,216	67,706
Bills with an original maturity of up to three months	0	13
	56,216	67,719

[6] Trade Receivables

	2006	2005
	[K€]	[K€]
Trade receivables (current)	86,246	90,783
Trade receivables (non-current)	11,531	12,848
Less bad debt allowances	(16,865)	(10,219)
	80,912	93,412

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

[7] Other Receivables and Assets

	2006	2005
	[K€]	[K€]
Tax refund claims	12,302	5,518
Loan receivable BÖHM ELECTRONIC SYSTEMS SLOVAKEI s.r.o.	2,800	0
Financial instrument recognized at fair value	1,862	0
Loan receivable	1,787	0
Prepayments made	1,473	2,235
Prepaid expenses	1,340	2,089
Forward exchange contracts at fair value	1,025	0
Loans to employees	93	157
Claims against insurance companies	12	2
Supplier credit notes	0	69
Other	1,700	1,085
	24,394	11,155

EUR 7,996k of the tax refund claims resulted from the first-time recognition of corporate income tax credits from the conversion to the half-income method pursuant to the German Tax Reduction Act ["Steuersenkungsgesetz": StSenkG] from October 23, 2000, which came about as a result of revision of law dealing with tax measures intended to accompany the introduction of the European company and the subsequent amendment of other tax regulations ["Gesetz über steuerliche Begleitmaßnahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerrechtlicher Vorschriften": SEStEG] dated December 7, 2006.

The item "Financial instrument recognized at fair value" related to the 49 % stake in BÖHM ELECTRONIC SYSTEMS SLOWAKEI s.r.o. (BESS). The buyer of the 51 % and HamaTech agreed a put/call option on the rmaining 49 %. HamaTech will be given the first opportunity to exercise the put option in fiscal year 2007. The fair value of the 49 % shareholding is determined on the basis of the sales price realized in fiscal year 2006 for the 51% shareholding in the same unit. Income from this financial instrument is recognized in position deconsolidation of BESS under other income. We refer to note 31.

The loan receivable from Böhm relates to a short-term loan of EUR 1,343k issued to BESS by SINGULUS TECHNOLOGIES AG. The remaining EUR 1,457k relates to a short-term loan issued to BESS by HamaTech.

The EUR 1,787k disclosed under "loan receivable" relates to a loan granted to a customer by HamaTech. The loan has a four-year term, ending on December 31, 2007. HamaTech has given this customer the option to repay the loan, which has a nominal value of EUR 1,575k and accrues interest of 4.5 % per annum, either fully or in part through the transfer of shares in this company. The right only exists when the equity ratio of the customer lies below the contractually agreed value. The measurement of the option is based on the measurement of the Company's income and was carried out in accordance with IDW standard S 1. The capitalization rates applied to the income were determined on the basis of capital market research. The risk-free interest rates were determined using the Svensson method. The market risk premium was set at 4.5 % on the basis of capital market research. The beta factor was determined via a peer group analysis. The fair value of the option amounted to EUR 503k as of the balance sheet date and was recognized as an embedded derivative (IAS 39.11) under "other liabilities".

The Company hedges foreign currency receivables against potential exchange losses with derivative financial instruments. Forward exchange contracts and currency options are used to hedge receivables. On the balance sheet date, receivables totaling USD 6,488k (prior year: USD 8,305k) were hedged by derivatives. Due to the decline of the US dollar in the fiscal year, the fair value of all derivative financial instruments on the balance sheet was EUR 1,025k, with EUR 792k attributable to forward exchange contracts and EUR 233k to currency options.

[8] Inventories

Inventories break down as follows:

	2006	2005
	[K€]	[K€]
Raw materials, consumables and supplies	56,327	29,581
Work in process	63,102	59,278
Less inventory allowances	(13,747)	(9,925)
	105,682	78,934

The inventory allowances relate to reductions in value in accordance with the "lower of cost or net realizable value" principle. In this regard, raw materials, consumables and supplies are treated separately from the other inventories. The net realizable value is determined as the sales price less any selling expenses incurred. The carrying amount of inventories recognized at net realizable value comes to EUR 5,124k (prior year: EUR 9,150k).

[9] Intangible Assets

In fiscal year 2006, intangible assets developed as follows (all amounts in EUR k):

	Goodwill	Concessions, industrial property rights and other intangible assets	Capitalized development costs	Total
Cost				
As of January 1, 2005	**31,249**	**12,582**	**40,538**	**84,369**
Other additions	0	227	16,506	16,733
Disposals	0	0	0	0
As of December 31, 2005	**31,249**	**12,809**	**57,044**	**101,102**
Exchange rate fluctuations	0	228	0	228
Additions from business acquisition	942	8,378	2,522	11,841
Other additions	0	135	15,124	15,259
Disposals	0	– 878	– 9,493	– 10,371
Disposals ETA-Optik	– 942	– 879	– 761	– 2,582
As of December 31, 2006	**31,249**	**19,793**	**64,436**	**115,478**
Amortization				
As of January 1, 2005	**0**	**2,307**	**6,853**	**9,160**
Other additions (scheduled)	0	1,261	8,108	9,369
Disposals	0	0	0	0
As of December 31, 2005	**0**	**3,568**	**14,961**	**18,529**
Exchange rate fluctuations	0	20	0	20
Other additions (scheduled)	0	3,277	9,973	13,250
Other additions (unscheduled)	942	807	10,807	12,556
Disposals	0	– 329	– 9,493	– 9,822
Disposals ETA-Optik	– 942	– 879	– 761	– 2,582
As of December 31, 2006	**0**	**6,463**	**25,487**	**31,950**
Carrying amount as of December 31, 2005	**31,249**	**9,241**	**42,083**	**82,573**
Carrying amount as of December 31, 2006	**31,249**	**13,330**	**38,949**	**83,528**

EUR 15,124k of the development costs incurred in fiscal year 2006 qualify for recognition as an asset under IFRSs. The capitalized development costs mainly relate to expenses in the Company's core business areas, optical disc and mastering, as well as the new areas OPTICUS and TMR technology.

Other intangible assets primarily comprise patents and licenses acquired in connection with the acquisition of ODME B.V., Eindhoven, Netherlands.

[10] Available-for-Sale Financial Assets

The available-for-sale financial assets in fiscal year 2005 relate solely to shares in STEAG Hamatech AG, Sternenfels, Germany. With effect as of March 6, 2006, the Company contributed these shares to SINGULUS TECHNOLOGIES Beteiligungs GmbH, Kahl am Main, Germany.

[11] Property, Plant and Equipment

In fiscal year 2006, property, plant and equipment developed as follows (all amounts in EUR k):

	Land, own buildings	Technical equipment and machines	Factory equipment, furniture and fittings	Leased assets	Assets under construction	Total
Cost						
As of January 1, 2005	**7,035**	**4,230**	**10,336**	**0**	**194**	**21,795**
Exchange rate fluctuations	0	– 32	– 52	0	0	– 84
Other additions	1,397	1,126	1,366	385	215	4,489
Disposals	0	– 342	– 1,937	0	0	– 2,279
Reclassifications	0	– 66	66	0	0	0
As of December 31, 2005	**8,432**	**4,916**	**9,779**	**385**	**409**	**23,921**
As of December 31, 2005	1,086	9	998	0	0	2,093
Additions from business acquisition	14,454	1,124	2,102	0	0	17,680
Other additions	325	1,749	1,212	1,302	4	4,592
Disposals	0	– 1,742	– 2,492	0	-308	– 4,542
Reclassifications	– 10,492	– 364	385	– 385	0	– 10,856
Disposals ETA-Optik	– 44	– 76	– 83	0	0	– 203
As of December 31, 2006	**13,760**	**5,617**	**11,902**	**1,302**	**105**	**32,685**
Amortization						
As of January 1, 2005	**817**	**850**	**6,211**	**0**	**0**	**7,878**
Exchange rate fluctuations	0	– 30	– 48	0	0	– 78
Other additions (scheduled)	1,739	1,432	2,287	42	0	5,500
Disposals	0	531	1,735	0	0	2,266
As of December 31, 2005	**2,556**	**1,721**	**6,715**	**42**	**0**	**11,034**
Exchange rate fluctuations	311	6	103	0	0	420
Other additions (scheduled)	1,004	1,390	2,198	0	0	4,591
Other additions (unscheduled)	0	57	172	0	0	229
Disposals	0	– 1,155	– 2,472	0	0	– 3,627
Reclassifications	– 1,865	– 222	0	0	0	– 2,086
Disposals ETA-Optik	– 44	– 76	– 83	0	0	– 203
As of December 31, 2006	**1,962**	**1.721**	**6,663**	**42**	**0**	**10,358**
Carrying amount as of December 31, 2005	**5,876**	**3,195**	**3,064**	**343**	**409**	**12,887**
Carrying amount as of December 31, 2006	**11,798**	**3.895**	**5,268**	**1,260**	**105**	**22,326**

[12] Assets and Liabilities of Disposal Groups Classified as Held For Sale

The following carrying amounts of certain assets and liabilities held for sale as of December 31, 2006 relate to ETA-Optik Gesellschaft für optische Messtechnik mbH, Heinsberg, Germany.

	Dec. 31, 2006
	[K€]
Receivables	1,134
Inventories	3,883
Other assets	207
Assets held for sale	**5,224**
Trade payables	280
Financial liabilities	505
Provisions	456
Other liabilities	238
Liabilities held for sale	**1,479**

[13] Other Current Liabilities

	2006	2005
	[K€]	[K€]
Outstanding liabilities to personnel	4,869	3,710
Sales commissions for foreign agents	4,172	5,322
Outstanding invoices	3,407	2,293
Outstanding credit notes	1,598	42
Liabilities from the acquisition of patents	1,000	1,000
Deferred interest portion of installment payment plans	887	1,043
Financial statement, legal and consulting fees	701	843
Employee bonuses	656	559
Current portion of convertible bonds	598	738
Measurement of the option on a loan	503	0
Liabilities in connection with social security	501	788
Tax liabilities	346	1,020
Forward exchange contracts at fair value	0	739
Other	3,702	1,118
	22,940	19,215

For more information on the measurement of the option on a loan we refer to the comments in note 7 – Other receivables and other assets.

For details on non-current liabilities from convertible bonds, we refer to Note 15.

[14] Prepayments Received

	2006	2005
	[K€]	[K€]
Prepayments received from customers	**21,493**	9,666

Prepayments received as of December 31, 2006 and 2005 mainly relate to prepayments for replication lines and TMR technology, which are disclosed in inventories under work in process.

[15] Other Non-Current Liabilities

EUR 1,846k of non-current liabilities relates to residual purchase prices for acquisitions of intangible assets in fiscal year 2004.

The item also contains liabilities from convertible bonds as part of a stock option plan for management board members and senior employees.

	2006	2005
	[K€]	[K€]
Non-current portion of convertible bonds	77	270

For more information on the performance of outstanding convertible bonds we refer to note 16 -a) Convertible Bonds Issued. The nominal value of the outstanding bonds amounts to EUR 1.00 per convertible bond.

As of December 31, 2006, the total value of all four tranches of convertible bonds amounted to EUR 675k. Based on the stipulated conversion dates, the value at maturity of the convertible bonds is as follows:

	[K€]
Maturing in 2007	598
Maturing in 2008	57
Maturing in 2009	20
	675

According to the above table, the current portion of convertible bonds due within one year (EUR 598k) is disclosed under other current liabilities as of the balance sheet date.

[16] Share-Based Payment

The share-based payment plans are as follows:

a) Convertible Bonds Issued

By resolution approved at the extraordinary shareholder meeting on November 6, 1997 and the ordinary shareholder meeting on May 7, 1999 and May 7, 2001, the management board was authorized, with the consent of the supervisory board, to issue convertible bonds in one or more tranches with a total nominal value of up to EUR 1,597,104 until September 2002, and to issue convertible bonds in one or more tranches with a total nominal value of up to EUR 1,800,000 and a maturity up to December 31, 2010 until September 30, 2005 to management board members and senior employees. The purpose of the stock option plan was to motivate the management board and senior employees and encourage them to contribute toward the success of the Company.

The following table summarizes the information on the convertible bonds outstanding as of December 31, 2006 and December 31, 2005:

		2006		2005
	No. of bons	Weighted average exercise price (EUR)	No. of bons durch-	Weighted average exercise price (EUR)
Development of the convertible bonds				
Outstanding at the beginning of the fiscal year	1,007,682	23.95	1,281,407	24.18
Granted in the fiscal year	0	–	0	–
Returned in the fiscal year	333,000	30.45	273,725	25.05
Exercised during the fiscal year	0	–	0	–
Expired in the fiscal year	0	–	0	–
Outstanding at the end of the fiscal year	674,682	20.74	1,007,682	23.95
Exercisable at the end of the fiscal year	556,682	21.18	683,727	26.26

The options issued through the convertible bond were measured at market value in accordance with IFRS 2, which is applicable to options issued after November 7, 2002. SINGULUS has not exercised the option right afforded to it as a result of early application of IFRS 2. As a result, only the 270,000 convertible bonds issued after November 7, 2002 were recorded in income in fiscal year 2006 or in prior periods.

The market value of the respective options was determined using a binominal model. The determinants of the option measurement on the grant date were:

Tranche	I/2003	II/2003	I/2004	II/2004
Grant Date	May 31, 2003	Sep. 12, 2003	Jun. 18, 2004	Aug. 20, 2004
Average residual term (in years)	0	0.2	1.1	1.2
Exercise price	17.95 €	26.03 €	19.70 €	16.95 €
Dividend yield	0.00 %	0.00%	0.00%	0.00%
Interest rate	4.97%	6.11%	5.03%	4.39%
Volatility SINGULUS	50.00%	50.00%	50.00%	50.00%
Fair value per option	4.36 €	6.42 €	4.89 €	4.10 €

The estimates pertaining to expected volatility were made on the basis of SINGULUS TECHNOLOGIES AG's past share performance. The remaining term of the convertible bond was used as an historical timeframe. In fiscal year 2006, personnel expenses of EUR 221k were incurred in connection with stock options.

b) Stock Option Plan 2005

In order to provide its management staff and other top-performers with a long-term incentive, SINGULUS TECHNOLOGIES AG launched a stock option plan in 2005 entitling these employees to subscribe for up to 1,200,000 no-par value registered shares. Not until 2006, however, did the management board exercise its authority to award stock options to the respective employees under this stock option plan 2005.

The term of the subscription rights is five years. They can be exercised at the earliest upon expiry of the two-year vesting period within the space of 14 trading days beginning on the sixth trading day following publication of the quarterly reports for the first or third quarter; up to 25 % of the stock options held by the respective employee can be exercised during the first exercise period and then a further 25 % every six months during each subsequent exercise period. The options may only be exercised if the average (arithmetic mean) closing price for SINGULUS TECHNOLOGIES AG shares is (i) at least 15 % higher than the strike price during the reference period for the first 25 % of the stock options (first tranche), (ii) at least 17.5 % higher than the strike price during the reference period for the second 25 % (second tranche), (iii) at least 20 % higher than the strike price during the reference period for the third 25 % (third tranche) and iv) at least 22.5 % higher than the strike price during the reference period for the last 25 %. If the stock options of a tranche cannot be exercised within the respective exercise period because the aspired earnings target has not been reached, the stock options of this tranche can be exercised in subsequent exercise period(s) on the condition that the previously unmet earnings target is achieved in these reference exercise period(s). The reference period covers the five trading days from the publication date of the quarterly report pertaining to the beginning of the exercise period.

500,000 subscription rights with an exercise price of EUR 10.05 were issued in fiscal year 2006.

		2006
	No. of options	Weighted average exercise price (EUR)
Performance of the subscription rights		
Outstanding at the beginning of the fiscal year	0	–
Granted in the fiscal year	500,000	10.05
Revoked in the fiscal year	120,000	10.05
Exercised during the fiscal year	0	–
Expired in the fiscal year	0	–
Outstanding at the end of the fiscal year	380,000	10.05
Exercisable at the end of the fiscal year	0	–

The subscription rights were measured using a Monte-Carlo simulation. When applying this model, early exercise of the subscription rights was assumed in all situations in which the closing rate on the exercise date corresponds to at least 200 % of the exercise price. Furthermore, we also simulated a situation in which 3 % of the subscription right holders leave the Company following expiry of the lockup period and, where possible, exercise their subscription right. We applied the following parameters to the process of measuring the options.

	2006
Tranche	
Grant Date	Aug. 10, 2006
Exercise price	10.05 €
Closing rate SINGULUS	9.89 €
Dividend yield	0.00 %
Interest rate	3.68 %
Closing rate SINGULUS	50.30 %
Total fair value	4.41 €

The estimates pertaining to expected volatility were made on the basis of SINGULUS TECHNOLOGIES AG's past share performance. The remaining term of the options was used as an historical timeframe.

In fiscal year 2006, personnel expenses of EUR 218k were incurred in connection with stock options.

c) HamaTech's Stock Option Program

To implement the employee and manager stock option program, a resolution was approved at the shareholder meeting of HamaTech AG on May 18, 2001 to conditionally increase the capital of HamaTech AG by EUR 1.0m. The conditional capital serves the one-time or repeated issue of options on company shares and thus only results in a capital increase to the extent that the owners of the options actually exercise them. The resolution was entered in the commercial register on June 8, 2001.

By resolution approved by the shareholder meeting on May 18, 2001, the management board was authorized, with the approval of the supervisory board, to launch a stock option plan for members of the executive body and workforce of HamaTech AG and its subsidiaries. With this authorization, the management and supervisory boards approved the issue of options for up to 1 million no-par value bearer shares in HamaTech AG as part of a stock option program. The options were issued in two tranches, which have developed as followed since the day of issue:

The expired options relate solely to employees who have left the Company.

	2006	**2006**	2005	2005
	1st tranche	2nd tranche	1st tranche	2nd tranche
Granted	388,100	578,800	388,100	578,800
As of January 1	196,200	389,400	244,400	448,600
Exercised	–	–	–	–
Expired	40,000	130,600	48,200	59,200
As of December 31	156,200	258,800	196,200	389,400
Thereof exercisable	–	–	–	–

Furthermore, authorization to exercise options depends on the fulfillment of certain performance criteria. The stock option plan requires the closing price of the HamaTech share on the last banking day before commencement of the exercise period to be higher than the subscription price. As a rule, the options that cannot be exercised because the exercise period has elapsed can be exercised in one of the subsequent exercise periods.

		Stock Option Plan
	1st tranche	2nd tranche
Subscription price per share	7.78	3.54
Date the options were granted	Nov. 30, 2001	Dec. 2, 2002
End of the lockup period	For 33% of the options issued after two or three years, respectively. For the remaining 34 % after four years.	
End of the lockup period (% of total options)	100 %	66 %
Exercise periods	4th to 18th banking day following the shareholder meeting of HamaTech AG or the publication of the quarterly report for the second or third quarters.	
Final opportunity to exercise an option	The 15 banking days prior to expiry of the option on November 30, 2007	4th to 18th banking day following publication of the quarterly reportfor the third quarter; however, no later than December 31, 2007

The options were measured at market value in accordance with IFRS 2, which is applicable to options issued after November 7, 2002. The reasons why HamaTech opted for early application of IFRS 2 include the opportunity to measure and expense those options eligible for exercise on the basis of the performance of the HamaTech AG share in the last three years. The market value of the respective options was determined using the Black-Scholes option pricing model. The determinants applied to the measurement of the second tranche of options on the grant date were:

In fiscal year 2006, personnel expenses of EUR 42k were incurred in

Share volatility	64.84 %
Expected dividend yield (%)	0.00 %
Average risk-free interest rate (%)	3.82 %
Market value of each option of the three tranches	1.32 € 1.54 € 1.73 €
This results in an average market value of the three tranches of	1.53 € 1.54 € 1.73 €
This results in an average market value per option of	1.53 €

connection with stock options.

The total expense recognized in the fiscal year for payments received in connection with the abovementioned option programs is as follows:

	2006	2005
	[K€]	[K€]
Expenses from the issue of convertible bonds	221	388
Expenses from the SINGULUS stock option program	218	0
Expenses from the HamaTech stock option program	42	0
Total expenses from share-based payment transactions	**481**	388

[17] Bank Liabilities

As of December 31, 2005, the Company recognized bank liabilities of EUR 16,797k from three loans granted in October 2004 and April 2006 in the amount of EUR 25,000k. The loans are repayable in equal annual installments. For the loans issued in October 2004, the last installment payable is on September 30, 2008. For the loan issued in the fiscal year, the last installment payable is on March 31, 2010. The interest rate on the loans is adjusted to the 3-month EURIBOR rate on a quarterly basis. At year end, the effective interest rate for the loans issued in October 2004 was 2.992 % p.a. (prior year: 2.679 % p. a.). At year end, the effective interest rate for the loans issued in October 2004 was 4,026 % p. a.

There are also bank liabilities of EUR 3,405k (prior year: EUR 13,101k) resulting from the discounting of bills. The fair values of bank liabilities are substantially equivalent to book values.

[18] Pension Liabilities

Both SINGULUS TECHNOLOGIES AG and HamaTech AG operate defined benefit pension plans. Both plans are performance-orientated.

SINGULUS TECHNOLOGIES AG operates a pension plan for employees who were taken over from Leybold AG and hired by Leybold AG on behalf of the Company as well as for the management board. The pension plan is based on the benefit plan established in 1969 and the amendments thereto as of 1977, 1986 and 2001.

The pension plan operated by HamaTech AG is solely for members of the management board.

Consistent with German practice, the pension plan is not funded. Pension provisions are determined on the basis of an independent actuarial report. Pension benefits under the plan are based on a percentage of the employees' current compensation and their years of service.

The pension obligations and underlying assumptions are described overleaf.

The change in SINGULUS TECHNOLOGIES AG's pension liabilities as of December 31, 2006 and 2005 is presented in the following tables:

	2006	2005
	[K€]	[K€]
Change in pension liabilities:		
Projected benefit obligation at the beginning of the fiscal year	5,242	4,800
Current service cost	339	282
Interest expense	273	238
Actuarial gains/(losses)	864	967
Benefits paid in the fiscal year	(154)	(78)
Projected benefit obligation at the end of the fiscal year	6,564	6,209
Unrecognized actuarial gains/(losses)	(844)	(967)
Pension provisions recognized in the balance sheet	**5,720**	5,242

	2006	2005
	[K€]	[K€]
Current service cost	339	282
Interest expense	273	238
Actuarial gains/losses	20	0
	631	520

Net pension expenses break down as follows:

The pension liabilities of HamaTech AG as of December 31, 2006

	2006
	[K€]
Change in pension liabilities:	
Projected benefit obligation at the beginning of the fiscal year	298
Current service cost	82
Interest expense	15
Actuarial gains/(losses)	(10)
Projected benefit obligation at the end of the fiscal year	385
Unrecognized actuarial gains/(losses)	(10)
Pension provisions recognized in the balance sheet	**395**

are presented as follows:

	2006
	[K€]
Current service cost	82
Interest expense	15
Actuarial gains/losses	0
	97

Net pension expenses of HamaTech AG break down as follows:

	2006	2005
	[K€]	[K€]
Discount rate (future pensioners)	4.50 %	4.50 %
Discount rate (current pensioners)	4.40 %	4.10 %
Estimated future wage and salary increases	2.75 %	2.75 %
Estimate future pension increases	1.80 %	1.90 %

[19]

The assumptions on which the calculation of pension liabilities are as follows:

Other Provisions

	Jan. 21, 2006	Addition from business acquisition	Utilization	Reversal	Additions	Dec. 31, 2006
	[€]	[€]	[€]	[€]	[€]	[€]
Warranties	5,054	1,879	2,133	3,111	2,184	3,873
Redundancy plan	0	640	640	0	2,500	2,500
Other	118	0	0	0	1	119
	5,172	**2,519**	**2,773**	**3,111**	**4,685**	**6,492**

Other provisions developed as follows in the fiscal year:

Provisions for warranty costs are recognized as a percentage of revenues as well as for individual warranty risks. The percentages are based on historical values and amounted to 0.95 of net revenues in fiscal year 2006 (prior year: 2%).

The provisions for redundancy plans were recognized for severance payments resulting from the restructuring measures initiated at various subsidiaries at the end of 2006.

[20]

Equity

Subscribed Capital

By resolution approved at the shareholder meeting on June 23, 2006, the management board was authorized to acquire shares representing up to EUR 3,494,192.00 of capital stock in full or in part until November 22, 2007 and cancel them with the consent of the supervisory board. In 2006 no shares had been bought and drawn in.The capital stock totals EUR 34,941,929 and consists of 34,941,929 ordinary bearer shares with a par value of EUR 1.00 each.

As of November 21, 1997, the entire capital stock was admitted to the regulated market (Neuer Markt) of the Frankfurt Stock Exchange.

Conditional Capital

By resolution approved at the shareholder meeting on November 6, 1997, the management board was authorized, with the consent of the supervisory board, to issue interest-bearing convertible bonds in one or more tranches with a total nominal value of up to EUR 1,597k (convertible to shares with a nominal value of EUR 1) and a maturity up to December 31, 2010 (conditional capital I).

By resolution approved at the shareholder meeting on May 7, 2001, the management board was authorized, with the consent of the supervisory board, to issue interest-bearing convertible bonds in one or more tranches with a total nominal value of up to EUR 1,800k (convertible to shares with a nominal value of EUR 1) and a maturity up to December 31, 2010 (conditional capital II). On November 30, 1997, convertible bonds with a total nominal value of EUR 383k were issued as part of a stock option plan for management board members and other employees of the Company. In fiscal years 1999 and 2000, convertible bonds with a total nominal value of EUR 494k were issued as part of another stock option plan. In fiscal year 2001, convertible bonds with a total nominal value of EUR 711k were issued. In fiscal year 2002, convertible bonds with a total nominal value of EUR 563k were issued as part of a further stock option plan. In fiscal year 2003, convertible bonds with a total nominal value of EUR 130k were issued. In fiscal year 2004, further convertible bonds with a total nominal value of EUR 140k were issued. The non-current portion of the convertible bonds is disclosed under non-current liabilities and the current portion under other current liabilities.

A resolution was approved at the shareholder meeting on May 13, 2004 to increase the capital stock of the Company by EUR 15,617,364.00 (conditional capital III). On May 30, 2005, a resolution was approved at the shareholder meeting to cancel this conditional capital III.

By resolution approved at the shareholder meeting on May 30, 2005, conditional capital IV was created. This gives the Company the possibility to conditionally increase capital stock by issuing up to 13,000,000 bearer shares with a nominal value of EUR 1.00 each. The conditional capital increase will only take place to the extent that the holders of options or conversion rights issued or guaranteed by the Company on the basis of the authorization approved by resolution at the shareholder meeting on May 30, 2005 exercise these options or conversion rights. The new shares are included in the profit from the beginning of the fiscal year in which they result through the exercise of options or conversion rights.

Conditional capital V has also been created. This gives the Company the possibility to conditionally increase capital stock by issuing up to 1,200,000 bearer shares with a nominal value of EUR 1.00 each. The sole purpose of the conditional capital increase is to grant subscription rights (stock options) to members of the Company's management board, to executive bodies of affiliated companies and to other management staff and employees of the Company in line with the provisions of the authorization approved by resolution at the shareholder meeting on May 30, 2005. It will only take place if the aforementioned stock options are exercised. The new shares are included in the profit from the beginning of the fiscal year in which they result through the exercise of the said options.

Approved Capital

The management board is authorized, with the consent of the supervisory board, to increase the Company's capital stock until June 21, 2007 in one or more steps and by a maximum of EUR 7,363k through the issue of new bearer shares with a nominal value of EUR 1,00 each in return for cash and/or non-cash contributions (approved capital 1). Furthermore, the management board is authorized, with the consent of the supervisory board, to increase the Company's capital stock until June 21, 2007 in one or more steps and by a maximum of EUR 1,841k through the issue of new bearer shares with a nominal value of EUR 1,00 each in return for cash and/or non-cash contributions (approved capital 2). For both approved capital amounts, the subscription rights of shareholders may, with the consent of the supervisory board, be excluded under certain conditions.

Capital Reserve

In fiscal year 2006, the capital reserve increased by EUR 481k in line with share-based payments. In fiscal year 2005, the capital reserve increased by a total of EUR 60k due to the conversion of convertible bonds. In addition, the capital reserve increased by EUR 388k in fiscal year 2005 due to share-based payments.

Other Reserves

Other reserves include changes in the market value of cash flow hedges as well as currency translation differences from translating the financial statements of foreign entities.

Minority Interests

Minority interests represent third party shareholdings in group entities. Minority interests relate mainly to HamaTech and Singulus Manufacturing Guangzhou.

Dividend Payments

Dividends may only be paid from distributable shareholders' equity as disclosed in the separate HGB financial statements of SINGULUS TECHNOLOGIES AG. As of December 31, 2006, the Company's separate financial statements showed an accumulated profit of EUR 27k and revenue reserves of EUR 120,033k.

[21] Income Taxes

In fiscal year 2006, tax income of EUR 7,996k resulted from the first-time recognition of corporate income tax credits from the conversion to the half-income method pursuant to the German Tax Reduction Act ["Steuersenkungsgesetz": StSenkG] from October 23, 2000, which came about as a result of the revision of the law governing tax measures intended to accompany the introduction of the European company and the subsequent amendment of other tax regulations ["Gesetz über steuerliche Begleitmaßnahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerrechtlicher Vorschriften": SEStEG] dated December 7, 2006.

The last tax field audit of SINGULUS TECHNOLOGIES AG was completed in 2006 and relates to the period from 2001 to 2004 inclusive. Additional taxes for the tax audit period including interest of approximately EUR 595k are disclosed under tax expenses for fiscal year 2006.

In 1997, a provision for corporate income tax of EUR 5.1m was recognized as the final assessment of the tax loss carryforward of a predecessor of SINGULUS TECHNOLOGIES AG depends on the outcome of future tax field audits at former subsidiary partnerships. As the provision is no longer expected to be utilized, it was reversed in fiscal year 2005.

Furthermore, the tax field audit for the period from 1997 to 2000 led to objections in 1997 as to the use of tax loss carryforwards pursuant to Sec. 8 (4) KStG ["Körperschaftsteuergesetz": Corporate Income Tax Act]. This resulted in a tax risk of approximately EUR 10.6m plus interest (approximately EUR 4m) for 1997. However, an appeal was lodged against the tax field audit assessment and an application for the suspension of execution filed. The suspension of execution was granted as legal proceedings are currently pending before the Federal Constitutional Court with regard to the formal unconstitutionality of Sec. 12 (2) UmwStG ["Umwandlungssteuergesetz": German Reorganization Tax Act] due to failure to comply with the legislative procedure. As the legislative procedure for Sec. 8 (4) KStG has the same defects, it is possible that this regulation is formally unconstitutional as well. Due to the pending legal proceedings regarding the unconstitutionality of the respective legal norms, appeal proceedings will be suspended until a decision has been reached by the Federal Constitutional Court. There are therefore no taxes payable. As execution in respect of the loss deduction was suspended in 1997 and this indicates that the tax authorities have serious doubts as to the legality of the challenged assessment notice because there are reasons relating to the uncertainty in the evaluation of the legal issues to suggest that it is unlawful, no provision was recognized for this potential tax risk.

As of December 31, 2006 and 2005, income tax data are presented as follows:

	2006	2005
	[K€]	[K€]
EBT:		
Germany	(30,524)	4,686
Abroad	1,000	5,981
	(29,524)	10,667
Consolidation adjustments recognized in profit and loss	33,788	(7,372)
	4,264	3,295
Current income tax expense:		
Germany:		
Corporate income tax	288	1,091
Trade tax	241	902
Abroad:		
Tax expenses	1,179	1,022
	1,708	3,015
Income from the recognition of corporate income tax credits	(7,996)	0
Income from the reversal of tax provisions	0	(5,105)
	(6,288)	(2,090)
Deferred taxes:		
Germany	(2,962)	(3,177)
Abroad	2,380	1,257
Total tax expenses/(income)	**(6,870)**	(4,010)

Under German tax law, taxes on income are composed of corporate income tax, trade taxes and the solidarity surcharge.

Deferred tax assets break down as follows:

	2006	2005
	[K€]	[K€]
Difference between the commercial and tax balance sheets due to		
Inventory allowances	3,247	3,061
Bad debt allowances	138	252
Warranty provisions	0	178
Other provisions/liabilities	327	118
Deferred taxes on loss carryforwards	4,937	2,372
Other differences between commercial and tax balance sheets	689	672
Consolidation adjustments	1,207	1,351
	10,545	8,004

In the fiscal year, as in the prior year, SINGULUS TECHNOLOGIES AG recognized deferred taxes in accordance with IAS 12 on a corporate income tax loss carryforward of EUR 8,021k (prior year: EUR 7,128k) and a trade tax loss carryforward of EUR 7,727k (prior year: EUR 6,522k). Under German law, the loss carryforwards may be utilized for an indefinite period.

By contrast, HamaTech AG recognized write-downs on deferred tax assets of EUR 3,339k for tax loss carryforwards.

	2006	2005
	[K€]	[K€]
Capitalized development costs	10,433	13,776
Disclosed hidden reserves from first-time consolidation	4,992	2,800
Differences between the commercial and tax balance sheets	1,951	1,487
	17,376	18,063

Deferred tax liabilities break down as follows:

The German statutory tax rate (for corporate income tax, trade tax and solidarity surcharge) was approximately 36.0 % for 2006 and 2005. The reconciliation from the statutory tax rate to the effective tax rate

	2006	2005
Statutory tax rate	36.0 %	36.0 %
Losses for the current period for which no deferred taxes were recognized (HamaTech AG)	185.3 %	–
Write-down on deferred tax assets for tax loss carryforwards of HamaTech AG	78.3 %	–
Tax backpayments following tax field audit	14.0 %	–
Non tax-deductible expenses	3.1 %	3.0 %
Tax refunds/backpayments for prior years	1.5 %	1.5 %
Differences in foreign tax rates	– 6.7 %	– 7.3 %
Recognition of corporate income tax credits	– 187.5 %	–
Tax-free income from negative goodwill	– 285.1%	–
Reversal of provision for tax risks	–	– 154.9 %
Effective tax rate	**– 161.1 %**	– 121.7 %

is as follows:

[22] Contingent Liabilities and Other Financial Obligations

Contingent liabilities and other financial obligations not recognized in the consolidated balance sheet amount to EUR 11,074k (prior year: EUR 17,934k) and represent buy-back guarantees given to leasing companies relating to the sale of replication lines. Any claims under the guarantees given to the leasing companies will be offset by the revenue realized from the resale of the returned machines.

Management is not aware of any other matters that would have a material adverse effect on the Company's business, financial situation or results of operations.

[23] Segment Reporting

The Company's key products are comparable in terms of production processes and marketing methods. They are therefore not considered as the Company's primary segment reporting format for the purposes of IAS 14 and do not require formal segment reporting. There are likewise no geographical segments which could be defined as the Company's primary segment reporting format. However, selected information on revenue has been presented in the following table:

	2006	2005
	[K€]	[K€]
Gross revenue by product group		
Prerecorded CDs/DVDs	125,303	133,343
Recordable CDs/DVDs	37,641	32,794
Mastering systems	24,766	45,209
APE	22,598	0
Manufacturing service	25,308	0
Service and other	47,521	33,092
	283,137	244,438

Geographical information as of December 31, 2006

	Germany	Rest of Europe	North and South America	Asia	Africa	Australia
	[K€]	[K€]	[K€]	[K€]	[K€]	[K€]
Revenue by:						
Country of origin	194,811	52,266	15,584	20,476	0	0
Destination	33,188	85,588	79,333	77,769	7,259	0

Geographical information as of December 31, 2005

	Germany	Rest of Europe	North and South America	Asia	Africa	Australia
	[K€]	[K€]	[K€]	[K€]	[K€]	[K€]
Revenue by:						
Country of origin	183,812	45,636	9,147	5,843	0	0
Destination	32,391	89,319	49,148	59,591	10,372	3,617

[24] Sales Deductions and Direct Selling Costs

Sales deductions comprise all discounts granted. Direct selling costs mainly relate to packing, shipping and commission expenses.

[25] Cost of Materials

The cost of sales for fiscal year 2006 includes material costs of EUR 184,828k (prior year: EUR 172,652k).

[26] Personnel Expenses

Personnel expenses of EUR 66,500k (prior year: EUR 42,295k) were recognized in the income statement in fiscal year 2006. The year-on-year increase in chiefly attributable to the first-time inclusion of HamaTech.

[27] Amortization and Depreciation

Amortization and depreciation amount to EUR 17,841k (prior year: EUR 14,869k).

[28] General and Administrative Expenses

Administrative expenses include management expenses, personnel expenses and finance and accounting expenses as well as the premises and vehicle expenses attributable to such areas. Ongoing IT costs, legal and consulting fees, investor relations costs as well as costs of shareholder meetings and the financial statements are also recognized in this item.

[29] Research and Development Costs

Research and development costs relate not only to research and non-capitalizable development costs but also to the amortization of capitalized development costs of EUR 9.973k (prior year: EUR 8,108k).

[30] Restructuring Expenses

Restructuring expenses primarily relate to the costs of terminating certain product lines at the Kahl am Main and Sternenfels sites. The item also includes costs for redundancy plans. The restructuring program is expected to be completed by the middle of fiscal year 2007. No further expenses are expected to be incurred.

The restructuring expenses mainly contain impairment losses on capitalized development costs (EUR 10,807k), inventory allowances (EUR 6,765k), redundancy plan costs (EUR 5,092k), goodwill amortization (EUR 942k) and the amortization of trademarks (EUR 807k).

[31] Other Operating Income/Expenses

Other operating expenses primarily comprise expenses resulting from bad debt allowances (EUR 7,280k; prior year: EUR 5,603k). Other operating income mainly relates to exchange gains (EUR 1,802k; prior year: EUR 23k), income from the reversal of bad debt allowances (EUR 793k; prior year: EUR 119k) and from the diconsolidation of SESS (EUR 3,354k).

[32] Finance Income and Finance Expenses

Interest income/expenses break down as follows:

	2006	2005
	[K€]	[K€]
Interest income from non-current receivables from customers	2,326	4,110
Interest income from time/overnight deposits	1,146	449
Other interest income	334	58
(Finance costs)	(3,544)	(3,380)
	262	1,237

[33] Rentals and Leases

Under a real estate lease concluded on September 24, 1999 and supplemented on December 27, 2004, the Company leased the office building and production hall in Kahl am Main. The lease came into force on July 1, 2000 and expires on June 30, 2018. The annual lease payment is EUR 1,481k.

As of December 31, 2006, the future minimum payments arising from rental agreements and operating leases are:

	[K€]
2007	1,816
2008	1,629
2009	1,635
2010	1,533
2011	1,481
2012 and later	7,728
	15,822

[34] Subsequent Events

Events after the balance sheet date are those events, both favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue. Events that provide evidence of conditions that existed at the balance sheet date are considered in the consolidated financial statements. Events that are indicative of conditions that arose after the balance sheet date are presented in the notes to the financial statements and the management report if they are significant.

Dr. Ing. Anton Pawlakowitsch was elected to the management board of SINGULUS TECHNOLOGIES AG effective as of January 1, 2007.

On January 26, 2007, a compensation agreement including a redundancy plan was concluded with the works council of HamaTech AG. This agreement provides for the termination of approximately 50 jobs at the Sternenfels site. The precursor to this was the decision to relocate the optical disc business to the Kahl am Main site after no visible recovery in demand for production systems for recordable media was seen in 2006 following the dramatic market slump in 2005.

On February 8, 2007, HamaTech sold 100% of the shares in STEAG ETA-Optik GmbH (hereinafter referred to as “ETA-Optik”), Heinsberg, Germany, to the Swedish stock corporation AudioDev AB, Malmö, Sweden. The takeover took effect on the same day.

[35] Related Party Disclosures

SINGULUS TECHNOLOGIES AG renders various services for related parties in its ordinary course of business. Conversely, the various group companies also render services within the SINGULUS TECHNOLOGIES Group as part of their business purpose. This extensive intragroup trade is transacted at market prices.

In accordance with the articles of incorporation, the supervisory board of SINGULUS TECHNOLOGIES AG has three members. The members of the supervisory board in fiscal year 2006 were:

Alexander von Engelhardt, Kronberg/Taunus, Germany	Chairman (until June 23, 2006)
Roland Lacher, Gelnhausen, Germany	Chairman (since June 23, 2006)
William Slee, London, UK	Deputy chairman
Thomas Geitner, Newbury, UK	

The aforementioned members of the supervisory board are appointed until the shareholder meeting which decides on their exoneration for the fiscal year in 2010 is closed.

In addition to compensation for expenses, each member of the supervisory board receives fixed remuneration amounting to EUR 15,000,00 for each full fiscal year of supervisory board membership. In addition, following the decision on profit appropriation, each supervisory board member receives, for membership on the supervisory board during the preceding fiscal year, performance-based remuneration of EUR 800.00 for each cent by which the consolidated earnings per share, pursuant to International Financial Reporting Standards, exceeds the amount of EUR 0.30. The basis of assessment is at most equal to the Company’s accumulated profit less an amount of four percent of the capital invested in the lowest issue amount of the shares.

The chairman of the supervisory board receives twice this amount, and the deputy chairman one and a half times this amount.

The remuneration of the supervisory board of SINGULUS TECHNOLOGIES AG (including payments for supplementary services) totaled EUR 86k (prior year: EUR 68k).

The following supervisory board members hold shares in the Company:

	2006	2005
	No.	No.
Shares as of December 31		
William Slee	29,520	29,520
Thomas Geitner	1,500	1,500
	31,020	31,020

Furthermore, VVG Roland Lacher GbR and Familie Roland Lacher Vermögensverwaltungs GmbH together hold 398,161 shares in the Company.

The current occupations of supervisory board members are listed below along with any additional supervisory board positions held or memberships of similar bodies:

	Occupation	Membership of other supervisory boards and similar bodies
Alexander v. Engelhardt	Supervisory board member (until June 23, 2006)	_ WashTec AG (chairman) _ Tarkett Sommer AG, until December 31, 2006
Roland Lacher	Supervisory board member (since June 23, 2006)	–
William Slee	Supervisory board member	–
Thomas Geitner	Supervisory board member	_ Vodafone D2 GmbH, until December 31, 2006
		_ Vodafone Holding GmbH (chairman), until December 31, 2006
		_ Vodafone Deutschland GmbH (chairman), until December 31, 2006
		_ BBC (British Broadcasting Cooperation) Worldwide Ltd Board

Members of the management board in fiscal year 2006 were:

Roland Lacher	until June 23, 2006, Chief Executive Officer
Klaus Hammen	until December 31, 2006
Stefan A. Baustert	until October 31, 2006, Chief Executive Officer since November 1, 2006

The management board received total remuneration of EUR 1,174k in fiscal year 2006. This breaks down as follows:

	Fixed	Variable	Total
	[K€]	[K€]	[K€]
Stefan A. Baustert	349	300	649
Klaus Hammen	300	19	319
Roland Lacher (bis 23. Juni 2006)	197	9	206
	846	**328**	**1,174**

The management board received total remuneration of EUR 905k in fiscal year 2005, which broke down as follows:

	Fixed	Variable	Total
	[K€]	[K€]	[K€]
Stefan A. Baustert	279	0	279
Klaus Hammen	253	0	253
Roland Lacher	373	0	373
	905	**0**	**905**

Former members of the management board received total remuneration of EUR 289k in the fiscal year. In addition, provisions for current pensions for former board members (EUR 1,143k) were recognized.

The management board member Stefan A. Baustert and the former management board member Dr. Reinhard Wollermann-Windgasse hold

	2006	2005
	No.	No.
No. of convertible bonds as of December 31		
Stefan A. Baustert	120,000	160,000
Dr. Reinhard Wollermann-Windgasse	110,000	110,000
	230,000	270,000

the following numbers of convertible bonds:

In addition, the management board member Stefan A. Bausert was granted 80,000 stock options with a fair value of EUR 353k during the fiscal year.

	2006	2005
	[K€]	[K€]
Stefan A. Baustert	161	222
Roland Lacher	0	0
Klaus Hammen	0	0
	161	222

The personnel expense recognized in fiscal years 2006 and 2005 in accordance with IFRS 2 for management board members amounted to:

Mr. Stefan A. Baustert also holds 2,400 shares in the Company (prior year: 0).

[36] Information on Shareholdings

	Currency	Shareholding	Equity	Profit/loss for the period
		%	in thousands (local currency)	in thousands (local currency)
Germany				
SINGULUS EMOULD GmbH, Würselen, Germany	EUR	100	7,579	1,337
SINGULUS TECHNOLOGIES BETEILIGUNGS GmbH, Kahl, Germany	EUR	100	23,533	– 255
HamaTech AG, Sternenfels, Germany	EUR	88.8	53,866	– 22,180
HamaTech APE GmbH & Co. KG, Sternenfels, Germany	EUR	100	2,536	– 464
HamaTech APE BETEILIGUNGS-GmbH, Sternenfels, Germany	EUR	100	18	– 7
STEAG ETA-Optik Gesellschaft für optische Messtechnik mbH, Heinsberg, Germany[1]	EUR	100	3,688[2]	– 3,723[3]

[1] Company was sold on February 8, 2007 [2] After profit/loss transfer [3] Before profit/loss transfer

Abroad				
SINGULUS TECHNOLOGIES Inc., Windsor, USA	USD	100	20,955	3,429
SINGULUS TECHNOLOGIES UK Ltd., Swindon, UK	GBP	100	1,705	– 88
SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore	SGD	100	12,066	– 869
SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil	EUR	91.5	1,509	342
SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat del Vallés, Spain	EUR	100	1,240	172
SINGULUS VIKA CHINA Limited, Wanchai, Hong Kong	HKD	51	16	– 454
SINGULUS TECHNOLOGIES FRANCE S.A.R.L., Valence, France	EUR	100	213	– 36
SINGULUS TECHNOLOGIES ITALIA s.r.l., Ancona, Italy	EUR	99.99	1,284	– 372
SINGULUS MASTERING B.V., Eindhoven, Netherlands	EUR	100	24,219	– 1,634
SINGULUS TECHNOLOGIES TAIWAN Ltd., Taipeh, Taiwan	TWD	100	5,487	– 17,786
SINGULUS MOLDING AG, Schaffhausen, Switzerland	EUR	100	7,889	– 2,498
SINGULUS MANUFACTURING GUANGZHOU Ltd., China	CNY	51	11,196	24,229
HamaTech SLOVAKEI s.r.o., Nova Mesto, Slovakia	SKK	100	403,586	28,728
HamaTech USA Inc., Austin, USA	USD	100	– 526	– 6,007
STEAG HamaTech ASIA Ltd., Hong Kong, China	USD	100	0[4]	0[4]
BÖHM ELEKTRONIC SYSTEM s.r.o., Nove Mesto, Slovakia	SKK	49	20,000[5]	–[6]

[4] Functional currency [5] On the date of sale (October 5, 2006) [6] Company founded: September 2006

SINGULUS MASTERING B.V., Eindhoven, Netherlands, owns all the shares in Mastering International GmbH, Schaffhausen, Switzerland. Furthermore, SINGULUS TECHNOLOGIES Service Group Inc., Windsor, USA, is wholly owned by SINGULUS TECHNOLOGIES Inc., Windsor, USA.

The remaining 8.5 % stake in SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil, is held by SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat del Vallés, Spain.

Singulus Technologies Inc., Windsor, USA, owns all the shares in SINGULUS TECHNOLOGIES Service Group Inc., Windsor, USA.

In addition to the 2,045,954 shares in HamaTechAG acquired in fiscal year 2005, SINGULUS TECHNOLOGIES AG acquired a further 24,592,352 shares in the fiscal year. The total 26,638,306 shares represent an 88.79 % share in the subscribed capital of HamaTech AG as of December 31, 2006. The shares were acquired by way of a share takeover bid and purchase on the free market; 19,884,672 of the shares were bought from the former majority shareholder SES.

Also in 2006, the Company joined forces with VIKA International Ltd. to found SINGULUS MANUFACTURING GUANGZHOU Ltd., China, with capital stock of USD 1,400,000.00; SINGULUS TECHNOLOGIES AG owns 51 % of this company.

[37] Financial Risk Management

With the exception of derivative financial instruments, the main financial instruments used by the Group include bank loans, finance leases and trade liabilities. The main purpose of these financial instruments is to finance group operations. The Group has financial assets at its diposal. These include trade receivables, cash and cash equivalents and short-term deposits that result directly from operations.

Furthermore, the Group also utilizes derivative financial instruments. These mainly include forward exchange contracts, and currency options, the purpose of which is to hedge the currency risks that arise from operations.

In line with Group guidelines, no derivatives were traded in fiscal years 2005 and 2006. In addition, no derivatives will be traded in the future.

The main risks that arise from the use of financial instruments include interest rate, liquidity and currency risks.

Currency Risk

Foreign currency risks from operations abroad are assessed as part of a risk analysis. Part of the revenue generated by the SINGULUS TECHNOLOGIES Group are exposed to the risk of US dollar fluctuation. As a result, derivative financial instruments are used to hedge USD exchange rate risks. Foreign currency risks are constantly assessed as part of the risk management system.

Liquidity Risk

The Group has adequate cash and cash equivalents to cover all its payment obligations. No liquidity risk exists for the Group at present.

Interest Rate Risk

As of December 31, 2006, the Company recognized bank liabilities of EUR 16,797k stemming mainly from three loans granted in October 2004 and April 2006 in the amount of EUR 25,000k. The interest rate on the loans is adjusted to the 3-month EURIBOR rate on a quarterly basis. The last installment on the loan issued in October 2004 is payable on September 30, 2008. The last installment on the loan issued in April 2006 is payable on March 31, 2010. No notable interest rate risks exist as a result of these loans. Furthermore, there are no other circumstances which pose interest rate risks. Financial instruments are therefore not used to hedge interest rate risks.

[38] Employees

In the fiscal year, the Company had an annual average of 1,093 permanent employees. In the prior year, the annual average was 666. The Group had 796 employees as of December 31, 2006 (prior year: 636).

[39] Auditor Fees (Disclosure Pursuant to Sec. 314 (1) No. 9 HGB)

In the fiscal year, the following auditor's fees were invoiced to SINGULUS TECHNOLOGIES AG and its subsidiaries:

a) for tax advisory services	EUR 233k
b) for transaction advisory services	EUR 194k
c) for audit services	EUR 286k
d) for other services	EUR 83k

[40] Notification Pursuant to Sec. 25 WpHG

Pursuant to Sec. 25 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act], the following reports were published in fiscal years 2007 and 2006 and on the following dates:

Date of publication	Reporting entity	Voting power
March 1, 2007	Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany	2.9600 % as of March 1, 2007
February 28, 2007	Sky Investment Counsel Inc., 1 Adelaide St E, Ste 2310, PO Box 184, Toronto, ON, M5C 2V9, Canada	4.8500 % as of February 26, 2007
February 13, 2007	Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany	3.0040 % as of February 9, 2007
November 8, 2006	Arnhold and S. Bleichroeder Advisers, LLC, 1345 Avenue of the Americas, New York, NY 10105, USA	5.1000 % as of October 30, 2006
July 11, 2006	Sky Investment Counsel Inc., 1 Adelaide St E, Ste 2310, PO Box 184, Toronto, ON, M5C 2V9, Canada	5.1100 % as of June 6, 2006
April 18, 2006	J.P. Morgan Securities Ltd., 125 London Wall, London EC2Y 5AJ, UK	4.7100 % as of April 12, 2006
April 4, 2006	J.P. Morgan Securities Ltd., 125 London Wall, London EC2Y 5AJ, UK	5.7000 % as of March 6, 2006
February 10, 2006	Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt, Germany, on behalf of subsidiary DWS Investment GmbH, Mainzer Landstrasse 178 – 190, 60327 Frankfurt, Germany	4.8600 % as of February 6, 2006

[41] Corporate Governance

On January 26, 2007, the management and supervisory boards submitted the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] and made this available to shareholders on a permanent basis.

Kahl am Main, Germany, February 28, 2007

SINGULUS TECHNOLOGIES AG
The Management Board

Stefan A. Baustert   Dr. Ing. Anton Pawlakowitsch

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 principles and translated into English.

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

SINGULUS TECHNOLOGIES AG

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e-Mail: investor-relations@singulus.de

SINGULUS TECHNOLOGIES AG
Balance Sheets as of December 31, 2005 and 2006

(according to HGB)

ASSETS

	Dec. 31, 2006 [€]	€	Dec. 31, 2005 [€]
A. NON-CURRENT ASSETS			
I. Intangible assets			
Franchises, industrial and similar rights and assets and licenses in such rights and assets		46,261.53	155,949.26
II. Property, plant and equipment			
1. Land, land rights and buildings including buildings on third-party lan	18,308,749.63		19,059,928.64
2. Technical equipment and machines	649,616.43		347,047.82
3. Other equipment, furniture and fixtures	2,458,377.84		2,800,742.91
		21,416,743.90	22,207,719.37
III. Leased assets		**1,301,683.51**	0.00
IV. Shares in affiliates			
1. Shares in affiliates	85,651,396.18		61,484,817.50
2. Loans to affiliates	28,461.83		28,461.83
3. Loans to affiliated companies	1,343,072.01		0.00
4. Marketable securities held as long-term assets	0.00		5,235,662.85
		87,022,930.02	66,748,942.18
		109,787,618.96	89,112,610.81
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials, consumables and supplies	9,735,415.80		11,056,127.74
2. Work in process	47,329,179.31		46,606,703.65
3. Advance payments	1,051,627.32		1,232,609.70
4. Advance payments received	– 12,811,500.71		-8,986,192.93
		45,304,721.72	49,909,248.16
II. Receivables and other assets			
1. Trade receivables	39,440,441.32		61,685,097.49
2. Receivables from affiliates	29,417,766.21		7,675,578.29
3. Other assets	10,117,091.98		4,091,658.28
		78,975,299.51	73,452,334.06
III. Cash on hand, balances at banks		38,356,280.70	58,164,920.23
		162,636,301.93	181,526,502.45
C. PREPAID EXPENSES		1,080,120.06	1,887,074.11
Total Assets		**273,504,040.95**	272,526,187.37

EQUITY AND LIABILITIES

	Dec. 31, 2006 [€]	€	Dec. 31, 2005 [€]
A. EQUITY			
I. Share capital	34,941,929.00		34,941,929.00
Conditional capital of EUR 16,988,362.00			
II. Capital reserves	28,406,529.62		28,406,529.62
III. Revenue reserves	120,032,963.18		118,432,601.39
IV. Accumulated profit	27,290.80		1,573,070.99
		183,408,712.60	183,354,131.00
B. PROVISIONS			
1, Pension provisions	5,719,948.00		5,241,847.00
2, Tax provisions	698,708.91		123,938.77
3, Other provisions	11,977,995.89		12,830,237.81
		18,396,652.80	18,196,023.58
C. LIABILITIES			
1. Bonds	674,682.00		1,007,682.00
2. Liabilities to banks	16,594,631.34		10,343,039.52
3. Trade payables	9,353,787.41		11,483,673.10
4. Liabilities to affiliates	24,314,163.81		25,237,941.64
5. Other liabilities	19,960,439.42		21,860,318.12
thereof taxes EUR 631,108.94 (prior year: EUR 492,263.19)			
thereof for social security EUR 102,353.12 (prior year: EUR 639,827.97)			
		70,897,703.98	69,932,654.38
D, DEFERRED INCOME		800,971.57	1,043,378.41
Total liabilities and shareholders' equity		**273,504,040.95**	272,526,187.37

SINGULUS TECHNOLOGIES AG
Income Statements for 2005 and 2006

(according to HGB)

	2006 [€]	€	2005 [€]
1. Revenue	159,929,285.68		194,952,634.24
2. Increase (prior year: reduction) in finished goods and goods inprocess	722,475.66		– 8,119,087.63
3. Other own work capitalized	1,301,683.51		0.00
4. Other operating income	5,672,508.29		8,391,053.34
		167,625,953.14	195,224,599.95
5. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased goods	– 112,828,607.90		– 135,808,548.77
b) Cost of purchased services	– 7,059,137.42		– 5,934,009.56
6. Personnel expenses			
a) Wages and salaries	– 20,594,087.27		– 19,227,957.01
b) Social security, pension and other benefit costs thereof for old-age pensions EUR 646,366.51 (prior year: EUR 882,762.57)	– 3,263,010.33		– 3,941,604.73
7. Amortization on intangible assets and property, plant and equipment	– 2,001,898.70		– 2,135,301.61
8. Other operating expenses	– 30,290,157.61		– 34,911,891.39
		– 176,036,899.23	– 201,959,313.07
9. Income from investments thereof from affiliates EUR 1,889,834.83 (prior year: EUR 5,017,896.04)	1,889,834.83		5,017,896.04
10. Other interest and similar income thereof from affiliates EUR 276,036.93 (prior year: EUR 25,287.16)	2,760,860.69		2,986,046.46
11. Interest and similar expenses	– 3,409,537.18		– 3,136,405.89
		1,241,158.34	4,867,536.61
12. Profit/loss from ordinary operations	– 7,169,787.75		– 1,867,176.51
13. Income taxes	7,335,379.62		5,055,666.96
14. Other taxes	– 111,010.27		– 42,348.46
		7,224,369.35	5,013,318.50
15. Profit for the period		**54,581.60**	3,146,141.99
16. Accumulated profit of the prior year		**1,573,070.99**	11,157,790.72
17. Transfer to other revenue reserves		**– 1,600,361.79**	– 12,730,861.72
18. Accumulated profit		**27,290.80**	1,573,070.99

Glossary

Advanced Process Equipment. Work area for equipment for the cleaning of photo masks.

AM Master. High performance mastering system for prerecorded, once-recordable and rewritable formats CD and DVD.

AM Direct. Mastering system for the direct manufacturing of stampers.

Angstrom. Unit of length, 0.1 nm.

Anti-Reflective (AR) - Coating. Reduction of reflection on glass surfaces. Through anti-reflective coating distracting reflections are removed.

BLU-LINE. New inline coating machine for Single Layer Blu-ray Disc ROM.

Blu-ray Disc. New, 3rd generation optical storage medium. Storage capacity of up to 25 gigabyte per layer, works with the blue laser (405 nm), disc 120 mm diameter.

Blu-ray Disc Dual Layer. Blu-ray Disc with two active layers. Storage capacity 50 gigabyte.

Blu-ray Disc ROM. Blu-ray Disc Read Only Memory. Prerecorded Blu-ray, digital information can be read, but not altered

Blu-ray Disc R. Blu-ray Disc Recordable. Recordable Blu-ray, optical storage medium used for personal archiving (burning) of digital information; information can be recorded only once and thereafter can only be read.

Bonding. Bonding of two disc halves.

CD. Compact Disc; 1st generation optical storage medium for digital information (audio, video, computer data); storage capacity 650 megabyte; laser wavelength 780 nm; polycarbonate substrate (120 mm diameter; 1.2 mm thickness).

CD-ROM. Compact Disc -- Read Only Memory; 1st generation optical storage medium used for prerecorded data; digital can only be read, but not altered.

CD-R. Compact Disc -- Recordable; 1st gene-ration optical storage medium for 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; 1st generation optical storage medium used for archiving of digital information; the CD RW can be recorded and erased repeatedly.

CD-Card. 1st generation optical storage medium with size of a credit card, which can be read by a conventional CD ROM player. Storage capacity 60 megabyte.

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

Curing. Drying or curing of adhesives or lacquers through exposure to ultraviolet light.

Decorative Coatings. Brilliant layers on plastic parts.

Digital high definition television (HDTV). High resolution television with a 1920 x 1080 pixel image resolution.

DMS Evolution. Mastering system for prere-corded, once-recordable and rewriteable CD and DVD.

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

DVD-Audio. Digital Versatile Disc Audio; 2nd generation optical storage medium for digital storage of music.

DVD-Plus. 2nd generation optical storage medium combining DVD and CD technology on a single disc. A CD is bonded to the flip side of a DVD 5 disc.

DVD-ROM. Digital Versatile Disc-ROM; 2nd 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; 2nd generation optical storage medium for digital storage of movies with multiple language options.

DVD R. Digital Versatile Disc-Recordable; 2nd 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. Storage capacity 4.7 gigabyte.

DVD-R. Digital Versatile Disc-Recordable; (format used by Pioneer and others).

DVD+R. Digital Versatile Disc-Recordable; (format used by Philips and others).

DVD+R DL. Dual Layer Digital Versatile Disc-Recordable; optical data storage medium for personal archiving (burning) of digital information with 2 active layers; 8.5 gigabyte storage capacity.

DVD 5. Digital Versatile Disc -- storage capacity 4.7 gigabyte.

DVD 9. Digital Versatile Disc -- storage capacity 8.5 gigabyte.

DVD 10. Digital Versatile Disc -- storage capacity 9.4 gigabyte.

DVD-RW. Digital Versatile Disc -- Rewritable; 2nd 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; 2nd 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 -- Rewritable; 2nd 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.

Emould. Electric injection molding machine for the manufacture of disc blanks.

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

HD DVD. High Density Digital Versatile Disc. 3rd generation optical data storage medium for storage of digital information. Storage capacity up to 15 gigabyte per layer. Operates with the blue laser (405 nm), Disc Ø 120mm.

HD DVD Dual Layer. High Density Digital Versatile Disc with 2 active layers. Storage capacity 30 gigabyte.

HD DVD ROM. Prerecorded High Density Digital Versatile Disc Read Only Memory; prerecorded HD DVD; the digital information can be read but not altered.

HD DVD R. High Density Digital Versatile Disc Recordable; optical data storage medium for personal archiving (burning) of digital information; the disc can be recorded only once, and thereafter can only be read.

HD Ready. Logo for TV displays able to display High Definition Television.

HDTV. High Definition Television. The new High Definition Television (HDTV) will replace traditional TV standards. For an optimum HD-display a resolution of 1920x1080 pixels and 720 lines are required.

HDTV-logo. Logo for TV displays able to display High Definition Television.

Hydrophobic Coat (Easy Care Coating). Hydrophobic (water repellent) coating to prevent the adhesion of dust and other contaminants on the lens surface. The Hydrophobic Coat layer reduces the frequency of eyeglass lens cleaning during daily use.

Immersion Coating. Process by which the surface of an object is coated by immersion into a liquid.

Injection Molding Machine. Machine used to manufacture and shape disc blanks.

Laquering. Process by which the hard coat layer is applied during an immersion or spin coating process.

LBR 266. New mastering system for HD-DVD/Blu-ray.

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

Metallizing. Application of a thin layer of metal (aluminum, gold, silver, 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. New fully-electric injection molding machine.

Nano Deposition Technologies. Work area which comprises the application areas of the TIMARIS machine.

Nanometer. Unit of length, 0.000001 mm.

OPTICUS. A machine for coating ophthalmic lenses based on the 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. Process during which the composition of a material is alternately converted between an amorphous and crystalline state.

Pit-Length. The pit with data on an optical disc.

Polycarbonate. Raw material for all substrates of optical discs (CD, DVD, HD DVD, Blu-ray).

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 material. (e.g., silicon) good insulator at low temperatures and good conductor of electricity at high temperatures.

SINGULUS 3 DS. Coating machine for decorative layers.

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

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

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. Also specially employed for the OPTICUS.

Solar layer. Active layer in Thin Film Solar Cells.

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

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

Spin-Coating. A coating process in 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 in a vacuum 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/ SP-A. Fully automated replication line for DVD±R.

STREAMLINE II. Fully automated replication line for DVD±R and CD R.

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

Target. Metal plate from which particle are deposited in a vacuum which subsequently condense as a thin layer on a substrate.

TAURUS. Replication line by HamaTech for DVD R.

Tempering. Heat treatment of eyeglass lenses in preparation for subsequent manufacturing steps.

Thin Film Head. Read/Write-head for magnetic hard disc drives.

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, nonmagnetic 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 to prevent the adhesion of dust and other contaminants on the lens surface. A Top Coat layer reduces the frequency of eyeglass lens cleaning for 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 through exposure to ultraviolet light.

Vaporization. Vacuum coating technology, e.g. for anti-reflective coating on ophthalmic lenses, where 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).

Corporate Calendar 2007

March 30, 2007	10.00 am: Annual Press Conference 1.00 pm: Annual Analysts' Conference
May 8, 2007	Q1/2007 Report
June 6, 2007	10.30 am: Annual Shareholders Meeting Hermann-Josef-Abs Saal, Frankfurt/Main
August 7, 2007	Q2/2007 Report
November 6, 2007	Q3/2007 Report

Annual Shareholders Meeting 2007

Please refer to SINGULUS TECHNOLOGIES' page http://www.SINGULUS.de/english/2_investor/index_investor.htm for detailed information (available from April 2007 or June 6, 2007):

1 _ Driving instruction to Hermann-Josef-Abs Hall
_ Frankfurt city map
_ Routing
_ Your way by the German railway
_ Agenda of the Annual General Meeting
_ Invitation as PDF-file

2 _ Counter Motions

3 _ Important questions at the Annual General Meeting as HTML-document

4 _ About the Annual General Meeting:
_ Speech of the Chief Executive Officer (CEO) as text document
_ Presentation for the Annual General Meeting as PDF-file

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Published by
SINGULUS TECHNOLOGIES,
Kahl/Main

Production
MetaCom
Corporate Communications
GmbH

Conception and Idea
Bernhard Krause

Texte
Bernhard Krause,
SINGULUS TECHNOLOGIES

Artwork/DTP
Jens Gloger,
Andrzej Korzec

Photography
Company photos SINGULUS,
Viktor Diebold, Andrzej Korzec,
Matthias Müller, With kind
permission of Börse Frankfurt,
SONY, MICROSOFT

Printing
Braun & Sohn, Maintal
Printed on chlorine-free
bleached paper

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