Annual Report 2008 of SINGULUS TECHNOLOGIES AG

The consolidated financial statements of the years 2003 to 2008 were drawn up according to the International Financial Reporting Standards (IFRS).

At a Glance – Consolidated Key Figures

	2003	2004	2005	2006	2007	2008
Sales (gross) [in mn. €]	362.6	439.5	244.4	283.1	229.5	212.1
Sales (net) [in mn. €]	348.8	423.8	232.3	272.5	223.0	207.9
Sales Germany [%]	5.3	10.1	13.3	11.7	11.3	12.3
Sales Rest of Europe [%]	31.S4	30.1	36.5	30.2	28.6	27.1
Sales Americas [%]	21.3	24.3	20.1	28.0	32.1	33.1
Sales Asia [%]	40.3	33.7	24.4	27.5	25.9	27.0
Sales Africa/Australia [%]	1.7	1.8	5.7	2.6	2.1	0,5
Order intake [in mn. €]	382.7	417.6	248.7	319.0	203.8	226.4
Order backlog (31.12.) [in mn. €]	90.4	56.7	60.9	81.5	55.8	70.2
EBIT [in mn. €]	68.4	72.6	2.1	4.0	1.1	-46.2
EBIT margin [%]	19.6	17.1	0.9	1.5	0.5	-22.2
Earnings before taxes [in mn. €]	70.9	73.9	3.3	4.3	1.6	-54.1
Net profit [in mn. €]	44.5	46.8	7.3	11.1	3.0	-49.3
Operating cash flow [in mn. €]	18.4	49.1	8.3	9.0	-3.6	-11.2
in % of net sales	5.3	11.6	3.6	3.3	-1.6	-5.4
Tangible assets [in mn. €]	15.8	13.9	12.9	22.3	12.5	10,3
Goodwill [in mn. €]	13.0	31.2	31.2	31.2	76.8	66.4
Current assets [in mn. €]	256.9	284.9	238.8	248.2	212.1	219.2
Shareholders´ equity [in mn. €]	227.1	249.6	255.5	274.7	293.3	245.5
Equity ratio [%]	69.4	63.0	71.0	69.1	66.1	57.8
Balance sheet total [in mn. €]	327.0	396.0	359.9	397.6	443.9	424.6
Research & Development, expenses [in mn. €]	16.3	22.8	19.4	23.5	25.6	20.1
in % of sales	4.7	5.4	8.4	8.6	11.5	9.7
Employees (31.12)	599	736	636	796	764	722
Weighted average shares outstanding, basic	36,986,738	36,769,485	35,065,241	34,941,929	35,610,088	36,946,407
Weighted average shares outstanding, diluted	36,986,738	36,769,485	35,065,241	35,015,262	37,194,844	43.612.614
Stock price at year-end [€]	16.70	12.90	14.50	12.13	6.97	3.50
Earnings per share (basic) [€]	1.20	1.27	0.21	0.35	0.05	-1.32

< Key Figures

Corporate Calendar 2009

March 27, 2009

Annual Press Conference,
Frankfurt am Main

Annual Analysts´ Conference,
Frankfurt am Main

May 07, 2009

Q1/2009 Report

May 29, 2009

Annual Shareholders Meeting,
Frankfurt am Main

July 31, 2009

Q2/2009 Report

November 05, 2009

Q3/2009 Report

Annual Shareholders Meeting 2009

Annual Shareholders Meeting 2009 | May 29, 2009
Please refer to SINGULUS TECHNOLOGIES' webpage
http://www.singulus.de/en/investor-relations/hauptversammlung/2009.html
for detailed information

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

SINGULUS TECHNOLOGIES focuses on Optical Disc and Solar

The SINGULUS TECHNOLOGIES AG will focus on the business areas Optical Disc and Solar in the future. In the business division Optical Disc the global market leadership for Blu-ray production equipment as well as the rapid market introduction of the new inline mastering system for Blu-ray will be in the spotlight.

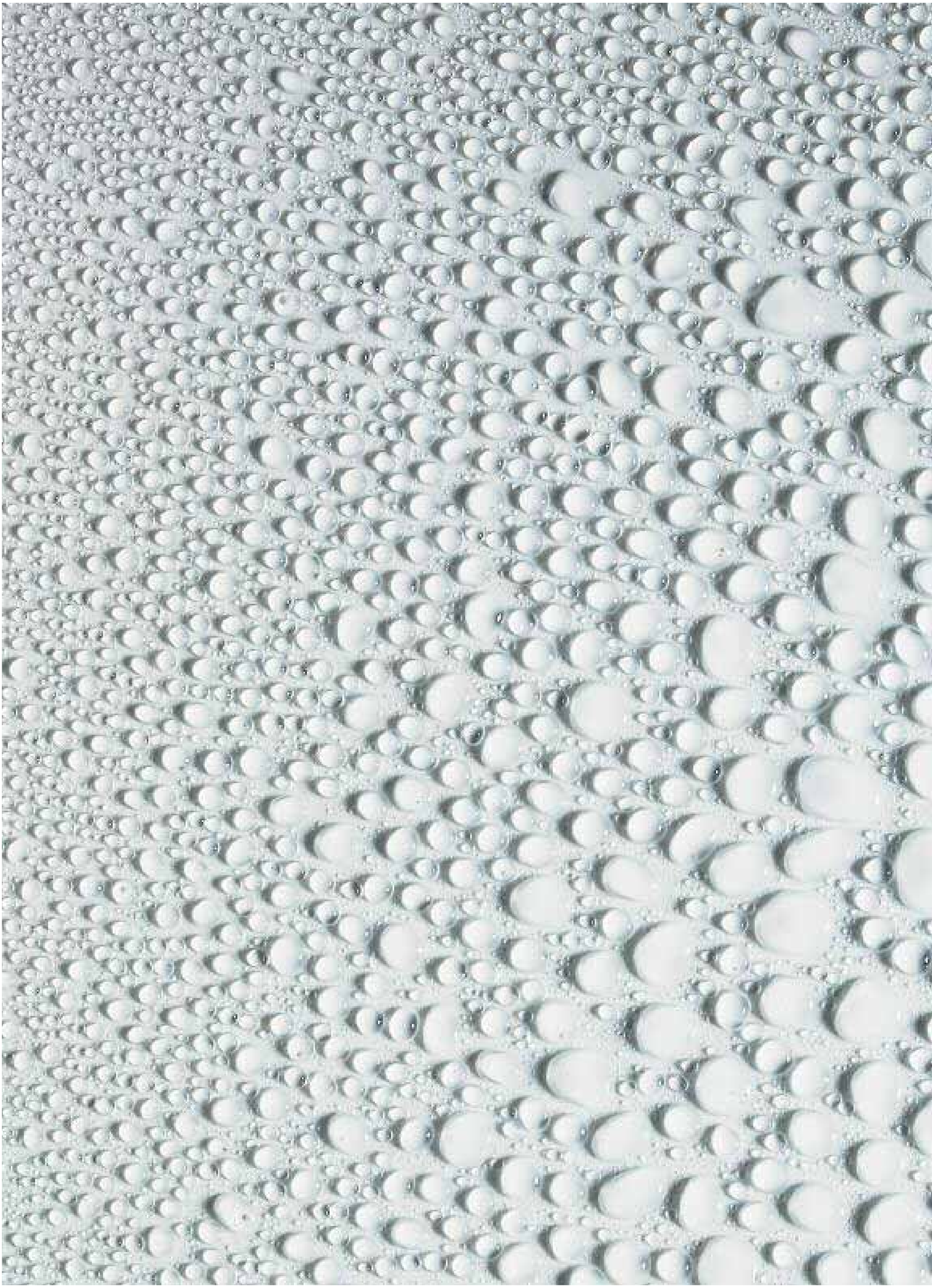
In the Solar segment the STANGL Semiconductor Equipment AG (STANGL) recorded a strong growth in sales and order intake in the business year 2008. In the business division Solar SINGULUS TECHNOLOGIES in Kahl/Main focuses on the rapid development of a new solar coating machine, which will be marketed in the year 2009. This new plant is based on the know-how gained in the core area Optical Disc.

Solar Technology
Technology with Growth Potential

Fascinating Blu-ray„... the time has come for the entry into the blue lifestyle. The first and foremost reason is apparent: Large flat-screen TVs with diagonals exceeding one meter show Blu-ray movies with considerably more resolution of details and substantially clearer contrasts than the same movies on a DVD." (Quote from the Frankfurter Allgemeine Zeitung (F.A.Z.), Tuesday, November 11, 2008)

In this article the F.A.Z writes about the enthusiasm for the new medium amongst others. Movies, such as the nature documentary "Our Planet" or the "Pirates of the Caribbean" impress viewers with a pin-sharp and crystal-clear picture quality.

The Blu-ray Disc is used more and more all over the world. The early focus of SINGULUS TECHNOLOGIES on this technology safeguards growth in the future.



Technology | Market | Business

"Blue miracle" for more data

The Blu-ray Disc was developed for the storage of high-definition movie data. It has five times the storage capacity of a DVD. This is necessary to be able to save high-definition video and multi-channel audio data in different languages with a play time of more than two hours. To increase the memory capacity on a disc the digital picture information has to be condensed ever tighter.

To depict the information density on the disc surface the following comparison can be drawn:

While there are only 625 tracks per millimeter on a CD, the number is increased to 1,350 tracks/mm on a DVD and finally reaches the amount of 3,125 tracks/mm on a Blu-ray Disc.

405 nm

With a blue laser (wave length of 405 nm) 50 GByte can be read from a disc.

Blu-ray Disc Business
SINGULUS Blu-ray Disc Market Share
50 GB
80%

Technology | Market | Business

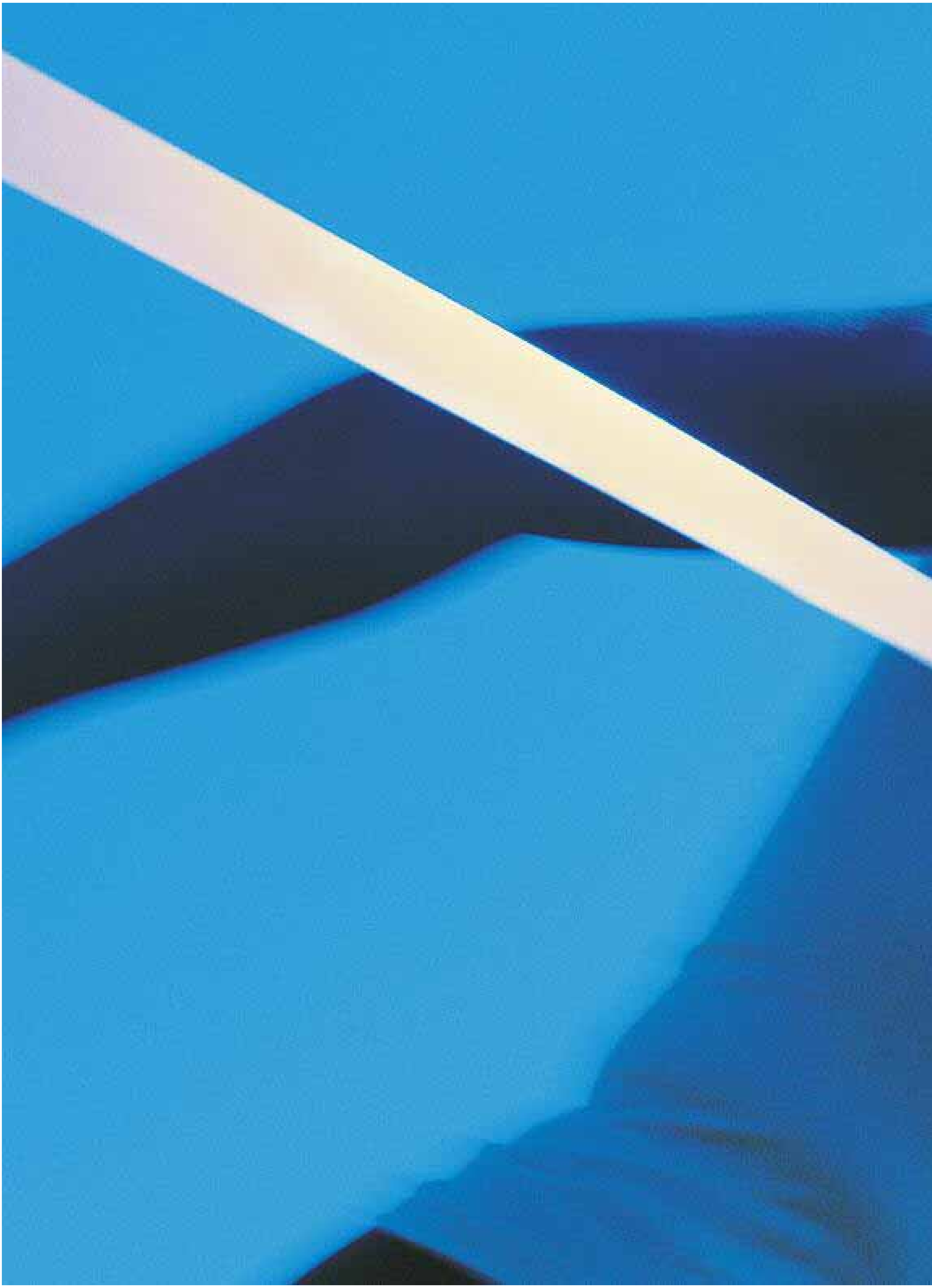
Blu-ray Disc activities: US take the lead once again

Similar to the introduction of the DVD, the market penetration of the Blu-ray Disc is faster in the United States than in the rest of the world. Accordingly, the Blu-ray Disc Association reported a volume of 24 million sold Blu-ray Discs with movies in the United States in 2008.

The GfK data for Europe showed 9 million sold Blu-ray Disc in 2008 in total. This means a tripling compared with the prior-year. In Germany, more than 1.6 million Blu-ray Discs were sold. In contrast, only half a million Blu-ray Discs and HD-DVD discs were sold in 2007.

80 %

SINGULUS TECHNOLOGIES reaches high market share.



Technology | Market | Business

BLULINE II – Benchmark for the Blu-ray Disc production

„Time to market" or to be in the market with the right product at the right time. Already during the introduction of the preceding format, the DVD, SINGULUS TECHNOLOGIES with its production line SPACELINE was the global market leader with a share of about 65 % within one year. With the development and the successful market introduction of the BLULINE II in February 2008 SINGULUS TECHNOLOGIES repeated this success. Except for SONY all disc producers manufactured Blu-ray Discs on machines by SINGULUS TECHNOLOGIES during the Christmas activities for 2008.

Our high market share offers safety in the Blu-ray market, which is expected to grow strongly, in the next couple years.

> 36 million Discs

Blu-ray activities gain momentum.

Blu-ray Technology

Technology with Growth Potential

Fascinating Blu-ray„... the time
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Solar Technology
Technology with Growth Potential

Unlimited solar energy

The energy demand of the world's population is steadily increasing. However, the availability of oil, gas and coal is limited. In addition, the use of fossil fuels weighs on the environment and is responsible for the global warming effect to a large extent. Therefore, the quest for alternative energy sources has been pursued for many years.

Next to wind and bio power as well as the energy generation from water power, the use of solar energy through the direct conversion of sun light into electric power also plays a very important and future-oriented role. In particular the photovoltaic industry will gain increasing importance for the global energy supply in the next years.

With the entry into this technology SINGULUS TECHNOLOGIES will contribute to the conservation of our environment, but also participate in the emerging, lucrative business opportunities.

Technology | Market | Business

The Sun – Our Power Plant

Already for more than 4 billion years the sun has supplied the earth with light and warmth.

Its energy is unlimited. The radiation energy of the sun light captured by the earth exceeds the energy demand of the entire world population by 15,000 times.

Even in Germany, 1,125 kilowatt hours of sun energy is recorded per square meter annually. This corresponds to the energy equivalent of more than 100 liters of oil.

760 nm

Wavelength of the visible spectrum of sun light – from 400 nm violet to 760 nm red.


Solar Market
1
00025
kWh
20-80A
240V 50Hz
1Ph 2W

Technology | Market | Business

The solar market will continue to expand in the long-term

Every important market researcher and analyst agrees to the following: The solar sector is an industry with strong and sustainable growth potential. According to the latest studies of the German Association of the Solar Industry (BSW-Solar) and the Swiss Bank Sarasin, the solar sector can face the future optimistically despite the global financial and economic crisis.

For example, the Photon Study 2008 forecasts a production of solar modules with a total output of 7.1 GWp worldwide in 2008. Until 2012 the total output is projected to increase to 52 GWp.

68 %

68 % CAGR = compound average growth rate of the solar market from 2007 until 2012*.

*Photon Solar Annual 2008


Solar
ENERGIE
sweet & tasty
Solar
ENERGIE
sweet & tasty

Solar modules soon available as mass products

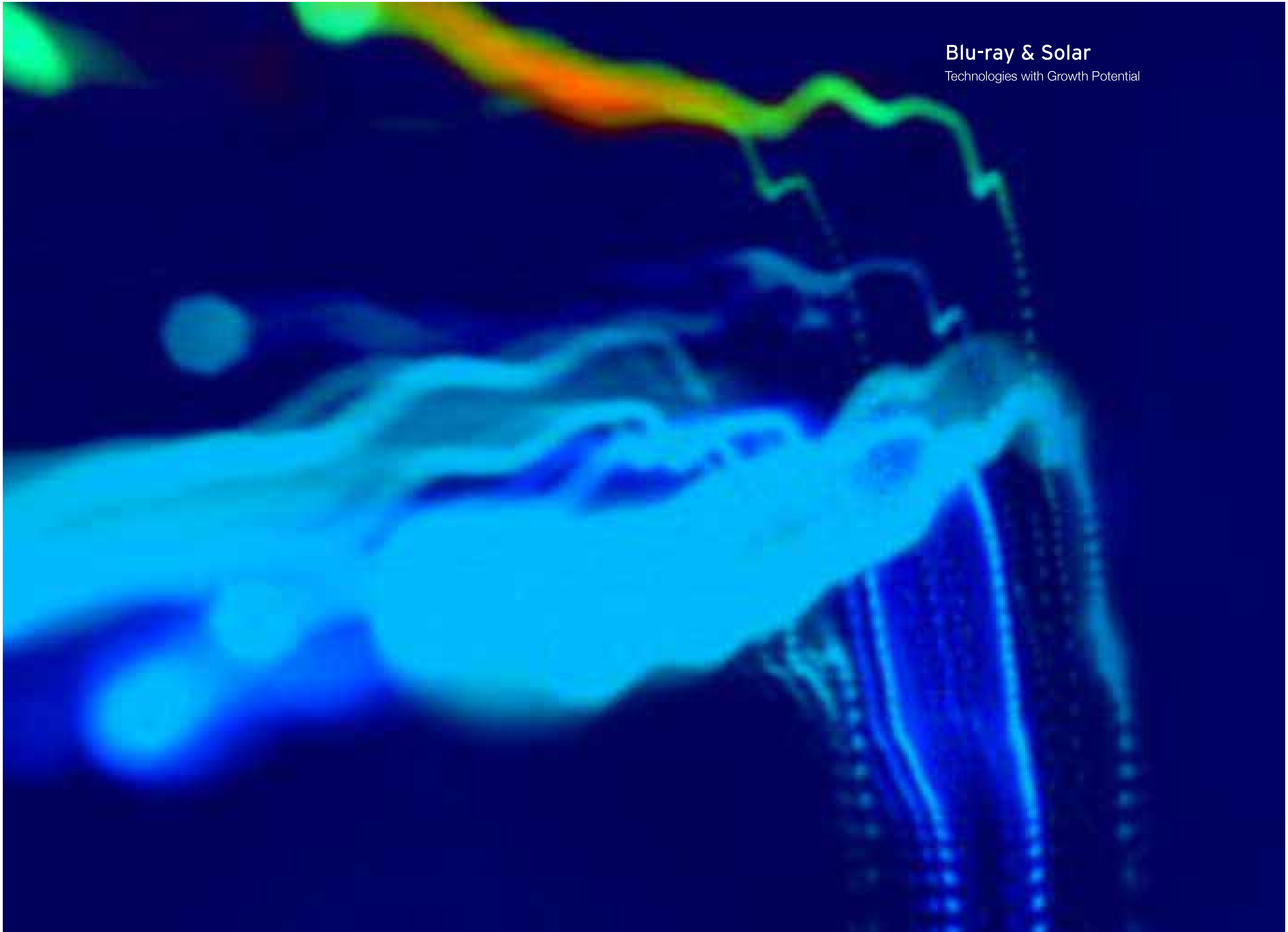
The globalization as well as the world-wide urbanization and industrialization are boosting the demand for energy. The limited availability of fossil fuels results in rising prices world-wide, which especially burdens third-world countries.
It is apparent that the use of up-to-date production technology and the efficient use of raw materials are important elements for cost reductions in the energy sector.

In addition to the other renewable energies, in particular the photovoltaic sector will be able to make worthy contributions to solving these problems. Due to new cell concepts with improved efficiency as well as significant cost reductions for so far scarce semi-finished materials and efficient production, the generation of solar power will become more and more economically viable. It is expected that by 2010, the cost for solar power will reach the level of conventionally generated power (grid parity) in countries with long and intensive sunshine. This will raise the demand for solar modules and in the end boost the build-up of production capacities for mass production.

$ 170 bn.

Global solar sales of about $ 170 bn. in 2010*.

*Photon Solar Annual 2008.



Blu-ray & Solar

Technologies with Growth Potential

January 2008.
_ Warner Bros. announces to exclusively use the Blu-ray format as the standard for optical disc of the third format generation
_ STANGL expands product range and decides to construct new building to expand the production capacity
_ SINGULUS TECHNOLOGIES acquires Blu-ray activities from OERLIKON

February 2008.
_ Toshiba withdraws HD DVD format from the market
_ Launch of the new Blu-ray production machine BLULINE II
_ SINGULUS TECHNOLOGIES receives first orders for BLULINE II

March 2008.
_ Q-CELLS and SINGULUS TECHNOLOGIES sign cooperation agreement
_ SINGULUS TECHNOLOGIES reports large order intake in the Solar segment at STANGL

May 2008.
_ Forecast for order intake of Blu-ray is increased to 30 machines
_ Successful participation at the MEDIA-TECH Expo in Frankfurt/Main, machines valued € 15 million sold

June 2008.
_ Additional favorable developments at Blu-ray
_ First acceptance of a Blu-ray dual layer line
_ SINGULUS TECHNOLOGIES receives large order for DVD lines.

July 2008.
- _SINGULUS TECHNOLOGIES decides to manufacture machines for recordable optical disc in China in the future
- _STANGL wins 2008 award of „BAYERNS BEST 50“
- _SINGULUS TECHNOLOGIES exceeds forecast for Blu-ray order intake
- _STANGL celebrates 20th anniversary and starts the construction of a new building – ground-breaking ceremony on July 25, 2008
- _The SINGULUS TECHNOLOGIES Group participates at the Semicon West in the US

August 2008.
- _Large order from the US for STANGL for 8 CIGS plants for thin-film solar cells on foil

September 2008.
- _STANGL and the Helmholtz Zentrum Berlin für Materialien und Energie (HZB) sign an agreement for the joint development of a new process for the production of thin-film solar cells
- _SINGULUS TECHNOLOGIES and STANGL present at a joint booth at the Photovoltaics Exhibition in Valencia
- _Revaluation and optimization of the portfolio
- _focus on Optical Disc and Solar

October 2008.
- _The SINGULUS TECHNOLOGIES Group participates at the Semicon Europe in Stuttgart
- _SINGULUS TECHNOLOGIES and STANGL present at the Solar Power Show in San Diego, US

November 2008.
- _SINGULUS TECHNOLOGIES reports exceeding the prior-year levels for order intake and order backlog for the first nine months of 2008

December 2008.
- _Commissioning of the SINGULAR inline coating machine has started

Letter to the Shareholders of the SINGULUS TECHNOLOGIES AG - Report of the Supervisory Board

Dear shareholder,

We received very favorable news for SINGULUS TECHNOLOGIES from the US at the beginning of January 2008: At the Consumer Electronic Show (CES) in Las Vegas finally the decision was made in favor of the Blu-ray in the long-lasting format dispute for the third generation of optical discs. As a result the competing HD DVD consortium at last gave up in February 2008 and withdrew from the market. The customers, namely the Hollywood studios, had made the decision in the end.

Therefore, there are new and great future opportunities for our company with Blu-ray – following the CD and DVD - in the business area of machines for optical discs. At the same time we were able to acquire the Blu-ray machine activities from the former competitor Oerlikon Balzers AG, Switzerland, which had been in the process of being set up and thus achieved an early consolidation in the market.

With the acquisition of the shareholdings of 51 % in the STANGL Semiconductor Equipment AG in Eichenau near Munich in July 2007 SINGULUS TECHNOLOGIES was successful in entering the market for photovoltaic equipment. All marketing & sales as well as development efforts for this new business area in the course of 2008 were aimed at supporting the further growth at STANGL as well as developing a new machine for the coating of silicon solar cells at the site in Kahl.

In the course of the business year 2008 the Executive Board critically analyzed the future opportunities and risks of former new developments with regards to the desired diversification – namely coating machines for MRAM/write-read heads and ophthalmic lenses. Therefore, it was decided in September 2008 to optimize the product portfolio and to exclusively focus on the segments of machines for optical disc and photovoltaics.

This repositioning of SINGULUS TECHNOLOGIES resulted in a balance sheet adjustment in the business year 2008, which did not affect the liquidity of the company. At the same time, these measures will mean cost relieves in the following years.

Changes in the Supervisory and Executive Boards

Mr. Hans-Jürgen Stangl, Chairman of the Executive Board of the STANGL Semiconductor Equipment AG, in addition to his former task was also appointed to the Executive Board of the SINGULUS TECHNOLOGIES AG with effect from January 1, 2008. Accordingly, Mr. Hans-Jürgen Stangl is responsible for the entire, new business area of solar equipment in the SINGULUS TECHNOLOGIES Group.

Mr. William Slee, member of the Supervisory Board of our company since its IPO in November 1997 and Deputy Chairman of the Supervisory Board, stepped down from his office due to age consideration with effect from the Annual General Meeting in June 2008. The Annual General Meeting appointed Mr. Diplom-Betriebswirt Günter Bachmann, Chairman of the Executive Board of the Coperion Capital GmbH and Coperion GmbH in Stuttgart, as a replacement and new member of the Supervisory Board. Mr. Thomas Geitner was appointed as the new Deputy Chairman of the Supervisory Board during the Supervisory Board meeting on September 17, 2008.

Mr. Thomas Geitner, member of the Supervisory Board of our company since its IPO in November 1997, expressed his wish to step down from his position after nearly twelve years with effect from the Annual General Meeting 2009 for professional reasons. Therefore, the Supervisory Board will recommend the Annual General Meeting to elect Dr.-Ing. Wolfhard Leichnitz to the Supervisory Board as a replacement for Mr. Geitner.

The Supervisory and Executive Boards would like to express their deep gratitude to Mr. Geitner for serving on the Supervisory Board of the SINGULUS TECHNOLOGIES AG for more than eleven years. With his professional know-how in matters concerning the general management of the company, technical interrelationships and technologic developments, but also with regards to corporate governance and compliance of a stock-listed company, he has always been a loyal and far-sighted advisor.

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 2008 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. 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.


Roland Lacher


Günter Bachmann


Thomas Geitner

Additionally, the Board was timely informed about planned measures to reduce costs, their implementation and contribution to the stabilization of the financial results. 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 other members of the Supervisory Board were informed about these meetings in detail afterwards.

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 proposed procedures. A special focus was set on the mutual efforts to establish the new business division for solar equipment apart from the core activities Optical Disc on the one hand and to optimize the product portfolio on the other hand.

Finally, the discussions of the Supervisory Board also included matters regarding the Executive Board. The compensation structure was reviewed and the former compensation system marginally adjusted. The achievements of the individual goals of the Executive Board members for 2007 were reviewed and the agreed bonus payments for reaching the targets were determined. The amount of the bonus payments for the year 2008 can be found in the Compensation Report (cf. page 40 to 45 of this Annual Report).

During the business year 2008 the Supervisory Board convened six times, thereof five meetings were ordinary and one meeting extraordinary (held as a conference call). In each quarter at least one meeting was convened. 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 22, 2008

There were extensive discussions regarding the pursued strategy to set-up the new business area of photovoltaic equipment. The resolutions concerned the further development plans at STANGL as well as at SINGULUS TECHNOLOGIES in Kahl.

The Risk Report and the Corporate Governance Declaration pursuant to Art. 161 AktG were resolved.

Meeting on March 18, 2008 (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 2007. Additional issues were the preparation of the proposal of the Supervisory Board regarding the agenda item „Appointment of Auditor“ as well as the further agenda items of the invitation to the ordinary Annual General Meeting 2008 of the SINGULUS TECHNOLOGIES AG.

Meeting on March 20, 2008 (extraordinary meeting)

The annual results 2007 pursuant to HGB were adopted and the resolution regarding the profit appropriation agreed. Resolution of the Supervisory Board report pursuant to Art. 172 Sent. 2 AktG. The consolidated financial results and the combined consolidated status report according to IFRS were adopted.

Meeting on June 6, 2008

The meeting served to prepare for the Annual General Meeting held on the same day.

The Supervisory Board consentingly acknowledged the plans to invest in a new building for STANGL in Fürstenfeldbruck.

Meeting on September 17, 2008

Main topic of the agenda was the review and revaluation of the various business areas and the future positioning of the SINGULUS TECHNOLOGIES AG. It was decided to focus the company on the business areas of equipment for optical discs and solar in the future. The resulting write-offs were reviewed with respect to plausibility and approved.

In addition, the resolution with regards to the placement of the audit contract to the Auditors Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Ernst & Young AG, Eschborn, for the business year 2008 was made.

Meeting on November 20, 2008

Discussion of the budgets for 2009 and medium-term budgeting. Presentation and discussion of a road map for the further expansion of the business area Solar in the years 2009-2012.

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 2008. The Supervisory Board is constantly reviewing its efficiency – in particular in view of the preparation of meetings, flow of information and reporting by the Executive Board, to enable an efficient oversight and timely decisions.

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. Therefore, the Supervisory Board continued to refrain from forming auditing committees or other Supervisory Board committees in the business year 2008 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.

The Executive and Supervisory Boards adopted a mutual declaration of conformity pursuant to Art. 161 German Stock Corporation Act in January 2009 (page 12 of this Annual Report). In this, the Executive and Supervisory Boards declared that the recommendation of the Germany Corporate Governance Code as amended as of June 14, 2007 and June 6, 2007 will be adhered to in the business year 2008 except for the Code's recommendations in

_Art. 3.8 Para. 2 (no deductibles for D&O insurance),
_Art. 5.1.2 Para. 2 (no determination of maximum age of Executive Board members according to the by-laws),
_Art. 5.3.1, 5.3.2 and 5.3.3 (no formation of committees),
_Art. 5.4.1 (no determination of maximum age of Supervisory Board members according to the by-laws),
_Art. 4.2.5 Para 2 (no individual information about annual contributions to the provisions for pensions or pension funds for pension obligations for Executive Board members),
_Art. 4.2.5 Para. 3 (no information regarding the fringe benefits for the Executive Board members by the company).

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 of the Code the Executive and Supervisory Boards published a Corporate Governance Report which can be found on pages 10 to 12 of this Annual Report for 2008. The report also explains the deviations from the 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 and amendment 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. For the Compensation Report please refer to pages 41 to 45 of this Annual Report 2008.

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 and has therefore implemented a respective controlling 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 44 of this Annual Report 2008).

Annual and consolidated financial statements as well as Status Report

The financial statements of the SINGULUS TECHNOLOGIES AG as well as the consolidated financial statements and the combined status report of the SINGULUS TECHNOLOGIES AG drawn up by the Executive Board as of December 31, 2008 were audited by the Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Ernst & Young AG, Eschborn.

Pursuant to the requirements of the German Corporate Governance Code, the Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Ernst & Young AG declared in writing to the Chairman of the Supervisory Board on March 17, 2008, that there are no circumstances possibly affecting the independence as auditors. During the meeting of the Supervisory Board on March 18, 2008 the suitability of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as auditors for the business year 2008 was discussed by the Supervisory Board in detail and agreed; during the ordinary Annual General Meeting of the SINGULUS TECHNOLOGIES AG on June 6, 2008, the company recommended by the Supervisory Board was appointed as auditors for the business year 2008.

The financial statements and the status report of the SINGULUS TECHNOLOGIES AG for the business year 2008 were drawn up pursuant to the regulations of the German Commercial Code (HGB) and the Stock Corporation Act (AktG). The consolidated financial statements were drawn up pursuant to the International Financial Reporting Standards (IFRS). The consolidated financial statements were supplemented by a consolidated status report, which was combined with the status report of the individual financial results pursuant to Art. 315 Para. 3 read in conjunction with Art. 298 Para. 3 Sent. 1 HGB.

The Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft 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, 2008 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 13, 2009. In the course of this Supervisory Board meeting regarding the financial statements 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 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, 2008. In its meeting on March 13, 2009, the Supervisory Board established the financial statements of the SINGULUS TECHNOLOGIES AG drawn up by the Executive Board and approved the consolidated financial statements.

In recognition of the accomplishments achieved during the business year 2008, 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. The members of the Supervisory Board with mutual agreement with the Executive Board confidently look forward to the future business development of the company despite the great challenges posed by the present financial and economic crisis.

Kahl am Main, March 2009

Roland Lacher
Chairman of the Supervisory Board

Report of the Executive Board

Dear shareholders of the SINGULUS TECHNOLOGIES AG

An important decision for the future development of our company already occurred at the beginning of the business year 2008. Following the decision of the Hollywood studio Warner Brothers in January 2008 against the HD DVD Format and in favor of the Blu-ray format as the next generation of optical discs, the final breakthrough for the Blu-ray format happened soon thereafter. In last year's February, Toshiba withdrew its HD DVD format from the market and consequently opened the way for the Blu-ray technology as the format of the 3rd optical disc generation.

As early as 2004 SINGULUS TECHNOLOGIES commenced the technologic development of a production machine for Blu-ray Discs. The first Blu-ray machines, which produce discs with a memory capacity of 25 gigabyte, were already delivered at the end of 2005.

Two more years were necessary until we were finally able to present to the public in February 2008 a machine suitable for the production of 50 gigabyte Blu-ray Discs.In this early stage of the emerging success of the Blu-ray technology as the standard format of the 3rd optical disc generation we were successful in acquiring the business operations responsible for the Blu-ray technology from the Oerlikon Balzers AG in Switzerland.

Accordingly, today SINGULUS TECHNOLOGIES has an outstanding market position for Blu-ray Disc producing machines next to SONY. With a consistent further development of our Blu-ray replication machines as well as our Blu-ray mastering machines we intend to maintain our leading market position in the future as well.

Looking forward, we have to realize that the future optical disc activities of the SINGULUS TECHNOLOGIES AG will focus on Blu-ray production equipment. The reason is the increasing substitution of the CD with internet downloads of music, the replacement of the CD by MP3 players as well as the expected substitution of the DVD by the Blu-ray Disc in the next couple of years. Furthermore, the globally installed production capacity for CD and DVD has grown so much, that the demand for new capacities will be limited to specific regions in the world.

Against this background, in retrospect the entry into the solar equipment sector in fall 2007 has to be viewed as the right decision to diversify and reposition our company.

With the acquisition of 51 % of the shares of the STANGL Semiconductor Equipment AG we gained access to a market, which will grow with above-average rates for many years according to the general assessment of experts.

In addition to the expansion of the production range at STANGL with several wet-chemical processes for silicon and thin-film solar cells already established in the market, SINGULUS TECHNOLOGIES has the required expertise for vacuum coating technologies and in the automation to develop complex machines for new cell concepts and to produce these cost-efficiently.

In the business year 2008 a machine for the coating of silicon solar cells was developed at SINGULUS TECHNOLOGIES. This machine with the product name SINGULAR will be introduced to the market in the course of the business year 2009.

It is intended to cover additional process steps in the manufacturing of solar cells in the coming years with the newly-developed machines and thus to broaden the value-added chain of our company in the solar segment.

Active consolidation

In addition to the successful product launch of the BLULINE II and the soon to be completed product development of the new SINGULAR machine we emphasized the optimization of our structures and cost base in 2008.

With the closure of the injection molding location in Schaffhausen, Switzerland, and the relocation of these activities to Kahl/Main, we were able to realize further cost reductions, which will only become entirely effective in the business year 2009.

Focus on the core activities Optical Disc and Solar

SINGULUS TECHNOLOGIES decided in September 2008 to focus on the business areas Optical Disc and Solar in the coming years.

Early diversification efforts of the company in the past couple of years were only marginally successful. We had attempted to establish ourselves in the area of the semiconductor and hard-disc drive industry as a supplier of special coating equipment.

However, we unfortunately had to realize that no market developed for our technically mature vacuum coating machine for M-RAM which was deployed in several laboratories. Also the alternative deployment of this machine in the area of the

Stefan A. Baustert

Dr.-Ing. Anton Pawlakowitsch

Hans-Jürgen Stangl

hard-disc drive industry was commercially not successful, since only few machines were sold in this market in the past couple of years.

Our attempt to open new business areas with an ophthalmiclens coating machine as well as a machine for decorative coating was also unsuccessful.

Therefore, in September 2008 the Executive Board decided together with the Supervisory Board to abandon these activities and to reposition the company on the business segments Optical Disc and Solar in the future.

In the business year 2008 extraordinary write-offs and other restructuring charges totaling € 48.2 million were recognized, which on the one hand concerned the terminated non-core activities and on the other hand the other assets of the SINGULUS TECHNOLOGIES AG and its subsidiaries. These one-off write-offs resulted in losses to the same extent, but they did not affect the liquidity much since they were almost exclusively book-value adjustments.

Free from unprofitable non-core activities we strive to return our business back to success in the coming years.

2009 – a challenge for every company

The financial and economic crisis will have an impact on the economic developments of many companies. To what extent SINGULUS TECHNOLOGIES will be affected is not foreseeable at this point in time. However, we are convinced that out two core work areas Optical Disc and Solar will develop favorably in the medium- and long-term. The sales figures of movies and games published on Blu-ray Disc for the Christmas business 2008 confirmed our positive expectations. This disc format offers great development potential in the next couple of years.

The global penetration of solar technology has progressed rapidly for years. Governmental support programs back this trend. It is expected that in the context of the currently planned and also already resolved public economic programs to revitalize the global economy, a part of the money will be directed to the area of renewable energies and therefore also into solar energy. We continue to expand the work area Solar in the coming years.

We expect the decided portfolio optimization in connection with the clear focus on the two areas Optical Disc and Solar to significantly improve sales and earnings in the next couple of years.

We wish to thank all our employees for actively supporting us in the often difficult and challenging work and in implementing our goals in the past business year.

We would also like to express our gratitude to the shareholders of the SINGULUS TECHNOLOGIES AG for their support and loyalty.

Kahl/Main, March 13, 2009
Yours sincerely,

Stefan A. Baustert
Chief Executive Officer

Dr.-Ing. Anton Pawlakowitsch
Executive Board member

Hans-Jürgen Stangl
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: Responsible and sustainable corporate governance was also very important to the SINGULUS TECHNOLOGIES AG in 2008. 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.

Close cooperation of Executive and Supervisory Boards

As a German corporation (Aktiengesellschaft) the SINGULUS TECHNOLOGIES AG has a dual management and control structure according to German corporate law. Executive and Supervisory Boards work closely together for the benefit of the company. The Executive Board reports regularly, timely and in detail to the Supervisory Board about the relevant issues of corporate planning, the strategic development, the course of business activities and the overall situation of the Group. The Chairman of the Supervisory Board is in constant contact with the Executive Board. He usually visits the company several times a month to inform himself about the business activities and to advise the Executive Board on decisions. According to the by-laws significant business decisions are subject to the approval by the Supervisory Board. In total, the Supervisory Board convened for six meetings in the business year 2008.

Members and work of the Executive Board

The Executive Board of the SINGULUS TECHNOLOGIES AG is comprised of three members. It is the management body of the company. In managing the company the Executive Board is solely obligated to the interests of the company and follows the goal of a sustainable increase in the enterprise value. The strengthening of the earnings power should be achieved through the further development of the segment Optical Disc with main focus on Blu-ray and the expansion of the business division Solar.

Mr. Stefan A. Baustert is the Chief Executive Officer and responsible for the departments Finance, Sales & Marketing, Strategy, Public Relations and Personnel. As the second member of the Executive Board, Dr.-Ing. Anton Pawlakowitsch heads the divisions Technology and Research & Development of the SINGULUS TECHNOLOGIES AG since January 1, 2007. Mr. Hans-Jürgen Stangl has been member of the Executive Board since January 1, 2008 and is responsible for the new business segment Solar.

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 Boards ends with the conclusion of the Annual General Meeting, which resolves the discharge for the business year 2010. Since mid-2006 Mr. Roland Lacher, who prior to his appointment to the Supervisory Board had been Chief Executive Officer, has been Chairman of the Supervisory Board. 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. Additional members of the Supervisory Board are Mr. Thomas Geitner and Mr. Günter Bachmann. Mr. Geitner has been member of the Supervisory Board since 1997. During the Annual General Meeting on June 6, 2008 Mr. Bachmann was appointed to the Supervisory Board as successor of Mr. Slee, who stepped down from the Supervisory Board with conclusion of the mentioned Annual General Meeting due to age considerations.

The Supervisory Board 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. Material decisions of the Executive Board such as major acquisitions and financial measures are subject to the approval by the Supervisory Board. The Supervisory Board also refrained from forming audit committees or other Supervisory Board committees in 2008 since committees do not make sense with a Supervisory Board with three members.

For additional information about the work of the Supervisory Board in the business year 2008 please refer to the Report of the Supervisory Board on page 4.

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 potentially stock price-relevant 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 members of the Supervisory Board hold the following occupations and are members of the following Supervisory Boards and boards of comparable monitoring entities:

	Roland Lacher	Thomas Geitner	Günter Bachmann
Occupation held	Supervisory Board	Executive Board member of the Henkel AG & Co. KGaA	Chairman of the Managing Board of the Coperion Capital GmbH and Coperion GmbH
Members of other Supervisory Boards and boards of other monitoring entities	WashTec AG member of the Supervisory Board OPTIXX AG member of the Advisory Board (Deputy Chairman)	BBC (British Broadcasting Cooperation) Worldwide Ltd. Board Pages Jaunes Group SA	

The SINGULUS TECHNOLOGIES AG makes sure that the shareholders of the company are able to gain timely and extensive access to information about the situation of the company through the information provided on its internet website. Amongst others, the company 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 one analyst conferences and several conference calls as well as many one-on-one discussions with investors.

Besides the ad hoc announcements and the Directors' Dealing pursuant to § 15a WpHG as well as the voting right announcements pursuant to Art. 21 et seqq., the declaration of conformity to the German Corporate Governance Code, 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 consolidated annual accounts and the annual financial statements within 90 days after the end of the business year. Half-year and quarterly financial reports are not subject to an audit. Important aspects are discussed between Executive and Supervisory Board prior to publication.

The annual report for the business year 2008 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 can be found in the Compensation Report as part of the Status Report on page 44 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 current stock option plans and similar incentive systems. In addition, the remuneration of the members of the Supervisory Board is stated individually.

Directors' Dealings / Shareholdings

The information about securities transactions of the members of the Executive Board and the Supervisory Board of the SINGULUS TECHNOLOGIES AG und related persons pursuant to § 15a German Securities Trading Act (WpHG) as well as shareholdings are listed in the Compensation Report as part of the Status Report on page 44 and also on the website under Investor Relations / Singulus Stock / Directors' Dealings.

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 2008. During the current business year 2009 the SINGULUS TECHNOLOGIES AG will adhere to the recommendations of the German Corporate Governance Code as per June 6, 2008. The recommendations of the German Corporate Governance Code as per June 14, 2007 and June 6, 2008 were adhered to during the past business year 2008. This excludes the following recommendations for the business years 2008 and 2009 listed under items 1-5.

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 members of the Executive Board 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 Board is only comprised of three members, there have not been and there will be no committees (c. Sec. 5.3.1, 5.3.2 and 5.3.3 of the Code).

4. Instead of the determination of the maximum age of members 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 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).t the kind of the s for e annual contribution to ptor The Compensation Report as part of the Group's Status Report already includes information about the compensation of the individual Executive Board members pursuant to the requirements of the Executive Board Compensation Disclosure Act (Vorstandsvergütungs-Offenlegungsgesetz).

Kahl/Main, January 2009 | SINGULUS TECHNOLOGIES AG

Roland Lacher	**Stefan A. Baustert**
Günter Bachmann	**Dr.-Ing. Anton Pawlakowitsch**
Thomas Geitner	**Hans-Jürgen Stangl**

The SINGULUS TECHNOLOGIES Stock

Mixed developments in the course of the business year 2008

_ Strong share price increase during the first half of the year
_ High share turnover in the 1st quarter 2008
_ Significant share price losses in the 4th quarter
_ Year high at € 10.97, year low at € 2.53

The shares of the SINGULUS TECHNOLOGIES AG started the year 2008 at € 7.41. During the first quarter the stock experienced a substantial increase in the share price supported by Hollywood's decision to back Blu-ray as the only format of the 3rd generation of optical discs. With this share price rally the SINGULUS TECHNOLOGIES stock considerably outperformed the general market trend in the first two quarters of 2008. The high in 2008 was reached on February 19, 2008 at € 10.97. The third quarter was characterized by a higher level of volatility in the DAX and TecDAX.

Mainly due to the termination of non-core activities high one-time write-offs resulted in the 3rd quarter 2008. The stock market responded with a sharp decline in the share price in the following four trading weeks. The spreading financial crisis in the fourth quarter weighed on the entire market and put additional pressure on the share price of the SINGULUS TECHNOLOGIES stock.

The stock ended the business year with a share price of € 3.50.

The TecDAX, of which the SINGULUS TECHNOLOGIES stock is a member, lost approximately 48% during the past calendar year. During the same period the share price of the SINGULUS TECHNOLOGIES stock shed around 52 %. Accordingly, the share price of the company has basically performed in-line with the market during the course of 2008.

In the course of the first weeks of the year 2009 the underperformance against the TecDAX continued to increase. During the time of completion of this Annual Report in mid-March the SINGULUS stock traded around € 2.00.

The bank crisis, which had been smoldering since mid-2007, turned into a massive economic crisis in the course of the year 2008, which affects all countries. The slow-down of the global growth towards a recession had a significantly negative impact on the stock markets.

In the chart on page 15 the share price performance of SINGULUS TECHNOLOGIES compared with the two market indices DAX and TecDAX is shown.

Investor Relations: Active communication with the capital market

In a multi-year comparison the share price of SINGULUS TECHNOLOGIES has underperformed the TecDAX. This reflects the decline in the CD and DVD activities for several years, which did not offer a perspective of a successor format until the beginning of 2008. With the introduction of the Blu-ray format the situation in the segment Optical Disc has fundamentally changed.

Extensive information regarding the annual financial results and the quarterly results were disseminated through all prevalent information channels. In addition, we provide extensive information on our homepage under the topic "Investor Relations". Amongst others, this includes Annual Reports, current quarterly financial reports, company presentations and information regarding the Annual General Meetings. For the first time SINGULUS TECHNOLOGIES will also publish the Annual Report 2008 as an online version.

Under www.mobil.singulus.de SINGULUS TECHNOLOGIES provides current information about the stock and the company through devices such as mobile handset, Blackberrys and PDAs.

The new RSS offer (news ticker) by SINGULUS TECHNOLOGIES is a service to automatically receive newly-released information about the company. Once subscribed to the service important announcements are received directly and without delay. The RSS service can be subscribed under http://www.singulus.de/investor-relations/rss.html.

Analysts safeguard diversity of opinion

More than 20 analysts from Germany and England regularly write reports about the SINGULUS TECHNOLOGIES AG. This safeguards a broad diversity of opinion to inform our shareholders and potential investors.

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 _HSBC Trinkaus & Burkhardt KG _Hypo Vereinsbank	_Kepler Capital Markets _Landesbank Baden-Württemberg _Mainfirst Bank AG _Merrill Lynch _Mirabaud Securities _Morgan Stanley	_SG Securities _SEB Research _SES Research _UniCredit _West LB Equity Markets

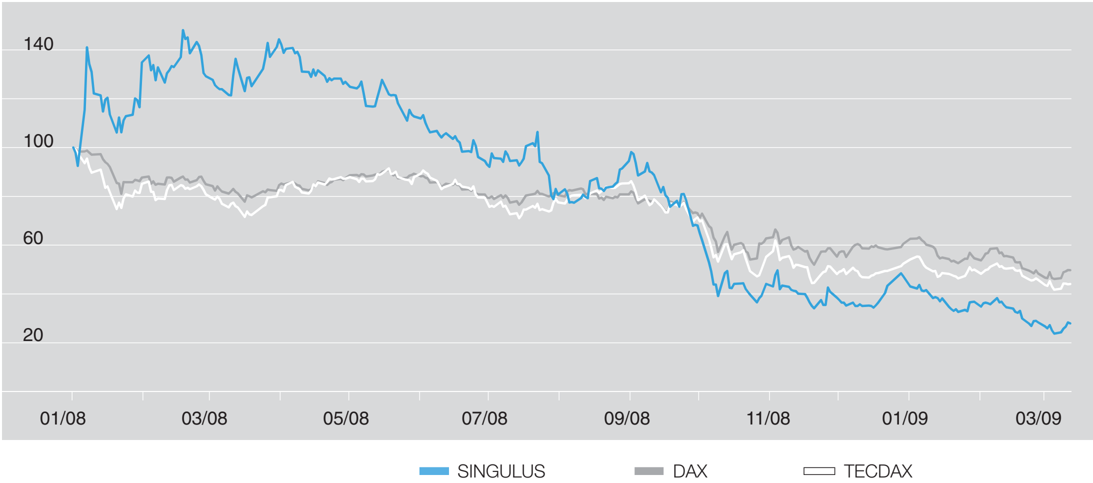
Stock profile

The company SINGULUS TECHNOLOGIES is listed in the Prime Standard of the German stock exchange. Here SINGULUS TECHNOLOGIES meets strict requirements regarding transparency of financial communication. Since its IPO the shares of SINGULUS TECHNOLOGIES have been listed in the TecDAX, the index for Germany's key technology companies. The number of shares outstanding amounted to 36,946,407 shares as of December 31, 2008. The average trading volume (based on Xetra data) amounted to around 269,000 shares per day in 2008. During the first quarter more than 30 million shares of SINGULUS were traded, while the trading volume in the following three quarters dropped to a level of 12 to 13 million shares per quarter.

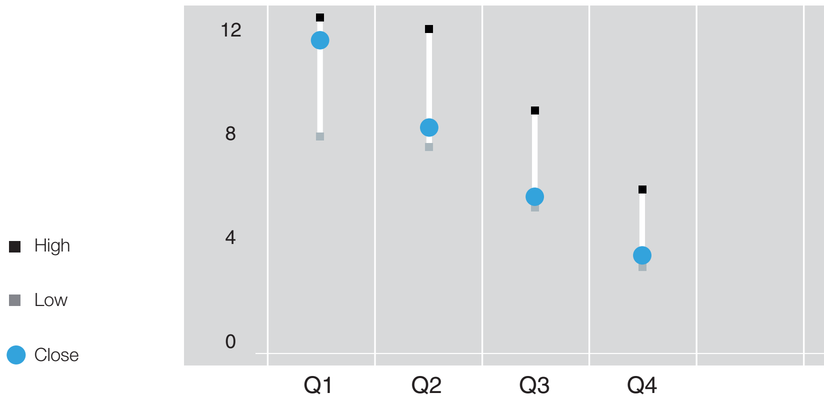
Stock Key Figures

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

Indexed performance SINGULUS/DAX/TecDAX 2008

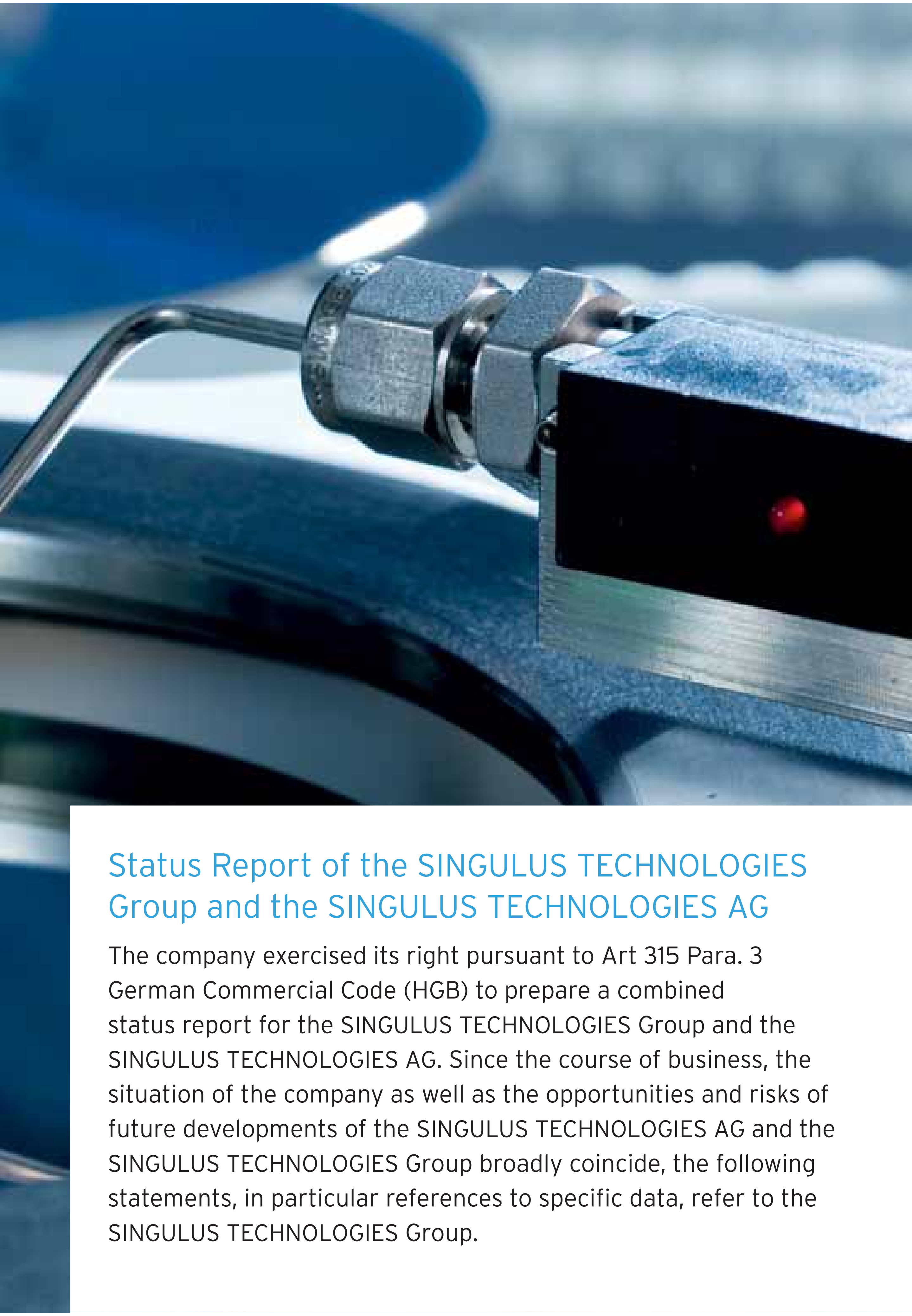


Low, high and closing prices in the course of the quarters in 2008



Stock Key Figures

	2003	2004	2005	2006	2007	2008
Outstanding shares as of December 31:	37,064,316	35,391,987	34,941,929	34,941,929	36,946,407	**36,46,407**
Nominal capital in €:	37,064,316	35,391,987	34,941,929	34,941,929	36,946,407	**36,946,407**
Market capitalization as of December 31 in mn. €:	619	457	507	424	258	**129**
Lowest share price for the year in €:	8.93	10.58	8.96	9.31	6.85	**2.53**
Highest share price for the year in €:	21.40	18.72	15.02	18.06	12.79	**10.97**
Year-end share price in €:	16.70	12.90	14.50	12.13	6.97	**3.50**
Ø daily turnover (Xetra):	194,139	162,369	173,611	213,255	141,248	**268,987**
Earnings per share in €:	1.20	1.27	0.21	0.35	0.05	**-1.32**



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 (HGB) to prepare a combined status report for the SINGULUS TECHNOLOGIES Group and the SINGULUS TECHNOLOGIES AG. Since the course of business, the situation of the company as well as the opportunities and risks of future developments of the SINGULUS TECHNOLOGIES AG and the SINGULUS TECHNOLOGIES Group broadly coincide, the following statements, in particular references to specific data, refer to the SINGULUS TECHNOLOGIES Group.

Overall Business Situation
Group structure and business activities

Segments

As announced on September 17, 2008 the SINGULUS TECHNOLOGIES will focus on the two core work areas Optical Disc and Solar in the future.

In the segment Optical Disc the global market leadership for Blu-ray Disc production equipment as well as the rapid market introduction of an inline mastering system for Blu-ray will be in the spotlight. The assembly for replication lines are centralized in Kahl/Main. In the Solar segment the SINGULUS TECHNOLOGIES Group manufactures machines for wet-chemical cleaning, etching and coating steps for silicon and thin-film solar cells at the locations of the STANGL Semiconductor Equipment AG (STANGL) in the Munich area.

At SINGULUS TECHNOLOGIES in Kahl am Main a coating machine for silicon solar cells named SINGULAR was developed. The new plant is based on the know-how gained in the core area Optical Disc. The SINGULAR machine is an important component in the production process of solar cells. In terms of the value-added chain it ties directly to the machines offered by STANGL.

Worldwide present

SINGULUS TECHNOLOGIES has a global sales & marketing and service network in all the important regions. The company offers its customers worldwide service available 24/7.

Production sites:

- SINGULUS TECHNOLOGIES AG, Kahl am Main, Germany
- SINGULUS Nano Deposition Technologies GmbH, Kahl am Main, Germany
- SINGULUS MASTERING B.V., Eindhoven, Netherlands
- SINGULUS MANUFACTURING GUANGZHOU Ltd. (SMG), Guangzhou, China
- HamaTech APE GmbH & Co. KG, Sternenfels, Germany
- STANGL Semiconductor Equipment AG, Eichenau, Germany

Distribution subsidiaries:

- 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., Illzach, 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 SINGULUS VIKA CHINA LIMITED, SINGULUS MANUFACTURING GUANGZHOU, the HamaTech AG and the STANGL Semiconductor Equipment AG, SINGULUS TECHNOLOGIES directly or indirectly holds 100 % of the shares of the companies listed above.

HamaTech AG

Overall, as per the end of the year under review the SINGULUS TECHNOLOGIES AG held about 93.8 % of the shares of its former competitor, the HamaTech AG.

In December 2007 the extraordinary general meeting of the HamaTech AG with the only agenda item "Merger of the HamaTech AG to the SINGULUS TECHNOLOGIES AG" already approved the proposal of the Boards with more 90 % of the votes. On February 24, 2009 the merger of the HamaTech AG, Kahl am Main, as the company to be merged, to the SINGULUS TECHNOLOGIES AG, Kahl am Main, as the acquiring company, became effective with the entry of the merger into the Commercial Register at the residence of the SINGULUS TECHNOLOGIES AG. Therefore, the assets of the HamaTech AG including its liabilities have been transferred to the SINGULUS TECHNOLOGIES AG. The HamaTech AG, Kahl am Main, has ceased with the merger. The HamaTech APE GmbH & Co. KG, Sternenfels, continues the activities for equipment for the cleaning of photo masks independently.

As of December 31, 2008 the HamaTech AG still employed 15 people overall, at the HamaTech APE GmbH & Co. KG as well as the HamaTech APE USA Inc. 98 people were employed in total.

HamaTech APE, Sternenfels

The HamaTech APE was not able to withdraw from the strongly cyclical trend of the semiconductor equipment activities in the business year 2008, either. Sales and earnings of the HamaTech APE remained significantly below the results of the prior-year.

HamaTech APE focuses its development efforts on future-oriented topics such as the lithography technology of the next generation on the basis of extremely short-wave ultra-violet light. The core competence, processes for the cleaning of photo masks, can also be transferred to other structuring technologies. Accordingly, HamaTech APE works with renowned producers of magnetic data storage media to be able to mass produce nanoimprinting, a new process to attain even higher storage densities.

SINGULUS MANUFACTURING GUANGZHOU (SMG), China

In the joint venture SINGULUS MANUFACTURING GUANGZHOU (SMG) in Guangzhou, South China, DVD replication lines for the Chinese market are assembled. Since SINGULUS TECHNOLOGIES is in fierce competition with Chinese suppliers for DVD-R production lines, it was decided in mid-2008 to develop a new, simplified DVD-R production machine at SMG and to produce it there as well. The new machine has been marketed since fall 2008 globally under the name of STREAMLINE III.

SINGULUS TECHNOLOGIES owns 51 % of the shares in this company. As of December 31, 2008, SMG employed 41 people overall in Guangzhou.

SINGULUS MOLDING AG, Schaffhausen, Schweiz

The critical analysis of our work processes and cost situation induced us to relocate the operating activities and therefore the entire development and production of the MoldPro injection molding machines from Schaffhausen to Kahl am Main. In total, 55 employees were affected by the relocation and shut-down.

SINGULUS MASTERING BV, Eindhoven, Niederlande

In October 2008, the final acceptance was received for the first single layer mastering system CRYSTALLINE (25 gigabyte), which is able to produce both DVD and Blu-ray masters. Furthermore, the completion of the new PTM (phase transition mastering) system CRYSTALLINE for 50 gigabyte Blu-ray Discs was intensively worked on. With this system SINGULUS MASTERING will have good market opportunities in the growing Blu-ray Disc market.

As of December 31, 2008 SINGULUS MASTERING employed 65 people overall.

SINGULUS Nano Deposition Technologies GmbH

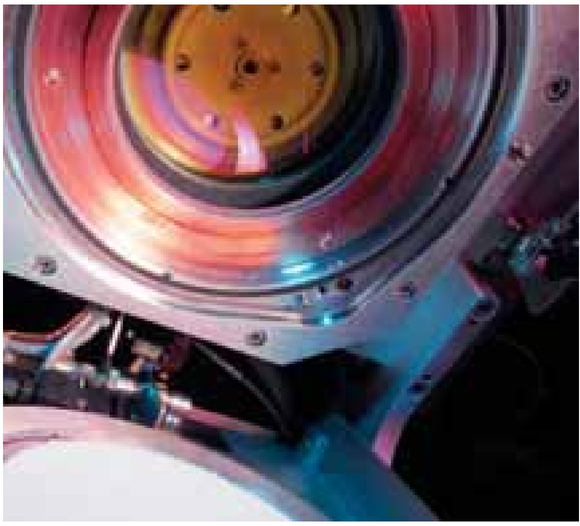
The focusing of our resources on the two core work areas Optical Disc and Solar induced us to critically review the activities of this segment as well. It is intended to merge this company to the SINGULUS TECHNOLOGIES AG with effect from March 1, 2009. The employees will be integrated into the existing matrix organization and will then mainly work on new tasks for solar projects.

STANGL Semiconductor Equipment AG

The SINGULUS TECHNOLOGIES AG, Kahl am Main, has been consolidating the STANGL Semiconductor Equipment AG since September 1, 2007. For the full-year 2008 STANGL reported gross sales pursuant to IFRS in the amount of € 37.9 million. With its machines in the segments of wet-chemical processes STANGL covers important value-added steps in the production of solar cells – both for silicon and thin-film solar cells. It was decided in the beginning of 2008 to expand the production capacities at STANGL and to build a new plant with sufficient space for this purpose. At the new headquarters in Fürstenfeldbrück all the previous location will be combined. In the first expansion stage the production area will be doubled to about 9300 sqm. Compared with the current space available. Together with the 20th anniversary of the company the ground-breaking was celebrated on July 25, 2008.

STANGL had 172 permanent employees and 71 temporary employees as of December 31, 2008.

Coating Chamber of a mastering system for the production of Blu-ray masters



New inline cleaning system LINEA for cleaning of silicon solar cells

Strategy

Active consolidation – expansion of the Solar segment

SINGULUS TECHNOLOGIES reduced the cost base significantly and adjusted capacities to the declining activities during the difficult business years 2005 to 2008. In addition, the decision was made on September 17, 2008 to reposition the activities of SINGULUS TECHNOLOGIES exclusively on the segments Optical Disc and Solar. In this connection, a portfolio optimization was also resolved.

The new positioning of the company results in write-offs in the amount of € 48.2 million in total, which are not much liquidity related. With this step the balance sheet is adjusted and the base for a healthy development in the next years is formed.

SINGULUS TECHNOLOGIES and STANGL will systematically expand the Solar activities. Both companies complement each other ideally in being able to offer a broad product range of machines and equipment for the photovoltaics industry in the coming years. While STANGL focuses on wet-chemical processes and will present new developments in 2009 just as in 2008, the core competence of SINGULUS TECHNOLOGIES is the physical coating technology as well as the integration of several processing steps to complete, automated production lines.

At the Photovoltaics Fair in Valencia, Spain, in September 2008 SINGULUS TECHNOLOGIES presented a trend-setting concept of a coating machine for silicon solar cells with the product name SINGULAR. The machine integration know how, which SINGULUS TECHNOLOGIES has proven in the automation of CD, DVD and Blu-ray Disc production machines, was an optimum starting point for the development of the SINGULAR plant. The SINGULAR machine, which is produced at SINGULUS TECHNOLOGIES in Kahl am Main, is an important building block in the production process of solar cells. In terms of the value-added chain it ties directly to the processing steps of the machines offered by STANGL.

With respect to the business division Optical Disc the company focuses on maintaining the high market share for Blu-ray machines in the coming years as well and to further enhance this technology.

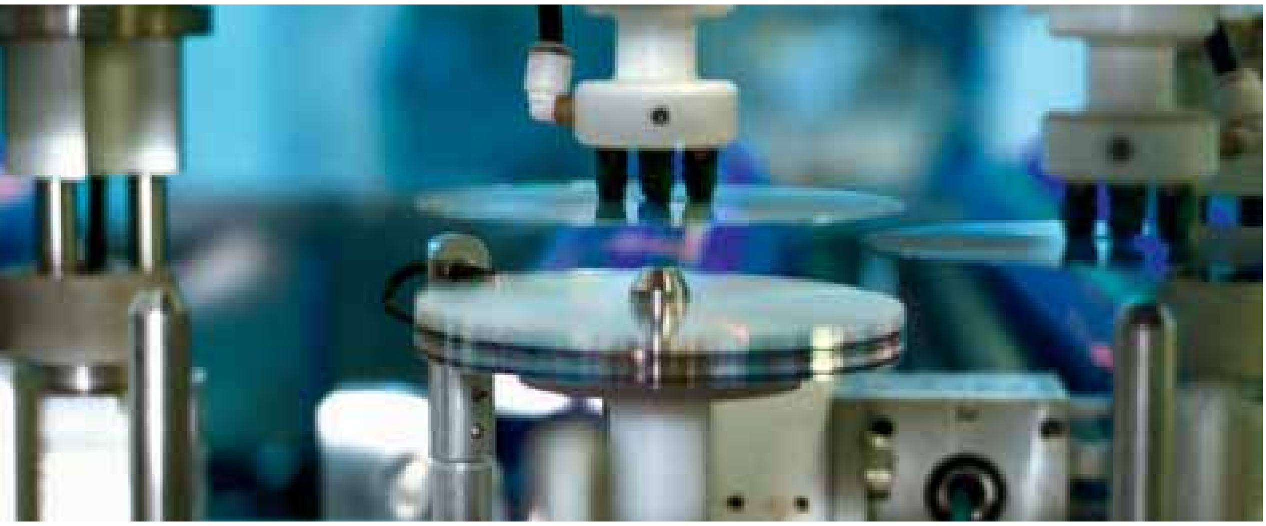
Research and development

In 2008 SINGULUS TECHNOLOGIES intensively worked on the further development of its new Blu-ray production line BLULINE II and to optimize it to a stable production system. With the BLULINE II SINGULUS TECHNOLOGIES today offers the only available production machine for Blu-ray Disc on the market, which has proven itself at several disc manufacturers in the production process for the Christmas business in 2008 and has shown its reliability.

The optimization of the mastering system CRYSTALLINE is intensively progressed. SINGULUS MASTERING works closely together with several Blu-ray Disc manufacturers.

STANGL has improved its proven standard machine SILEX for wet-chemical processes and developed five new machines for various applications. GERULUS, a cleaning machine for silicon ingots was already delivered in summer 2008. An additional cleaning machine named MATERIA for silicon raw materials is scheduled for presentation and marketing in 2009. With IMPEDIO a machine for the one-sided coating of thin-film cells on foils with cadmium sulfide was developed. As an additional product for the thin-film technology the VITRIUM, a new inline cleaning, etching and coating machine for large area glass substrates was delivered in 2008 for the first time. And finally, STANGL presented the LINEA, a new inline cleaning machine with an innovative transport system for silicon cells was presented at the solar fair PHOTON/EXPO in Munich at the beginning of March 2009.

STANGL and the Helmholtz Zentrum Berlin für Materialien und Energie (HZB) presented a new process for the production of thin-film solar cells at the Photovoltaics Fair in Valencia, Spain in September 2008. The process was developed and patented by the HZB. The new spray ion layer gas reaction process (ILGAR) will be used for the application of indium sulfide buffer layers, which are capable of replacing poisonous cadmium sulfide in specific thin-film solar cells. The spray technology is reproducible, fast and cost-efficient. STANGL will exclusively market the new ILGAR process for thin-film solar cells on glass and foil.



Disc handing in a production machine for recordable DVDs

BLULINE Production system
for 50 GB Blu-ray discs

Employees

The growth and the technological developments in the business segment Solar as well as the declining sales within the Optical Disc and Semiconductors divisions in the past posted great challenges for SINGULUS TECHNOLOGIES. Accordingly, the Group was forced to implement specific adjustments to the headcount in different markets corresponding to the changes in business and customer volumes. Due to the favorable trend in the Solar segment overall the staff at STANGL was increased by 50 employees in the business year 2008. As of the end of the year under review the headcount of this subsidiary amounted to 172. In contrast, the staffing levels in the segments Optical Disc and Semiconductors declined. In connection with restructuring measures the headcount at HamaTech APE was reduced by 19 employees at the beginning of the business year 2009. Furthermore, the number of employees in the Optical Disc segment declined by 39 against the background of the relocation of the assembly of injection molding machines from Schaffhausen to the headquarters in Kahl/Main. In total, the SINGULUS TECHNOLOGIES Group employed 722 people as per December 31, 2008 (previous year: 764 employees).

SINGULUS TECHNOLOGIES will continue to emphasize the continuous training and education of its employees. The development and assembly of machines within our business activities require a high level of training. In addition, specific advanced training was offered in the areas personnel management, product development, foreign languages and customer orientation.

Employees as of December 31	2006	2007	**2008**
HamaTech	226	111	**98**
STANGL	-	122	**172**
SINGULUS TECHNOLOGIES	570	531	**452**
SINGULUS TECHNOLOGIES Group	796	764	**722**
Germany	485	498	**515**
Abroad	311	266	**207**

Economic Situation

The Global Economy

Many countries are currently in or close to a recession, whose extent and length is not yet foreseeable today. For 2009 the IWF expects a global growth of only 0 to 0.5 % compared with +1.3 % in 2008. The OECD projects an increase in the unemployment numbers of up to eight million in the OECD countries in the next two years.

The reason for the global recession is the high level of write-offs required at banks globally, which had led to numerous governmental intervening actions in the meantime. After the situation of the global banking system had presumably calmed down until mid-2008, the insolvency of the investment bank Lehman Brothers in mid-September 2008 caused a global loss of confidence on the capital markets. Only the immediate response of governments worldwide through direct participation in the crisis-stricken financial institutions as well as the announcements of massive economic stimulus programs resulted in a stabilization of the global financial system.

However, it is still necessary for the financial institutions to improve their earnings situations and to adjust their balance sheets. This corrective process will take time and impede the flow of credit, so that this will be the main burdening factor for the future economic developments.

Germany

After a strong start of the year 2008 the economic activities have declined due to the impact of restrained consumption and weakening export growth. In 2008 Germany was still able to achieve a growth rate of 1.3 %. According to the forecasts, the economy will continue to weaken in 2009 because of the declining investment spending and the economic weakness of the key trading partners. According to the German government (publication dated Jan 21, 2009) the German economic output will drop by 2.25 %. The overall economy is expected to regain strength towards the end of 2009 and that the global economy will have overcome its weakness in 2010.

The ifo-Institute projects a recession in Germany until 2010. Accordingly, the gross domestic product will decline by 2.2 % in 2009 and the unemployment rate will rise. The overall economic output is still expected to decline by 0.2 % in 2010. Thus, the ifo experts expect a more pronounced economic drop than their colleagues from the Essen-based RWI-Institute, who expect a decline of 2.0 % in 2009.

Blu-ray: Driver of growth in the Optical Disc segment

The Blu-ray Disc has an excellent starting point for future growth. Despite the tough climate in the retail sector and economically restrained environment, the new format was able to hold up well. Correspondingly, 8 % of the US households possessed a Blu-ray player at the end of 2008. This is a significantly better starting point compared with the DVD previously. Here after a comparable period of time following the format introduction only 4 % of all households had a DVD player.

Since the market launch of the Blu-ray Disc about 11 million Playstation 3 and Blu-ray player were sold worldwide as of the end of 2008. During the same period of time after the market introduction of the DVD only about 1 million DVD players had been sold.

The expectations regarding sales volumes in the 4th quarter 2008 were exceeded according to the Blu-ray Disc Association (BDA). Never before have so many Blu-ray players been sold in the market. Due to the drop in prices in the hardware segment, the Blu-ray player had become the perfect Christmas gift 2008 for many households. 24.1 million Blu-ray Discs with movie content were sold in the entire year 2008 (2007: 5.7 million).

During a conference of the BDA in Las Vegas in January 2009 analysts stressed that the Blu-ray is dominating internet downloads and video-on-demand (VoD) services. The Blu-ray quality in terms of picture and audio quality is not reached by VoD by far. Currently, already nearly 1,100 Blu-ray titles are available in the US. “The Dark Knight” (the latest Batman movie) was the first title to break the sales level of 1 million sold discs.

Global development DVD players vs. Blu-ray players/PS3

[in mn. units]

	Year 1	Year 2	Year 3	Year 4	Year 5
	1997	**1998**	**1999**	**2000**	**2001**
DVD Player	0.2	1	2	5	13
	2007	**2008**	**2009**	**2010**	**2011**
Blu-ray Player & PS3	4.2	11	24	38	54

Source: Understanding & Solutions, NPD, BDA Companies,
Fox Research, presentation at the Video Entertainment 2008, Munich 2008

In October 2008 2.3 million Blu-ray Discs were sold in the US, in November more than 3 million and in December even more than 8 million. Blu-ray will probably exceed the level of 2 billion discs in the year 2012.

Europe also reported good sales figures for the past Christmas season. For 2009 the BDA expects sales of 2.5 million Blu-ray players excluding the Playstation 3.

The BDA is also optimistic about the Blu-ray Disc: in December 2008 alone 1.5 million movies were sold on Blu-ray Discs. Overall, 6.5 million discs have been sold in Europe since the market launch.

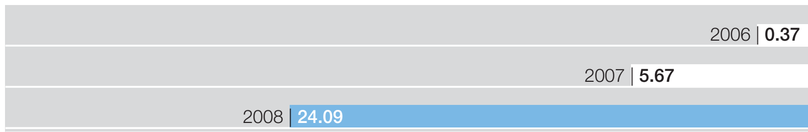
CD and DVD in a decline

The global use of the CD continues to decline. In the music area downloads and MP3s accelerate this trend. In the software segment more and more applications are also offered online.

With the further penetration of the Blu-ray Disc the use of the DVD also stagnates. In the US, DVD sales declined by 8 % due to the strong demand for Blu-ray. In Europe the trend is still relatively stable. In contrast, demand for the DVD is still increasing in Asia and Africa. We expect the DVD to be increasingly replaced by the Blu-ray Disc in the long-term.

Development of sales of Blu-ray Discs in the US (movies)

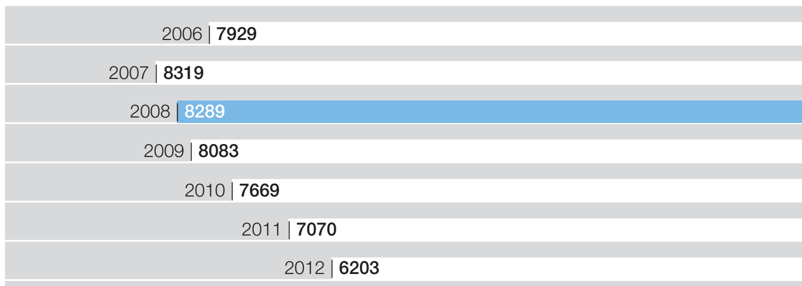
[in million discs]



Source: The Redhill Group, published in BDA Newsletter, Jan 9, 2009

Development of global DVD production

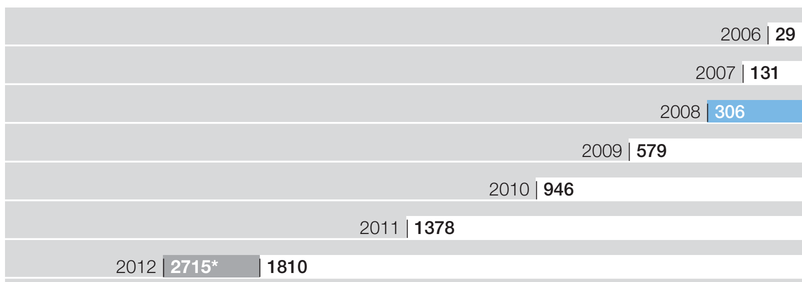
[in million discs]



Source: Futuresource Consulting, July 2008,

Development of global Blu-ray Disc production (including SONY)

[in million discs]



Source: Futuresource Consulting, June 2008, * own forecast

Solar sector – despite subdued expectations for 2009 a growth industry in the long-term

Following years of steep growth the solar sector reduced its expectations recently due to the financial market crisis and the economic downturn.

According to the latest studies of the Germany Association of the Solar Industry (BSW- Solar) and the Swiss Bank Sarasin, the solar sector can face the future optimistically despite the global financial crisis. For 2008 BSW-Solar forecast a growth of at least 35 % in terms of the addition of newly-installed photovoltaic output in Germany. The capacity will probably amount to 1.5 gigawatt compared with 1.1 gigawatt in the previous year. For the next couple of years the association also expects sustained strong growth.

The prices for solar modules are expected to decline significantly in 2009 already. Therefore, a continuing strong demand has to be expected. The governmentally guaranteed price for electricity fed into the grid is also stabilizing this trend and serves as a security for the credit granting. The solar sector is one of the few economic sectors which still invests during the financial crisis, provides new jobs and strengthens Germany's leading position in renewable energies worldwide.

More and more countries become attractive sales markets for solar technology “Made in Germany”. For the next twelve years the association projects an increase of the export share for photovoltaic equipment from currently 46 to 75 percent. In addition to new markets such as Italy and the Czech Republic, the US moves increasingly into the spotlight of export-oriented solar companies. In particular the biggest market economy in the world moves towards energy saving and environmental protection. California has already taken a lead role: solar energy is intended to cover the majority of energy consumption within the next ten years. 2.9 billion US-Dollars are earmarked for the solar support program in California alone. The massive economic stimulus program of the new US government will further speed up the introduction of solar technology in the US.

Bank Sarasin presents new sustainability study

The Swiss Bank Sarasin has recently presented its latest sustainability study "Solar Energy 2008". Accordingly, global growth rates will amount to 48 percent on average until 2012. The global market volume of photovoltaic will increase to 125 gigawatt of newly-installed photovoltaic output by 2020 according to the bank’s projections. For the year 2008 they expect an increase of four gigawatt worldwide. In particular, the market share of the thin-film technology will rise from currently 12 to 23 percent by 2012. The bank deems Italy and the Czech Republic as interesting markets in particular. However, due to the financial crisis and the imminent recession the analysts expect lower growth rates in the next year.

Overall view of the SINGULAR AR vacuum coating system

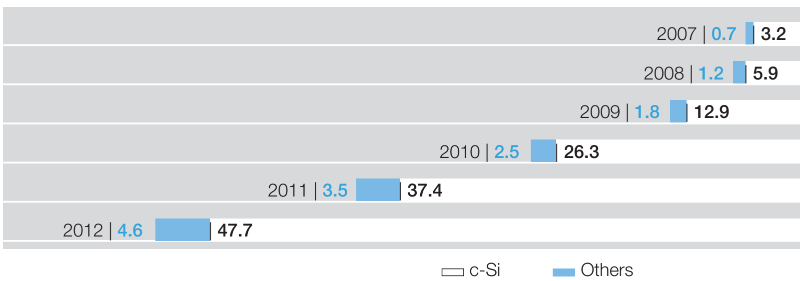
Photon-Consulting „Solar Annual 2008"

The analysts group of Michael Rogol of Photon Consulting also expects a continuing stable growth trend for solar energy. For 2008, an increase in the cell production from 3.9 GW to 7.1 GW is forecast. In 2009 the volume is said to more than double to 14.7 GW. For 2012 a production of 52.3 GW is expected.

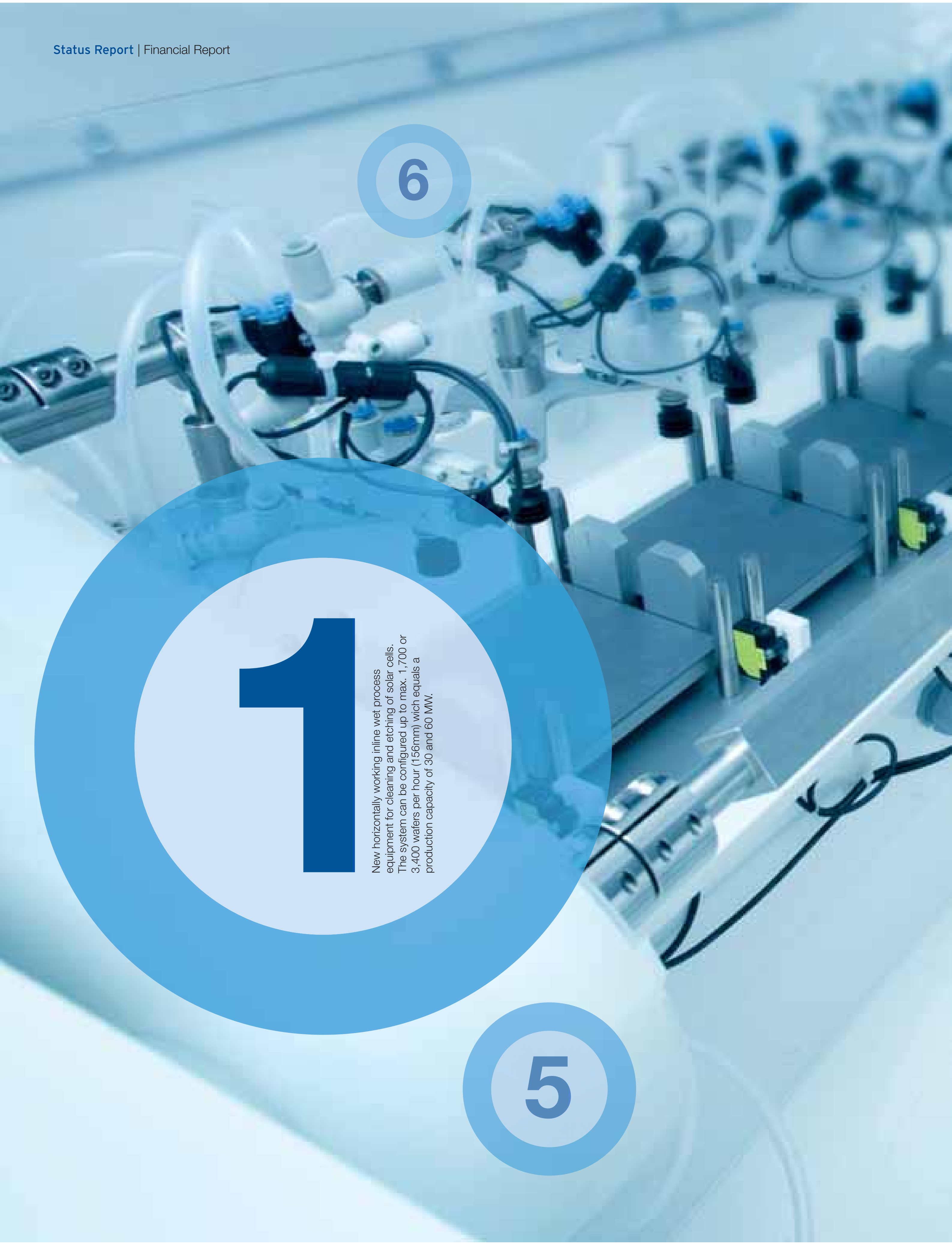
We expect the solar sector to regain momentum in the medium-term following a quiet start in 2009. Less expensive solar modules will result in an increase in demand. The prop-up programs in many countries all around the world will support and strengthen this trend. This is a good opportunity for SINGULUS TECHNOLOGIES to prove its core competence and to supply machines to the market with the best cost of ownership (total cost during the period of use of a product) and therefore to contribute substantially to the cost reduction in the area of renewable energies.

Total production of solar cells/modules

[in GW]



Source: Photon Consulting/Solar Annual 2008, fall 2008



New horizontally working inline wet process equipment for cleaning and etching of solar cells. The system can be configured up to max. 1,700 or 3,400 wafers per hour (156mm) wich equals a production capacity of 30 and 60 MW.

2

The LINEA design is based on a newly developed sophisticated transport system an a special chemical flow system. This gentle process handling ensures a low breakage rate.

4

7

3

LINEA is characterized by its high flexibility with regard to wafer type, size and thickness as well as its reduced chemical consumption

Financial Report of the SINGULUS TECHNOLOGIES Group

Sales and Earnings

Sales declined by € 17.4 million from € 229.5 million in the prior year and amounted to € 212.1 million in 2008. In the Optical Disc segment net sales dropped by € 19.7 million compared with the previous year's level and totaled € 150.1 million as of the end of the period under review. The reason for the downtrend in this segment was mainly a volume effect. The Solar segment posted net sales from the consolidated STANGL Semiconductor Equipment AG in the amount of € 37.3 million in the year under review. In the Semiconductor segment sales declined compared with the prior-year period. In this business division sales declined by € 16.6 million compared with the previous year and amounted to € 20.5 million as of the end of the period under review. The Coating division did generate any net sales in the year under review (previous year: € 2.3 million). During the year under review sales in the Optical Disc segment were considerably shaped by the prerecorded business with our BLULINE and SPACELINE machines

In the fiscal year 2008, Europe (including Germany) was once again our main sales region with a share of total sales of 39.4 % (previous year: 39.9 %). In the year-over-year comparison the Americas increased their share slightly to 33.1 % (previous year: 32.1 %). The region Asia accounted for 27.0 % of sales (previous year: 25.9 %). On a low level the activities in Africa and Australia declined slightly to 0.5 % of sales (previous year: 2.1 %).

The gross margin improved significantly in the business year 2008. The rise to 31.6 % (previous year: 29.3 %) was mainly caused by a high share of strong-margin business with our Blu-ray replication machines as well as increasing business activities in the Solar segment in comparison to overall sales.

The operating expenses came to € 111.9 million in the business year 2008 (previous year: € 64.2 million). This includes an extraordinary gain from the first-time consolidation of the Blu-ray activities of the Oerlikon Balzers AG (€ 16.8 million) as well as restructuring and impairment charges in the amount of € 48.2 million. They are mainly connected to the focusing on the business segments Optical Disc and Solar as well as the resulting adjustments of the product portfolio. In total, capitalized development expenses in the amount of € 18.4 million were written off. These write-offs predominantly concern the segments Semiconductor (€ 9.0 million) and Coating (€ 5.7 million). In addition, write-offs on capitalized development expenses in the Optical Disc division in the amount of € 3.7 million were recognized.

Furthermore, the Semiconductor segment contributes restructuring charges from social plan expenses in the amount of € 1.3 million. Also, goodwill in the amount of € 10.4 million was written off. These write-offs mainly concern the goodwill of SINGULUS MASTERING (€ 9.8 million). In addition, the remaining goodwill of SINGULUS EMOULD of € 0.6 million was adjusted and completely written off. Besides the write-offs on goodwill, additional intangible assets in the amount of € 4.7 million in the Optical Disc segment were also written off. In the course of the relocation of the business activities of SINGULUS MOLDING to the main site Kahl am Main charges in the amount of € 2.0 million were incurred within this division. The additional restructuring charges are mainly write-offs on short-term assets in the total amount of € 8.4 million. Furthermore, write-offs in connection with the adjustments of book values of the buildings in Sternenfels and in Slovakia in the amount of € 3.1 million were recognized.

Adjusted for these extraordinary effects the operating expenses in the business year 2008 amounted to € 80.5 million. In the prior-year period operating expenses adjusted for restructuring charges (€ 3.1 million) amounted to € 61.1 million. This increase is mainly due to increased other operating expenses (€ 8.5 million) in connection with additions to write-offs on accounts receivable in the amount of € 7.6 million (previous year: € 1.6 million). Moreover, the other expenses in the year under review predominantly included foreign exchange related losses (€ 3.0 million). In addition, the expenses for research and development rose by € 3.3 million due to the scheduled depreciation of capitalized technology in the course of the acquisition of the STANGL Semiconductor Equipment AG as well the Oerlikon Balzers AG. The general administration expenses also increased in the course of the first-time consolidation for the entire business year of the STANGL Semiconductor Equipment AG. In the prior-year period the expenses of this company were included from the first time of the consolidation on September 1, 2007. An additional effect resulted from the decline of the other operating income in the business year 2008 (€ -4.5 million).

Additionally, the development expenses in the year under review came to € 19.7 million (previous year: € 16.4 million). The expenses for marketing & sales and customer service amounted to € 22.7 million (previous year: € 22.9 million), the expenses for general administration totaled € 22.1 million (previous year: €18.7 million).

The earnings before interest and taxes (EBIT) were negative at € 46.2 million (previous year: 1.1 million). Adjusted for restructuring expenses and impairment charges a positive EBIT in the amount of € 2.0 million resulted (previous year: € 4.2 million). Specifically, the operating result of the Optical Disc segment including restructuring charges in the amount of € 26.2 million was negative at € 15.9 million. Excluding restructuring charges the segment booked a positive EBIT in the amount of € 10.3 million. The Solar segment achieved a positive EBIT in the amount of € 1.7 million. Including one-off charges the Semiconductor segment posted an EBIT in the amount of € -19.1 million. The Coating division was negative at € -10.7 million in the year under review and was mainly impacted by the recognized restructuring measures.

Adjusted for restructuring charges an EBIT margin of around 1.0 % results for the year under review (previous year: 1.9 %).

The financial result was negative at € -8.0 million and therefore significantly below previous year's level (previous year: € 0.5 million). This decline in mainly due to increased interest expenses in connection with the accrued interest of purchase price liabilities from the acquisition of the STANGL Semiconductor Equipment AG as well as the acquisition of the Blu-ray activities from the Oerlikon Balzers AG. On the basis of these facts interest expenses in the overall amount of € 3.9 million were recognized. In addition, interest expenses in the course of the sale of tax refund claims in the amount of € 0.9 million were booked. The other expenses predominantly result from interest on loans and credit facilities. On the other hand, interest income in the amount of € 1.6 million was realized. This mainly results from short-term investment of liquid funds as well as the income from interest due to the financing of accounts receivable.

The net profit for the full year was negative at € 49.3 million and thus mainly characterized by one-off expenses in the period under review (previous year: € 3.0 million). Excluding restructuring charges a negative result in amount of € -1.1 million was incurred.

Sales
[in million €]

	2006	2007	2008
Sales (gross)	283.1	229.5	**212.1**
Individual selling expenses	10.7	6.5	**4.3**
Sales (net)	272.5	223.0	**207.9**

Breakdown of sales by region
[in %]

	2006	2007	2008
Asia	27.5	25.9	**27.0**
Americas	28.0	32.1	**33.1**
Germany	11.7	11.3	**12.3**
Europe (excl. Germany)	30.2	28.6	**27.7**
Africa & Australia	2.6	2.1	**0.5**

Key earning figures
[in Mio. €]

	2006	2007	2008
EBIT	4.0	1.1	-46.2
Earnings before taxes	4.3	1.6	-54.1
Net profit	11.1	3.0	-49.3
Earnings per share (basic)	0.35	0.05	-1.32

Order intake and order backlog
[in million €]

	2006	2007	2008
Order intake	319.0	203.8	226.4
Order backlog (Dec. 31)	81.5	55.8	70.2

Order backlog and order intake
The order intake come to € 226.4 million in the year under review (previous year: € 203.8 million) and was 11.1 % above previous year's level. As per year-end 2008 the order backlog of € 70.2 million also posted a considerable increase compared with the previous year (€ 55.8 million).

Balance sheet and liquidity
The long-term assets at € 200.9 million were significantly below previous year's level (previous year: € 226.2 million). This decline is mainly due to the extraordinary write-offs in the course of the focusing on the business divisions Optical Disc and Solar in the year under review. Specifically, the capitalized development expenses declined by € 18.0 million as well as the goodwill by € 10.4 million. Additionally, the long-term assets declined by € 8.7 million due to the sale of tax refund claims. The long-term accounts receivable declined by € 6.7 million compared with the prior-year level. In the business year 2008 commercially used land and buildings, which are leased, were recognized as the balance sheet item "Investment Properties". As of December 31, 2008 the book value of these properties amounted to € 7.2 million following a revaluation. In contrast, the other intangible assets rose by € 17.0 million. This increase is mainly based on the first-time consolidation of the Blu-ray activities acquired from the Oerlikon Balzers AG in January in the year under review. Due to the increase in the loss-carry forwards of the SINGULUS TECHNOLOGIES AG the deferred tax assets rose by € 5.2 million in the business year 2008. The item property, plant and equipment at € 10.3 million was below previous year's level (previous year: € 12.5 million). The capital expenditure amounted to € 2.5 million in 2008 (previous year: € 1.7 million). The majority of expenses was used for replacement investments.

The depreciation of property, plant and equipment and amortization of intangible assets amounted to € 22.9 million compared with € 18.1 million in the prior-year period. In addition, in the course of restructuring measures extraordinary write-offs accounted for € 33.6 million in total.

The short-term assets increased by € 7.2 million during the year under review and thus amounted to € 219.2 million as of the end of the year under review. Specifically, inventories rose by € 2.6 million compared to the prior-year level. Accounts receivable of € 76.4 million were above the level recorded in the previous year (previous year: € 68.0 million). The other receivables and assets declined by € 6.9 million in the year under review. This decrease is mainly connected to the disposal of a tax claim. In addition, cash and cash equivalents rose by € 3.2 million compared with the previous year and amounted to € 40.1 million as of the end of the business year.

Compared with the previous year the short-term liabilities increased by € 3.7 million. Specifically, bank liabilities rose by € 2.2 million and other liabilities by € 1.0 million. The prepayments received increased by € 5.7 million and amounted to € 15.5 million as of the end of the year under review. In contrast, accounts payable declined by € 2.0 million and other provisions by € 2.3 million.

Compared with the previous year the long-term liabilities increased by € 24.9 million. This mainly results from an increase in long-term bank liabilities in the amount of € 12.9 million. In addition, the long-term liabilities rose due to the first-time consolidation of the Blu-ray activities acquired from the Oerlikon Balzers AG. In this connection the other long-term liabilities and deferred tax liabilities increased.

Shareholders' equity

The shareholders' equity in the Group amounted to € 245.5 million as of December 31, 2008, below the level reported as of December 31, 2007 (€ 293.3 million). This decline mainly results from the net loss due to the restructuring and impairment charges. Equity in the amount of € 241.5 million is attributable to the shareholders of the parent company and € 4.0 million to minorities. The equity ratio stood at 57.8 % and was thus below previous year's level (66.1 %).

Cashflow

In the year under review the cash flow from operating activities was negative in the amount of € 11.2 million. In the prior-year period the operating cash flow was negative at € 3.6 million.

The cash outflow from investment activities amounted to € 9.1 million in 2008 compared with € 16.7 million in the prior-year period. This results mainly from payments in connection with the acquisition of the Blu-ray activities from the Oerlikon Balzers AG. Moreover, additional shares of the HamaTech AG with a total purchase amount of € 2.1 million were bought in the business year 2008.

In the period under review the cash flow from financing activities amounted to € 23.5 million (previous year: € 1.2 million). The positive cash flow from financing activities mainly results from the drawdown of loans in the amount of € 35.0 million in connection with the financing of the payment of the cash component for the acquisition of 51 % of the shares of the STANGL Semiconductor Equipment AG. Moreover, the disposal of tax claims yielded payments in the amount of € 8.9 million. In contrast, the bank liabilities were reduced by € 20.0 million in the business year 2008. As result, cash and cash equivalents increased by € 3.2 million in the year under review.

Cash flow

[in million €]

	2006	2007	**2008**
Cash flow from operating activities	9.0	-3.6	**-11.2**
Cash flow from investing activities	-20.2	-16.7	**-9.1**
Cash flow from financing activities	-0.3	1.2	**23.5**
Exchange rate related changes	0	-0.2	**0**
Total cash flow	-11.5	-19.3	**3.2**
Cash and cash equivalents at the beginning of the business year	67.7	56.2	**37.0**
Cash and cash equivalents at the end of the business year	56.2	37.0	**40.1**

Assets

[in million €]

	2006	2007	**2008**
Cash & cash equivalents	56.2	37.0	**40.1**
Receivable and other assets (short-term)	86.3	84.3	**85.7**
Inventories	105.7	90.8	**93.4**
Non-current assets	144.2	226.2	**200.9**
Others	5.2	5.7	**4.5**
Balance sheet total	397.6	443.9	**424.6**

Liabilities and shareholders' equity

[in million €]

	2006	2007	**2008**
Short-term liabilities	84.5	75.4	**79.1**
Long-term liabilities	36.9	74.1	**99.0**
Shareholders' equity	274.7	293.3	**245.5**
Others	1.5	1.1	**1.0**
Balance sheet total	397.6	443.9	**424.6**

Material events after December 31, 2008/Supplemental Report

Merger of the HamaTech AG

On February 24, 2009 the merger of the HamaTech AG, Kahl am Main, as the company to be merged, to the SINGULUS TECHNOLOGIES AG, Kahl am Main, as the acquiring company, became effective with the entry of the merger into the Commercial Register at the residence of the SINGULUS TECHNOLOGIES AG. Therefore, the assets of the HamaTech AG including its liabilities have been transferred to the SINGULUS TECHNOLOGIES AG. The HamaTech AG, Kahl am Main, has ceased with the merger. The listing of the shares of the HamaTech AG on the Regulated Market of the Frankfurt Stock Exchange (General Standard) was terminated with effect from February 25, 2009.

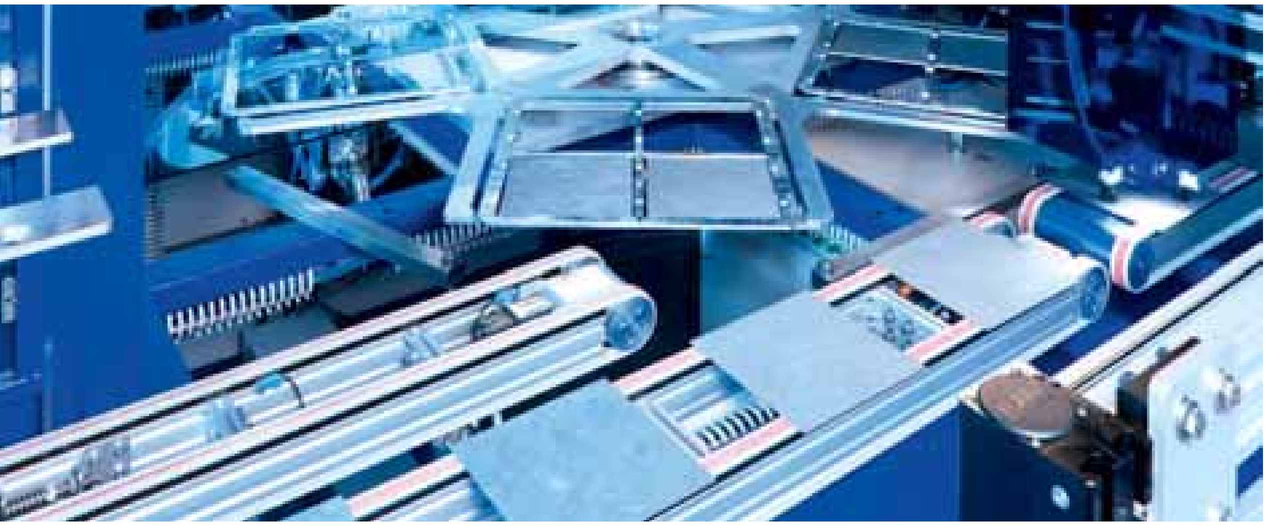
Upon request of the HamaTech AG the District Court Nuremberg-Fürth ordered on August 14, 2008 that the filing of lawsuits does not oppose the entry of the merger into the commercial register.

The immediate appeal against this order filed by some shareholders was finally dismissed by decision of the Higher Regional Court Nuremberg on February 17, 2009. Therefore, the registering of the merger in the commercial register can be performed.

To implement the merger the SINGULUS TECHNOLOGIES AG increased its nominal capital from authorized capital by € 409,064.00 by means of issue of 409,064 new bearer shares with a nominal value of € 1.00 each with dividend entitlement from January 1, 2008. This capital increase was entered into the commercial register of the SINGULUS TECHNOLOGIES AG at the Local Court Aschaffenburg on February 24, 2009. The inclusion of the new shares within the listing of the SINGULUS TECHNOLOGIES AG on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard) under the ISIN DE0007238909 is scheduled for March 4, 2009.

Changes in the Supervisory Board

In a letter dated February 20, 2009 Mr. Thomas Geitner stated that for job-related reasons he will step down from his position in the Supervisory Board of the SINGULUS TECHNOLOGIES AG with effect from the Annual General Meeting in May 2009 after nearly twelve years.



Loading and unloading system of the SINGULAR vacuum coating system

Outlook

Positioning of the Group - focus on the core activities Optical Disc and Solar

During the Supervisory Board meeting on September 17, 2008 SINGULUS TECHNOLOGIES decided to concentrate on the core businesses Optical Disc and Solar in the future.

These markets addressed by us show good growth potential for the coming years. At the same time this step included the disposal and termination of former non-core activities. For many years SINGULUS TECHNOLOGIES has held a globally leading market position in the sales of production equipment for CD and DVD. SINGULUS TECHNOLOGIES was also able to position itself as market leader in the new optical disc format “Blu-ray” in the year 2008. Our goal is to maintain the global market leadership for optical disc production machines in the future as well.

A further important milestone of our optical disc strategy is the market launch of a new inline mastering system for Blu-ray. The combination of Blu-ray mastering equipment and fully-integrated Blu-ray replication lines results in an unrivaled unique sales proposition in optical disc engineering.

Outside the traditional work area “Optical Disc” SINGULUS TECHNOLOGIES started its commitment in the area of the solar sector for the first time in fall 2007. With the acquisition of 51 % of the shares of the STANGL Semiconductor Equipment AG we were successful in directly entering this new business area for us.

At the same time SINGULUS TECHNOLOGIES has started the construction of a coating machine for antireflective layers, which supplements the portfolio in the Solar segment by an additional important process step in the manufacturing of silicon-based solar cells. The goal is to cover a major part of the process chain for the production of silicon-based solar cells with our machines in the medium-term.

Economic framework conditions, risks and opportunities of the segments Optical Disc and Solar

At this point in time it cannot be reliably assessed how much the current crisis of the global economy will impact the business activities of the SINGULUS TECHNOLOGIES AG in the next couple of years. However, it has to be conceded that the investment spending of our customers has become more cautious since the end of 2008.

Independent of the development of the global economy we have been experiencing declining sales figures for our production equipment for CD and DVD since 2005. Therefore, we have been focusing on the further development and marketing of the Blu-ray production lines since the introduction of the Blu-ray dual layer technology in spring 2008.

We expect that the Blu-ray Disc will increasingly replace the DVD with the introduction of HDTV (TV with high-resolution picture quality). Accordingly, the current forecasts of market research companies such as Futuresource Consulting for example project a substantial increase in sales of Blu-ray Discs in 2009 and in the years beyond.

We were very pleased with the introduction of our BLULINE II, the latest production machine for the manufacturing of Blu-ray Discs, in 2008. The delivered machines worked technologically flawlessly and were clearly able to beat the competition in the market.

Our second core activity, the Solar segment, exhibited a satisfactory performance in the business year 2008.
Both sales and order intake of our subsidiary STANGL Semiconductor Equipment AG increased to a significantly higher level than the previous year's.

As in many other sectors of machine and plant engineering, the global economic crisis also had a negative impact on the order volumes in the solar industry. Insofar, in particular in the first months of the business year 2009 the business activities in the solar sector are expected to remain subdued. At the same time the governments in the key industrial countries passed huge economic stimulus programs recently to revitalize economic activities. It is expected that parts of these public investments will flow into the area of the "Renewable Energies" and therefore also into the solar industry. Therefore, we are convinced that the market for production equipment for solar cells and modules will already pick up during the 2nd half of 2009. In the medium- to long-term we see good market and growth prospect for photovoltaic production equipment. Nothing has changed the fundamental parameters favoring this technology: The CO_2 emission, global warming and finally also the limited availability of fossil fuels for the energy generation will accelerate the use of “Renewable Energies” in the next couple of years.

Expected earnings situation and future opportunities

Due to the currently difficult global economic conditions we cannot rule out a negative impact on our core activities Optical Disc and Solar for the business year 2009. Accordingly, our budgets for 2009 are cautious and we implemented company-wide cost reduction programs. With the clear focus of the company on the core activities Optical Disc and Solar we regard the company well positioned for the future. Both the market for production machines for solar cells and the market for Blu-ray production lines are young markets, which will only start to grow sharply in the next couple of years.

With our new products we are well positioned in both business areas and see increasing sales and earnings potential in the future.

Embossing unit in a BLULINE II production system for 50 gigabyte Blu-ray Discs

Risk report

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

Risk Management

The risk management system is an integral component of the entire planning, controlling and reporting processes in all relevant legal entities and business divisions and targets the systematic identification, assessment, monitoring and documentation of risks. Taking into account defined risk categories, the risks of the business areas and operating units are identified and evaluated with respect to probability of occurrence and amount of damage. The assessment of the amount of damage is usually performed in view of the impact of the risks on the operating result (EBIT). The tasks of the people responsible include the development and, if applicable, the initiation of measures to avoid, reduce, hedge and insure risks. In the course of our controlling processes throughout the year essential risks as well as initiated countermeasures are monitored. In addition to the regular reporting there is a group-internal reporting obligation for unexpectedly occurring risks. The central risk management reports to the Executive Board about the identified risks once per quarter and once per business year to the Supervisory Board. The risk management system enables the Executive Board to identify essential risks at an early stage and to initiate countermeasures.

Corporate opportunities are not reported within the risk management system but discussed in the course of regular strategy meetings, analyzed in Executive and Supervisory Board meetings and, if applicable, considered within the annually prepared operating budgets. In the course of the strategy process the opportunities for additional, profitable growth are thus determined and included in the decision-making process. The direct responsibility for early detection of opportunities and their realization rests on the Executive Board members.

The efficiency of the risk management processes as well as the adherence of the rules and regulations defined in the risk management manual of SINGULUS TECHNOLOGIES are subject to a routinely review by the auditors in the course of the legal audit requirements in the course of the audit of the financial statements. In this connection it is reviewed whether the early risk detection systems is suitable to identify company-threatening risks and developments at an early stage. The risk management system of the SINGULUS TECHNOLOGIES AG safeguards that the corporate opportunities and risks are identifiable at an early stage and that the Group is able to respond actively and efficiently. Therefore, this system meets the legal requirements for an early risk detection system and is in accordance with the German corporate governance principles.

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

Risk areas

As a globally operating company we are dependent on the economic trends of the global economy. In addition, due to competition there is a risk of losing market shares.

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

Procurement market risks

The availability, price increases and quality of procured components pose a risk for SINGULUS TECHNOLOGIES. Therefore, credit assessments of our suppliers are performed on a regular basis for the procurement and purchasing division. In addition, the supply availability as well as the fulfillment of our quality requirements for the supplied parts are constantly monitored. A further part of the risk management is performed through inventory management. This task includes the review of the turnover and scope of raw materials and supplies as well as the analysis of the age distribution of goods and purchased parts.

IT risks

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

Project management risks

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. In the segments Optical Disc and Semiconductors SINGULUS TECHNOLOGIES only recognizes sales after the acceptance of the machines by the customers. 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.

An exception to the principle of sales realization after acceptance exists in the segment Solar. Here, production orders are booked pursuant to the percentage-of-completion method. Potential risks already emerge during the calculation of projects under uncertainty. To manage the risks within this segment we already use proven methods during the proposal stage to assess the impact of potential cost deviations compared with the forecast figures. With a continuing monitoring of changes in the parameters parallel to the project's progress potential project risks can be identified at an early stage and necessary measures initiated.

Technology risk

The segment research & development is also integrated in the risk management report. A key aspect of the review of the development risk is the analysis of market requirements. The risk of an erroneous development or a late development has to be regarded as quite high. We reduce this risk through the cooperation with partners and customers as well as through our evaluation process, which continuously assesses the efficiency, success probabilities and general conditions of the development projects. An essential part of this is the monitoring of the planning of the different development projects. The analysis of success probabilities and therefore the identification and seizing of opportunities, which safeguards the competitiveness of the company and increases it, is therefore an essential aspect of the strategy planning.

Sales market risks

A high risk exists in the marketing and sales area. The segment's task is to recognize and evaluate sharp declines in demand or risks of potentially misleading assessments in individual markets or products. External data such as market research results but also close contacts with our customers help to improve the evaluation of future trends. These risks are regarded as material and could also result in substantial effects on the company's results in case of misinterpretations. In this connection write-offs in the amount of € 7.6 million were recognized in the business year 2008, which concern the termination of the business division Coating. The machines developed in this division for the application of decorative layers as well as the coating of ophthalmic lenses did not achieve sufficient acceptance in the sales markets. The resulting burden on earnings in the year under review was significant, but completely unaffecting liquidity and therefore not weighing on the substance of the company. With respect to currency risks resulting from invoicing in foreign currencies the principles of hedging are applied. As the main instrument to hedge specific country risks we employ export credit insurance. The creditworthiness and payment behavior of customers are constantly monitored and relevant credit limits are determined. In addition, risks are limited through credit insurances and bank guarantees.

Financial risks

The SINGULUS TECHNOLOGIES Group is exposed to financial risks in particular with respect to liquidity risks, default risks, foreign-exchange risks and interest risks. To safeguard the financial solvency as well as the financial flexibility of the SINGULUS TECHNOLOGIES Group at all times, a liquidity reserve in the form of credit lines and cash is held. In this connection with effect from December 14, 2007 a syndicated credit facility in the amount of € 60.0 million was signed. The credit facility includes a loan in the amount € 25.0 million as well as a revolving credit facility in the amount of € 35.0 million with a total term to maturity of five years. € 10 million of the revolving credit facility was used as of the end of the period under review. The net liquidity was positive at € 3.0 million as of December 31, 2008. The interest rate of the credit commitment is adjusted to the “3-months EURIBOR” on a quarterly basis. To hedge the interest rate risk, a corresponding hedge was concluded over the amount of the loan in February 2008. To detect liquidity risks at on early stage, liquidity projections are drawn up on a regular basis. To analyze default risks the portfolios of accounts payable of the individual companies in the SINGULUS TECHNOLOGIES Group are reviewed in short time intervals.

Strategy risk

The SINGULUS TECHNOLOGIES AG has developed a longterm growth strategy. In periodical meetings the Executive Board and the Supervisory Board as well as the senior managers evaluate the growth strategy of the Group and, if necessary, initiate corrective measures.

Assessment of the overall risk situation

With respect to the risks and prospects detailed in this report no risks were identified in the business year 2008, which could result in a permanent or material deterioration of the asset, financial and earnings position in the SINGULUS TECHNOLOGIES Group. From an organizational point of view all requirements are met to gain knowledge about emerging risk situations at an early stage.

Environment and Sustainability

It is one of the greatest challenges to safeguard prosperity without destroying the livelihood of nature. Sustainability means more than just environmental protection. In addition to ecologic goals, it also includes economic and social aims. SINGULUS TECHNOLOGIES embraces these goals in its corporate goals.

Sustainable and environmentally-friendly thinking and acting are thus an integral port of the policies in the SINGULUS TECHNOLOGIES Group. The infrastructure and all processes and procedures are designed to be as environmentally-friendly and resource-efficient as possible. The machines in the segments Optical Disc and Solar meet the latest requirements in terms of environment, energy consumption and safety.

SINGULUS TECHNOLOGIES invests continuously in the improvement of the energy efficiency as well as the minimizing of inputs in all areas. For the environmental standards a continuous optimization process has been progressed consistently.

Glass plate in an inline cleaning and etching system for thin-film solar cells

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 recommendations 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 2008

Stefan A. Baustert |
Chief Executive Officer

Dr.-Ing. Anton Pawlakowitsch |
Executive Board member responsible for Technology, Research & Development

Hans-Jürgen Stangl |
Executive Board member responsible for the Solar division

II. Individual compensation

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

[in € k]	Fixed	Variable	Total
Stefan A. Baustert	471	186	657
Dr.-Ing. Anton Pawlakowitsch	321	130	451
Hans-Jürgen Stangl	311	62	373
	1,103	378	1,481

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 takes into consideration 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 at the beginning of 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 bonus program with long-term incentivization. The variable bonus is tied to individual goals set, which are specified for each Executive Board member by the Supervisory Board at the beginning of the year. The Executive Board contracts also provide for the possibility to make one-off payments in addition to the variable compensation to take into account special circumstances and to safeguard an appropriate and competitive compensation. 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 members of the Executive Board for their activities in the business year 2008 amounted to around € 1.5 million. The annually fixed remuneration part contributed about 74 %, the performance-related variable components about 26 % of the total compensation. Due to the change in the composition of the Executive Board compared with the previous year (addition of Mr. Hans-Jürgen Stangl as per January 1, 2008) the total compensation of the Executive Board in the year 2008 cannot be compared with the previous year in a meaningful way.

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 The variable compensation is tied to achieving individual targets, which include financial, corporate, operating and technologic goals. 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.

3.2 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 € 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 is based stock options. The number of stock options granted to individual members of the Executive Board is determined by the Supervisory Board. Overall, Mr. Baustert held 200,000 and Dr.-Ing. Pawlakowitsch 80,000 stock options as of December 31, 2008. At the time of granting the stock options' fair market value pursuant to IFRS 2 amounted to € 235,000. 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 if 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 tranche the performance target increases by 2.5 % points each.

No options were granted to the Executive Board from the stock option program granted by the Annual General Meeting 2008.

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.

For his position as Chairman of the Executive Board of the STANGL Semiconductor Equipment AG Mr. Stangl receives a separate compensation, which is deducted from the overall compensation from the SINGULUS TECHNOLOGIES AG. Dr.-Ing. Pawlakowitsch does not receive a separate compensation for his position as Executive Board member of the HamaTech AG.

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 component with performance targets based on 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 2008.

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 obligations for the members of the Executive Board of the SINGULUS TECHNOLOGIES AG amounted to € 648.043 as of December 31, 2008.

No pension obligation by the company exists for Dr.-Ing. Pawlakowitsch, but payments into a life insurance, which according to current conditions will entitle him to a payment claim in the amount of a percentage term of the most recently received fixed salary ("defined contributions") upon reaching the pension age. Company pensions from former activities were considered.

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.

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

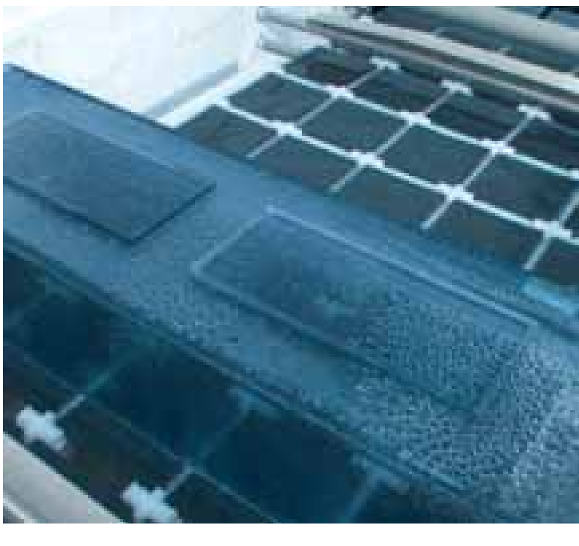
3. Change of control clauses
3.1 The employment contracts of the Executive Board members include change of control clauses. Accordingly, members of the Executive Board will receive a special payment in the amount of the fixed salary at the point of time of termination of the employment for one year in 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 meaning occurs if a shareholder gains control over the company in the sense of Art. 29 Wertpapiererwerbs- und Übernahmegesetzes (WpÜG), i.e. at least 30 % of the voting rights of the SINGULUS TECHNOLOGIES AG. 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.3.2 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 the Executive Board members can be exercised early upon reaching the performance targets in case of a change of control, provided that the waiting period has lapsed.

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 members of the Supervisory Board as well as the economic success of the Group. The compensation policy currently in place for the Supervisory Board of the SINGULUS TECHNOLOGIES AG was adopted by the Annual General Meeting on June 6, 2008 and is included in Art. 11 of the by-laws.



Interior view of a LINEA cleaning system with transportation system containing 5 silicon solar cells

In addition to the reimbursement of expenses, the members of the Supervisory Board receive a compensation composed of fixed and variables components. Each Supervisory Board member receives a fixed remuneration in the amount of € 30,000, which is paid following the end of the year. In addition, there is a performance related compensation of € 800.00 per cent of the consolidated net profit per share pursuant to the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). The maximum amount of the assessment base equals the net profit of the company less an amount 4 % of the contributions paid for the lowest issue amount of the shares. The variable component is due after adoption of the profit appropriation for the past business year. The fixed compensation is deducted from the performance-related compensation. 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.

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

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

D. Shareholdings of Executive and Supervisory Board members

As of December 31, 2008 the Chairman of the Supervisory Board, Mr. Lacher, held directly through the VVG Familie Roland Lacher KG (a company attributed to Mr. Lacher pursuant to Art. 15a Para. 3 Sent. 3 Securities Trading Act (WpHG)) 594,472 shares in total corresponding to 1.6 % of the nominal capital of the SINGULUS TECHNOLOGIES AG. Mr. Hans-Jürgen Stangl brought into the Stangl Beteilgungs-GmbH 825,364 shares during the business year. As of the balance sheet date, the Stangl Beteiligungs-GmbH held 1,951,484 shares 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 members of the Supervisory Board are entitled to the following compensation for the year under review:

[in € k]	Fixed	Variable	Total
Roland Lacher	47	0	47
William Slee (until June 6, 2008)	10	0	10
Thomas Geitner	28	0	28
Günter Bachmann (from June, 6 2008)	17	0	17
	102	0	102

The following additional members of the Executive and Supervisory Boards held directly shares in the SINGULUS TECHNOLOGIES AG as of December 31, 2008:

Bearer Shares with a nominal amount of € 1,00

Thomas Geitner	1.500
Günter Bachmann	2.000
Stefan A. Baustert	8.500
Dr.-Ing. Anton Pawlakowitsch	6.000

The following members of the Executive Board held subscription rights through stock options or convertible bonds as of December 31, 2008:

	Stock options	Convertible bonds
Stefan A. Baustert	80,000 (stock option program 2005) 120,000 (stock option program 2007) 200.000 in total	None
Dr.-Ing. Anton Pawlakowitsch	80,000 (stock option program 2007)	None

E. Directors's Dealings

Pursuant to Art. 15a German Securities Trading Act (WpHG) all members of the Executive and Supervisory Board of the SINGULUS TECHNOLOGIES AG and related persons have to publish the purchase or disposal of shares of the SINGULUS TECHNOLOGIES AG or financial instruments referenced to them, if the cumulated value of the transactions in the business year is € 5,000 or higher. In the business year 2008 the following transaction were published.

Name/function	Date	Transaction type and market	WKN / ISIN	Number of shares	Price in €	Volume in €
Stefan A. Baustert Chief Executive Officer	01.04.2008	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	2,000	10.55	21,100,00
Dr.-Ing. Anton Pawlakowitsch, Executive Board member	06.08.2008	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	1,500	5.90	8,850.00
Stefan A. Baustert Chief Executive Officer	06.08.2008	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	1,000	5.71	5,710.00
VVG Familie Roland Lacher KG (related person to Supervisory Board member)	14.08.2008	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	200,000	5.68	1,172,355.00
Stefan A. Baustert Chief Executive Officer	26.08.2008	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	1,500	6.15	9,319.85
Dr.-Ing. Anton Pawlakowitsch Executive Board member	14.10.2008	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	1,000	3.56	3,560.00
Dr.-Ing. Anton Pawlakowitsch, Executive Board member	15.10.2008	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	1,000	3.16	3,160.00
Familie Roland Lacher Vermö-gensverwaltungs GmbH (related per-son to Supervisory Board member)	27.10.2008	Sale of shares, Frankfurt am Main	723890/ DE0007238909	252,722	2.71	684,876.62
VVG Familie Roland Lacher (related person to Supervisory Board member)	27.10.2008	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	252,722	2.71	684,876.62
Stefan A. Baustert Chief Executive Officer	21.11.2008	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	2,000	2.50	5,000.00
Hans-Jürgen Stangl Executive Board member	18.12.2008	Sale of shares, Frankfurt am Main	723890/ DE0007238909	825,364	2.55	2,104,678.20
Stangl Beteiligungs GmbH (related person to Executive Board member)	18.12.2008	Purchase of shares, Frankfurt am Main	723890/ DE0007238909	825,364	2.55	2,104,678.20

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
As of February 27, 2009 the nominal capital of the company amounts to € 37,355,471 and is divided into 37,355,471 bearer shares with a nominal value of € 1.00 each. All shares are ordinary shares. They include the rights and obligations arising from the German Stock Corporation Act (AktG).

2. Restrictions concerning the voting rights or transfer of shares:
None

3. Direct or indirect stock ownership above 10 %:
None

4. Bearers of shares with special rights:
None

5. Type of voting right control in case of employee ownership:
None

6. Legal regulations and 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
7.1The Executive Board is authorized to increase the nominal capital of the company at one time or several times up to € 4,574,843.00 in total through the issuance of new, bearer shares with a nominal capital of € 1.00 against cash payments and/or contributions in kind (Authorized Capital III). With approval of the Supervisory Board the subscription rights of shareholders can be excluded in case of capital increases against contributions in kind, especially in the course of the acquisition of companies, parts of companies, participations in companies or other assets as well as in the course of mergers, in particular by means of amalgamations.

7.2 The Executive Board is authorized to increase the nominal capital of the company at one time or several times up to € 7,000,000.00 in total through the issuance of new, bearer shares with a nominal capital of € 1.00 against cash payments and/or contributions in kind (Authorized Capital III). With approval of the Supervisory Board the subscription rights of shareholders can be excluded in case of capital increases against contributions in kind, especially in the course of the acquisition of companies, parts of companies, participations in companies or other assets as well as in the course of mergers, in particular by means of amalgamations.

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 € 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 € 1.00 each with a proportional amount to

IMPEDIO cleaning, etching and coating system for the production of thin-film solar cells the nominal capital of up to € 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.

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 meaning occurs if a shareholder gains control over the company in the sense of Art. 29 Wertpapiererwerbs- und Übernahmegesetzes (WpÜG), i.e. at least 30 % of the voting rights of the SINGULUS TECHNOLOGIES AG.

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 Mr. Baustert and Dr.-Ing. Pawlakowitsch a special bonus in the amount of € 500,000.00 per annum if a specified level of 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 2008 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 852,230 stock options in total issued on the basis of the stock option programs 2005 and 2007 to Executive Board members of the SINGULUS TECHNOLOGIES AG, members of managing bodies of subordinated related companies as well as executives and employees of the SINGULUS TECHNOLOGIES AG can be exercised ahead of schedule after expiration of the qualifying time, if a takeover offer in the sense of Art. 29 Para. 1 German Security Acquisition and Takeover Act (WpÜG) is submitted for the SINGULUS TECHNOLOGIES AG or a person gains control in the sense of Art. 29 Para 2 WpÜG, i.e. holds at least 30 % of the voting rights of the SINGULUS TECHNOLOGIES AG.

A control in this sense already exists if a relevant contract regarding the disposal of shares is unconditional even if it has not been executed. However, the exercise of all stock options is only possible if the performance targets pursuant to the relevant stock option plan are achieved at a later exercise period or at the point in time when the takeover offer or the change of control occurs.

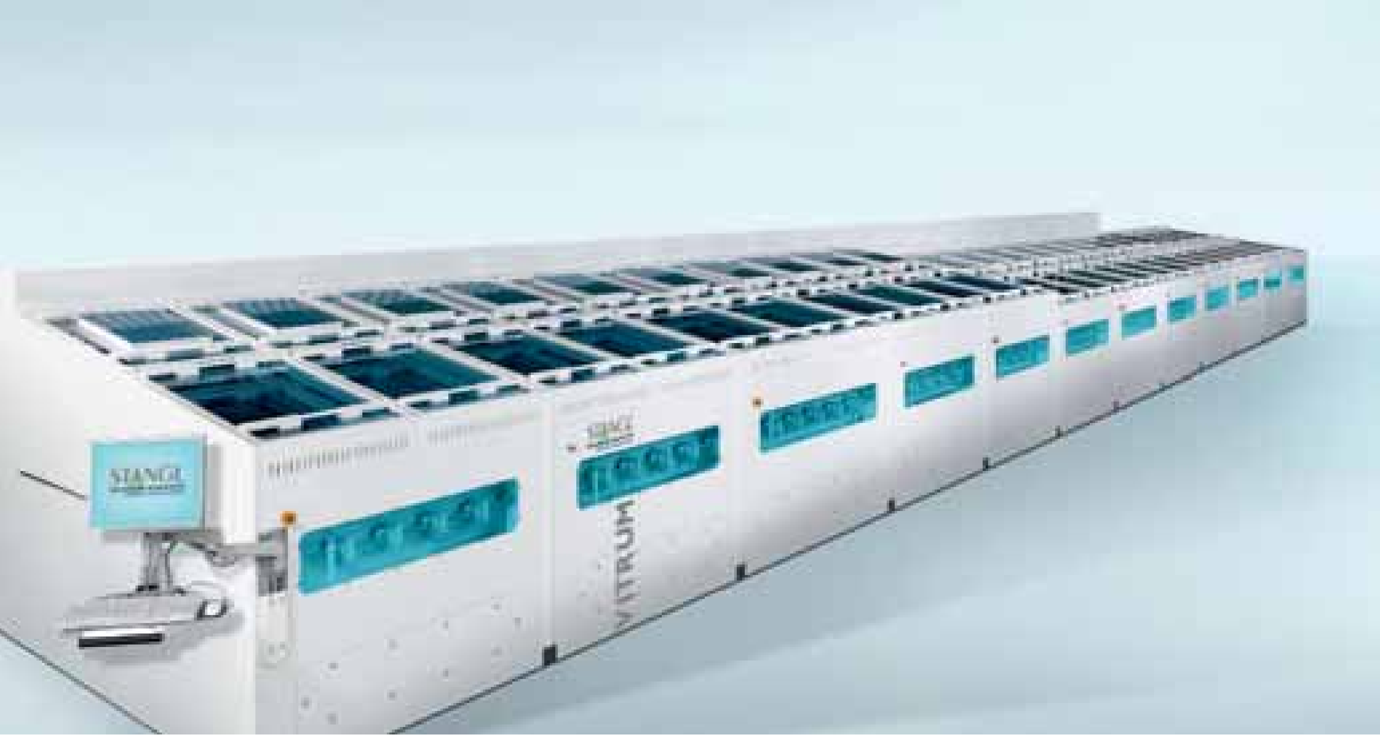
Kahl am Main, February 27, 2009

SINGULUS TECHNOLOGIES AG
The Executive Board

Stefan A. Baustert
Chief Executive Officer

Dr.-Ing. Anton Pawlakowitsch
Executive Board member

Hans-Jürgen Stangl
Executive Board member



VITRUM - Inline cleaning and etching system for thin-film solar cells

Declaration of the Executive Board Pursuant to Art. 297 Para. 2 Sent. 4, Art 315 Para. 1 Sent. 6 HGB

We hereby assure that, to the best of our knowledge, the consolidated financial statements pursuant to IFRS according to the generally accepted accounting principles are an actual representation of the assets, financial and earnings position of the SINGULUS TECHNOLOGIES Group, that the combined status report of the SINGULUS TECHNOLOGIES AG as well as of the SINGULUS TECHNOLOGIES Group describe the course of business including the financial results and the status of the SINGULUS TECHNOLOGIES Group in a way that corresponds to the actual situation and that material opportunities and risks of the probable developments in the Group are explained.

Kahl/Main, February 27, 2009

SINGULUS TECHNOLOGIES AG
The Executive Board

1

The new inline coating system SINGULAR is configured for the production of silicon solar cells with a capacity of 3000 Wafer/h or 4500 Wafer/h.

3

The high quality of the anti-reflective layer which lies in the nanometer range, the light transmission and passivation characteristics are to be enhanced and therewith increase the energy output of the finished cells.

2

Substrate handling with 4 silicon solar cells each for outward and inward transfer of the cells

Audit opinion

We have issued the following audit 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, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the combined management report for the fiscal year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] and supplementary provisions of the articles of incorporation and bylaws is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit. In addition, we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRSs.

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 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 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, Germany, 27 February 2008

Ernst & Young AG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Bösser	Winterling
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Consolidated Balance Sheets as of December 31, 2008 and 2007

ASSETS	Note no.	Dec. 31, 2008 [€ k]	31,12,2007 [€ k]
Cash and cash equivalents	[7]	40,143	36,952
Trade Receivables	[8]	76,353	68,016
Other receivables and other assets	[9]	9,350	16,288
Total receivables and other assets		85,703	84,304
Raw materials, consumables and supplies		39,049	34,847
Work in process		54,311	55,948
Total inventories	[10]	93,360	90,795
Total current assets		**219,206**	**212,051**
Non-current trade receivables	[8]	3,838	10,544
Non-current tax refund claims	[9]	0	8,675
Property, plant and equipment	[12]	10,309	12,474
Investment property	[13]	7,150	8,653
Capitalized development costs	[11]	30,279	48,318
Goodwill	[11]	66,404	76,814
Other intangible assets	[11]	68,421	51,411
Deferred tax assets	[23]	14,468	9,300
Total non-current assets		**200,869**	**226,189**
Assets of a disposal group classified as held for sale	[14]	4,515	5,693
Total assets		**424,590**	**443,933**

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

LIABILITIES	Note no.	Dec. 31, 2008 [€ k]	31,12,2007 [€ k]
Trade payables		14,381	16,335
Current bank liabilities	[19]	20,218	18,061
Prepayments	[16]	15,493	9,772
Other current liabilities	[15]	22,970	22,008
Tax provisions	[23]	3,673	4,551
Other provisions	[21]	2,384	4,673
Total current liabilities		**79,119**	**75,400**
Non-current bank liabilities	[19]	16,891	4,018
Other non-current liabilities	[17]	47,807	38,372
Pension provisions	[20]	6,692	6,452
Deferred tax liabilities	[23]	27,603	25,280
Total non-current liabilities		**98,993**	**74,122**
Liabilities directly associated with assets held for sale	[14]	1,021	1,145
Total liabilities		**179,133**	**150,667**
Subscribed capital	[22]	36,946	36,946
Capital reserves	[22]	48,782	47,503
Other reserves	[22]	−2,717	−4,428
Retained earnings		158,441	207,197
Equity attributable to equity holders of the parent		**241,452**	**287,218**
Minority interests	[22]	**4,005**	**6,048**
Total equity		**245,457**	**293,266**
Total equity and liabilities		**424,590**	**443,933**

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

Consolidated Income Statements for 2008 and 2007

	Note no.	2008 [€ k]	2008 [in %]	2007 [€ k]	2007 [in %]
Revenue (gross)	6	**212,133**	**102.1**	**229,514**	**102.9**
Sales deductions and direct selling costs	26	−4,269	−2.1	−6,515	−2.9
Revenue (net)		**207,864**	**100.0**	**222,999**	**100.0**
Cost of sales		−142,088	−68.4	−157,697	−70.7
Gross profit on sales		**65,776**	**31.6**	**65,302**	**29.3**
Research and development	31	−19,661	−9.5	−16,401	−7.4
Sales and customer service		−22,668	−10.9	−22,851	−10.2
General administration		−22,092	−10.6	−18,744	−8.4
Other operating expenses	33	−17,605	−8.4	−9,061	−4.1
Other operating income	33	1,433	0.7	5,952	2.7
Impairment and restructuring expenses	32	−48,191	−23.2	−3,127	−1.4
Negative goodwill from the acquisition of Oerlikon	5	16,849	8.1	0	0.0
Total operating expenses		−111,935	−53.8	−64,232	−28.8
EBIT		**−46,159**	**−22.2**	**1,070**	**0.5**
Finance income	34	1,570	0.8	3,632	1.6
Finance costs	34	−9,520	−4.6	−3,152	−1.4
EBT		**−54,109**	**−26.0**	**1,550**	**0.7**
Tax income/expenses	23	4,837	2.3	1,471	0.7
Profit or loss for the period		**−49,272**	**−23.7**	**3,021**	**1.4**
Thereof attributable to:					
Equity holders of the parent		−48,756		1,659	
Minority interests		−516		1,362	
		−49,272		**3,021**	
Basic earnings per share based on the profit for the period (in EUR) attributable to equity holders of the parent		(1.32)		0.05	
Diluted earnings per share based on the profit for the period (in EUR) attributable to equity holders of the parent		(1.04)		0.08	

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

Statement of Changes in Consolidated Equity as of December 31, 2008 and 2007

	Sub-scribed capital [€ k]	Capital reserves [€ k]	Other reserves [€ k]	Retained earnings [€ k]	Total [€ k]	Minority interests [€ k]	Equity [€ k]
	Attributable to equity holders of the parent						
Note no.	21	21	21			4	
As of 1 January 2006	34,942	29,879	–2,514	205,538	267,845	6,899	274,744
Derivative financial instruments*			366		366		366
Exchange differences in the fiscal year			–2,280		–2,280		–2,280
Net income and expense recognized directly in equity	**0**	**0**	**–1,914**	**0**	**–1,914**	**0**	**–1,914**
Profit or loss for the period				1,659	1,659	1,362	3,021
Total income and expense for the period	**0**	**0**	**–1,914**	**1,659**	**–255**	**1,362**	**1,107**
Capital increase in connection with the acquisition of STANGL AG **	2,004	16,676			18,680		18,680
Acquisition of minority interests in HamaTech AG						–1,666	–1,666
Dividend allocated to minority interests in SMG						–547	–547
Share-based payment (IFRS 2)		948			948		948
As of 31 December 2007	**36,946**	**47,503**	**–4,428**	**207,197**	**287,218**	**6,048**	**293,266**
Derivative financial instruments*			–20		–20		–20
Exchange differences in the fiscal year			1,731		1,731		1,731
Net income and expense recognized directly in equity	**0**	**0**	**1,711**	**0**	**1,711**	**0**	**1,711**
Profit or loss for the period				–48,756	–48,756	–516	–49,272
Total income and expense for the period	**0**	**0**	**0**	**–48,756**	**–48,756**	**–516**	**–49,272**
Acquisition of minority interests in HamaTech AG						–1,527	–1,527
Share-based payment (IFRS 2)		1,279			1,279		1,279
As of 31 December 2008	**36,946**	**48,782**	**–2,717**	**158,441**	**241,452**	**4,005**	**245,457**

* Including deferred taxes
** After deduction of transaction costs of EUR 120k

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

Consolidated
Cash flow Statements for
2008 and 2007

	Note no.	2008 [€ k]		2007 [€ k]	
Cash flows from operating activities					
Profit or loss for the period			−49,272		3,021
Adjustment to reconcile profit or loss for the period to net cash flow					
Net income from the realization of negative goodwill	[5]	−16,849		0	
Amortization, depreciation and impairment of non-current assets	[11/12]	56,499		18,059	
Write-down of investment property and assets of a disposal group classified as held for sale	[13/14]	2,783		0	
Net allocation to pension provisions	[20]	240		337	
Other non-cash expenses/income		2,730		2,846	
Deferred taxes	[23]	−8,574	36,829	−2,612	18,630
			−12,443		21,651
Decrease / increase in assets and increase / decrease in equity and liabilities					
Trade receivables		−6,920		5,545	
Other receivables and assets		13,870		−2,016	
Capitalized development costs	[11]	−12,523		−20,661	
Inventories		3,531		15,142	
Trade payables		−1,975		−7,729	
Other liabilities		3,004		−1,116	
Prepayments		5,721		−11,721	
Tax provisions		−878		653	
Other provisions		−2,543	1,287	−3,302	−25,205
Net cash / used in operating activities			**−11,156**		**−3,554**

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

	Note no.	2008 [€ k]		2007 [€ k]	
Cash flows from investing activities					
Cash paid for investments in intangible assets and property, plant and equipment	11/12	–3,224		–2,124	
Cash received from the disposal of non-current assets (net)		1,519		1,786	
Cash paid for the acquisition of Oerlikon's Blu-Ray business	5	–5,303		0	
Cash received from the sale of the minority interest in BESS		0		4,472	
Cash paid for the acquisition of minority interests in HamaTech	5	–2,064		0	
Cash paid for the acquisition of consolidated entities net of cash acquired		0	–9,072	–20,880	–16,746
Net cash used in investing activities			**–9,072**		**–16,746**
Cash flows from financing activities					
Cash received from / paid for the raising / redemption of loans		15,030		1,878	
Issue / redemption of convertible bonds		–420		–92	
Sale of corporate income tax credits	23	8,880		0	
Cash paid for the dividend allocated to the minority interest in SMG		0	23,490	–547	1,239
Net cash from / used in financing activities			**23,490**		**1,239**
Decrease / increase in cash and cash equivalents			**3,262**		**–19,061**
Effect of exchange rate changes			–71		–203
Cash and cash equivalents at the beginning of the fiscal year			**36,952**		**56,216**
Cash and cash equivalents at the end of the fiscal year	7		**40,143**		**36,952**
Cash paid in the fiscal year for					
Interest			*3,041*		*881*
Taxes			*2,282*		*3,562*
Cash received in the fiscal year for					
Interest			*1,677*		*2,103*
Taxes			*3,684*		*187*

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

Notes to the Consolidated Financial Statements as of December 31, 2008

[1] General

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]. All IFRSs issued by the International Accounting Standards Board (IASB) which were effective as of the consolidated balance sheet date and applied by SINGULUS TECHNOLOGIES AG, have been adopted by the European Commission for application in the EU. As such, the consolidated financial statements prepared by SINGULUS TECHNOLOGIES AG also comply with the IFRSs published by the IASB. For this reason, the term “IFRSs” will be used consistently in this report.

The term “IFRS” includes all of the International Financial Reporting Standards and International Accounting Standards (IASs) that must be applied as of the balance sheet date. All interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – formerly the Standing Interpretations Committee (SIC) – that were mandatory for fiscal year 2008 were likewise applied.

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

[2] Business activities

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

The major area of application of this core competence, which covers all stages of optical disc production, is the manufacture and sale of production systems for CDs, DVDs, and Blu-ray discs. This includes the manufacture of mastering systems and injection molding machines.

The business activities of the SINGULUS TECHNOLOGIES Group were extended in fiscal year 2006 with the acquisition of HamaTech AG and its subsidiaries. The focus of the subsidiary HamaTech APE GmbH & Co. KG is on the development and manufacture of equipment for cleaning photomasks.

The acquisition of a majority shareholding in STANGL AG in fiscal year 2007 expanded the product portfolio even further. STANGL AG is mainly engaged in manufacturing and selling equipment for use in wet-chemical wafer processing for photovoltaics.

For more information, please see the comments on segment reporting under Note 6.

[3] New accounting standards

New mandatory accounting standards and interpretations

The IASB and the IFRIC issued the following new accounting standards in 2007 and 2008. Due to endorsement by the EU, the Company was obligated to adopt these new accounting standards in fiscal year 2008.

- IAS 39, “Financial Instruments: Recognition and Measurement” (revision of reclassification of financial instruments held for trading)

- IFRIC 11, IFRS 2, “Group and Treasury Share Transactions”

Adoption of these standards did not have any effect on the net assets, financial position and results of operations of the SINGULUS Group.

New and revised accounting standards and interpretations that are not yet mandatory

Apart from the new accounting standards and interpretations published by the IASB and IFRIC which are mandatory for fiscal years 2006 and 2007, other standards and interpretations have also been published, some of which have already received EU endorsement but will only become mandatory at a later date. Only those standards and interpretations which could be relevant for SINGULUS are described below. The following standards were adopted on the date on which their application became mandatory, assuming that they had not been adopted voluntarily at an earlier date.

The following standards and interpretations had already been endorsed by the EU as of 31 December 2008:

IFRS 8, "Operating Segments"

In the consolidated financial statements for the prior year, SINGULUS exercised the option of early application of IFRS 8, "Operating Segments".

IFRS 8 was issued by the IASB in November 2006 and is effective for fiscal years beginning on or after 1 January 2009. IFRS 8 sets out requirements for the disclosure of information on an entity's operating segments and does away with the requirement to determine primary (business segments) and secondary (geographical segments) segment reporting formats. IFRS 8 follows the management approach to segment reporting which focuses solely on financial information which is evaluated by decision-makers at the entity in managing the business. It is based on the internal reporting and organizational structure as well as on those financial KPIs that are used to make decisions regarding the allocation of resources and the measurement of performance.

IAS 23, "Borrowing Costs" (revised 2007)

The revised version of IAS 23 was issued by the IASB in March 2007 and is effective for fiscal years beginning on or after 1 January 2009. The standard eliminates the option that has existed to date and requires borrowing costs attributable to a qualifying asset to be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The standard must be applied prospectively.

Qualified assets exist solely at the subsidiary STANGL AG. As this subsidiary only drew on immaterial loan amounts as of 31 December 2008, no material effects are expected for the consolidated financial statements.

IAS 1, "Presentation of Financial Statements" (revised 2007)

The revised version of IAS 1 was issued by the IASB in September 2007 and is effective for fiscal years beginning on or after 1 January 2009. The revised standard contains significant changes regarding the presentation and disclosure of financial information in financial statements. In the future, the statement of changes in consolidated equity may only contain transactions with equity holders acting in their capacity as owners. The other changes in equity must be disclosed in the statement of total income and expense for the year, either in the form of an individual statement or in the form of two statements – an income statement and a statement of total income and expense for the year. In addition, this standard stipulates that an entity must include a balance sheet in its financial statements at the beginning of the earliest comparative period presented if it applies an accounting method retroactively or adjusts or reclassifies items retroactively. The new standard will change the nature and manner of presenting the Group's financial information, but will not have any effect on the recognition or measurement of assets and liabilities in the consolidated financial statements.

Amendments to IFRS 2 – Vesting Conditions and Cancellations

The revised version of IFRS 2 was issued by the IASB in January 2008 and is effective for fiscal years beginning on or after 1 January 2009. The revision clarifies the meaning of the term "vesting conditions" and stipulates how to account for the termination of share-based payment plans by employees. The transitional provisions provide for retrospective application of the new regulation. These amendments are not expected to have any material effect on the consolidated financial statements.

Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments to IAS 32 and IAS 1 were issued in February 2008 and are effective for reporting periods beginning on or after 1 January 2009. An exception is to be introduced, under which puttable financial instruments must be classified as equity if certain criteria are fulfilled. The rule stipulating that details must be provided on these financial instruments remains valid.

The amendments to the standards will not have any effect on the financial position or performance of the Group as the parent has not issued any such instruments.

Improvements to IFRSs in 2008

The amendments resulting from the improvements project in 2008 were published by the IASB in May 2008 and – with the exception of IFRS 5 (here from 1 July 2009) – are effective for reporting periods beginning on or after 1 January 2009.

The primary aim of the improvements project was to eliminate inconsistencies and to clarify wording. The amendments are mandatory for fiscal years beginning on or after 1 January 2009. The following standards are affected. If not explicitly mentioned, the Group does not expect the application of amendments to have any material effects on its net assets, financial position and results of operations:

- IFRS 5 “Non-current Assets Held For Sale and Discontinued Operations”: The amendments here stipulate that all of a subsidiary’s assets and liabilities should be classified as held for sale, regardless of whether the entity will retain a non-controlling interest.

- IAS 1, “Presentation of Financial Statements”: Clarification was made of the fact that financial instruments classified as held for trading do not have to be recognized in the balance sheet as current assets or liabilities. Assets and liabilities may only be classified as current in accordance with the defining criteria set out in IAS 1.

- IAS 10, “Events after the Balance Sheet Date”: Clarification was made of the fact that any dividend resolutions made after the balance sheet date but before approval for the publication of the financial statements do not constitute an obligation on the balance sheet date and, for this reason, should not be recognized in the balance sheet as a liability.

- IAS 16, “Property, Plant and Equipment”: Proceeds from property, plant and equipment held for rental (which are routinely sold following the lease period in the course of an entity’s ordinary activities) must be disclosed under revenue.

- IAS 19, “Employee Benefits”: In addition to the revision of numerous definitions, clarification was also made of the fact that plan amendments which reduce benefits for future service have to be recognized as curtailments. By contrast, amendments which reduce benefits for past service must be recognized as negative past service cost.

- IAS 20, “Accounting for Government Grants and Disclosure of Government Assistance”: In the future, the interest advantage must be calculated for all non-interest and low-interest bearing loans. The difference between the amount received and the discounted amount must be recognized as a government grant.

- IAS 23, “Borrowing Costs”: The definition of borrowing costs was revised in that the effective interest guidelines in IAS 39 were adopted.

- IAS 27, “Consolidated and Separate Financial Statements”: Clarification was made of the fact that a subsidiary recognized in the separate financial statements of a parent at fair value in accordance with IAS 39 must continued to be accounted for in the same manner when the subsidiary is classified as held for sale.

- IAS 28, “Investments in Associates”: As the goodwill contained in the carrying amount of an investment in an associate is not disclosed separately, it is also not subject to a separate impairment test. Instead, the entire carrying amount of the investment is tested for impairment and written down if required. Clarification is also made of the fact that any reversal of the impairment recognized in prior reporting periods on an investment in an associate must be recognized as an increase in that investment; it should not be allocated to the goodwill that forms part of this investment. A further change was made to the disclosure requirements pertaining to investments in associates recognized at fair value in accordance with IAS 39. In the future, these investments will only be subject to the provisions of IAS 28, which, depending on their nature and scope, considerably restrict the ability of the associate to transfer funds in the form of cash or to repay loans to the entity.

- IAS 29, “Financial Reporting in Hyperinflationary Economies”: Clarification is made of the fact that in financial statements prepared on the basis of historical cost, assets and liabilities that may or must be recognized at fair value are not limited to property, plant and equipment and financial investments.

- IAS 31, “Interests in Joint Ventures”: An amendment was made to the disclosure requirements pertaining to interests in joint ventures recognized at fair value in accordance with IAS 39. In the future, these interests will only be subject to the provisions of IAS 31, which require the disclosure of the obligations of the venturer and the joint venture as well as a summary of assets, liabilities, income and expenses.

- IAS 34, “Interim Financial Reporting”: Clarification is made of the fact that undiluted and diluted earnings per share must only be disclosed in the interim financial reports when the entity is within the scope of IAS 33, “Earnings per Share”.

- IAS 36, “Impairment of Assets”: The disclosure requirements for determining the value in use and the fair value less costs to sell when using the discounted cash flow method, were made the same.

- IAS 38, “Intangible Assets”: Expenditure for goods and services used for advertising and promotional campaigns (including mail order catalogs) must only be recognized as expenditure when the entity has the right to access these goods and/or services. The unit of production method remains fully applicable for intangible assets.

- IAS 39, “Financial Instruments: Recognition and Measurement”: Because of a change in circumstances, derivatives can, in the future, be recognized at fair value through profit or loss following initial recognition or can be removed from this category as this would not constitute a reclassification within the meaning of IAS 39. In addition, the need to refer to a “segment” when determining whether an instrument fulfills the hedge criteria has been eliminated. Furthermore, it is made clear that the revised effective interest rate must be used when remeasuring a debt instrument that was previously recognized as a fair value hedge.

- IAS 40, “Investment Property”: Property under construction that is being constructed or developed for use as investment property must no longer be disclosed under property, plant and equipment, but as investment property at cost or fair value. If an entity adopts the fair value model and the fair value cannot be determined reliably, the property under construction must be valued at cost until the fair value can be determined or construction is complete.

IFRIC 13, "Customer Loyalty Programs"

IFRIC 13 was issued by the IFRIC in June 2007 and is effective for reporting periods beginning on or after 1 July 2008. This interpretation sets out that credits awarded to customers (points) must be accounted for separately from the sales transaction for which they were granted. Hence, a portion of the fair value of the consideration received is allocated to the award credits and recognized as deferred income. Revenue is recognized in the period in which the award credits are redeemed or expire. As the Group does not currently have any customer loyalty programs, this interpretation is not expected to have any effect on the consolidated financial statements.

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 was issued by the IFRIC in July 2007 and becomes effective at the beginning of the fiscal year after 31 December 2008, at the latest. This interpretation provides guidelines on determining the maximum surplus in a defined benefit plan which must be recognized as an asset according to IAS 19, "Employee Benefits". As the Group did not have any plan assets as of the balance sheet date, the adoption op this interpretation is also not expected to have any material effect on the consolidated financial statements in the future.

The EU had not endorsed any further public standards and interpretations as of 31 December 2008. Only those standards and interpretations which could be relevant for SINGULUS are described below.

IFRS 3, "Business Combinations" (revised 2008)

The revised version of IFRS 3 was issued by the IASB in January 2008 and becomes effective for reporting periods beginning on or after 1 July 2009. The standard was extensively revised as part of the convergence project of the IASB and the FASB. The main changes include the introduction of an option for the measurement of minority interests, allowing the reporting entity to use either the purchased goodwill method (recognition at the proportionate share of the acquiree's identifiable net assets) or the full goodwill method (the total amount of the goodwill acquired, including goodwill attributable to minority interests). Other important aspects include the revaluation to profit or loss of existing capital interests when control is initially obtained (business combination achieved in stages), mandatory accounting for contingent consideration at the date of acquisition and the recognition of transaction costs in profit or loss. The transitional provisions specify prospective application of the changes. Assets and liabilities that arose from business combinations prior to the first-time application of the new standard are not affected. Application of the full goodwill method, the recognition of business combinations achieved in stages and the mandatory recognition of contingent consideration at the time of acquisition will mean that the goodwill recognized will tend to be higher.

IAS 27, "Consolidated and Separate Financial Statements" (revised 2008)

The revised version of IAS 27 was issued by the IASB in January 2008 and becomes effective for reporting periods beginning on or after 1 July 2009. The amendments primarily relate to accounting for non-controlling interests (minority interests) that will in future participate in full in the Group's losses and for transactions that lead to loss of control of a subsidiary and the effects of which are to be recognized in profit or loss. In contrast, the effects of a disposal of an ownership interest that does not result in loss of control are to be recorded directly in equity. The new provisions must be applied prospectively according to the transitional provisions. Assets and liabilities that arose from such transactions prior to the first-time application of the new standard are therefore not affected.

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"

IFRIC 16 was issued by the IFRIC in July 2008 and is effective for reporting periods beginning on or after 1 October 2008. IFRIC 16 contains guidelines for the identification of foreign currency risks that can be mitigated by means of a hedge on the net investment, for the determination of which group entities are permitted to enter into hedging transactions, and for the determination of the foreign exchange differences which must be reclassified from equity to the income statement upon the sale of the foreign business. This interpretation must be applied prospectively.

The Group is currently investigating which methods should be used to determine which foreign exchange differences must be reclassified.

[4] Significant accounting principles

Consolidated group and consolidation principles

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

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

The financial statements of the subsidiaries are prepared for the same reporting year as for the parent, using consistent accounting policies.

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

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 UK Ltd., Swindon, UK
- SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore
- SINGULUG TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil
- SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat del Vallés, Spain
- SINGULUS VIKA CHINA Limited, Wanchai, Hong Kong (until October 2008)
- SINGULUS TECHNOLOGIES FRANCE s.a.r.l., Illzach, France
- SINGULUS TECHNOLOGIES ITALIA s.r.l., Senigallia (Ancona), Italy
- SINGULUS TECHNOLOGIES TAIWAN Limited, Taipeh, Taiwan
- SINGULUS CHINA MANUFACTURING GUANGZHOU Ltd., Guangzhou, China
- SINGULUS Nano Deposition Technologies GmbH, Kahl am Main, Germany
- HamaTech AG, Kahl am Main, Germany (until 31 December 2008)
- HamaTech APE GmbH & Co. KG, Sternenfels, Germany
- HamaTech APE Beteiligungs-GmbH, Sternenfels, Germany
- HamaTech Slowakei s.r.o., Slovakia (formerly STEAG Electronic Systems spol. s.r.o., Nove Mesto, Slovakia)
- HamaTech USA Inc., Austin, USA (formerly STEAG HamaTech USA Inc.)
- STEAG HamaTech Asia Ltd., Hong Kong, China
- STANGL Semiconductor Equipment AG, Eichenau, Germany

The merger of HamaTech AG, Kahl am Main, into SINGULUS TECHNOLOGIES AG, Kahl am Main, took effect on 24 February 2009 following entry of the merger in the commercial register SINGULUS TECHNOLOGIES AG's registered office. As such, the assets and liabilities of HamaTech AG were transferred to SINGULUS TECHNOLOGIES AG. HamaTech AG, Kahl am Main, ceased to exist when the merger took effect. Please refer to our comments under Note 36.

Regarding the investment in STANGL AG, please refer to the section on business combinations under Note 5.

STEAG HamaTech Asia Ltd. discontinued its operating business in April 2003. However, this company had not been 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.

Foreign currency translation

The financial statements of the foreign subsidiaries are prepared in the currency in which the majority of transactions are concluded (functional currency). The functional currency is the 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. Exchange differences arising from the application of different rates are recognized under other reserves.

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

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 are recognized in profit or loss as and when better information is available.

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

a) Impairment of goodwill

The Group determines whether goodwill is impaired at least once a year. This requires an estimate of the recoverable amount of the cash-generating units to which goodwill is allocated. In this regard, please also see the comments under "Impairment of assets" below.

b) Deferred tax assets

Deferred tax assets are recorded for all temporary differences and for all unused tax loss carryforwards to the extent that it is probable that taxable profit will be available against which the unused tax loss carryforwards can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Please also refer to the comments under Note 23.

c) Share-based payment plans

The Group measures the cost of issuing equity instruments to employees at the fair value of those instruments on the date of issue. In order to estimate fair value, an appropriate measurement approach must be determined for the issue of equity instruments that depends on the terms and conditions of issue. Furthermore, the appropriate data to be used in this measurement approach, including the anticipated option term, volatility, and dividend yield, as well as corresponding assumptions must be determined. The assumptions and approaches used are disclosed in Note 18.

d) Pension obligations

The cost of defined benefit pension plans is determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. As these plans are of a long-term nature, such estimates are highly uncertain. Please also refer to the comments under Note 20.

e) Development costs

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

f) Leases

The Group has entered into lease agreements. The test to determine whether an agreement constitutes a leasing relationship is performed on the basis of the substance of the agreement on the date it was concluded and requires an estimate of the opportunities and risks being transferred in connection with the leased asset. Please also refer to the comments under Note 35.

g) Disposal groups classified as held for sale

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups and the sale must be highly probable. This requires an estimation by management on the probable sale. Please also refer to the comments under Note 14.

Revenue recognition

Revenue relating to the sale of equipment in the Optical Disc and Semiconductor segments is recognized when a contract has become effective, the delivery has been made, and, if required, the equipment has been installed for and accepted by the customer. Revenue relating to services is recognized when the service has been rendered, a price has been agreed and is determinable and payment thereof is probable.

Because STANGL AG works not on the basis of serial production, but rather deals in specific customer orders, recognition is in accordance with the percentage-of-completion method (POC method). The applicable stage of completion is calculated using the input-oriented cost-to-cost method. The costs incurred to date are calculated as a proportion of the estimated total costs. The orders are disclosed as assets under "Receivables from work not yet invoiced" or as liabilities under "Liabilities from work not yet invoiced" if the prepayments exceed the accumulated work performed.

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

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

Goodwill

Goodwill resulting from an acquisition is initially measured at cost, which is defined as 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 under "Impairment of assets".

The acquisition of additional shares from subsidiaries that are already fully consolidated is accounted for using the parent-entity extension method. Under this method, goodwill, or negative goodwill, is determined as the difference between the purchase price and the prorated assets (based on IFRS carrying amounts). Hence, goodwill, or negative goodwill, is accounted for in the same way as that arising from business combinations.

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 in the period in which they were 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. Internally generated immaterial assets (especially developments) are recognized if the prerequisites for such recognition are met. If these prerequisites are not met, these are not recognized as assets and the related costs are recognized as expenses in the period in which they are incurred. Intangible assets with finite useful lives are amortized over their useful lives. Intangible assets with indefinite useful lives are not amortized, being tested instead for impairment at least once a year. No intangible assets with indefinite useful lives were recognized in the reporting period or in the comparable period.

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

• Software	3 years
• Patents	8 years
• Customer relationships	10 to 11 years
• Technology	5 to 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 of exchange with an original maturity of up to three months.

Receivables

Invoices for goods and services are mainly issued in euros.

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

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

If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the new carrying amount of the asset does not exceed its amortized cost at the date of reversal.

For details on the recognition of foreign currency receivables and the related hedging transactions, please see our comments under "Derivative financial instruments" and "Foreign currency translation".

Inventories

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Raw materials, consumables and supplies including spare parts are measured using the 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.

SINGULUS TECHNOLOGIES AG adjusted the allowance on slow-moving and excess inventories in fiscal year 2007 based on experience gathered in the prior years. The four existing allowance classes for salability were reduced from between 50 % and 100 % to between 0 % and 80 %. At the same time, they were reduced in terms of range from between 0 % and 100 % to between 0 % and 80 %.

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

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

Available-for-sale financial investments are non-derivative financial assets. Subsequent to initial measurement, available-for-sale financial assets are measured at fair value. Unrealized gains or losses are recognized directly in equity. If such a financial asset is derecognized or impaired, any accumulated gain or loss that had been recognized directly in equity is recognized in profit or loss.

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

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

For investments that are actively traded in organized financial markets, fair value is determined by the quoted market bid prices as of the balance sheet date. The fair value of investments that are not quoted on an active market is determined using measurement models. These measurement models include the use of recent arm's length transactions between knowledgeable, willing independent parties, the comparison with the current fair value of another financial instrument which is substantially the same, the analysis of discounted cash flows, and the use of other measurement models.

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

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

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

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights to receive the cash flows of a financial asset expire. A financial liability is derecognized if the contractual obligation underlying the liability is discharged, cancelled or expires.

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

In the case of cash flow hedges, the hedging instruments are likewise carried at fair value. Forward exchange contracts are measured using the ECB reference rates for spot currency and the valid forward exchange rates of the respective commercial bank for forward currency. Changes in value, provided that the hedges are deemed to be effective, are initially disclosed in other 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
• Plant and machinery	2 to 10 years
• Other assets	1 to 4 years

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

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

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

Investment property

SINGULUS TECHNOLOGIES measures investment property at depreciated cost using the cost model, pursuant to IAS 40. The majority of these assets comprise commercially used land and buildings which are leased out.

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. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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 TECHNOLOGIES, correspond to the subsidiaries. In deviation of this method and due to the transfer of SINGULUS EMOULD's business activities to SINGULUS MOLDING, the recoverability of the goodwill arising from the first-time consolidation of SINGULUS EMOULD was tested on the basis of the "injection molding machines" cash-generating unit. This corresponds to the legal entity SINGULUS MOLDING.

The following carrying amounts were recognized for goodwill as of the balance sheet date and in the prior year:

Cash-generating unit (segment)	2008 [€ k]	2007 [€ k]
Mastering (optical disc)	20,839	30,646
Emould (optical disc)	0	603
STANGL AG (solar)	45,565	45,565
	66,404	**76,814**

Key assumptions used in the value in use calculation

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

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

Gross margins – Gross margins are determined on the basis of average figures generated in the fiscal years prior to the start of the budget period. The margins are increased or decreased during the budget period by the expected changes in cost or sales revenues.

Discount rates – The discount rates reflect estimates made by management on risks to be attributed to specific cash-generating units. The weighted average cost of capital for each cash-generating unit was used as the discount rate. The underlying base interest rate was determined using the Svensson method using yields equivalent to those of German government bonds (Bunds).

Assumptions as to market share – These assumptions are important for helping management assess how the position of the cash-generating unit could change in comparison with its competitors during the budget period (as with determining assumptions as to growth rates – see below). Management expects the cash-generating unit market share to remain largely unchanged.

Growth rate estimates – Growth rates are based on published industry-specific market research. The growth rate in the perpetual annuity was extrapolated at 1 %.

Sensitivity of assumptions made

Management is of the opinion that no change, based on prudent business judgment, to the assumptions made for determining the value in use of the STANGL AG cash-generating unit, could lead to a situation in which the carrying amount of this cash-generating unit significantly exceeds the recoverable amount.

At the MASTERING cash-generating unit, a change in the assumptions could lead to a situation in which the carrying amount of the cash-generating unit significantly exceeds the recoverable amount. This could arise if the capitalization rate increased or the planned gross margins fell. The MASTERING segment is also expected to benefit from the forecast Blu-ray business, and this development is also expected to be reflected in the value in use of the MASTERING cash-generating unit.

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 pre-tax discount rate applied to the cash flow projections in the Optical Disc segment is 11.6 %, in the Solar segment 16.4 % and in the Semiconductor segment 11.6 %.

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

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. They are calculated 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 also 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 accounts and the consolidated balance sheet using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which at least part of the deferred tax asset can be utilized. Unrecognized deferred tax assets are reviewed at each balance sheet date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Tax loss carryforwards are recognized on the basis of internal tax forecasts.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable profit in the years in which these temporary differences are expected to be reversed. In the event of a change in tax rate, the effects on deferred tax assets and liabilities are recognized in profit or loss in the period to which the new tax rate applies. 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 or 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 recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceed 10 % of the defined benefit obligations. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

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 revenue is realized. The provision is measured on the basis of historical estimates of the costs of meeting warranty obligations, including handling and transport costs.

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 amount repayable are accounted for using the effective interest method. Finance lease liabilities are carried at the present value of the lease payments.

Non-current assets held for sale and discontinued operations

An entity shall measure a non-current asset or disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probably and the asset or the disposal group is in a condition that allows them to be sold immediately. Management must make the sale within one year from the date of the classification for it to qualify for recognition as a closed sale.

Non-current assets held for sale are not written off.

Share-based payment plans

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 7 November 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 18.

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

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

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] Business combinations and acquisition of minority interests

Business combinations in 2008

Effective as of 31 January 2008, the Company acquired the Blu-ray Disc business from Oerlikon Balzers AG. The acquisition covered business knowledge, trade receivables, customer contracts, parts of production and work in process. A price of EUR 5,303k was paid. Patented technology was also acquired. The price for the patented technology was determined on the basis of an earn-out model applied to the next four years, which, in turn, used the net revenue generated from the business with Blu-ray equipment. As of the balance sheet date, a price of EUR 8,979k was determined for the earn-out, including the minimum license. The incidental acquisition costs directly attributable to the business combination amounted to EUR 226k.

The Company accounted for the acquisition in accordance with IFRS 3. EUR 28,780k of the purchase price was allocated to intangible assets. These relate to individual customer relationships (EUR 23,729k) and technology (EUR 5,051k). In addition, EUR 6,957k was assigned to tangible assets when allocating the purchase price. In addition, there were deferred tax liabilities of EUR 7,091k arising from first-time consolidation as well as deferred tax assets of EUR 1,508k. The resulting negative goodwill of EUR 15,646k was recognized in profit or loss in accordance with IFRS 3.

The fair value of the identifiable assets and liabilities of Oerlikon Balzers AG's Blue-ray Disc business as of the date of acquisition and the corresponding carrying amounts directly prior to the date of acquisition break down as follows:

	Fair value as of the acquisition date [€ k]	Carrying amount [€ k]
Intangible assets	28,780	0
Current assets	6,957	5,303
Deferred tax assets	1,508	0
Total	**37,245**	**5,303**
Deferred tax liabilities	(7,091)	0
Total	**(7,091)**	**0**
Net assets	30,154	5,303
Purchase price incl. earn-out liability	14,282	
Capitalized incidental acquisition costs	226	
Total acquisition costs	14,508	
Negative goodwill from business acquisition	15,646	
Costs with an effect on income:		
Acquired cash and cash equivalents		0
Cash paid		5,303
Actual cash flow in 2008		5,303

Assuming that the date of acquisition is at the start of the reporting period, there would be no material change in the revenue and profit generated by the Group because the acquisition took place prior to 31 January 2008 and the revenue and profit earned by the Group in the month of January is low when compared to the year as a whole.

It is not possible to determine separately the revenue and profit or loss from the acquired assets since the date of acquisition because the income statement was prepared solely for the Blue-ray replication line business. The technology developed by SINGULUS and the technology acquired from Olerlikon Balzers was not separated in this regard.
In the fiscal year, the acquired technology was subject to an impairment charge of EUR 5,051k and was thus written off in full. This was necessary because of a strategic change by the Company which resulted in the technology acquired from Oerlikon no longer being required. SINGULUS decided to use only its own developments in the Blu-ray area. The earn-out liability was adjusted in line with the plans prepared at year-end. This adjustment of EUR 1,203k was taken to profit and loss and therefore increased the negative goodwill.

Acquisition of minority interests in 2008

Following the acquisition of the majority interest in 2006, another 759,899 of HamaTech AG's shares were acquired for a purchase price of EUR 2,218k in fiscal year 2007. The resulting goodwill of EUR 552k was recognized directly in profit and loss.

In fiscal year 2008, another 732,600 of HamaTech AG's shares were acquired for EUR 2,064k. The resulting goodwill of EUR 548k was recognized directly in profit and loss.

As of 31 December 2008, the Company held 93.77 % of the shares in HamaTech AG.

Business combinations in 2007

The purpose of the company is to develop, produce and sell equipment for use in wet-chemical processing of silicon and thin-film solar cells. A purchase price of EUR 43,800k was agreed for the shares, comprising a cash component of EUR 25,000k and a share component of EUR 18,800k. For the share component, a total of 2,004,478 new bearer shares of SINGULUS TECHNOLOGIES AG with a nominal volume of EUR 1.00 each were issued. The incidental acquisition costs directly attributable to the business combination amounted to EUR 911k. SINGULUS TECHNOLOGIES AG was granted a call option on the remaining shares. At the same time, the shareholders of STANGL AG were granted a put option. The call option can be exercised either in the period from 1 January 2010 to 31 May 2010 or in the period from 1 January 2011 to 31 May 2011. The put option can be exercised either in the period from 1 June 2010 to 31 October 2010 or in the period from 1 June 2011 to 31 October 2011. The put/call option was recognized as a liability in the amount of the present value of the estimated cash outflow (EUR 36,360k). Goodwill increased accordingly.

The Company accounted for the acquisition in accordance with IFRS 3. EUR 39,432k of the purchase price for 51 % of the shares was mainly allocated to intangible assets. These relate to technology (EUR 6,846k), customer bases (EUR 27,816k) and the "STANGL" brand (EUR 4,770k). In addition, there were deferred tax liabilities of EUR 9,660k arising from first-time consolidation. The resulting positive difference of EUR 45,565k was recognized as goodwill in fiscal year 2007 in accordance with IFRS 3.

The fair value of the identifiable assets and liabilities of STANGL 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 as of acquisition date [€ k]	Carrying amount [€ k]
Intangible assets	39,714	282
Other non-current assets	618	618
Current assets	13,272	13,272
Total	**53,604**	**14,172**
Non-current liabilities	–85	–85
Current liabilities	–6,251	–6,251
Deferred tax liabilities	–11,761	–2,101
Total	**–18,097**	**–8,437**
Net assets	35,507	5,735
Purchase price incl. put/call option	80,160	
Capitalized incidental acquisition costs	911	
Total acquisition costs	81,071	
Goodwill from business acquisition	45,565	
Costs with an effect on cash:		
Cash and cash equivalents acquired		7,369
Cash outflow		25,911
Actual cash outflow in 2007		18,542

[6] Segment reporting

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

The Optical Disc segment is engaged in the development, 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 the acquisition of HamaTech AG, a replication line for manufacturing CD-Rs or DVD-Rs is being distributed under the brandname Taurus. Since fiscal year 2002, the Company has been involved in the manufacture and distribution of mastering systems, which complement the Company's replication lines. In the prior year, revenue was generated in this segment for the first time from the sale of replication lines for manufacturing third-generation optical Blu-ray discs.

Furthermore, in fiscal year 2008, HamaTech's held-for-sale property in Sternenfels was disclosed in the optical disc segment (EUR 4,515k).

The Solar segment includes the manufacture and distribution of equipment for use in wet-chemical wafer processing for photovoltaics as well as the development of coating equipment for applying anti-reflection coatings for silicon solar technology.

The Semiconductor segment focuses on the manufacture of equipment for cleaning photomasks. These are used as projection templates in the semiconductor industry. The semiconductor segment also covers the development and manufacture of equipment that uses TMR technology for IT applications. This equipment can be used to manufacture MRAM wafers and thin film heads.

A machine has been developed in the coating segment which uses automated in-line process technology to coat optical lenses. Another area of this segment was the manufacture of equipment for the application of decorative layers to three-dimensional plastic or metal. The operations in this segment were discontinued in the fiscal year. Please refer to Note 32 for more information.

"Other" includes those business units that account for less than 10 % of the Group's assets, net proceeds and operating result. In the fiscal year, this included HamaTech Slovakia's investment properties.

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

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

	"Optical disc" segment		"Solar" segment		"Semiconductor" segment	
	Dec. 31, 2008 [€ k]	Dec. 31, 2007 [€ k]	Dec. 31, 2008 [€ k]	Dec. 31, 2007 [€ k]	Dec. 31, 2008 [€ k]	Dec. 31, 2007 [€ k]
Segment assets	287,964	291,871	108,515	99,931	20,961	31,256
Gross revenue	153,404	175,335	37,905	14,004	20,824	37,859
Sales deductions and direct selling costs	– 3,312	– 5,520	– 651	– 201	– 306	– 783
Net revenue	150,092	169,815	37,254	13,803	20,518	37,076
Restructuring expenses	– 26,155	– 3,127	0	0	– 10,232	0
Operating result	– 15,926	– 4,173	1,729	2,885	– 19,052	4,791

	"Coating" segment		Other		SINGULUS Group	
	Dec. 31, 2008 [€ k]	Dec. 31, 2007 [€ k]	Dec. 31, 2008 [€ k]	Dec. 31, 2007 [€ k]	Dec. 31, 2008 [€ k]	Dec. 31, 2007 [€ k]
Segment assets	0	11,902	7,150	8,973	424,590	443,933
Gross revenue	0	2,316	0	0	212,133	229,514
Sales deductions and direct selling costs	0	– 11	0	0	– 4,269	– 6,515
Net revenue	0	2,305	0	0	207,864	222,999
Restructuring expenses	– 9,587	0	– 2,217	0	– 48,191	– 3,127
Operating result	– 10,693	– 2,463	– 2,217	30	– 46,159	1,070

The table below shows geographical information as of 31 December 2008 based on gross revenue:

	Germany [€ k]	Rest of Europe [€ k]	Americas [€ k]	Asia [€ k]	Africa [€ k]	Australia [€ k]
Revenue by						
Country of origin	172,805	11,405	9,675	18,248	0	0
Destination	25,970	57,526	70,272	57,295	1,070	0

	Germany [€ k]	Rest of Europe [€ k]	Americas [€ k]	Asia [€ k]	Africa [€ k]	Australia [€ k]
Assets	330,178	67,883	8,198	18,331	0	0

The table below shows geographical information as of 31 December 2007 based on gross revenue:

	Germany [€ k]	Rest of Europe [€ k]	Americas [€ k]	Asia [€ k]	Africa [€ k]	Australia [€ k]
Revenue by						
Country of origin	176,203	21,073	10,314	21,924	0	0
Destination	26,048	65,535	73,588	59,332	3,961	1,051

	Germany [€ k]	Rest of Europe [€ k]	Americas [€ k]	Asia [€ k]	Africa [€ k]	Australia [€ k]
Assets	320,845	95,002	9,429	18,657	0	0

[7] Cash and cash equivalents

	2008 [€ k]	2007 [€ k]
Cash on hand and bank balances	**40,143**	**36,952**

Bank balances earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is EUR 40,143k (prior year: EUR 36,952k).

[8] Trade receivables

	2008 [€ k]	2007 [€ k]
Trade receivables – current	90,359	77,886
Trade receivables – non-current	3,838	10,924
Less bad debt allowances#	– 14,006	– 10,250
	80,191	**78,560**

As of 31 December 2008, bad debt allowances of a nominal EUR 14,006k had been charged on trade receivables (prior year: EUR 10,250k). Bad debt allowances developed as follows:

	2008 [€ k]	2007 [€ k]
As of 1 January	10,250	16,865
Allowances recognized in profit or loss	7,554	1,617
Utilization	–3,777	–4,373
Reversal	–21	–3,859
As of 31 December	**14,006**	**10,250**

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

As of December 31, the age structure of trade receivables, taking into account specific bad debt allowances, broke down as follows:

	Overdue by				
	less then 30 days [€ k]	30 to 60 days [€ k]	60 to 90 days [€ k]	90 to 180 days [€ k]	more than 180 days [€ k]
2008	3,475	2,884	1,429	7,130	15,672
2007	6,588	2,924	1,612	5,034	13,593

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

In the fiscal year, net losses from trade receivables of EUR 5,830k (prior year: net gain of EUR 546k) comprised income from the reversal of specific bad debt allowances of EUR 21k (prior year: EUR 3,859k), expenses from allocations to specific bad debt allowances of EUR 7,554k (prior year: EUR 1,617k), and exchange gains of EUR 1,703k (prior year: loss of EUR 1,696k) arising on the measurement of trade receivables as of the balance sheet date.

Current trade receivables include POC receivables of EUR 9,528k (prior year: EUR 6,537k) and are all due within one year.

POC receivables arise when revenue can be recognized as generated according to the stage of completion (using the cost-to-cost method) and the criteria set forth in IAS 11.23 have been fulfilled but this revenue cannot yet be invoiced to customers under the respective contract. The costs and expected profits contain direct costs and the portion of overheads attributable to production. The POC receivables and the project-related advances offset against them break down as follows:

	2008	2007
Total costs incurred and recognized profits (less any recognized losses)	29,246	16,845
Progress billings	–818	–48
Advances	–18,900	–10,260
	9,528	**6,537**

There are also construction contracts with gross amounts due to balances from customers which have been disclosed as liabilities from POC. They break down as follows:

	2008	2007
Total costs incurred and recognized profits (less any recognized losses)	2,989	733
Advances	–6,451	–934
	–3,462	**–201**

In the fiscal year, order revenue of EUR 37,905k (prior year: EUR 30,094k) was recognized.

[9] Other receivables and assets

Other receivables and other assets break down as follows:

	2008 [€ k]	2007 [€ k]
Tax refund claims	5,290	10,360
Prepaid expenses	1,481	1,613
Prepayments	1,080	1,021
Loans to employees	137	72
Loan receivable	0	1,364
Forward exchange contracts	0	1,214
Other	1,362	644
	9,350	**16,288**

The Company hedges foreign currency receivables against potential exchange losses with derivative financial instruments. Primarily forward exchange contracts are used to hedge receivables. On the balance sheet date, receivables totaling USD 18,690k (prior year: USD 13,883k) had been hedged by derivatives. Due to the appreciation of the US dollar against the EUR at the end of the fiscal year, the fair value of all derivative financial instruments on the balance sheet was – EUR 746k (prior year: –EUR 1,214k) and was recognized under other liabilities. Please refer to Note 15 for more information.

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.

EUR 2,509k of the tax refund claims in fiscal year 2008 result from SINGULUS TECHNOLOGIES AG and relate to claims from corporate income tax, solidarity surcharge and trade tax prepayments made as well as input tax claims. EUR 1,061k results from tax refund claims from STANGL AG and was mainly attributable to input tax claims.

Tax refund claims of EUR 2,846k from fiscal year 2007 resulted from amended tax assessment notices for 1997 to 2000. Corporate income tax and trade tax refund claims for 1997 and 1998 arose due to the recognition of additional usable tax loss carryforwards. For more information, please refer to the comments under Note 23 – Income taxes. Also included was the current portion of a tax refund claim of EUR 1,167k, which resulted from the first-time recognition of corporate income tax credits from the conversion to the half-income method pursuant to the StSenkG ["Steuersenkungsgesetz": German Tax Reduction Act] on 23 October 2000, which came about as a result of the revision of the law governing tax measures intended to accompany the introduction of the SEStEG ["Gesetz über steuerliche Begleitmaßnahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerrechtlicher Vorschriften": European Company and the subsequent amendment of other tax regulations] dated 7 December 2006. The non-current portion of these claims of EUR 8,675k was disclosed under other non-current receivables in the prior year. The tax receivable totaling EUR 9,842k was sold in the fiscal year.

[10] Inventories

	2008 [€ k]	2007 [€ k]
Raw materials, consumables and supplies	45,199	40,420
Work in process	62,020	57,950
Less allowances	– 13,859	– 7,575
	93,360	**90,795**

The inventory allowances relate to reductions in value in accordance with the "lower of cost or net realizable value" principle. Raw materials, consumables and supplies are treated separately from the other inventories. In addition, raw materials, consumables and supplies and work in process were written down by EUR 6,216k in the fiscal year as part of the restructuring.

The net realizable value is the sales price less the cost to sell. The carrying amount of inventories recognized at net realizable value comes to EUR 2,456k (prior year: EUR 6,536k).

[11] Intangible assets

In fiscal year 2008, intangible assets developed as follows (all amounts in EUR k):

	Goodwill	Franchises, industrial rights and other intangible assets	Capitalized development costs	Total
Cost				
As of 1 Jan. 2007	**31,249**	**19,793**	**64,436**	**115,478**
Exchange rate changes	0	– 14	0	– 14
Addition from business combination	45,565	39,510	203	85,278
Other additions	0	381	20,661	21,042
Disposals	0	– 41	0	– 41
As of 31 Dec. 2007	**76,814**	**59,629**	**85,300**	**221,743**
Exchange rate changes	0	0	0	0
Addition from business combination	0	28,780	0	28,780
Other additions	0	746	12,579	13,325
Disposals	0	– 213	– 56	– 269
As of 31 Dec. 2008	**76,814**	**88,942**	**97,823**	**263,579**
Amortization and impairment losses				
As of 1 Jan. 2007	**0**	**6,463**	**25,487**	**31,950**
Exchange rate changes	0	– 4	0	– 4
Other additions (scheduled)	0	1,778	11,495	13,273
Disposals	0	– 19	0	– 19
As of 31 Dec. 2007	**0**	**8,218**	**36,982**	**45,200**
Exchange rate changes	0	0	3	3
Other additions (scheduled)	0	7,689	12,157	19,846
Other additions (unscheduled)	10,410	4,795	18,402	33,607
Disposals	0	– 181	0	– 181
As of 31 Dec. 2008	**10,410**	**20,521**	**67,544**	**98,475**
Carrying amounts 31 Dec. 2007	**76,814**	**51,411**	**48,318**	**176,543**
Carrying amounts 31 Dec. 2008	**66,404**	**68,421**	**30,279**	**165,104**

Significant additions to intangible assets arose in connection with the acquisition of Oerlikon Balzers AG's Blu-ray activities. For more information, please refer to Note 5 "Business combinations".

EUR 12,579k of the development costs incurred in fiscal year 2008 qualify for recognition as an asset under IFRSs (prior year: EUR 20,661k). The capitalized development costs mainly relate to expenses in the Company's core business area, Optical Disc, as well as Solar.

[12] Property, plant and equipment

In fiscal year 2008, property, plant and equipment developed as follows (all amounts in EUR k):

	Land, own buildings	Plant and machinery	Equipment	Leased assets	Assets under construction	Total
Cost						
As of 1 Jan. 2007	**13,760**	**5,617**	**11,902**	**1,302**	**105**	**32,686**
Exchange rate changes	5	12	71	0	0	88
Addition from business combination	97	397	124	0	0	618
Other additions	68	976	695	0	3	1,742
Disposals	–110	–1,028	–1,637	–1,302	0	–4,077
Reclassifications	–6,357	0	0	0	0	–6,357
As of 31 Dec. 2007	**7,463**	**5,974**	**11,155**	**0**	**108**	**24,700**
Exchange rate changes	0	0	0	0	0	0
Other additions	88	1,203	1,094	0	93	2,478
Disposals	–913	–1,616	–627	0	–39	–3,195
Reclassifications	0	0	0	0	0	0
31 Dec. 2008	**6,638**	**5,561**	**11,622**	**0**	**162**	**23,983**
Depreciation and impairment						
As of 1 Jan. 2007	**1,962**	**1,721**	**6,633**	**42**	**0**	**10,358**
Exchange rate changes	5	7	47	0	0	59
Other additions (scheduled)	994	1,426	2,046	319	0	4,785
Disposals	–75	–417	–1,459	–361	0	–2,312
Reclassifications	–665	0	0	0	0	–665
As of 31 Dec. 2007	**2,221**	**2,737**	**7,267**	**0**	**0**	**12,225**
Exchange rate changes	113	0	0	0	0	113
Other additions (scheduled)	460	1,266	1,317	0	0	3,043
Disposals	–380	–835	–492	0	0	–1,707
Reclassifications	0	0	0	0	0	0
As of 31 Dec. 2008	**2,414**	**3,168**	**8,092**	**0**	**0**	**13,674**
Carrying amounts 31 Dec. 2007	**5,242**	**3,237**	**3,888**	**0**	**108**	**12,475**
Carrying amounts 31 Dec. 2008	**4,224**	**2,393**	**3,530**	**0**	**162**	**10,309**

[13] Investment property

The investment property recognized by the Company relates to property in Slovakia which is leased out. In fiscal year 2008, investment property had a carrying amount of EUR 7,150k (prior year: EUR 8,653k). The fair value largely corresponds to the carrying amount reported. Depreciation of investment property amounted to EUR 300k in the fiscal year. Impairment losses totaling EUR 2,217k were charged in the fiscal year as a result of currency effects. The depreciation is charged straight-line over a useful life of between 15 and 40 years. Lease income amounts to EUR 453k p.a.

[14] Assets and liabilities of disposal groups classified as held for sale

HamaTech AG's optical disc business was gradually relocated to Kahl am Main. The Company decided in connection with the reorganization to sell the building in Sternenfels that had previously been used by HamaTech AG in 2008. Part of the property is owned by the Company, and part is leased back by HamaTech AG under a finance lease with a property leasing company. Because the Company intends to sell this property, it was classified under "Non-current assets held for sale". In fiscal year 2008, the market value of the property was adjusted to EUR 4,515k.

[15] Other current liabilities

Other liabilities break down as follows:

	2008 [€ k]	**2007** [€ k]
Sales commissions for foreign agents	5,090	4,237
Outstanding liabilities to personnel	3,753	3,990
Outstanding invoices	3,345	6,353
Liabilities from the acquisition of patents and licenses	2,204	0
Liabilities from redundancy plan	1,182	0
Employee bonuses	1,005	1,297
Tax liabilities	857	1,601
Forward exchange contracts	746	0
Financial statement, legal and consulting fees	703	475
Debtors with credit balances	393	459
Outstanding credit notes	372	344
Current portion of convertible bonds issued	163	562
Liabilities in connection with social security	142	201
Dividend claims of minority interests	0	547
Obligation to pay a guaranteed dividend	0	400
Other	3,015	1,542
	22,970	**22,008**

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

	2008 [€ k]	**2007** [€ k]
Current portion of convertible bonds issued	**163**	**562**

For more information on the performance of outstanding convertible bonds we refer to Note 18 "Convertible bonds issued". The nominal value of the outstanding bonds amounts to EUR 1.00 per convertible bond.

As of 31 December 2008, the total value of all four tranches of convertible bonds amounted to EUR 163k.

EUR 1,203k of the liabilities from the acquisition of patents and licenses are attributable to the current portion of the purchase price liability from the acquisition of Oerlikon Balzers AG's Blu-ray activities. Please refer to our comments under Note 5. In addition, EUR 1,000k of non-current liabilities relates to remaining purchase price liability for acquisitions of Mold Pro rights in fiscal year 2004.

[16] Prepayments

	2008 [€ k]	2007 [€ k]
Prepayments received from customers	**15,493**	**9,772**

Prepayments received as of 31 December 2008 and 2007 mainly relate to advances for replication lines, which are disclosed in inventories under work in process.

There are also construction contracts with gross amounts of EUR 3,462k due to customers which have been disclosed under other prepayments. Please refer to our comments under Note 8.

[17] Other non-current liabilities

Non-current liabilities include a discounted provision for the acquisition of minority interests of EUR 40,350k discounted to 31 December 2008. This arose in connection with the put/call option agreed as part of the acquisition of shares in STANGL AG. It can be assumed that one of the parties will exercise their option at the exercise date. Please refer to our comments under Note 5 – Business combinations.

Other non-current liabilities still contain a purchase price liability from the acquisition of Oerlikon Balzers AG's Blu-ray activities (i. e. the technology acquired). The price for the patented technology was determined on the basis of an earn-out model applied to the next four years, which, in turn, used the net revenue generated from the business with Blu-ray equipment. As of the balance sheet date, a price of EUR 8,979k was determined for the earn-out, including the minimum license. As of the balance sheet date, the amount recognized under non-current liabilities in this regard was EUR 7,457k. Please refer to our comments under Note 5 – Business combinations.

[18] Share-based payment plans

The share-based payment plans are as follows:

<u>Convertible bonds issued</u>

By resolution approved at the extraordinary shareholder meeting on 6 November 1997 and the ordinary shareholder meeting on 7 May 1999 and 7 May 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 31 December 2010 until 30 September 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 31 December 2008 and 31 December 2007:

Change in convertible bonds	2008 Number of bonds	2008 Weighted average exercise price (€)	2007 Number of bonds	2007 Weighted average exercise price (€)
Outstanding at the beginning of the fiscal year	582,750	25.33	674,682	20.74
Issued in the fiscal year	0	–	0	–
Returned in the fiscal year	89,000	23.70	91,932	19.53
Exercised during the fiscal year	0	–	0	–
Expired in the fiscal year	331,250	16.80	0	–
Outstanding at the end of the fiscal year	162,500	43.63	582,750	25.33
Exercisable at the end of the fiscal year	162,500	43.63	582,750	25.33

The options issued through the convertible bond were measured at market value in accordance with IFRS 2, which is applicable to options issued after 7 November 2002. SINGULUS TECHNOLOGIES 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 7 November 2002 were recorded in income in fiscal year 2008 or in prior periods. Of the 270,000 convertible bonds issued, 60,000 were still outstanding as of the balance sheet date (tranche II/2004).

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

Tranche	II/2004
Grant date	20 Aug. 2004
Exercise price	16.95 €
Dividend yield	0.00 %
Interest rate	4.39 %
Volatility SINGULUS	50.00 %
Fair value per option	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 bonds was used as an historical timeframe. In fiscal year 2008, personnel expenses of EUR 10k were incurred in connection with convertible bonds (prior year: EUR 68k).

Stock option plan 2005

In order to provide its senior executives and other top-performers with a long-term incentive, SINGULUS TECHNOLOGIES AG launched a stock option plan (SOP) in 2005 entitling these employees to subscribe for up to 1,200,000 no-par value registered shares.

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 is the period of five trading days from the date of publication of the quarterly report applicable 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 (SOP I). In fiscal year 2007, 472,230 subscription rights with an exercise price of EUR 8.58 were issued (SOP II). This tranche benefited the entire workforce of the Company and senior executives of the subsidiaries.

Change in subscription rights	SOP I 2008 Number of options	SOP I 2007 Number of options	SOP I Average exercise price (€)	SOP II 2008 Number of options	SOP II 2007 Number of options	SOP II Average exercise price (€)
Outstanding at the beginning of the fiscal year	380,000	380,000	10.05	472,230	0	8.58
Issued in the fiscal year	0	0	–	0	472,230	8.58
Revoked in the fiscal year	0	0	–	0	0	–
Exercised in the fiscal year	0	0	–	0	0	–
Expired in the fiscal year	0	0	–	0	0	–
Outstanding at the end of the fiscal year	380,000	380,000	10.05	472,230	472,230	8.58
Exercisable at the end of the fiscal year	0	0	–	0	0	–

The two-year vesting period for SOP I is now complete. This means that 25 % of the options issued may now be exercised. However, as the option terms had not been fulfilled (closing share price), it was not possible to exercise any options as of the end of the fiscal year.

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.

	SOP I	SOP II
Grant Date	10 Aug. 2006	8 Aug. 2007
Closing rate SINGULUS	9.89 €	9.30 €
Exercise price	10.05 €	8.58 €
Dividend yield	0.00 %	0.00 %
Interest rate	3.68 %	4.33 %
Volatility SINGULUS	50.30 %	43.04 %
Total fair value	4.41 €	4.03 €

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 2008, personnel expenses of EUR 1,269k were incurred in connection with stock options (prior year: EUR 874k).

HamaTech's stock option program

The first tranche of HamaTech AG's stock option program expired on 30 November 2007 and the second tranche on 31 December 2007.

In fiscal year 2008, no personnel expenses were incurred in connection with stock options (prior year: EUR 6k).

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

	2008 [€ k]	2007 [€ k]
Expenses from the issue of convertible bonds	10	68
Expenses from the SINGULUS stock option plan (SOP I and II)	1,269	874
Expenses from the HamaTech stock option plan	0	6
Total expenses from share-based payment transactions	**1,279**	**948**

[19] Liabilities to banks

Liabilities to banks amounted to EUR 37,109k as of 31 December 2008.

Effective 14 December 2007, SINGULUS TECHNOLOGIES AG underwrote a syndicated credit facility of EUR 60,000k. The credit facility includes a loan of EUR 25,000k and a revolving credit line of EUR 35,000k with a total term of five years. The interest rate on the loan commitment is adjusted to the 3-month EURIBOR rate on a quarterly basis. The guarantors are SINGULUS TECHNOLOGIES Inc. and SINGULUS MASTERING B.V. The credit facility primarily serves to refinance the takeover of 51 % of the shares in STANGL AG and to finance operating activities. At the end of the fiscal year, EUR 3,400k of the loan had been repaid. The remaining loan liability thus amounted to EUR 21,600k. Furthermore, EUR 10,000k of the revolving credit facility had been utilized at the end of the fiscal year. The effective interest rate for the loan was 5.815 % p.a. at year-end. The effective interest rate for the revolving credit facility was 6.202 % p.a. at year-end.

In April 2006, another loan with a total nominal value of EUR 10,000k was raised. This loan is repayable in equal annual installments, with the last installment payable on 31 March 2010. At year-end, the loan amount recognized was EUR 4,610k (prior year: EUR 11,440k). The effective interest rate for this loan was 5.360 % p.a. at year-end (prior year: 4.782 %).

There were no liabilities to banks from discounted bills on the balance sheet date (prior year: EUR 200k). In the prior year, the fair values of the bank liabilities largely approximated the carrying amounts.

Financial liabilities measured at amortized costs posted a net loss of EUR 1,966k (prior year: EUR 825k). The net losses are solely attributable to interest.

[20] Pension obligations

Both SINGULUS TECHNOLOGIES AG and Hamatech AG operate defined benefit pension plans.

SINGULUS TECHNOLOGIES AG operates a pension plan for employees who were taken over from Leybold AG, employees hired by Leybold AG on behalf of the Company, and 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 obligations as of 31 December 2008 and 2007 is presented in the following tables:

Change in pension obligations:	**2008** [€ k]	**2007** [€ k]
Present value at the beginning of the fiscal year	6,109	6,564
Service cost	205	234
Interest expense	327	287
Actuarial losses	–519	–737
Benefits paid in the fiscal year	–239	–239
Present value at the end of the fiscal year	5,883	6,109
Unrecognized actuarial gains (+) / losses (–)	422	–96
Pension provisions recognized in the balance sheet	**6,305**	**6,013**

Net pension expenses break down as follows:

	2008 [€ k]	**2007** [€ k]
Service cost	205	234
Interest expense	327	287
Actuarial gains / losses	0	11
	532	**532**

The figures for the current and previous three periods are as follows:

	2008 [€ k]	**2007** [€ k]	**2006** [€ k]	**2005** [€ k]
Present value of the defined benefit obligation	5,883	6,109	6,564	6,209

The pension obligations of HamaTech AG as of December 31 are presented below:

Change in pension obligations	2008 [€ k]	2007 [€ k]
Present value at the beginning of the fiscal year	335	436
Service cost	0	24
Interest expense	19	20
Actuarial losses	– 5	– 145
Present value at the end of the fiscal year	349	335
Unrecognized actuarial gains	38	104
Pension provisions recognized in the balance sheet	**387**	**439**

Net pension expenses of HamaTech AG break down as follows:

	2008 [€ k]	2007 [€ k]
Service cost	0	24
Interest expense	19	20
Actuarial gains / losses	– 5	0
	14	**44**

The figures for the current and previous three periods are as follows:

	2008 [€ k]	2007 [€ k]	2006 [€ k]	2005 [€ k]
Present value of the defined benefit obligation	349	335	436	350

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

	2008	2007
Discount rate (future pensioners)	5.70 %	5.70 %
Discount rate (current pensioners)	5.70 %	5.30 %
Estimated future wage and salary increases	2.50 %	2.75 %
Estimated future pension increases	1.80 %	1.80 %

[21] Other provisions

Other provisions developed as follows in the fiscal year:

	1 Jan. 2008 [in €]	Utili- zation [in €]	Reversal [in €]	Allo- cation [in €]	31 Dec. 2008 [in €]
Warranties	2,845	202	515	0	2,128
Redundancy plan	1,603	1,603	0	0	0
Other	225	0	0	31	256
	4,673	**1,805**	**515**	**31**	**2,384**

Provisions for warranty costs are recognized as a percentage of revenue as well as for individual warranty risks. The percentages are based on historical values and amounted to 0.8 % of net revenue in fiscal year 2008 (prior year: 0.9 %).

[22] Equity

Subscribed capital

By resolution approved at the shareholder meeting on 23 June 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 22 November 2007 and call them in with the consent of the supervisory board.
In 2008, no treasury shares were acquired or called in.

Capital stock was increased by EUR 2,004,478.00 in the prior year in connection with the acquisition of STANGL AG and the associated purchase price component of EUR 18,800k in shares. The capital stock totals EUR 36,946,407.00 and consists of 36,946,407 ordinary bearer shares with a par value of EUR 1.00 each.

As of 21 November 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 6 November 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 31 December 2010 (conditional capital I).

By resolution approved at the shareholder meeting on 7 May 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 31 December 2010 (conditional capital II). On 30 November 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, convertible bonds with a total nominal value of EUR 140k were issued. At year-end, only the current portion of the convertible bonds still existed. These were disclosed under “Other current liabilities”.

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

By resolution approved at the shareholder meeting on 30 May 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 is only utilized to the extent that the holders of options or conversion rights issued or guaranteed by the Company up to 30 May 2010 on the basis of the authorization approved by resolution at the shareholder meeting on 30 May 2005 exercise these options or conversion rights. The new shares participate in 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 affiliates and to other senior executives and employees of the Company in line with the provisions of the authorization approved by resolution at the shareholder meeting on 30 May 2005. The new shares are included in profit from the beginning of the fiscal year in which they result through the exercise of the said options. Conditional capital V was reduced by EUR 380,000.00 through the issue of 380,000 stock options to members of the senior executives and senior employees. Following this partial utilization, conditional capital V stood at EUR 820,000.00 as of 31 December 2008.

There is also a conditional capital VI. By a resolution of the shareholder meeting dated 6 June 2007, the Company’s capital stock can be conditionally increased by EUR 600,000.00. The conditional capital serves to grant stock options to employees and managers of the Company or an affiliate. Conditional capital VI was reduced by EUR 472,230.00 through the issue of 472,230 stock options to the workforce of SINGULUS TECHNOLOGIES AG. Following this partial utilization, conditional capital VI stood at EUR 127,770.00 as of 31 December 2008.

In addition, the Company’s capital stock has been increased by condiional capital of up to EUR 600,000 by issuing up to 600,000 bearer shares with a nominal value of EUR 1.00 each (conditional capital VII). The sole purpose of the conditional capital increase is to grant subscription rights (stock options) to members of the Company’s management board, to other executive employees of the Company and their subordinated affiliates in Germany and in other countries (including members of executive bodies of subordinated affiliated companies) and to other employees of the Company and subordinated affiliates in Germany and in other countries in line with the provisions of the authorization approved by resolution at the shareholder meeting on 6 June 2008. The capital increase will only take place if the aforementioned stock options are exercised and the Company does not issue new shares to fulfill the share options. The new shares participate included in profit from the beginning of the fiscal year in which they result through the exercise of the said options.

Approved capital

Approved capital I:

Following expiry of approved capital I on 21 June 2007, the shareholder meeting resolved on 6 June 2008 to create new approved capital I in accordance with Art. 5 (2) of the articles of incorporation.

The management board was authorized to increase the Company’s capital stock within a five-year period following the date on which its authorization is entered in the commercial register by up to EUR 7,000,000.00 in total. This amount will be raised through the issue of 7,000,000 new bearer shares with a nominal value of EUR 1 each in one or more tranches in return for cash and/or non-cash contributions (approved capital I). The shareholders are to be granted a subscription right. However, the management board is authorized, with the approval of the supervisory board, to exclude the shareholders’ legal subscription right if this is required to issue subscription rights for new shares to the owners of the options and convertible bonds issued by SINGULUS AG or its direct and/or indirect subsidiaries in the scope to which they would be entitled after exercising the option or conversion rights or after fulfillment of the conversion or option duties.

The management board was also authorized, with the consent of the supervisory board, to exclude the shareholders’ legal subscription right when new shares are issued in return for cash contributions during a capital increase at an issue price that does not significantly exceed the stock market price of the shares already in circulation at the time the issue price is finally determined (which should be as close to their issue date as possible) and the notional capital stock attributable to the issued shares does not exceed 10 % of the total capital stock at the time that such authorization becomes effective or is exercised. The capital stock attributable to the shares to be issued in order to meet the option and/or convertible bond obligation must be added to this capital limit. Such an addition only takes place when the options and/or convertible bonds are issued in accordance with Sec. 186 (3) 4 AktG with the exclusion of the shareholders’ subscription rights during the period of authorization granted to the management board. The capital stock attributable to the shares issued during the period of authorization granted to the management board pursuant to or in accordance with Sec. 186 (3) Sentence 4 AktG on the basis of approved capital or sold by the Company (following their repurchase as treasury shares).

Furthermore, the management board was also authorized, with the consent of the supervisory board, to exclude the shareholders’ legal subscription right in cases where capital is increased in return for non-cash contributions, especially when companies, parts of companies, investments in companies or other assets are acquired as part of a business combination (in particular though merger).

The management board was also authorized, with the consent of the supervisory board, to determine further details of capital increases from approved capital I. The new shares may also be acquired by banks determined by the management board subject to the requirement that they are offered to shareholders (indirect subscription right).

Approved capital II:

Approved capital II expired on 21 June 2007.

Approved capital III:

By resolution adopted by the shareholder meeting on 6 June 2007, the management board was authorized, subject to the consent of the supervisory board, to increase capital stock on one or several occasions by up to EUR 6,988,385.00 in total in return for cash or non-cash contributions until 31 December 2012; the shareholders' right to subscribe can be excluded. Some of this capital (EUR 2,004,478.00) was used for the acquisition of STANGL Semiconductor Equipment AG, Eichenau, Germany, in fiscal year 2007. Thus, approved capital, after partial utilization, still amounted to EUR 4,983,907.00 as of 31 December 2008.

On 13 February 2009, the management board of SINGULUS AG, resolved within the framework of the partial utilization of approved capital III pursuant to Art. 5 (5.3), that, to complete the merger of HamaTech AG into the Company, the Company's capital stock would be increased by EUR 409,064.00 from EUR 36,946,407.00 to EUR 37,355,471.00 through the issue of 409,064 new bearer shares, each with a notional value of EUR 1.00. The authorization of the management board is based on the resolution passed by the shareholder meeting on 6 June 2007 and was entered in the commercial register on 31 July 2007.

Capital reserves

In the prior year, the capital reserves were increased by EUR 16,676k in connection with the acquisition of STANGL AG and the associated purchase price component of EUR 18,800k in shares. The capital reserves also increased in the prior year in connection with share-based payments of EUR 948k; they increased by EUR 1,279k in this connection in the fiscal year.

Other reserves

Other reserves include changes in the market value of cash flow hedges as well as exchange 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 AG and SINGULUS MANUFACTURING GUANGZHOU.

[23] Income Taxes

The last tax field audit of SINGULUS TECHNOLOGIES AG was completed in 2006 and relates to the period from 2001 to 2004 inclusive.

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 audit assessment and an application for the suspension of execution filed. The appeal was allowed in full in 2007 and the use of the tax loss carryforward was recognized. Furthermore, as applied for, an additional loss from 1993 from a former subsidiary partnership was taken into account for corporate tax purposes (pursuant to the notice of determination). The accordingly amended assessment notices for 1997 to 2000 were issued at the start of January 2008. Corporate income tax and trade tax refund claims for 1997 and 1998 arose due to additional usable tax losses. The amended assessment notices for 1997 to 2000 resulted in an overall tax refund of EUR 1,959k and interest on tax refunds of EUR 887k (each offset against backpayments). These amounts were recognized in profit or loss in fiscal year 2007.

Due to the now recognized loss utilization in 1997 and 1998, and the additional loss from a former subsidiary partnership, the existing corporate income tax credits increased.

The balance, which amounts to EUR 12,016k (nominal), is to be paid by the tax authorities to SINGULUS TECHNOLOGIES AG in annual installments of EUR 1,202k over a period of ten years. The Company discounted the tax claim by 4 % as of 31 December 2007 and recognized the resulting amount (EUR 9,842k) as an asset. In fiscal year 2008, SINGULUS TECHNOLOGIES AG sold its corporate tax receivable at its present value of EUR 8,910k (discount rate of 5.34 %) less a structuring fee of EUR 30k. As the receivable was transferred to the Bank without recourse, it was accounted for as a non-recourse factoring transaction. This resulted in the elimination of the receivable from the tax authority. The Company recognized the discounting expense incurred as a result of the transaction through profit or loss (in the financial result).

The Bundestag, the Lower House of the German Parliament, adopted the 2008 German Corporate Tax Reform Act ["Unternehmensteuerreformgesetz"] on 25 May 2007. The corresponding resolution of the Bundesrat, the Upper House of the German Parliament, was adopted on 6 July 2007. The key objective of the tax reform was to bring the corporate income tax rate down from 25 % to 15 % as of 2008. The trade tax base rate was reduced from the current 5 % to 3.5 %. In the reporting year, the trade tax multiplier for the municipality of Kahl am Main, was raised to 340 %. Hence, the overall tax burden of SINGULUS TECHNOLOGIES AG fell from 35.976 % to 27.725 % in 2008.

As of 31 December 2008 and 2007, income tax data break down as follows:

	2008 [€ k]	2007 [€ k]
EBT		
Germany	–39,510	5,340
Other countries	–8,152	1,893
	–47,662	7,233
Consolidation adjustments recognized in profit or loss	–6,447	–5,683
	–54,109	**1,550**
Current income tax expenses:		
Germany:		
Corporate income tax	711	672
Trade tax	448	475
Other countries:		
Tax expenses	2,578	2,014
	3,737	3,161
Income from the amendment of tax assessment notices	0	–2,846
Interest income	0	–296
	3,737	**19**
Deferred taxes:		
Germany	–7,201	–1,256
Other countries	–1,373	–234
Total tax expenses / (income)	–4,837	–1,471

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

Deferred tax assets break down as follows:

	2008 [€ k]	2007 [€ k]
Differences between the IFRS accounts and the tax accounts due to		
Inventory allowances	1,867	1,622
Purchase price liability relating to Oerlikon	1,362	0
Pension provisions	483	403
Other provisions / liabilities	412	54
Bad debt allowances	143	105
Deferred taxes on loss carryforwards	9,127	6,013
Other differences between the IFRS accounts and the tax accounts	0	100
Consolidation entries	1,074	1,003
	14,468	**9,300**

The deferred taxes on loss carryforwards are mainly attributable to a trade tax loss carryforward of EUR 29,368k (prior year: EUR 21,903k) and a corporate income tax loss carryforward of EUR 32,382k (prior year: EUR 23,464k) of SINGULUS TECHNOLOGIES AG. A provisional trade tax loss carryforward of EUR 7,872k (prior year: EUR 7,255k) and a provisional corporate income tax loss of EUR 8,640k (prior year: EUR 8,057k) related to the fiscal year. Under German law, the loss carryforwards may be utilized for an indefinite period.

At HamaTech AG, since the usability of the tax loss carryforwards cannot be demonstrated, no deferred taxes were recognized on loss carryforwards.

Deferred tax liabilities break down as follows:

	2008 [€ k]	2007 [€ k]
Capitalized development costs	5,057	9,181
Disclosed hidden reserves from first-time consolidation	18,712	13,820
Other differences between the IFRS accounts and the tax accounts	3,834	2,279
	27,603	**25,280**

The tax rate expected to apply in Germany (for corporate income tax and trade tax, the solidarity surcharge) is unchanged at 27.725 % (prior year: 36.0 %). The reconciliation from the expected tax rate to the effective tax rate is as follows:

	2008	2007
Expected tax rate*	– 27.73 %	36.00 %
Loss carryforwards for the current period for which no deferred taxes were recognized	12.48 %	102.60 %
Tax backpayments following the tax field audit	0.77 %	0.00 %
Non-tax-deductible expenses	1.35 %	– 10.20 %
Tax refunds/backpayments for prior years	0.00 %	– 183.70 %
Change in tax rates	– 0.58 %	– 90.71 %
Differences in foreign tax rates	0.44 %	54.20 %
Unwinding of the discount for the put / call option relating to STANGL AG	1.81 %	17.51 %
Recognition of corporate income tax credits	0.00 %	– 20.60 %
Impairment of goodwill	5.33 %	0.00 %
Tax-free income from negative goodwill	– 8.63 %	0.00 %
Other consolidation adjustments	5.82 %	0.00 %
Effective tax rate	– 8.93 %	– 94.90 %
*Negative figures represent tax income		

[24] Earnings per share

Basic earnings per share are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (after deducting interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The table below shows the figures used to calculate basic and diluted earnings per share:

	2008 [€ k]	2007 [€ k]
Profit attributable to equity holders of the parent for calculating diluted earnings per share	– 48,756	1,659
Interest on the purchase price liability relating to STANGL AG	3,530	1,145
Profit attributable to equity holders of the parent adjusted for the effect of dilution	**– 45,226**	**2,804**
Weighted average number of ordinary shares for calculating basic earnings per share	36,946,407	35,610,088
Dilution effect:		
Issue of new shares for the merger of HamaTech AG	409,064	0
Stock options SOP tranche I	0	380,000
Stock options SOP tranche II	0	157,410
Put / call option relating to the acquisition of minority interests in STANGL AG	6,257,143	1,047,346
Weighted average number of ordinary shares adjusted for the effect of dilution	**43,612,614**	**37,194,844**

Apart from the capital increase for the HamaTech AG merger, there have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

The constructive obligation arising from the put/call option for the minority interests in STANGL AG will partially be settled in the form of ordinary shares. This must be taken into account when calculating the effect of dilution. The calculation thereof was based on the SINGULUS TECHNOLOGIES share price on the last trading day of 2008.

[25] Contingent liabilities and other financial obligations

Contingent liabilities and other financial obligations not recognized in the consolidated balance sheet amount to EUR 11,097k (prior year: EUR 11,623k) and represent buy-back guarantees relating to the sale of equipment and bank guarantees for prepayments. Any claims under the guarantees given to leasing companies will be offset by the revenue realized from the resale of the returned machines. For more information on contingent liabilities from rental agreements and operating leases, please refer to Note 35.

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

[26] Sales deductions and direct selling costs

Sales deductions comprise all cash discounts granted. Direct selling costs mainly relate to commissions payments.

[27] Cost of materials

The cost of sales for fiscal year 2008 includes material costs of EUR 133,188k (prior year: EUR 141,739k).

[28] Personnel expenses

Personnel expenses of EUR 52,250k (prior year: EUR 46,946k) were recognized in the income statement in fiscal year 2008. Adjusted for personnel expenses incurred in connection with the restructuring, expenses amount to EUR 50,079k.

[29] Depreciation and amortization

Depreciation an amortization amount to EUR 22,889k (prior year: EUR 18,059k).

[30] General and administrative expenses

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

[31] 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 12,157k (prior year: EUR 11,495k).

[32] Impairment and restructuring expenses

Restructuring provisions of EUR 48,191k were recognized in the fiscal year. These are mainly connected to the focus on the Optical Disc and Solar segments and the related realignment of the product portfolio. Capitalized development costs totaling EUR 18,402k were written down. These write-downs mainly relate to the Semiconductor segment (EUR 8,966k) and Coating segment (EUR 5,717k). Write-downs of capitalized development costs amounting to EUR 3,719k were also recognized in the Optical Disc segment in the fiscal year. Furthermore, the Semiconductor segment also contains restructuring expenses of EUR 1,266k from redundancy plans. Goodwill was written down by EUR 10,408k. This write-down mainly relates to the goodwill of SINGULUS MASTERING (EUR 9,800k). The remaining goodwill of SINGULUS EMOULD was written down in full (by EUR 608k). In addition to goodwill, other intangible assets in the Optical Disc segment were written down by EUR 4,701k. Expenses totaling EUR 1,980k were incurred in this segment in connection with the relocation of SINGULUS MOLDING's business activities to the main office in Kahl am Main. The other restructuring costs mainly relate to write-downs of EUR 8,378k on current assets. Write-downs of EUR 3,056k were also recognized in connection with adjustment of the carrying amount of the buildings in Sternenfels and Slovakia.

Restructuring expenses in the comparative period (prior year) included costs relating to the relocation of SINGULUS EMOULD's operations (EUR 1,875k) and costs resulting from a restructuring program at HamaTech AG (EUR 57k). Expenses relating to the merger, which has been applied for, of HamaTech AG into SINGULUS TECHNOLOGIES AG (EUR 1,195k) are also included.

[33] Other operating income / expenses

Other operating expenses primarily comprise exchange losses (EUR 2,981k; prior year: EUR 2,852k) expenses from returned equipment (EUR 1,856k; prior year: EUR 1,339k) as well as expenses incurred from write-downs on receivables (EUR 7,554k; prior year: EUR 1,617k). Other operating income mainly relates to income from the reversal of liabilities and provisions (EUR 551k; prior year: EUR 1,234k).

[34] Finance income and finance costs

Interest income/expenses break down as follows:

	2008 [€ k]	**2007** [€ k]
Interest income from non-current receivables from customers	938	1,316
Interest income from time / overnight deposits	564	1,363
Other interest income	68	953
(Finance costs)	– 9,520	– 3,152
	– 7,950	**480**

Interest expenses include the unwinding of the discount for the put / call option from the acquisition of STANGL AG of EUR 3,530k as well as EUR 382k from the unwinding of the discount on the earn-out liability from the acquisition of the Oerlikon Balzers AG's patented Blu-ray technology. Finance costs still contain interest of EUR 1,966k accrued on the utilized portion of loans (prior year: EUR 825k). The Company recognized the discounting expense incurred as a result of the sale in profit or loss (in the financial result).

[35] Rentals and leases

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

As of 26 September 2008, STANGL AG entered into a lease with Steatit Grundstücksverwaltungsgesellschaft mbH covering the production and administrative building "Hasenheide Nord" in Fürstenfeldbruck, Germany. The total investment costs of the property amount to EUR 17,500k and the lease period runs for 15 years (plus an extension option of five years). The lease term begins on the first day of the calendar quarter that follows the date on which the STANGL AG assumes the property. At the inception of the lease, STANGL AG must make a lump-sum payment to the lessor, comprising (advance) lease payments of EUR 1,398k plus a 0.2 % administration fee. The first payment falls due on 1 October 2009. Thereafter annual lease payments, advance lease payments and administration fees will fall due at the end of every subsequent calendar quarter.

Pursuant to IAS 17, the lease is an operating lease. All the opportunities and risks connected to ownership of the property remain with the lessor.

As of 31 December 2008, the future minimum payments arising from rental agreements and operating leases in the Group were:

	[€ k]
2009	2,663
2010	3,111
2011	2,931
2012	2,851
2013 and thereafter	23,911
	35,467

[36] Events after the balance sheet date

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 consolidated financial statements and the combined management report if they are significant.

The merger of HamaTech AG, Kahl am Main, into SINGULUS TECHNOLOGIES AG, Kahl am Main, took effect on 24 February 2009 following entry of the merger in the commercial register at SINGULUS TECHNOLOGIES AG's registered office.

As such, the assets and liabilities of HamaTech AG were transferred to SINGULUS TECHNOLOGIES AG. HamaTech AG ceased to exist when the merger took effect. The former shares of HamaTech AG were listed in the General Standard segment of the Frankfurt Stock Exchange until the company was delisted at the close of trading on 25 February 2009.

At the request of HamaTech AG, the Regional Court of Nürnberg-Fürth, in a ruling dated 14 August 2008, determined that the legal action taken does not hinder the entry of the merger in the commercial register.

The objections to this ruling, which were raised immediately by some shareholders, were repealed in a binding judgment by the Nuremberg Superior Court dated 17 February 2009. There was thus no reason why the merger should not be entered in the commercial register.

To complete the merger, SINGULUS TECHNOLOGIES AG increased its capital stock by EUR 409,064.00 from approved capital through the issue of 409,064 new bearer shares, each with a nominal value of EUR 1.00 and a right to a dividend payment as of 1 January 2008. This capital increase was entered in the commercial register of SINGULUS TECHNOLOGIES AG at Aschaffenburg local court on 24 February 2009. The inclusion of the new shares in the existing listing of SINGULUS TECHNOLOGIES AG on the Prime Standard segment of the Frankfurt Stock Exchange under ISIN DE0007238909 is planned for 4 March 2009.

Mr. Thomas Geitner, in a letter dated 20 February 2009, stated that he would, as of the shareholder meeting for fiscal year 2008, resign from his position on the supervisory board of SINGULUS TECHNOLOGIES AG for professional reasons.

The management board endorsed the consolidated financial statements as of 27 February 2009 and immediately passed them on to the supervisory board for review.

[37] Related party transactions

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

In accordance with the articles of incorporation, the supervisory board of SINGULUS TECHNOLOGIES AG has three members. The members of the supervisory board in fiscal year 2008 were:

Roland Lacher, Gelnhausen, Germany	Chairman
William Slee, London, UK	Deputy chairman (until 6 June 2008)
Thomas Geitner, Düsseldorf, Germany	Deputy chairman (since 17 September 2008)
Günter Bachmann, Bad Homburg, Germany	

The members of the supervisory board have been appointed until the end of the shareholder meeting which decides on their exoneration for fiscal year 2008. Mr Günther Bachmann was elected as a member of the supervisory board in the shareholder meeting dated 6 June 2008. He replaces Mr. William Slee, who resigned in 2008.

In addition to compensation for expenses, each member of the supervisory board receives fixed remuneration amounting to EUR 15k for each full fiscal year of supervisory board membership. As of 7 June 2008, this amount increased to EUR 30k. 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. As of 7 June 2008, this amounted to EUR 800.00 for each cent of consolidated earnings per share, pursuant to International Financial Reporting Standards. 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 fixed remuneration is to be added to the performance-related remuneration. The amendment of the articles of incorporation with regard to supervisory board remuneration was resolved by the shareholder meeting on 6 June 2008.

The chairman of the supervisory board receives twice and the deputy chairman one and a half times this fixed and performance-based remuneration. Supervisory board members who were only on the supervisory board for part of the fiscal year receive proportionately lower remuneration than the other supervisory board members.

The remuneration of the supervisory board of SINGULUS TECHNOLOGIES AG (including payments for supplementary services) totaled EUR 102k (prior year: EUR 68k).

The following supervisory board members hold shares in the Company:

	2008 [No.]	2007 [No.]
Shares as of 31 December	2,000	0
Günter Bachmann	1,500	1,500
Thomas Geitner	3,500	1,500

As of the balance sheet date, William Slee, who resigned from his position on the supervisory board, held 49,520 shares in SINGULUS TECHNOLOGIES AG.

Furthermore, VVG Familie Roland Lacher KG held 594,472 shares in the Company as of 31 December 2008.

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
Roland Lacher	Member of the supervisory board	WashTec AG. Member of the supervisory board
		OPTIXX AG. Member of the administrative board (Vice president)
William Slee (until 6 June 2008)	Member of the supervisory board	
Günter Bachmann (since 6 June 2008)	Chairman of management board of Coperion Capital GmbH and Coperion GmbH	
Thomas Geitner	General manager of Henkel KGaA	BBC (British Broadcasting Cooperation) Worldwide Ltd, Board
		Pages Jaunes Group SA

Members of the management board in fiscal year 2008 were:

Stefan A. Baustert	Chairman of the management board
Dr.-Ing. Anton Pawlakowitsch	Head of technology, research and development
Hans-Jürgen Stangl	Head of the Solar segment

The management board received total remuneration of EUR 1,481k in fiscal year 2008. This breaks down as follows:

	Fixed [€ k]	Variable [€ k]	Total [€ k]
Stefan A. Baustert	471	186	657
Dr.-Ing. Anton Pawlakowitsch	321	130	451
Hans-Jürgen Stangl	311	62	373
	1,103	**378**	**1,481**

The management board received total remuneration of EUR 1,737k in fiscal year 2007, which broke down as follows:

	Fixed [€ k]	Variable [€ k]	Total [€ k]
Stefan A. Baustert	451	815	1266
Dr.-Ing. Anton Pawlakowitsch	311	160	471
	762	**975**	**1,737**

Former members of the management board received total remuneration of EUR 229k in the fiscal year. As of 31 December 2008, the provisions for pension claims for former board members stood at EUR 858k.

The management board members and the former management board member Dr. Reinhard Wollermann-Windgasse hold the following numbers of convertible bonds and stock options:

	Convertible bonds		Stock options	
	2008 [No.]	2007 [No.]	2008 [No.]	2007 [No.]
Stefan A. Baustert	0	120,000	200,000	200,000
Dr.-Ing. Anton Pawlakowitsch	0	0	80,000	80,000
Hans-Jürgen Stangl	0	0	0	0
Dr. Reinhard Wollermann-Windgasse	60,000	110,000	0	0
	60,000	**230,000**	**280,000**	**280,000**

The personnel expenses for management board members recognized in fiscal years 2008 and 2007 in accordance with IFRS 2 amounted to:

	2008 [€ k]	2007 [€ k]
Stefan A. Baustert	299	225
Dr.-Ing. Anton Pawlakowitsch	122	41
	421	**265**

In addition, the members of the management board held the following number of shares in SINGULUS TECHNOLOGIES AG as of the fiscal year-end:

	2008 [No.]	2007 [No.]
Stefan A. Baustert	8,500	2,000
Dr.-Ing. Anton Pawlakowitsch	6,000	2,500
	14,500	**4,500**

Mr. Hans-Jürgen Stangl contributed 825,364 Singulus shares to Stangl Beteiligungs-GmbH in the fiscal year. As of the balance sheet date, Stangl Beteiligungs-GmbH held 1,951,484 shares in SINGULUS AG.

[38] Information on shareholdings

	Currency	Shareholding [%]	Equity In thousands (local currency)	Profit / loss for the period In thousands (local currency
Germany:				
SINGULUS EMOULD GmbH, Würselen, Germany	EUR	100	8,821	–2,593
STANGL Semiconductor Equipment AG, Eichenau, Germany	EUR	51	12,959	5,542
HamaTech APE GmbH & Co. KG, Sternenfels, Germany	EUR	100	–1,901	–5,671
HamaTech APE Beteiligungs-GmbH, Sternenfels, Germany	EUR	100	20	0
SINGULUS Nano Deposition Technologies GmbH, Kahl am Main, Germany	EUR	100	5,330	298
Other countries:				
SINGULUS TECHNOLOGIES Inc., Windsor, USA	USD	100	31,265	3,050
SINGULUS TECHNOLOGIES UK Ltd., Swindon, UK	GBP	100	1,029	–425
SINGULUS TECHNOLOGIES ASIA PACIFIC Pte. Ltd., Singapore	SGD	100	8,693	–1,795
SINGULUS TECHNOLOGIES LATIN AMERICA Ltda., Sao Paolo, Brazil	EUR	91.5	1,558	184
SINGULUS TECHNOLOGIES IBERICA S.L., Sant Cugat del Vallés, Spain	EUR	100	1,729	115
SINGULUS TECHNOLOGIES FRANCE S.A.R.L., Illzach, France	EUR	100	75	–15
SINGULUS TECHNOLOGIES Italia s.r.l., Ancona, Italy	EUR	99.99	653	–222
SINGULUS MASTERING B.V., Eindhoven, Netherlands	EUR	100	11,947	–9,677
SINGULUS TECHNOLOGIES TAIWAN Ltd., Taipeh, Taiwan	TWD	100	–16,805	1,575
SINGULUS MOLDING AG, Schaffhausen, Switzerland	EUR	100	82	–1,602
SINGULUS MANUFACTURING GUANGZHOU Ltd., Guangzhou, China	CNY	51	55,682	6,623
HamaTech Slovakei s.r.o., Nova Mesto, Slovakia	SKK	100	336,564	–75,462
HamaTech USA Inc., Austin, USA	USD	100	–1,307	–91
STEAG HamaTech Asia Ltd., Hong Kong, China	USD	100	0	0

SINGULUS MASTERING B.V., Eindhoven, Netherlands, wholly owns MASTERING INTERNATIONAL GmbH, Schaffhausen, Switzerland. Also, SINGULUS TECHNOLOGIES Inc., Windsor, USA, wholly owns SINGULUS TECHNOLOGIES SERVICE GROUP 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.

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 fiscal year 2006. The shares were acquired by way of a share takeover bid and purchase on the open market; 19,884,672 of the shares were bought from the former majority shareholder SES. In fiscal year 2007, another 759,899 of HamaTech AG's shares were acquired. During the fiscal year, a total of 732,600 shares were purchased in this company. The total 28,130,805 acquired shares represented a share of approx. 93.77 % in the subscribed capital of HamaTech AG as of 31 December 2008.

Also, in fiscal year 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.

In fiscal year 2007, NDT was established with a contribution to capital stock of EUR 25k. Under the agreement dated 1 July 2007, the MRAM division was transferred to NDT at a net carrying amount of EUR 6,586k. The carrying amount of the investment in NDT was increased accordingly.

[39] Financial risk management

The main financial instruments used by the Group comprise bank loans and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables as well as cash and cash equivalents and short-term deposits which result directly from operating activities.

The Group also has derivative financial instruments, particularly forward exchange contracts. Their purpose is to hedge against currency risks arising from the Group's business activities.

In accordance with group policy, no trading with derivatives took place in fiscal years 2008 and 2007, nor will it take place in the future.

The financial instruments result primarily in interest, liquidity and currency risks.

Currency risk

Foreign currency risks from operations abroad are assessed as part of a risk analysis. Some 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.

The following table shows the sensitivity of consolidated profit or loss before tax (due to the change in the fair values of monetary assets and liabilities) and consolidated equity (due to the change in the fair values of forward exchange contracts) to a reasonable possible change in the EUR/USD exchange rate. All other factors remain unchanged.

	Development of the USD	Effect on EBT [€ k]	Effect on equity [€ k]
2008	+ 10 %	– 55	– 2
	– 10 %	55	2
2007	+ 10 %	– 53	– 37
	– 10 %	53	37

The effect of potential changes in the USD on SINGULUS TECHNOLOGIES' EBT relate exclusively to trade payables denominated in USD. Such payables are not hedged.

The effects on equity comprise the potential change in the fair value of forward exchange contracts (cash flow hedges) recognized directly in equity.

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.

SINGULUS TECHNOLOGIES AG was granted a call option for the acquisition of the remaining 49 % of the shares in STANGL AG. At the same time, the shareholders of STANGL AG were granted a put option. The call option can be exercised either in the period from 1 January 2010 to 31 May 2010 or in the period from 1 January 2011 to 31 May 2011. The put option can be exercised either in the period from 1 June 2010 to 31 October 2010 or in the period from 1 June 2011 to 31 October 2011. To cover the liquidity requirements expected to result from this, the Company underwrote a syndicated credit facility of EUR 60,000k. Please refer to our comments under Note 19.

The table below summarizes the maturity profile of the Group's financial liabilities as of 31 December. The disclosures are made on the basis of the contractual, non-discounted payments.

Fiscal year ended 31 December 2008	Payable on demand [€ k]	Up to 3 months [€ k]	3 to 12 months [€ k]	1 to 5 years [€ k]	More than 5 years [€ k]	Total
Interest-bearing loans	0	2,122	17,710	16,891	0	36,723
Interest payments	68	318	0	0	0	386
Other liabilities	1,000	2,305	19,665	48,491	0	71,461
Trade payables	3,342	11,039	0	0	0	14,381
	4,410	**15,784**	**37,375**	**65,382**	**0**	**122,951**

The negative fair values of the forward exchange contracts concluded to hedge recognized foreign currency receivables will result in cash flows of EUR 746k in the next two years.

The negative fair value of the interest rate swap concluded to hedge the floating rate loan will result in cash flows of EUR 544k in the next four years.

Fiscal year ended 31 December 2007	Payable on demand [€ k]	Up to 3 months [€ k]	3 to 12 months [€ k]	1 to 5 years [€ k]	More than 5 years [€ k]	Total
Interest-bearing loans	1,965	11,911	4,185	3,933	85	22,079
Interest payments	0	136	225	137	0	498
Other liabilities	3,548	10,423	4,967	41,032	410	60,380
Trade payables	2,137	13,839	359	0	0	16,335
	7,650	**36,309**	**9,736**	**45,102**	**495**	**99,292**

Interest rate risk

The risk of fluctuations in the market interest rates to which the Group is exposed result mainly from its non-current floating-rate loan. To mitigate the risk of market interest rate fluctuations, an interest rate swap was entered into in the fiscal year, with which the Group agrees to exchange with contracting partners, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed-upon notional amount. This interest rate swap serves to hedge the risk from the obligation resulting from raising a loan of EUR 25,000k with a term of five years.

The following table shows the sensitivity of consolidated profit or loss before tax to a possible change in the interest rates (due to the effect of the floating-rate loan and the interest rate swap). All other factors remain unchanged.

	Development of the EURIBOR	Effect on EBT [€ k]	Effect on equity [€ k]
2008	+50 BP	131	0
	–50 BP	–131	0
2007	+50 BP	–107	0
	–50 BP	107	0

An interest rate swap in the same amount as the loan was concluded with the same bank in February 2008 in order to swap the floating interest rate for a fixed interest rate. The interest rate swap has matching interest payment deadlines.

Capital management

The Group monitors capital by monitoring net liquidity/net financial liabilities.

The net liquidity/net financial liabilities are determined on the basis of interest-bearing loans less cash and cash equivalents and short-term deposits and broke down as follows at the end of the fiscal year:

	2008 [€ k]	2007 [€ k]
Interest-bearing loans	37,109	22,079
Less cash and short-term deposits	40,143	36,952
Net liquidity	**3,034**	**14,873**

[40] Financial instruments

Fair values

The following table shows the carrying amount and fair value of all financial instruments disclosed in the consolidated financial statements.

		Carrying amount		Fair value	
	Category	2008 [€ k]	2007 [€ k]	2008 [€ k]	2007 [€ k]
Financial assets					
Cash	L&R	40,143	36,952	40,143	36,952
Derivative financial instruments	FAHfT	0	1,214	0	1,214
Trade payables	L&R	80,191	78,560	80,191	78,560
Financial liabilities					
Floating-rate loans	FLAC	36,565	22,079	36,565	22,079
Derivative financial instruments	FLHfT	1,290	0	1,290	0
Convertible bonds	FLAC	163	583	163	583
Trade payables	FLAC	14,381	16,335	14,381	16,335

Abbreviations:
L&R: Loans and receivables
FAHfT: Financial Assets Held for Trading
FLAC: Financial Liabilities Measured at Amortised Cost
FLHfT: Financial Liabilities Held for Trading

Cash and cash equivalents and trade payables are generally due in the short-term. The balance sheet figures represent approximately the fair values. The same applies for trade receivables.

The fair values of non-current trade receivables correspond to the present values of the payments relating to the assets taking into account the corresponding interest parameters.

The fair values of the convertible bonds correspond to the amount repayable upon return or maturity of the bonds.

Forward exchange contracts are measured using the ECB reference rates for spot currency and the valid forward exchange rates of the respective commercial bank for forward currency.

The fair values of the liabilities to banks correspond to the amounts repayable on the bank loans as of the balance sheet date.

The interest rate swap was determined on the basis of yield curves.

The maximum credit risk is reflected in the carrying amounts of the financial assets and liabilities.

Hedges

As of 31 December 2008, forward exchange contracts with a nominal value of USD 18,690k (prior year: USD 13,883k) had been entered into to hedge existing foreign currency receivables. Furthermore, an interest rate swap was also concluded to hedge the risk from a floating-rate loan with a nominal value of EUR 21,600k.

	2008		2007	
Forward exchange contracts / interest swap	**Assets** [€ k]	**Liabi-lities** [€ k]	**Assets** [€ k]	**Liabi-lities** [€ k]
Fair Value	0	1,290	1,214	0

The main terms of the forward currency contracts have been negotiated to match the terms of the underlying commitments.

The cash flow hedges of expected future purchases were assessed to be highly effective. The hedge transaction was recognized as a cash flow hedge, and, taking into consideration the deferred tax assets from these hedging instruments, an unrealized loss of EUR 20k was included in consolidated equity.

The category financial instruments measured at fair value posted net losses of EUR 1,567k (prior year: EUR 150k).

[41] Employees

In the fiscal year, the Company had an annual average of 751 permanent employees. In the prior year, the annual average was 717. The Group had 722 employees as of 31 December 2008 (prior year: 764).

[42] Auditor's 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 by the auditor (including its German affiliates):

	2008 [€ k]	**2007** [€ k]
a) for tax advisory services	95	195
b) for transaction advisory services	10	180
c) for audit services	354	319
d) for other services	86	74

[43] Corporate governance

The management board and the supervisory board made the declaration for 2008 pursuant to Sec. 161 AktG [“Aktiengesetz”: German Stock Corporation Act] in January 2009 and have made this available to shareholders on a permanent basis.

Kahl am Main, Germany, 27 February 2009

SINGULUS TECHNOLOGIES AG
The Management Board

Stefan A. Baustert Dr.-Ing. Anton Pawlakowitsch Hans-Jürgen Stangl

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:

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SINGULUS TECHNOLOGIES AG
Balance Sheets as of December 31, 2008 and 2007

ASSETS	[€]	Dec. 31, 2008 [€]	Dec. 31, 2007 [€]
A. NON-CURRENT ASSETS			
I. Intangible assets			
Franchises, industrial rights and similar rights and assets and licenses in such rights and assets		304,618.78	293,674.23
II. Property, plant and equipment			
1. Land, land rights and buildings, including buildings on third-party land	20,275,679.84		17,401,491.06
2. Plant and machinery	679,737.33		272,002.45
3. Other plant and equipment	1,743,312.66		1,260,975.84
4. Prepayments and assets under construction	158,392.85		55,635.41
		22,857,122.68	18,990,104.76
III. Financial assets			
1. Shares in affiliates	91,068,666.77		138,078,491.75
2. Loans to affiliates	0.00		28,461.83
		91,068,666.77	138,106,953.58
		114,230,408.23	157,390,732.57
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials, consumables and supplies	21,755,858.64		13,591,205.27
2. Work in process	36,113,864.87		28,541,425.00
3. Prepayments	461,425.43		584,731.19
4. Prepayments received	–10,703,215.32		–4,305,190.92
		47,627,933.62	38,412,170.54
II. Receivables and other assets			
1. Trade receivables	50,562,853.50		40,598,081.91
2. Receivables from affiliates	31,184,798.58		25,691,981.84
3. Other assets	2,933,573.71		15,743,010.91
		84,681,225.79	82,033,074.66
III. Cash on hand and bank balances		20,067,705.23	19,039,835.60
		152,376,864.64	139,485,080.80
C. PREPAID EXPENSES		1,374,975.43	1,218,599.06
Total Assets		**267,982,248.30**	298,094,412.43

EQUITY AND LIABILITIES		Dec. 31, 2008	Dec. 31, 2007
	[€]	[€]	[€]
A. EQUITY			
I. Subscribed capital Conditional capital: EUR 18,188,362	36,946,407.00		36,946,407.00
II. Capital reserves	45,202,051.62		45,202,051.62
III. Retained earnings	94,884,485.59		120,060,253.98
IV. Accumulated loss	–24,329,273.93		–25,175,768.39
		152,703,670.28	177,032,944.21
B. PROVISIONS			
1. Provisions for pensions and similar obligations	6,618,119.00		6,012,560.00
2. Tax provisions	681,804.89		676,770.04
3. Other provisions	12,158,499.88		12,048,062.78
		19,458,423.77	18,737,392.82
C. LIABILITIES			
1. Bonds	162,500.00		582,750.00
2. Liabilities to banks	36,597,805.13		21,693,712.36
3. Trade payables	9,218,201.31		6,215,356.30
4. Liabilities to affiliates	29,452,565.14		56,444,572.09
5. Other liabilities thereof for taxes: EUR 297,154.10 (prior year: EUR 449,836.85) thereof for social security: EUR 5,784.87 (prior year: EUR 22,396.70)	19,820,334.97		17,011,929.55
		95,251,406.55	101,948,320.30
D. DEFERRED INCOME		568,747.70	375,755.10
Total liabilities and shareholders' equity		**267,982,248.30**	298,094,412.43

SINGULUS TECHNOLOGIES AG
Income Statements
2008 and 2007

		2008	2007
	[€]	[€]	[€]
1. Revenue	132,536,830.61		128,485,035.28
2. Increase or decrease in finished goods and work in process	9,449,829.33		–9,094,960.99
3. Own work capitalized	497,759.50		0.00
4. Other operating income	3,387,887.35		7,624,481.81
		145,872,306.79	127,014,556.10
5. Cost of materials			
a) Cost of raw materials, consumables and of purchased merchandise	–91,125,373.97		–76,253,291.40
b) Cost of purchased services	–10,262,396.87		–8,848,879.34
6. Personnel expenses			
a) Wages and salaries	–14,528,406.27		–15,671,951.22
b) Social security, pension and and other benefit costs thereof for old-age pensions: EUR 529,519.68 (prior year: EUR 654,534.00)	–3,132,750.51		–3,191,037.43
7. Amortization, depreciation and impairment of intangible assets and property, plant and equipment	–5,425,668.83		–2,039,909.30
8. Other operating expenses	–30,498,885.69		–25,230,728.26
		–154,973,482.14	–131,235,796.95
9. Income from equity investments thereof from affiliates: EUR 714,367.71 (prior year: EUR 713,192.16)	714,367.71		713,192.16
10. Other interest and similar income thereof from affiliates: EUR 1,000,086.61 (prior year: EUR 690,783.35)	2,508,476.57		4,095,421.58
11. Impairment of financial assets	–34,091.61		0.00
12. Interest and similar expenses thereof to affiliates: EUR 690,154.95 (prior year: EUR 1,367,517.67)	–6,558,316.24		–3,919,832.75
13. Expenses from loss absorption	0.00		–1,367,522.24
		–3,369,563.57	–478,741.25
14. EBIT		**–12,470,738.92**	–4,699,982.10
15. Extraordinary income	18,724,132.40		0.00
16. Extraordinary expenses	–30,481,190.96		–23,972,454.91
17. Extraordinary result		**–11,757,058.56**	–23,972,454.91
18. Income taxes	–5,229.43		3,557,575.21
19. Other taxes	–96,247.02		–60,906.59
		–101,476.45	3,496,668.62
20. Loss for the year		**–24,329,273.93**	–25,175,768.39
21. Loss/profit carryforward from the prior year		**–25,175,768.39**	27,290.80
22. Appropriations of/allocation to “Other retained earnings”		**25,175,768.39**	–27,290.80
23. Accumulated loss		**–24,329,273.93**	–25,175,768.39

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