

Optical Disc

Mastering

TMR Technology

Optical Coatings



SINGULUS



Roland Lacher (left) and Klaus Hammen

Overall business situation

During the 1st half of 2006 the SINGULUS TECHNOLOGIES Group (SINGULUS) achieved sales of € 116.5 million, which is 18 % higher than the level achieved in the 1st half of 2005 (€ 99.1 million). The order intake of the 2nd quarter 2006 increased by around 10 % to € 86.8 million (previous year: € 78.7 million). Compared with the 1st quarter 2006 the sales growth was positive for almost all of the product groups. The higher level of order intake compared with the 1st quarter 2006 was primarily attributable to a rise in Prerecorded systems. The order backlog developed very favorably and nearly doubled from € 70.7 million as of June 30, 2005 to € 138.7 million as of June 30, 2006.

At the MEDIA-TECH Expo, the world's biggest trade fair for optical disc production equipment hosted in Frankfurt/Main at the end of May 2006, SINGULUS presented its products together with STEAG HamaTech (HamaTech) for the first time. SINGULUS was the largest exhibiting company and presented systems for the production of HD DVD and Blu-ray. The fair was a success for the optical disc sector and suggests a further increase in the order intake in the foreseeable future. SINGULUS successfully concluded agreements for machines in the Prerecorded and Recordable divisions as well as for Mastering.

During the 2nd quarter 2006 we experienced a pick-up in project activities overall. In particular, the orders we received for our TIMARIS machine, which we announced in the past couple of weeks, underlined a favorable trend. In total, by now already five machines are earmarked for delivery including the two orders in the 2nd quarter 2006 and the order received on July 26, 2006.

Changes in the Executive and Supervisory Boards

The former Chief Executive Officer and co-founder of the SINGULUS TECHNOLOGIES AG, Roland Lacher, stepped down from his position as Chief Executive Officer on June 23, 2006. On that same day, he was appointed as a member of the Supervisory Board by the Annual General Meeting in the course of new elections to the Supervisory Board. William Slee and Thomas Geitner were confirmed as members of the Supervisory Board for an additional term of office. Subsequent to the Annual General Meeting Roland Lacher was appointed Chairman of the Supervisory Board of the SINGULUS TECHNOLOGIES AG by the members of the Supervisory Board.



TAURUS-DVD-R replication line with
EMOULD molding machine



SINGULUS booth at
MEDIA-TECH expo in Frankfurt

Klaus Hammen, member of the Executive Board since 2002 and responsible for Marketing, Sales and Development, was appointed CEO of the SINGULUS TECHNOLOGIES AG by the Supervisory Board during the same meeting. Together with Stefan A. Baustert, Chief Financial Officer since January 2003, the Executive Board of the SINGULUS TECHNOLOGIES AG will only be comprised of two members henceforth.

Acquisition of the STEAG HamaTech AG

On June 21, 2006, the Annual General Meeting of the STEAG HamaTech AG approved the controlling agreement between the company and the SINGULUS TECHNOLOGIES Beteiligungs GmbH as the controlling company, which was concluded on April 21, 2006. This controlling agreement was entered in the Commercial Registry on Friday, June 23, 2006 and has thus become effective.

Within the scope of the controlling agreement the SINGULUS TECHNOLOGIES Beteiligungs GmbH offers the outstanding shareholders of the STEAG HamaTech AG to acquire their shares for a cash compensation of € 2.55 per share. This offer is valid until September 7, 2006.

Key Figures of the SINGULUS TECHNOLOGIES Group

The quarterly statement as well as the half-year statement were drawn up pursuant to the International Financial Reporting Standards (IFRS).

Sales

Sales of € 67.6 million in the 2nd quarter 2006 were significantly higher than in the previous year (Q2 2005: € 48.7 million). Sales for the 1st half of the year increased by 18 % to € 116.5 million (previous year: € 99.1 million). On the one hand, the rise in sales results from the first-time consolidation of HamaTech, on the other hand, an increase in the activities with Pre-recorded CD equipment was reported.

The percentage regional breakdown of sales for the 2nd quarter 2006 was as follows: Europe 31.5 % (previous year 50.3 %), Asia 32.4 % (previous year 33.8 %), North and South America 35.0 % (previous year 11.9 %), Africa 1.0 % (previous year 4.0 %). The sharp rise in the sales contribution from North and South America stems mainly from a major order from the US. For the 1st half of 2006 the percentage regional sales breakdown was as follows: Europe 36.4 % (previous year 46.6 %), Asia 33.6 % (previous year 34.7 %), North and South America 29.0 % (previous year 15.7 %), Africa 1.1 % (previous year 3.0 %).

The production and the sale of equipment for the production of optical disc contributed 75 % to SINGULUS' sales (previous year 85 %) in the 2nd quarter and 68 % in the 1st half of 2006 (previous year 84 %). The share of sales with other equipment, replacement parts, upgrades and services amounted to 25 % in the 2nd quarter (previous year 15 %) as well as to 32 % in the 1st half of 2006 (previous year 16 %).

Order backlog and order intake

The order intake increased from € 78.7 million in the same period one year ago to € 86.8 million in the 2nd quarter 2006. As of June 30, 2006, the order backlog stood at € 138.7 million (previous year: € 70.7 million), which is significantly higher than at the same time one year ago.

Earnings

The earnings before interest and taxes (EBIT) were slightly negative at minus € 1.8 million (previous year: € 0.2 million) in the 2nd quarter. The deterioration in earnings compared with the same period last year results from a negative earnings contribution from HamaTech. For the 1st half of 2006 SINGULUS achieved a positive EBIT in the amount of € 5.2 million (previous year: € 1.2 million). This includes one-off effects in connection with the first-time consolidation of HamaTech in the 1st quarter of 2006. They stem from an extraordinary gain in the amount of € 34.1 million from the earnings-relevant reversal of a resulting goodwill in the course of the first-time consolidation as well as restructuring charges in the amount of € 20.1 million.

The earnings after taxes came in at minus € 2.4 million in the 2nd quarter 2006, which was below previous year's level (€ 0.5 million). For the 1st half of 2006 compared with the previous year the earnings after taxes rose by € 6.0 million to € 7.3 million. The gross margin was significantly improved from 21.8 % in the 1st quarter 2006 to 27.0 % in the 2nd quarter 2006 and came to 24.8 % for the 1st half of 2006 (previous year: 27.1 %).

Cash flow

- The operating cash flow of € 7.3 million in the 1st half of 2006 was substantially higher than in the previous year (- € 2.4 million). This increase results mainly from the high net profit before depreciation.

Capital expenditure

The capital expenditure amounted to € 1.3 million in the 2nd quarter of 2006 (previous year: € 1.5 million). Replacement investments predominantly made up the expenditure.

Employees

Compared with June 30, 2005, the headcount (excluding HamaTech) declined from 638 to 560 employees. HamaTech also adjusted its headcount continuously to the economic situation. The SINGULUS Group (including HamaTech) employed 1,154 people as of June 30, 2006. The average headcount in the Group (including HamaTech) amounted to 1,232 employees (previous year: 688) in the 1st half of 2006.

Development of costs and prices

The increase in sales is mainly attributable to a volume-based rise in sold machines. The selling prices developed as planned. Expenses for materials and personnel declined slightly during the course of the business year 2006 according to plan.

Research and development (R&D)

At € 12.5 million in the first half of 2006, overall the expenses for R & D were slightly above previous year's level (€ 8.2 million), however, they also included € 3.6 million from HamaTech.

In the Optical Disc segment SINGULUS focused intensively on the development system for the prerecorded Blu-ray Disc and the upcoming once-recordable and



OPTICUS inline coating system for eyeglass lenses

rewritable Blu-ray disc (Blu-ray R / RE) for the recording of HDTV programs. In addition, machines for the mastering of the 3rd generation of optical storage media are being further developed. They are scheduled for presentation at the end of 2006.

With the introduction of these systems SINGULUS will once again benefit as a leader from the forecast growth of the new disc formats in 2007 and 2008.

New business areas

SINGULUS was able to report two additional sales of TIMARIS deposition machines for the production of MRAM wafer in the 2nd quarter 2006. One of the buyers is the company GRANDIS, Silicon Valley / US, with which an agreement regarding a cooperation for the development of state-of-the-art TMR deposition systems for MRAM (magnetic random access memory) was signed at the same time. This agreement with GRANDIS is an additional important milestone for the business area TMR technology at SINGULUS. Moreover, in July 2006 SINGULUS received a follow-up order from the customer, who ordered the first TIMARIS machine in December 2005.

Outlook

As of the end of June 2006 no substantial improvement in the field of the optical disc sector could be seen on a global basis compared with the previous year. In particular the Asian market remains characterized by a restraint in capital expenditure. However, the project activities picked up in the last two months. This holds also true for the activities with machines for once-recordable disc (Recordable). Insofar, we expect a slight pick-up of the market for the remainder of the business year 2006 as well as for 2007.

An important milestone of the optical disc industry in the next couple of months will be the introduction of the new formats HD DVD and Blu-ray. Here the market launch of the Playstation 3 by Sony with a Blu-ray drive is awaited with great attention. The same holds true for the upgraded Microsoft X-Box with an HD DVD drive.

Taking into account the current market conditions, from today's point of view we expect consolidated sales in the range of € 280 to 300 million with a positive EBIT. Since the business segments ETA-Optik, the photo masking activities (APE) and the production location in Nove Mesto, Slovakia, are up for sale, the expected level of sales could decline due to the divestments.

We see growth stimulus from the traditional CD and DVD activities in 2007 once again, but also from the new formats HD DVD and Blu-ray. In addition, the MRAM division with five machines to be delivered will contribute considerably to sales for the first time in 2007. Also the latest order intakes in optical coatings prove that the chosen diversification strategy is correct to base the company on a broader foundation. We will continue to go this way consistently without neglecting our core activities.

Yours sincerely,

SINGULUS TECHNOLOGIES AG
The Executive Board



New TIMARIS PVD cluster tool for MRAM wafer under construction

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2006 AND DECEMBER 31, 2005 (IFRS UNAUDITED)

	June 30, 2006	Dec. 31, 2005
	K€	K€
Cash and cash equivalents	60,205	67,719
Trade receivables	73,388	80,964
Other receivables and assets	11,402	11,155
Total receivables	84,790	92,119
Raw materials, consumables and supplies	42,295	23,134
Work in process	105,518	55,800
Total inventories	147,813	78,934
Total current assets	292,808	238,772
Available-for-sale financial assets	589	5,236
Non-current trade receivables	11,610	12,448
Property, plant and equipment	27,978	12,887
Capitalized development costs	36,364	42,083
Goodwill	31,249	31,249
Other intangible assets	17,841	9,241
Deferred tax assets	11,564	8,004
Total non-current assets	137,195	121,148
Total assets	430,003	359,920
Trade payables	31,996	18,780
Current bank liabilities	17,099	13,866
Other current liabilities	25,739	19,215
Advance payments received	32,403	9,666
Tax provisions	2,004	1,840
Other provisions	6,080	5,172
Total current liabilities	115,321	68,539
Non-current bank liabilities	16,762	9,548
Other non-current liabilities	4,503	3,046
Pension provisions	5,816	5,242
Deferred tax liabilities	17,625	18,063
Total non-current liabilities	44,706	35,899
Total liabilities	160,027	104,438
Share capital	34,942	34,942
Capital reserve	29,908	29,398
Other reserves	-3,568	-2,214
Accumulated profit	200,650	193,356
Equity attributable to the shareholders of the SINGULUS TECHNOLOGIES AG	261,932	255,482
Minority interests	8,044	0
Total equity	269,976	255,482
Total liabilities and equity	430,003	359,920

CONSOLIDATED INCOME STATEMENTS AS OF JUNE 30, 2006 (IFRS UNAUDITED)

	2. Quarter		6 Months	
	2006	2005	2006	2005
	TEUR	TEUR	TEUR	TEUR
Revenues (gross)	67,631	48,726	116,475	99,076
Sales Deductions & Direct Distribution Costs	-2,551	-2,354	-4,503	-4,607
Net Revenues	65,080	46,372	111,972	94,470
Cost of Sales	-47,501	-33,846	-84,171	-68,837
Gross Sales	17,579	12,526	27,801	25,632
Research and Development	-6,420	-2,142	-11,008	-4,516
Sales and Customer Service	-5,530	-5,167	-12,380	-10,085
General Management and Administration	-6,204	-3,045	-10,922	-6,048
Other Operating Income / Expenses	-1,231	-1,929	-2,249	-3,829
Restructuring costs			-20,092	
Badwill through acquisition of STEAG HamaTech AG			34,081	
Total Operating Expenses	-19,385	-12,283	-22,570	-24,479
Operating Result (EBIT)	-1,806	243	5,231	1,154
Interest Income / Expenses	449	434	635	778
Profit Before Tax	-1,357	677	5,866	1,932
Tax Income / Expenses	-997	-238	1,428	-665
Net Income	-2,354	439	7,294	1,267
Net Income per share (basic), EUR	-0.07	0.01	0.21	0.04
Net Income per share (diluted), EUR	-0.07	0.01	0.21	0.04
Weighted average shares outstanding (basic)	34,941,929	35,171,987	34,941,929	35,188,654
Weighted average shares outstanding (diluted)	34,941,929	35,171,987	34,941,929	35,188,654

CONSOLIDATED CASH FLOW STATEMENTS AS OF JUNE 30, 2006 (IFRS UNAUDITED)

	First 6 Months	
	2006 K€	2005 K€
Net Income	7,294	1,267
Depreciation on amortization	17,357	7,173
Change in pension accruals	574	221
Change in deferred taxes	-3,998	1,690
Change in net working capital*	-13,930	-12,795
Net cash flow from operating activities	7,297	-2,444
Change in property, plant & equipment	-18,623	-2,917
Change in other intangible assets	4,647	0
Change in goodwill	-16,706	-7,972
Change in other long-term liabilities	1,457	-1,135
Long-term bank loans	7,214	-1,875
Change in minority interests	8,044	0
Capital increase, capital reduction	510	-5,167
Currency translation	-1,354	2,628
Net change in cash & liquid funds	-7,514	-18,882
Cash & cash equivalents at beginning of period	67,719	77,148
Cash & cash equivalents at end of period	60,205	58,266

* including long-term accounts receivable

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS OF JUNE 30, 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
First-time consolidation STEAG HamaTech AG					8,044	8,044
Capital increase		375				375
Repayment of share capital						0
Share-based compensation		135				135
Exchange rate related differences			-1,354			-1,354
Net income				7,294		7,294
Balance on June 30, 2006	34,942	29,908	-3,568	200,650	8,044	269,976
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	-460	-4,707				-5,167
Share-based compensation						0
Exchange rate related differences			2,628			2,628
Net income				1,267		1,267
Balance on June 30, 2005	34,932	24,243	-2,890	192,019	0	248,304

Company Calendar 2006

November 6, 2006	3 rd Quarter Results
March 30, 2007	Annual Press Conference
March 30, 2007	Annual Analysts' Conference

Shareholdings as of June 30, 2006: shares with a nominal value of € 1:

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

Granted stock options (€ 1 nominal value) through convertible as of June 30, 2006:

Stefan Baustert	120,000 shares
Staff	419,682 shares

Consolidated key figures 2nd quarters 2004-2006 pursuant to IFRS

		2004 IFRS	2005 IFRS	2006 IFRS
Sales	million €	91.0	48.7	67.6
Order intake	million €	157.7	78.7	86.8
EBIT	million €	11.3	0.2	-1.8
Earnings before taxes	million €	11.6	0.6	-1.4
Net profit	million €	7.3	0.5	-2.4
Research & Development	million €	5.2	3.8	7.5

Consolidated key figures 1st half 2004-2006 pursuant to IFRS

		2004 IFRS	2005 IFRS	2006 IFRS
Sales	million €	160.4	99.1	116.5
Order intake	million €	297.6	113.0	194.3
Order backlog (June 30)	million €	215.9	70.7	138.7
EBIT	million €	17.9	1.2	5.2
Earnings before taxes	million €	18.7	1.9	5.9
Net profit	million €	11.6	1.3	7.3
Operating cash flow	million €	-5.9	-2.4	7.3
Shareholders' equity	million €	239.3	248.3	270.0
Balance sheet total	million €	379.2	359.8	430.0
Research & Development	million €	9.5	8.2	12.5
Employees (June 30)		709	638	1,154
Weighted average shares outstanding, basic		37,073,907	35,188,654	34,941,929
Earnings per share, basic	€	0.31	0.04	0.21

Future-oriented statements and forecasts

This report contains future-oriented statements based on the current expectations, assessments and forecasts of the Executive Board as well as on the currently available information to them. Known as well as unknown risks, uncertainties and impacts could cause the actual results, the financial situation or the development to differ from the statements made in this report. We assume no obligation to update the future-oriented statements made in this report.