

Optical Disc

Mastering

TMR Technology

Optical Coatings



SINGULUS



BLU-LINE replication line for Blu-ray Disc

Overall business situation

For the first time the STEAG HamaTech Group (HamaTech) will be included in the consolidated statements of the SINGULUS TECHNOLOGIES AG (SINGULUS) in the 1st quarter 2006.

At € 48.8 million, consolidated sales remained close to previous year's level (€ 50.4 million). The order intake amounted to € 107.5 million and includes the acquired order backlog of HamaTech in the amount of € 42.6 million. Accordingly, the net order intake amounted to € 64.9 million in the 1st quarter (previous year: € 34.3 million). Compared with the 1st quarter 2005 the order intake was thus better overall; however, a real pick-up in the market could not be recorded yet. The order activities in China in the segment for machines for the production of pre-recorded DVD showed a favorable trend. In contrast, activities in the Recordable division, i.e. machines for the production of one-time recordable discs, were subdued.

In the course of the company's fair, which SINGULUS organized at its location in Kahl on March 6–7, 2006, many business partners had the opportunity to inform themselves about the state of the latest technologies in our industry. SINGULUS' new products BLU-LINE and MOLDPRO as well as the mastering system LBR 266 were presented to the visitors. 140 business partners from 25 countries were also able to see the DVD R production machine TAURUS operate together with the SINGULUS EMOULD injection molding equipment for the first time. The machine presentations were complemented by a speaker program, where guest speakers from Cinram, Philips, Sony and Thomson amongst others provided insight and information about the market introduction of HDTV and Blu-ray.

Following the first delivery worldwide of a production machine for prerecorded Blu-ray discs by SINGULUS in 2005, additional orders were received in the 1st quarter. In the meantime six machines of the BLU-LINE type have been installed in the US. The majority of the delivered machines is equipped with our new injection molding machine MOLDPRO. In the Prerecorded DVD division SINGULUS was able to post the delivery of the 1000th SPACELINE machine in February 2006.



Inhouse exhibition in Kahl on March 06–07, 2006

Acquisition of the STEAG HamaTech AG

After SINGULUS announced its decision to acquire the STEAG HamaTech AG on November 6, 2005, the take-over documents for the voluntary public take-over offer in the amount of € 2.40 per unit share for the shareholders of the STEAG HamaTech AG were published on December 16, 2005.

Overall the SINGULUS Group currently holds 87.65 % of the ordinary shares of the STEAG HamaTech AG. Thereof 66.28 % were acquired from SES on January 27, 2006 and 13.80 % in the course of the voluntary public take-over offer as well as the remainder through the stock exchange. The SINGULUS TECHNOLOGIES Beteiligungs GmbH (SINGULUS GmbH), a 100 % subsidiary of the SINGULUS TECHNOLOGIES AG, holds the majority of the shares in HamaTech (87.63 %).

On April 21, 2006, the SINGULUS GmbH concluded a control agreement with the STEAG HamaTech AG. In the course of this control agreement the SINGULUS GmbH offers the still outstanding shareholders of the STEAG HamaTech AG to exchange their shares for a cash compensation in the amount of EUR 2.43 per unit share. This settlement offer can be accepted by the outstanding shareholders of the STEAG HamaTech AG from the time of the control agreement becoming effective (entry in the Commercial Registry of the STEAG HamaTech AG). The control agreement is subject to the approval of the Annual General Meeting of the STEAG HamaTech AG on June 21, 2006.

Sales

In the 1st quarter 2006 sales amounted to € 48.8 million, which is 3 % below the same quarter one year ago (€ 50.4 million).

Global development of sales

For the first time in some quarters the regional sales breakdown showed no further decline of the sales share of the Asian market in the 1st quarter and is as follows: Asia 35.1 % (previous year: 35.6 %), North and South America 20.9 % (previous year: 19.4 %), Europe 43.0 % (previous year: 43.0 %), Africa and Australia 1.0 % (previous year: 2.0 %).

Order backlog and order intake

In the 1st quarter 2006 the order intake rose from € 34.3 million in the previous year to € 107.5 million (including € 42.6 million from the acquisition of HamaTech).

As of March 31, 2006, the order backlog was at € 119.5 million (previous year: € 40.6 million), which is significantly higher than at the same time one year ago.

Earnings

The earnings before interest and taxes (EBIT) increased from € 0.9 million in the 1st quarter of the previous year to € 7.0 million in the 1st quarter of the current business year. The earnings before interest and taxes include some extraordinary items. On the one hand, it includes one-off restructuring charges in the SINGULUS Group in the amount of € 20.1 million. This is mainly attributable to the discontinuation

of the Recordable activities at SINGULUS as well as the shut down of the Prerecorded operations at HamaTech and staff redundancies. On the other hand, extraordinary income in the amount of € 34.1 million (Bad Will) was also recognized due to the purchase price accounting of the HamaTech acquisition. The net profit of € 9.6 million for the quarter was significantly above the level achieved in the same quarter one year ago (€ 0.8 million). The gross margin came to 21.8 % (previous year: 27.3 %) and reflects the weak Recordable and photo masking activities in the 1st quarter 2006. The EBIT margin increased to 15 % (previous year 1.9 %).

Cash flow

At € 3.1 million, the operating cash flow for the 1st quarter of the Group was significantly higher than in the previous year (–€ 4.1 million). Whereas the balance sheet total of the HamaTech Group amounted to € 92.1 million as of March 31, 2006, the balance sheet total of the SINGULUS Group (including HamaTech) only rose by € 73.1 million compared with December 31, 2005. Substantial reductions on the asset side with respect to accounts receivable as well as on the capitalized research and development expenses had to be performed. Inventories increased due to business activities.

Employees

While initial staff adjustments were already initiated at SINGULUS in the 1st quarter 2005, the number of employees continued to decline. Compared with March 31, 2005, the headcount (excluding HamaTech) declined from 692 to 629 employees as of March 31, 2006. HamaTech also adjusted its headcount continuously to the economic situation since the beginning of 2005. However, due to the acquisition of Nove Mesto, Slovakia, as of July 31, 2005 with 315 employees the headcount increased substantially on balance. The SINGULUS Group (including HamaTech) employed 1,240 people as of March 31, 2006. During the course of the year the headcount will continue to decline due to the disposal of several business activities, a job cut of about 75 people at SINGULUS' location in Kahl as well as about 40 employees, at HamaTech's location in Sternenfels.

Research and development (R & D)

Overall, the expenses for R&D of € 5.0 million were slightly above previous year's level (€ 4.4 million).

In its core activities, the machines for the production of optical disc, SINGULUS focuses all its attention on the development of machines for the production of the new disc formats HD DVD and Blu-ray. SINGULUS is currently the only producer able to offer all required production systems for both future formats.

Moreover, SINGULUS intensively pursues the further development of the production system for Blu-ray disc for a dual layer production machine. An additional focus is the development of the upcoming once-recordable and rewritable Blu-ray discs, which the end-consumer needs to record high-definition television programs. Furthermore, a new technology is being developed and optimized for the mastering of the new formats. In this area we are working intensively on the completion of a new mastering system for prerecorded HD DVD and Blu-ray.



Demonstration of the mastering system
LBR 266 at the inhouse exhibition in Kahl

New business areas

On February 13, 2006, SINGULUS was able to announce an important sales success for the 2nd new business area "Optical Coating". One of the world's largest producers of ophthalmic lenses placed a fixed order for an OPTICUS coating machine. The newly developed OPTICUS uses an automated process technology for the coating of optical lenses. With SINGULUS' know-how the hard as well as the anti-reflective coating can be applied in one machine on both sides of the plastic lenses. SINGULUS draws on its core competence in the area of vacuum coating.

Outlook

The global market for machines for the production of optical storage media has been in a cyclical downtrend for more than one year. The existing excess capacities as well as the expected new format generation resulted in buying restraint on part of the replicators. Even SINGULUS as the global market leader experienced a substantial decline in sales in 2005. At the same time we actively contributed to the market consolidation in the course of the downturn and acquired STEAG HamaTech at the beginning of the current business year. This step has brought us new customers, removed capacity from the market and significantly improved the order intake and order backlog as well as the net result in the 1st quarter 2006 compared with the same period one year ago.

From today's point of view it remains unclear whether 2006 will bring the hoped for global upturn in our industry. On part of the replicators a considerable market shakeout already took place in the previous twelve months. There are first signs that a further market consolidation will also happen for the manufacturers of optical disc machines. We expect that with the transition to the third generation formats for optical discs only few big replicators will compete in the market on a global scale. This will result in an additional squeezing-out of manufacturers of machines for optical discs. However, SINGULUS sees itself well positioned for the upcoming competition. We will report our guidance for the full-year 2006 with the announcement of the results for the 2nd quarter.

Yours sincerely,

SINGULUS TECHNOLOGIES AG
The Executive Board



SKYLINE II with the new MOLDPRO molding machine

CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2006 AND DECEMBER 31, 2005
(IFRS UNAUDITED)

	March 31, 2006	Dec. 31, 2005
	K€	K€
Cash and cash equivalents	52,064	67,719
Trade receivables	82,582	80,964
Other receivables and assets	15,940	11,155
Total receivables	98,522	92,119
Raw materials, consumables and supplies	44,937	23,134
Work in process	95,114	55,800
Total inventories	140,052	78,934
Total current assets	290,638	238,772
Available-for-sale financial assets	592	5,236
Non-current trade receivables	14,956	12,448
Property, plant and equipment	29,166	12,887
Capitalized development costs	36,232	42,083
Goodwill	31,249	31,249
Other intangible assets	18,285	9,241
Deferred tax assets	11,863	8,004
Total non-current assets	142,343	121,148
Total assets	432,981	359,920
Trade payables	31,164	18,780
Current bank liabilities	14,850	13,866
Other current liabilities	36,045	19,215
Advance payments received	32,998	9,666
Tax provisions	4,727	1,840
Other provisions	6,831	5,172
Total current liabilities	126,615	68,539
Non-current bank liabilities	7,861	9,548
Other non-current liabilities	4,654	3,046
Pension provisions	5,678	5,242
Deferred tax liabilities	15,174	18,063
Total non-current liabilities	33,367	35,899
Total liabilities	159,982	104,438
Share capital	34,942	34,942
Capital reserve	29,882	29,398
Other reserves	-2,874	-2,214
Accumulated profit	203,004	193,356
Equity attributable to the shareholders of the SINGULUS TECHNOLOGIES AG	264,954	255,482
Minority interests	8,044	0
Total equity	272,998	255,482
Total liabilities and equity	432,980	359,920

CONSOLIDATED INCOME STATEMENTS AS OF MARCH 31, 2006 (IFRS UNAUDITED)

	First 3 Months	
	2006	2005
	K€	K€
Revenues (gross)	48,844	50,350
Sales deductions and direct selling costs	– 1,952	– 2,253
Revenues (net)	46,892	48,097
Cost of sales	– 36,670	– 34,991
Gross profit on sales	10,222	13,107
Research and development	– 4,588	– 2,374
Sales and customer service	– 6,850	– 4,918
General administration	– 4,718	– 3,003
Other operating expenses	– 1,018	– 1,900
Restructuring Expenses	– 20,092	0
Badwill HamaTech	34,081	0
Other operating expenses	– 3,185	– 12,194
EBIT	7,037	912
Interest income (+)/expenses (–)	186	344
EBT	7,224	1,256
Income taxes	2,425	– 427
Net income	9,648	829
Net income per share (basic), EUR	0.28	0.02
Net income per share (diluted), EUR	0.28	0.02
Weighted average shares outstanding (basic)	34,941,929	35,341,987
Weighted average shares outstanding (diluted)	34,941,929	35,341,987

CONSOLIDATED CASH FLOW STATEMENTS AS OF MARCH 31, 2006 (IFRS UNAUDITED)

	First 3 Months	
	2006 K€	2005 K€
Net Income	9,648	829
Depreciation on amortization	11,757	3,618
Change in pension accruals	436	110
Change in deferred taxes	-6,748	728
Change in net working capital*	-11,952	-9,413
Net cash flow from operating activities	3,141	-4,128
Change in property, plant & equipment	-17,657	-1,439
Change in other intangible assets	4,644	0
Change in goodwill	-13,572	-4,060
Change in other long-term liabilities	-1,608	-473
Long-term bank loans	-1,687	-2,260
Change in minority interests	8,044	0
Capital increase, capital reduction	484	-1,316
Currency translation	-660	1,153
Net change in cash & liquid funds	-15,655	-12,521
Cash & cash equivalents at beginning of period	67,719	77,148
Cash & cash equivalents at end of period	52,064	64,628

* including long-term accounts receivable

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS OF MARCH 31, 2006 (IFRS UNAUDITED)

	Share capital K€	Capital reserves K€	Other reserves K€	Accumulated profit K€	Minority interests K€	Equity K€
Balance on December 31, 2005	34,942	29,398	-2,214	193,356	0	255,482
Capital increase		375			8,044	8,419
Repayment of share capital						0
Share-based compensation		109				109
Exchange rate related differences			-660			-660
Net income				9,648		9,648
Balance on March 31, 2006	34,942	29,882	-2,874	203,004	8,044	272,998
For comparison the figures of the same period the year before						
Balance on December 31, 2004	35,392	28,950	-5,518	190,752	0	249,576
Capital increase						0
Repayment of share capital	-100			-1,216		-1,316
Share-based compensation						0
Exchange rate related differences			1,153			1,153
Net income				829		829
Balance on March 31, 2005	35,292	28,950	-4,365	190,365	0	250,243

Company Calendar 2006

23.06.06	Annual Shareholders Meeting at Deutsche Bank, Hermann-Josef-Abs Saal, Frankfurt/Main
02.08.06	Quarterly Report 2-2006
06.11.06	Quarterly Report 3-2006

Shares of Executive and Supervisory Board, December 31, 2005: Shares á 1 Euro

WG Roland Lacher GbR	141,750 shares
Stefan Baustert	1,000 shares
William Slee	29,520 shares
Thomas Geitner	1,500 shares

Stock Subscription Rights provided in form of convertible bonds á 1 Euro as of March 31, 2006:

Stefan Baustert	160,000 shares
Staff	436,182 shares

Key Figures (Three months cumulative) as of March 31, 2006

		2002	2003	2004	2005	2006
		US GAAP	US GAAP	IFRS	IFRS	IFRS
Gross revenues	million €	53.5	56.9	69.4	50.4	48.8
Order intake	million €	77.5	128.6	139.9	34.3	107.5
Order backlog (03/31)	million €	79.7	130.1	160.5	40.6	119.5
EBIT	million €	9.2	8.7	6.6	0.9	7.0
Profit before tax	million €	9.4	9.1	7.1	1.3	7.2
Net income	million €	6.1	5.8	4.3	0.8	9.6
Operating cash flow	million €	-2.1	-9.6	7.7	-4.1	3.1
Equity capital	million €	152.7	186.3	231.8	250.2	273.0
Balance sheet total	million €	213.2	273.0	350.4	380.0	433.0
Research & Development	million €	2.5	4.2	4.3	4.4	5.0
Staff (03/31)		427	508	702	692	1,240
Weighted average shares outstanding, basic		36,625,990	36,792,226	37,064,316	35,341,987	34,941,929
Earnings per share, basic	€	0.17	0.16	0.12	0.02	0.28

Additional Notes:

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

The financial statements for Q1/2006 were drawn up in accordance with IFRS regulations. For retroactive restatements 2005 according to IFRS see Financial Statements Note 4.

Development of Expenses and Pricing

Prices and expenses developed as planned.

Capital Expenditures

Gross Capital expenditures in Q1/2006 totaled 0.3 million Euro (2005: 1.4 million Euro). These figures reflect replacement expenditures for office equipment.

Breakdown of Revenues

In Q1/2006, the company realized revenues of approx. 65 % (2005: 84 %) through the manufacture and sale of systems for the production of optical discs. The revenue share for spare parts, upgrades and service totaled 35 % (2005: 16 %).

Changes in Executive Management and Supervisory Bodies

No changes.

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

Acquisition of STEAG HamaTech and its initial consolidation for Q1.

Interim Dividends

No interim dividends were distributed.

Distribution or Recommended Distributed Amount

No dividends were distributed or recommended for distribution.

Changes in Consolidated Equity

See "Statement of changes in consolidated equity" table.